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REVENUE ACT OF 1950

(excerpts only)

FEDERAL OLD-AGE AND SURVIVORS INSURANCE SYSTEM AND SOCIAL SECURITY ACT—BILL PASSED OVER

The bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child-welfare provisions of the Social Security Act, and for other purposes, was announced as next in order.

Mr. HENDRICKSON. Mr. President, the subject matter of this bill is not calendar material at all. I think the bill should be passed over. Therefore, I object to its present consideration.

The PRESIDING OFFICER. Objection being heard, the bill is passed over.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

Mr. GEORGE. Mr. President, I move that the Senate proceed to the consideration of House bill 6000, to amend the Social Security Act.

The PRESIDING OFFICER. The clerk will state the bill by title.

The LEGISLATIVE CLERK. A bill (H. R. 6000) to extend and improve the Federal old-age and survivors' insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Georgia.

The motion was agreed to, and the Senate proceeded to consider the bill, which had been reported from the Committee on Finance with an amendment, to strike all out after the enacting clause and to insert an amendment in the nature of a substitute.

Mr. WHERRY. Mr. President, I inquire of the distinguished Senator from Georgia whether he intends to start speaking and to explain the bill this evening.

Mr. GEORGE. Mr. President, in view of the hour, and the fact that I have engaged in debate into which I unexpectedly fell, I would rather wait until tomorrow. I know also that several other Senators wish to attend the funeral of Mrs. Vandenberg.

Mr. WHERRY. Mr. President, I wonder if I may have unanimous consent to address an inquiry to the majority leader.

Mr. GEORGE. I have no objection to laying the bill aside temporarily in order that the Senate may proceed to something else. I know that if possible members of the Committee on Finance would like to be excused from the Senate until tomorrow morning.

Mr. WHERRY. In view of the statement made by the distinguished Senator from Georgia, and also because there are several Senators who would like very much to attend the funeral services of Mrs. Vandenberg, I ask the majority leader whether it would not be possible to recess until tomorrow at noon.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

Mr. GEORGE. Mr. President, I ask unanimous consent that Mr. Robert J. Myers, chief actuary of the Federal Security Agency, be allowed to occupy a seat in the Senate Chamber during the discussion of the pending bill.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

Mr. GEORGE. Mr. Fedele F. Fauri, seated beside me, is a regular member of the professional staff, assigned to social-security matters.

Mr. President, I ask unanimous consent that the committee amendment be first considered and perfected.

Mr. TAFT. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. TAFT. I take it that the effect of such unanimous consent would be to place the committee amendment in the position of the original bill, so that it would be open to amendment in the first degree; is that correct?

Mr. GEORGE. Yes; that is true.

The PRESIDENT pro tempore. The statement of the Senator from Ohio is correct under the rule. Without objection, the request of the Senator from Georgia is granted.

The question is on agreeing to the committee amendment.

Mr. GEORGE. Mr. President, H. R. 6000, as amended by the Committee on Finance, is designed to make the contributory social-insurance system the major method of providing protection against the economic hazards resulting from old-age and premature death. Fifteen years have elapsed since the enactment of the Social Security Act, and public assistance still is the primary program, instead of being reduced to the secondary position that was anticipated with the passage of the act. Today four and one-half million individuals—2,800,000 of whom are over 65 years of age—are dependent upon the State-Federal public-assistance programs for their support. Only 2,900,000 individuals—of whom 2,100,000 are aged—receive benefits under old-age and survivors insurance. Expenditures by the Federal, State, and local governments for the three public-assistance programs totaled $2,000,000,000 in 1949, as contrasted with $700,000,000 for the insurance program.

In recommending the adoption of H. R. 6000, as revised, the objective of your committee is to reverse the trend, started in 1936, which has resulted in constantly increasing expenditures from general revenues to provide some security for the aged and dependent children of the Nation through public assistance. We have concluded, after careful review of the existing programs that the assistance method based on a need test, which in some instances at least means the taking of a pauper's oath, has serious disadvantages as a long-range approach to the problem of providing security for the aged and for orphan children. Accordingly, your committee recommends action so as to immediately strengthen and expand old-age and survivors insurance by extending coverage, increasing benefit amounts, liberalizing eligibility requirements, and otherwise improving the system.

In urging the adoption of this bill, your committee is mindful of the fact that it does not do the whole job. Public assistance can be reduced to a minimum only if those already old, and who have not been afforded the opportunity to participate in the contributory system, have their needs met through a method other than assistance. There has not been sufficient time to arrive at definite conclusions on how the present aged who are not a part of the labor force should be protected from want. Your committee has recommended therefore, that further study be given to this and other problems not resolved by the bill so that within the next year or two a sound social security system, which affords equitable protection for all citizens of the United States, can be put into full operation. In the meantime the adoption of H. R. 6000, as revised with its higher insurance benefit level and liberalized eligibility requirements will lessen the immediate demand for public-assistance payments in the States. Thus the States will be enabled to provide more adequate assistance to needy individuals who do not qualify for insurance benefits.

I believe that enactment of this bill with its major emphasis on the expansion and improvement of the insurance system will provide for reasonable security for those covered by it without sacrificing the principles of liberty so important to all Americans. Under social insurance the rights accruing to those who become entitled to benefits are clearly defined. Payments are related to the contributions of the worker to some extent at least. Each individual insured under the system can ascertain the amount he is to receive upon meeting the prescribed statutory requirements. The law specifies unequivocally what he is eligible to receive. He is not dependent upon the findings of an investigator who may be well-meaning but whose job it is to inquire into the personal life of the applicant, and to determine what assets he may have or might have had in the past as is the usual pattern in public assistance. Moreover, under the insurance system the amount of an individual's payment is not dependent upon the fiscal ability of the locality or the State in which he happens to live, as is too often the case under public assistance. The average old-age assistance payment now ranges from $19 in the lowest State to $71 in the highest. Wide disparity also exists among the States in the proportion of the aged population found eligible for old-age assistance. One State provides aid to more than 80 percent of its aged residents while others limit their payments to less than 10 percent. These contrasts cannot be justified on the basis of varying economic conditions.

This inequitable treatment of our aged citizens is becoming more and more pronounced each year. The adoption of House bill 6000, as revised, will reverse this trend and provide reasonable social security through contributory social insurance to additional millions without subjecting them to the humiliation of a need test or having the amount of their payments depend upon the State or community in which they may reside.

I shall try to summarize very briefly some of the principal features of the bill. First, however, I want to state that this bill is the result of many months of study. Last year the Ways and Means Committee of the House of Representatives spent almost 6 months in developing the bill that passed that body in October. This year the Committee on Finance has been engaged almost exclusively with this legislation over a 4-month period. In addition to the 2,400 pages of testimony that were received from witnesses, the committee had available the findings of its outstanding advisory council appointed in 1947, of which the late Edward J. Stettinius was chairman, and Dr. Sumner Slichter, the associate chairman.

I. OLD-AGE AND SURVIVORS INSURANCE EXTENSION OF COVERAGE

The system now affords coverage to about 35,000,000 persons in an average week. The bill would add approximately 10,000,000 more, making a total of 45,000,000 jobs covered. The particular groups added are:

First. Self-employed: About 5,000,000 self-employed persons other than farmers, members of certain professions, and those with only normal earnings from self-employment, less than $400 per year, are covered. Thus, the small-business man would for the first time be provided with social-security protection for himself and his dependents. The committee continued the exclusion of farmers and certain professional groups because there has been little indication that they desire coverage at this time. It is probable that in the future, as the program becomes more effective, these professional groups and farmers may desire to be brought under the system. The inclusion of a large number of people who do not request coverage may create administrative difficulties. The committee is of the opinion that extension of coverage beyond that contained in the bill, especially as to farmers, should await the findings of the proposed study.

Second. Agricultural workers: Workers on farms who are employed by one employer at least 60 days and earn $50 or more in a calendar quarter are covered, and in addition, borderline agricultural workers, such as those engaged in processing and packing of agricultural and horticultural commodities off the farm, are brought under the system. These groups total about 1,000,000 persons. The committee gave careful study to the extension of coverage to workers on farms. It proposes this limited extension of coverage at this time in order to assure simplicity of administration for the farmer. There is no question but that workers on farms, including migratory workers and sharecroppers, need social-security protection. The public-assistance loads in the agricultural States reflect this need. To go beyond the coverage that is proposed in the bill, however, without further study of the administrative problems that would arise, would be impracticable. I regret that I am compelled to advocate delaying the extension of coverage to agricultural workers not covered by the bill until a thorough study of the feasibility of such coverage has been made.

Third. Household workers: Approximately 1,000,000 domestic servants in private homes, other than in homes on farms operated for profit, who work for one employer at least 24 days and earn $50 or more in a calendar quarter are covered. Domestic servants in farm homes are covered as agricultural labor, and so must work for one employer 60 days in a calendar quarter in order to be covered. Again, as with farm workers, coverage would be extended to domestics in private homes only as to those who can be brought under the system without creating complex administrative problems. The household workers who are not regularly employed by one employer need social-security protection, but the committee believes that administrative experience gained through coverage of the limited group should first be obtained in order to assure successful operation of the system in this new area.

Fourth. Governmental employees: Certain employees of the Federal, State, and local governments who are not under

a retirement system are afforded coverage under the bill. Federal civilian employees, numbering about 200,000, are covered on a compulsory basis. State and local employees, numbering about one and one-half million, are eligible to be covered through State-Federal agreements. Coverage of State and local employees who are under a retirement system has been excluded because of the overwhelming weight of testimony heard by your committee favoring such exclusion.

Fifth. Nonprofit and religious institutions: About 600,000 employees of nonprofit and religious institutions are afforded coverage. Those employed by nonprofit organizations not owned or operated by a religious denomination are covered on a compulsory basis in the same manner as are workers in industry. As to employees of religious denominations and of organizations owned and operated by a religious denomination, the committee believes they should be excluded from compulsory coverage so as to avoid raising administrative problems. Therefore, such employees would be brought under coverage only if their employer exercised the option granted by the bill for voluntary coverage. In all cases, however, ministers and members of religious orders would continue to be excluded from coverage.

Sixth. Miscellaneous groups: About three-quarters million additional persons are brought under coverage by the bill. These are principally (a) American citizens employed outside the United States by American employers, (b) employees in Puerto Rico and the Virgin Islands who are covered in the same manner as if they were employed in the continental United States, and (c) full-time life-insurance salesmen and certain agents or commission drivers who are covered as employees under the broadened definition of "employee." With reference to this definition, concerning which there has been much comment and the hurling of charges and counter-charges, the committee limited the expansion of coverage through modification of the usual common-law rules to the categories mentioned as they can be described clearly and can be easily understood by everyone concerned. The adoption of the so-called economic reality test, based on seven indefinite factors, as contained in the House-passed bill, would, in the opinion of the committee, create useless confusion and vest far too broad discretionary powers in the administrative agencies and threaten the independence of many of the small-business enterprises of America.

Moreover, the persons covered as employees under the definition in the House-passed bill and who are not covered as employees under the bill as revised, are covered, in general, as self-employed under the action taken by the committee. Thus, there would be no limitation on the extent of coverage, but only the manner of coverage would be affected.

LIBERALIZATION OF BENEFITS

Although broad extension of coverage is necessary to the development of a sound social-security system, of equal importance is provision for adequate benefits to eligible individuals. A rise in the insurance system's benefit level has long been overdue. The average insurance benefit payment for a retired worker is $26 a month as contrasted with a $45 average for old-age assistance. The Congress has adjusted upward the Federal financial participation in the latter program in 1946, and again in 1948. The insurance system on the other hand is operating under a benefit formula which has been unchanged since 1939 despite the sharp increase in prices and wage levels that have occurred since that time. H. R. 6000, as revised, brings the benefit payments in line with present-day conditions.

The 2,900,000 beneficiaries currently receiving old-age and survivors insurance benefits would have their monthly payments increased about 85 to 90 percent on the average. The average payment for retired workers would rise from $26 to more than $48.

Those claiming benefits in the future would have their payments computed under a new formula, or in the same manner as for present beneficiaries, depending upon which method produces the more favorable result. The monthly primary payment under the new benefit formula is 50 percent of the first $100 of the average monthly wage plus 15 percent of the next $150. The average payment for workers becoming entitled to benefits after the enactment of the bill would be somewhat in excess of $50 per month. The minimum payment of $10 under present law would be increased to $25, except for those workers with a monthly average wage of less than $34 per month, for whom a $20 minimum would be applicable.

Mr. President, I should like permission to have inserted in the RECORD, tables 2, 3, 4, and 5, which appear on pages 21, 25, 26, and 27 of the committee report accompanying the bill.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE 2.—*Summary of conversion table for computing monthly benefits for those now on the roll (or retiring in the future)*[1]

[All figures rounded to nearest dollar]

Primary benefit computed under present law	New primary insurance amount		Maximum family benefits payable[2]
	House-approved bill	Committee-approved bill	
$10	$25	$20	$40
$15	31	31	50
$20	36	37	59
$25	44	48	78
$30	51	56	113
$35	55	62	145
$40	60	68	150
$45	64	72	150

Examples:

(*a*) Retired worker now receiving $30 per month will receive $56 after effective date under committee-approved bill as against $51 under House-approved bill. Amount he receives plus supplementary benefits for his eligible dependents or amount for his survivors cannot exceed $113 per month.

(*b*) Widow age 65 or over now receiving $30 per month (based on three-fourths of deceased husband's primary benefit of $40) will receive $51 after effective date under committee-approved bill (¾ of $68) as against $45 under the House-approved bill.

[1] For those retiring in the future, this table is used either if they do not have sufficient quarters of coverage to qualify for the "new start" average wage or if the table produces a more favorable result.

[2] Same for both House-approved bill and committee-approved bill.

TABLE 3.—*Illustrative monthly old-age insurance benefits for retired workers*

[All figures rounded to nearest dollar]

COVERED IN ALL POSSIBLE YEARS

Monthly wage while working	5 possible years of coverage			40 possible years of coverage		
	Present law	House-approved bill	Committee-approved bill	Present law	House-approved bill	Committee-approved bill
$50	$21	$26	$25	$28	$30	$25
$100	26	51	50	35	60	50
$150	32	56	58	42	66	58
$200	37	62	65	49	72	65
$250	42	67	72	56	78	72
$300	(1)	72	(1)	(1)	84	(1)

COVERED IN HALF OF POSSIBLE YEARS

$50	$10	[2] $25	$20	$12	$25	$20
$100	21	26	25	24	30	25
$150	23	28	38	27	33	38
$200	26	31	50	30	36	50
$250	28	34	54	33	39	54
$300	(1)	36	(1)	(1)	42	(1)

[1] Present law and committee-approved bill include wages only up to $250 per month as creditable and taxable.

[2] Under conditions assumed, individual might not be able to qualify at all, depending on actual incidence of his covered employment.

NOTE.—These figures are based on the assumption that the insured worker was in covered employment after 1950 as indicated.

TABLE 4.—*Illustrative monthly benefits for retired workers covered for 5 years*

[All figures rounded to nearest dollar]

Average monthly wage	Present law		House-approved bill		Committee-approved bill	
	Single	Married[1]	Single	Married[1]	Single	Married[1]
$50	$21	$32	$26	$38	$25	$38
$100	26	39	51	77	50	75
$150	32	47	56	85	58	86
$200	37	55	62	92	65	98
$250	42	63	67	100	72	109
$300	(2)	(2)	72	108	(2)	(2)

[1] With wife age 65 or over.

[2] Present law and committee-approved bill include wages only up to $250 per month as creditable and taxable.

NOTE.—These figures are based on the assumption that the insured worker is in covered employment steadily each year after 1950.

TABLE 5.—*Illustrative monthly benefits for survivors of insured workers covered for 5 years*

[All figures rounded to nearest dollar]

Average monthly wage	Present law	House-approved bill	Committee-approved bill	Present law	House-approved bill	Committee-approved bill	Present law	House-approved bill	Committee-approved bill
	Widow and 1 child			Widow and 2 children			Widow and 3 children		
$50	$26	$38	$38	$37	$40	$40	$40	$40	$40
$100	33	77	75	46	80	80	52	80	80
$150	39	85	86	55	113	115	63	120	120
$200	46	92	98	64	123	130	74	150	150
$250	52	100	109	74	133	145	84	150	150
$300	(1)	108	(1)	(1)	144	(1)	(1)	150	(1)
	1 child alone			2 children alone			Aged widow[2]		
$50	$10	$19	$19	$21	$32	$31	$16	$19	$19
$100	13	38	38	26	64	62	20	38	38
$150	16	42	43	32	70	72	24	42	43
$200	18	46	49	37	77	81	28	46	49
$250	21	50	54	42	83	91	32	50	54
$300	(1)	54	(1)	(1)	90	(1)	(1)	54	(1)

[1] Present law and committee-approved bill include wages only up to $250 per month as creditable and taxable.

[2] Age 65 or over.

NOTE.—These figures are based on the assumption that the insured worker is in covered employment steadily each year after 1950.

Mr. GEORGE Mr. President, these tables show the increase in benefits and the amounts payable at various wage levels to retired workers and their dependents under the bill as reported by the committee, and also in the form the bill was passed by the House of Representatives. These tables indicate not only that benefit payments would be much more adequate than under present law, but also that on the whole the bill as revised by the Committee on Finance affords beneficiaries more favorable treatment than they would receive under the bill as passed by the House.

Other benefit liberalizations are also contained in the bill. Benefits are provided for dependent husbands of women workers, and more liberal treatment is accorded children of women workers who have been in covered employment. Thus, women who are a part of the labor force will receive more ample protection for their dependents than is now the case. Moreover, the percentage of the primary benefit available to surviving children of all insured workers has been increased. Instead of one-half of the primary benefit being payable to each surviving child as under present law, child benefit payments are made on the basis of three-fourths of the primary amount for the first child and one-half for each additional child in the family.

Another liberalization over present law is the provision in the bill relating to the limitation on earnings in covered employment by beneficiaries which is now $14.99 per month. This limitation is increased to $50 per month for those between 65 and 75 years of age, which will enable beneficiaries to supplement their benefits by part-time employment to a greater extent than has been possible in the past. For insured persons over 75 years of age there is no limitation on the amount of earnings. This latter provision has particular significance for self-employed persons and others engaged in occupations in which retirement is customarily deferred to an advanced age. It is hoped that through these changes experience may be gained that will assist in developing plans, for enactment at a later date, which would encourage employers to utilize the services of aged workers to the fullest extent practicable, so that those willing and able to work may continue to be productive members of society.

ELIGIBILITY FOR BENEFITS

The bill, as revised, greatly liberalizes the present eligibility requirements so that an older worker can qualify for benefits with the same number of quarters of coverage that were required of an older worker when the system began operation. Under present law a worker who attains the age of 65 years in July of this year must have 27 quarters of coverage to be eligible for benefits. A worker who was 65 years of age in 1940, when the first payments were made, was eligible if he had only 6 quarters of coverage. Eligibility requirements for older workers as difficult to meet as those of the present law cause an unwarranted postponement of the effectiveness of the insurance system in furnishing protection for the aged. Therefore, the bill would provide a new start in eligibility requirements under which a worker could qualify for benefits if he had coverage in only one-half the number of quarters elapsing after 1950, and before attainment of age 65 but in no case less than 6 quarters. Quarters of coverage would include those earned in 1950 and prior years as well as those earned subsequently. Thus, any person aged 62 or over on the effective date of the bill would be fully insured for benefits at age 65 if he had 6 quarters of coverage; those aged 61 would need 8 quarters; those aged 60, 10 quarters, and so forth. The maximum requirement for fully insured status would never exceed 40 quarters of coverage which is the case in present law.

I believe this new start provision is one of the most important in the bill. It is estimated that 700,000 additional beneficiaries will be added to the rolls in 1951 through its enactment. Many of these are now out of the labor force but are unable to qualify under the stringent requirements of present law, yet they and their employers have made contributions to the system in past years.

I am certain that all members have had inquiries from aged citizens calling attention to the apparent injustice of the present system under which social security taxes have been paid by the worker and his employer for 4, 5, or 6 years or more, but because the worker is a few quarters short of the required number he is ineligible for any benefits or a refund of taxes paid. If such person is unable to work and is in need he must turn to public assistance. The new start provision is designed to correct such inequitable results and to immediately shift part of the public-assistance burden to the insurance system.

VETERANS

As a result of being removed from the civilian labor force, World War II servicemen were deprived of the opportunity for coverage under old-age and survivors insurance. The committee believes that these servicemen who answered the call of their country in time of war should have the same status under old-age and survivors insurance as they might have had if military service had not interfered with their employment. Accordingly, the bill would give servicemen wage credits of $160 for each month of military or naval service performed during the World War II period.

FINANCING

It is essential to sound social insurance that there be adequate financing, and that those who accrue benefit rights shall also assume contribution obligations. The committee is of the opinion that the system should be financed solely from contributions made by employers, employees, and the self-employed. Accordingly, the bill would repeal the provision in present law authorizing appropriations to the trust fund from general revenues.

The tax schedule in the bill would retain the present rates of 1½ percent on employers and 1½ percent on employees through 1955. The rate for the self-employed is 1½ times the employee rate, or 2¼ percent for this period. It is estimated that these rates will produce sufficient revenue to meet all benefit obligations for the next 5 years. Beginning in 1956 successive increases in the rates are provided with 2 percent being scheduled for 1956 through 1959, 2½ percent for the period 1960 through 1964, 3 percent for the period 1965 through 1969, and 3¼ percent thereafter.

There are many different tax schedules that could be adopted. The schedule in the bill is not being offered as one that will under all circumstances prove to be satisfactory as the system matures. I do believe, however, that it is as sound a schedule as can be formulated at this time on the basis of past experience.

II. PUBLIC ASSISTANCE

As I have already indicated, the bill, as revised, is designed to have the contributory insurance system become the primary program for affording protection against the economic hazards of old age and premature death so as to reduce the need for public-assistance expenditures. Accordingly, few changes in the public-assistance program are contained in the bill. However, as a number of these are of major importance, I shall discuss them briefly.

AID TO DEPENDENT CHILDREN

Under present law the Federal Government does not share in that part of any monthly aid to dependent children payment which exceeds $27 for the first child and $18 for each additional child in a family. The bill would raise these matching maximums to $30 and $20, respectively, with the result that the maximum Federal funds available to the States would be increased from $16.50 to $18 per month for the first child and from $12 to $13 for each additional child. Thus the States would be enabled to provide somewhat higher payments for their dependent children.

AID TO THE BLIND

The States are now required to take into consideration all income and resources of claimants of aid to the blind. Under the bill, as revised, the States with federally approved aid-to-the-blind plans would be required to disregard earned income up to $50 per month of claimants of aid to the blind. Because of the necessity of allowing the States to modify their aid-to-the-blind laws, this requirement is not effective until July 1952, but in the meantime the States would be permitted to disregard earnings up to $50 per month on a discretionary basis. It is the opinion of the committee that such exemption of earnings will encourage blind individuals to become self-supporting and to be productive members of society.

OLD-AGE ASSISTANCE

The bill, as revised, would make a beginning in reducing the Federal participation in supplementary old-age assistance payments made to beneficiaries of old-age benefit payments under the insurance program. Old-age assistance payments made to retired workers who become entitled to insurance benefits for

the first time after enactment of the bill, would be shared in by the Federal Government on a 50–50 basis instead of under the regular grant-in-aid formula applicable to other cases. Thus, the Federal share of old-age assistance payments for these supplementary assistance payments would be limited to a monthly maximum of $25 instead of $30 as in present law.

MEDICAL CARE

Under the bill, as revised, the States would be authorized to make direct payments to doctors or others furnishing medical or remedial care to recipients of State-Federal public assistance. Under present law the Federal Government does not participate in the cost of medical care for recipients unless payment is made directly to the recipient. Under another change in the bill, the Federal Government would share in the costs incurred by the States and localities in furnishing assistance to the needy aged and needy blind residing in public medical institutions—other than those for mental diseases and tuberculosis—instead of limiting Federal participation to costs incurred for recipients residing in private institutions as provided in present law. It is the belief of the committee that this latter provision will assist communities to develop additional facilities for chronically ill persons and thereby assist in meeting the increasing need for such facilities.

III. CHILD HEALTH AND WELFARE SERVICES

Under present law Federal grants-in-aid to the States are authorized for three service programs designed to promote the health and welfare of children in rural areas and areas of special need. The committee believes that the authorization for appropriation for these programs—maternal- and child-health services, crippled-children services, and child-welfare services—should be increased so as to assist the States to meet the health and welfare needs of a greater number of children. Accordingly, the bill would increase the annual authorization from $11,000,000 to $20,000,000 for maternal- and child-health services, from $7,500,000 to $15,000,000 for services for crippled children, and from $3,500,000 to $12,000,000 for child-welfare services.

IV. UNEMPLOYMENT INSURANCE

The provisions in present law allowing advances to the accounts of States in the unemployment trust fund, expired January 1, 1950. There has not been sufficient time for the committee to give consideration to the many changes that have been proposed in the unemployment-insurance program and to report H. R. 6000 for action at this session of Congress. Therefore, in order to assure the solvency of State unemployment insurance accounts, the bill would reenact the provisions in present law and permit advances by the Federal Government to the accounts of States until December 31, 1951.

CONCLUSION

Mr. President, I have described very briefly the major provision of the bill. The committee report contains a detailed explanation of all provisions. Moreover, a Committee print is before the Senate which compares the major differences in present law, H. R. 6000 as passed by the House of Representatives and H. R. 6000 as reported by the Senate committee. Reference is made to the blue sheet on the desk of each Senator I mention these two documents because I believe they will enable any Member to ascertain the contents of the bill and to satisfy himself as to the committee's objectives in revising the bill in the form in which it has been reported to the Senate.

As I indicated earlier, the bill does not provide social-security protection for all citizens of the Nation. Some groups, such as share croppers, migrant agricultural labor, and part-time domestic servants, who are not brought under insurance coverage, need protection. I regret that further extension of coverage must await more detailed study of the problems inherent in bringing additional persons within the system. It is my opinion, however, that the committee has reported a sound bill which can be supported by Members on both sides of the aisle. The adoption of this legislation does not mean the enactment of new principles or of untried innovations. The committee has merely proposed that we improve and strengthen and make available to additional millions the protection afforded by the contributory social-security insurance program inaugurated by the Congress in 1935.

By the adoption of H. R. 6000, we can assist the wage earners and the small-business men of the country to obtain protection against want in their old age. By continuing the social-insurance principles and relating benefits to contributions or earnings, we shall preserve individual thrift and incentive; by granting benefits as a matter of legal right, we shall preserve the individual dignity of our citizens. The committee is not unconcerned with the eventual liability which this revision of the social-security program will place upon the Government and upon employers and employees alike, but we have proceeded with faith in America to meet the problem.

Mr. President, at this time I ask unanimous consent to have certain technical amendments adopted. These amendments, which are all technical, have been approved by the legislative counsel, by the staff of the committee, and have been carefully scrutinized. They do not change in any respect any substantive provision of the law.

The PRESIDING OFFICER (Mr. LEHMAN in the chair). May the Chair inquire whether the Senator from Georgia wishes the amendments to be acted on en bloc or separately?

Mr. LUCAS. Mr. President, because they make substantially technical changes, I make the request that they be acted on en bloc.

Mr. SCHOEPPEL. Mr. President, may I ask the distinguished Senator from Georgia a question?

Mr. GEORGE. I yield.

Mr. SCHOEPPEL. All members of the committee have agreed to them, have they not?

Mr. GEORGE. The committee members authorized the making of these technical changes, and they have been made in accordance with the authorization.

The PRESIDING OFFICER. The question is on agreeing en bloc to the amendments offered by the Senator from Georgia.

The amendments were agreed to, as follows:

On page 240, line 24, strike out "paragraph" and insert in lieu thereof "subparagraph."

On page 242, line 4, strike out "if."

On page 243, line 11, after the word "owned", insert "by the United States."

On page 253, line 5, after the word "waterways", insert a comma.

On page 257, line 17, after "thereof)", insert a comma.

On page 263, line 5, strike out "means" and insert in lieu thereof "mean."

On page 268, line 10, strike out "twenty-one" and insert in lieu thereof "twenty-two."

On page 268, line 13, after the word "or", insert a comma and "if later,".

On page 292, line 18, strike out "Payment" and insert in lieu thereof "Payments."

On page 315, strike out line 4 and insert in lieu thereof "1426 (a) (1), and he shall not be required to obtain a."

On page 316, line 13, after the word "shall", insert "not."

On page 322, line 13, strike out "terms" and insert in lieu thereof "term."

On page 322, line 21, strike out "paragraph" and insert in lieu thereof "subparagraph."

On page 328, line 17, strike out "Services" and insert in lieu thereof "Service."

On page 331, line 3, after "tivating", insert a comma.

On page 332, line 6, after the period, insert quotation marks.

On page 335, line 9, at the beginning of the line, insert quotation marks.

On page 341, line 8, strike out "purpose of this section" and insert in lieu thereof "purposes of this subsection."

On page 355, line 11, strike out the word "the" where it first appears.

On page 356, line 9, after "thereof)", insert a comma.

On page 362, line 11, strike out the quotation marks.

On page 372, line 6, strike out "(b)" and insert in lieu thereof "B)."

On page 374, line 15, after "promptness", insert a semicolon.

On page 381, line 3, after the period, insert quotation marks.

On page 381, line 19, strike out the word "and" where it first appears and insert in lieu thereof "any."

On page 382, line 10, strike out "1953" and insert in lieu thereof "1951."

On page 383, line 16, after the dash, insert quotation marks.

On page 384, strike out lines 9 and 10 and insert in lieu thereof:

"(b) The amendment made by subsection (a) shall take effect October 1, 1950, except that the exclusion of money payments to needy individuals described in clause (a) or (b) of section 1006 of the Social Security Act as so amended shall, in the case of any of such individuals who are not patients in a public institution, be effective July 1, 1952."

On page 385, line 19, after "404;", insert "702; 703;."

On page 386, line 2, after "404;", insert "702; 703;."

On page 386, line 3, strike out "(other than subparagraph (1) thereof)."

On page 386, after line 9 and before line 10, insert:

(f) The heading of title VII of the Social Security Act is amended to read "Administration."

On page 391, between lines 14 and 15, insert the following:

(b) (1) Clause (2) of the second sentence of section 904 (h) of the Social Security Act is amended to read: "(2) the excess of the taxes collected in each fiscal year beginning after June 30, 1946, and ending prior to July 1, 1951, under the Federal Unemployment Tax Act, over the unemployment administrative expenditures made in such year, and the excess of such taxes collected during the period beginning on July 1, 1951, and ending on December 31, 1951, over the unemployment administrative expenditures made during such period."

(2) The third sentence of section 904 (h) of the Social Security Act is amended by striking out "April 1, 1950" and inserting in lieu thereof "April 1, 1952."

On page 391, line 15, strike out "(b)" and insert in lieu thereof "(c)."

On page 391, line 15, strike out "subsection (a)" and insert in lieu thereof "subsections (a) and (b)."

Mr. GEORGE. Mr. President, I now offer as committee amendments, amendments which have not been submitted to the committee as a whole, but I shall be pleased to explain them. They are amendments which have the approval of the Secretary of the Treasury and of the Federal Security Agency. The amendments provide simply that with respect to the payments by the domestic servants who are brought under the bill acceptance of payment would be authorized upon the basis of the nearest dollar, so that in case the housewife was indebted to the domestic servant $9.50 or more, $10 would be returned. If the housewife were indebted to the domestic servant for $9.20 or $9.30, or less than $9.50, $9 would be returned. In other words, the purpose of the amendments is to round the return to the nearest whole dollar. That is the entire effect of the amendments. If there is no objection, I should like to have those amendments also approved, so they may appear in the RECORD.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Georgia? The Chair hears none, and, without objection, the amendments are agreed to en bloc.

The amendments are as follows:

Amendment to section 104 (a) of H. R. 6000, as reported by the Committee on Finance: Insert a new unlettered paragraph on page 239 between lines 21 and 22, reading as follows:

"For purposes of this title, in the case of service not in the course of the employer's trade or business within the meaning of section 210 (a) (3), if such service is performed by an employee who is regularly employed during the calendar quarter within the meaning of such section, any payment of cash remuneration which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulation made under this title, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute—

"(1) the amount of remuneration for purposes of section 210 (a) (3); and

"(2) the amount of wages for purposes of this title, if such payment constitutes remuneration for employment, but only to the extent not excepted by any of the other paragraphs of this section."

Amendment to section 204 (e) of H. R. 6000, as reported by the Committee on Finance. Insert a subsection (j) on page 335, between lines 24 and 25, reading as follows:

"(j) Computation of wages in certain cases: For purposes of this subchapter, in the case of service not in the course of the employer's trade or business within the meaning of subsection (b) (3), if such service is performed by an employee who is regularly employed during the calendar quarter within the meaning of such subsection, any payment of cash remuneration which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this subchapter, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to one dollar. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute—

"(1) the amount of remuneration for purposes of subsection (b) (3), and

"(2) the amount of wages for purposes of this subchapter, if such payment constitutes remuneration for employment, but only to the extent not excepted by any of the numbered paragraphs of subsection (a)."

Mr. GEORGE. Mr. President, I also ask to have printed in the RECORD at this point an explanation of the amendments just adopted.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

EXPLANATION OF AMENDMENTS TO H. R. 6000 TO PROVIDE FOR THE ROUNDING OF WAGE PAYMENTS TO THE NEAREST WHOLE DOLLAR IN THE CASE OF SERVICE NOT IN THE COURSE OF THE EMPLOYER'S TRADE OR BUSINESS

A new section 1426 (j) of the Internal Revenue Code, recommended by the Treasury Department, and a corresponding new paragraph in section 209 of the Social Security Act, recommended by the Federal Security Agency, are designed to make easier the computation of the tax on the wages of domestic servants. The provisions would authorize the issuance of regulations in appropriate cases, permitting householders to take into account wage payments rounded to the nearest whole dollar for social-security purposes. For example, if a household employee receives a cash remuneration payment of $9.50, or $10.49, or any amount in between, the payment would be considered to be $10 for social-security purposes. The rounding of cash wage payments to the nearest whole dollar will ease the householder's part in the social-security program for purposes of applying the tax rate to the wage payment, for purposes of any required record keeping, and for purposes of determining whether $50 or more has been paid to the employee for services performed in any calendar quarter.

Mr. GEORGE. Mr. President, as I have stated, the first amendments I offered, are purely technical in nature. The second amendments I offered have the single effect of rounding the return for the domestic servant to the nearest whole dollar.

Mr. President, that is all I wish to say at this time. I earnestly hope we may make such progress with the bill as is consistent with proper consideration of legislation of this magnitude.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment, as amended.

Mr. SCHOEPPEL. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SCHOEPPEL. Mr. President, I ask unanimous consent that the order for a quorum call be rescinded and that further proceedings under the call be suspended.

The PRESIDING OFFICER (Mr. HOEY in the chair). Without objection, it is so ordered.

Mr. MILLIKIN. Mr. President, in acting on the bill which is now before the Senate we necessarily must reach at least rough definitions as to what, if anything, shall be the role of the Federal Government in meeting our social-security problems. We cannot do this on the assumption that we can make an original exploration of our duty.

We have a system of so-called social security which originated in the Social Security Act of 1935, and which has been continued and expanded by the 1939 Revision Act, by miscellaneous legislation enacted during 1940 and 1945, and by amendments of 1936 and 1947 and 1948. The field covers benefits from contributions, public assistance from general revenues, aid to the blind, to dependent children, and to the permanently and totally disabled, and maternal and child health and welfare services including within their scope aid to crippled children.

The magnitude of commitments already made is illustrated by some of the facts relating to our old-age and survivors insurance system. During 1949, 35,000,000 persons were covered during an average week. There are 80,400,000 living persons with wage credits, 40,000,000 fully insured persons, and 5,700,000 persons who are currently but are not fully insured. As of December 31, 1949, 2,743,000 persons were receiving benefits from this part of the system, including widowed-mother and child beneficiaries. Seventeen percent of the total aged population, 65 years of age or older, were receiving such benefits. The benefits under the old-age and survivors system rose from $35,000,000 in 1940 to $667,000,000 in 1949. The average benefits as of December 31, 1949, were $25.30 per month for a single retired worker; $41.40 for the retired worker and aged wife; $50.60 for the widowed mother and two children; and $20.80 for the aged widow.

By the end of 1949 the so-called trust fund had accumulated a total of $11,816,000,000.

On the public-assistance side, Mr. President, which it will be remembered is a sharing program with the States and the Federal share of which is paid out of general revenues, there were 2,736,000 beneficiaries receiving old-age assistance, 1,521,000 dependent children receiving aid, and 93,000 blind who were being assisted. These payments during the calendar year 1949 totaled $1,893,000,000.

Attention to these facts alone makes it apparent that it would be grossly irresponsible and brutal to end the present system without immediately ushering in an alternative.

If it was a mistake to enter into the system in 1935, it would be a greater mistake now to abandon it without an instantly ready and acceptable alternative.

Those who believe that the Federal Government has no proper role in these matters and that it was a mistake to enter the field have a special reason to reflect on the fact that any innovation in our Federal Government providing benefits for the people immediately sets up a new cycle of vested interests which cannot be lightly stricken down. People shape their lives and have a right to do so on the promises of the Government. And so it happens that to end many things in the Government which many feel are wrong would set in motion new evils offsetting or perhaps increasing the size of those to be ended. The moral for caution in what we do here is obvious, and it is not my intention to engage in abstract preachments as to sound procedures in the conduct of the Government.

The statistics which I have given concern the bread and butter and shelter and health of the beneficiaries. We cannot blithely unshackle ourselves and trip away from the duties which have been assumed and which are suggested by the facts which have been pointed out.

But if we were approaching the matter originally, if we were not required to deal with a system in being, which involves so many exigently important claims of millions of our citizens, we would have to give heavy thought to facts which I respectfully suggest would move us into some kind of program to cover a part of the security problems of our people.

History shows that as a nation becomes predominantly industrial, less and less security for more and more people is to be found in the cellar. The close ties of most people in less complicated agrarian economies with the protection and sustaining power of the land are severed and security must be found in the pay envelope, in the ability of the worker to buy his security from that which is in his pay envelope, and which by the nature of his employment in industrial areas cannot be found in the cellar.

Perfectionist theories for preserving individual security are shattered as to millions of people away from the land, due to the preventable and unpreventable disasters to payrolls caused by cyclical swings and numerous types of maladjustment in the economy, and often due to plain human frailty or catastrophic personal tragedies—all beyond the cure of lectures and stern admonitions by our Spartanists. The wide-scale junking of workers in mass-production industries even before middle age has been reached may prove too much even for the most rugged of the rugged individualists.

We might well wish—I certainly do—that these blank spots in individual security would be filled without Federal intervention, but with individual savings, with other forms of self-attained security, or with family help, and that, these failing, public obligations might be met at the community and State level. But that, I say to my colleagues, is theory which so far has failed under test. There may not be any savings or they may become exhausted, families will not or cannot help, communities or States will not or cannot help; and as the Federal Government takes more and more of the citizen's money for Federal taxes, he and his family and his community and his State find themselves with less and less money for the assumption of these security problems, and, I may add, less and less for doing the job individually and at home.

I wish it were otherwise. Maybe we can reverse the hoggish gluttony of the Federal Government and leave more money at home for individual, community, and State solutions of our problem. But I would not allow people to starve while we are waiting to do it.

It has been apparent for a long time that our social-security system reeked with inadequacy and other faults—inadequacy of coverage, inadequacy of benefits, excessive taxation to sustain the current load of benefits, faults and inconsistencies in conception and administration, such as those surrounding the so-called reserve-trust fund.

On July 23, 1947, during the Eightieth Congress, the United States Senate adopted a resolution, sponsored jointly by the distinguished senior Senator from Georgia [Mr. GEORGE], and by the junior Senator from Colorado who was then the chairman of the Senate Finance Committee, directing the Senate Finance Committee "to make a full and complete investigation of old-age and survivors insurance and all other aspects of the existing social-security system, particularly in respect to coverage, benefits, and taxes relative thereof."

During the summer recess of 1947, following the adoption of this resolution, a special Advisory Council was organized to give the Committee on Finance the benefit of its recommendations. Great care was taken to secure widespread geographical representation, to secure as members men and women of high standing, broad experience, and especially qualified to protect the interests of the worker, employer, and the public. The members of the Council were:

Frank Bane, executive director, Council of State Governments, 1313 East Sixtieth Street, Chicago, Ill.; executive director, Social Security Board, 1935–38; commissioner of public welfare for the States of Virginia and Tennessee, 1923–32; first director of American Publice Welfare Association, 1932–35.

I will say to the distinguished Senator from Washington [Mr. CAIN] that I am glad he is here, and I hope he will give close attention to what I am about to say, as I know he will.

J. Douglas Brown, dean of the faculty, Princeton University, Princeton, N. J.; director, industrial relations section, department of economics and social institutions, Princeton University, since 1926; consultant to the Social Security Board since 1936; chairman, Advisory Council on Social Security, 1937–38.

As I read through this list of names, I urge Senators to note the special qualifications for the job at hand.

Mr. DONNELL. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. DONNELL. The Senator mentioned Mr. Frank Bane. Is it not also true that he occupies the position of leading administrative director in the National Conference of Governors?

Mr. MILLIKIN. He is executive director of the National Conference of Governors, and had, before he became executive director, personal experience in administering welfare measures in Virginia and Tennessee.

I now come to Malcolm H. Bryan, vice chairman of board, Trust Co. of Georgia, 36 Edgewood Avenue, Atlanta, Ga.; first vice president, Federal Reserve Bank of Atlanta, 1938–41; economist, Board of Governors of the Federal Reserve System, 1936–38; professor of economics, University of Georgia 1925–36; member, American technical staff, Bretton Woods Monetary and Financial Conference, 1944.

Nelson H. Cruikshank, director of social insurance activities, American Federation of Labor, Washington, D. C.

Mary H. Donlon, chairman, New York State Workmen's Compensation Board, New York, N. Y.; past chairman, New York State Industrial Board.

Adrier J. Falk, president, S. & W. Fine Foods, Inc., San Francisco, Calif.; member, advisory council, California State Employment Stabilization Commission; vice president, California State Chamber of Commerce; president, San Francisco Board of Education.

Marion B. Folsom, treasurer, Eastman Kodak Co., Rochester, N. Y.; staff director, House of Representatives Special Committee on Postwar Economic Policy and Planning, 1944–47; vice chairman, Committee for Economic Development; member, New York State Advisory Council on Unemployment Insurance; member, Advisory Council on Social Security, 1937–38.

M. Albert Linton, president, Provident Mutual Life Insurance Co., Forty-sixth and Market Streets, Philadelphia, Pa.; past president, Actuarial Society of America; fellow of American Institute of Actuaries; fellow of the Institute of Actuaries, London; past chairman, Institute of Life Insurance; member, Advisory Council on Social Security, 1937–38.

John Miller, assistant director, National Planning Association, Washing-

ton, D. C.; National Resources Planning Board, 1939–43; Institute of Public Administration, 1937–38.

William I. Meyers, dean, New York State College of Agriculture, Cornell University, Ithaca, N. Y.; member, President's Committee on Foreign Aid; governor, Farm Credit Administration, 1933–38; president, Farm Mortgage Corporation, 1934–38; trustee, Rockefeller Foundation, General Education Board.

Emil Rieve, president, Textile Workers' Union, and vice president, Congress of Industrial Organizations, New York, N. Y.; member, board of directors, American Arbitration Association; United States delegate to American Conference on Social Security, Chile, 1942.

Florence R. Sabin, scientist, Denver, Colo.; professor of histology, Johns Hopkins University, 1905–25; member of Rockefeller Institute for Medical Research, 1925–38, member emeritus since; president of the board, Finney Howell Research Foundation; member and past officer of the American Association of Anatomists, the American Association of Physiologists, and Society of Experimental Biology and Medicine; member of the National Academy of Scientists.

Sumner H. Slichter, Lamont University professor, Harvard University, Cambridge, Mass.; chairman, Research Advisory Board, Committee for Economic Development; professor of business economics, Harvard University, 1930–40; previously on faculties of Cornell and Princeton Universities.

I think that if anyone were to compile a list of the 10 greatest economists in the United States this gentleman would have to be included as one of them, and many would place him at the very top.

S. Abbot Smith, president, Thomas Strahan Co., Chelsea, Mass; president and director, Smaller Business Association of New England, Inc.; trustee, Committee for Economic Development; member of Subcommittee on Special Problems of Smaller Business; Director, Smaller War Plants Corporation, 1942–45.

I ask Senators again to note the diversity of interests of the members of the council.

There was the late Edward R. Stettinius, Jr., rector, University of Virginia, Charlottesville, Va.; Secretary of State, United States, 1944–45; Under Secretary, 1943–44; member, Advisory Council on Social Security, 1937–38.

Delos Walker, vice president, R. H. Macy & Co., New York, N. Y.; vice president and member of the board, Regional Planning Association of New York; trustee, Institute of Public Administration; former chairman of the board, American Retail Federation.

Ernest C. Young, dean of the graduate school, Purdue University, West Lafayette, Ind.; member, International Conference of Agricultural Economists; member, American Association of Farm Managers and Rural Appraisers; past president, American Farm Economic Association.

The chairman of the Council was the late Hon. Edward R. Stettinius, Jr., and the cochairman was Dr. Sumner H. Slichter.

Four of the members, Messrs. Stettinius, Brown, Folsom, and Linton served on an earlier Advisory Council on Social Security likewise set up by the Senate Finance Committee.

A preparatory committee of the Council met in October 1947, and again in November, to make the necessary preparations for the organization of a technical staff and for the first full meeting of the Council. The first Council meeting took place on December 4 and 5, 1947.

The Council, its members assembling from all parts of the country, met for two full days each month from December of 1947 through May of 1948, and its steering committee, designated by the Council at its first meeting, met for one full day between each of the Council meetings.

Average attendance at Council meetings—and remember the geographical distribution of the members—was 15 of the 17 members. Between meetings members analyzed and studied background and research material prepared by the Council's professional research staff under the direction of the steering committee.

The full report of the Council was presented to the Senate Finance Committee on December 31, 1948.

It was possible for this widely representative group to make unanimous recommendations on most of the important points they considered, and to make nearly unanimous recommendations on the remainder. Their report has been of great assistance to the Senate Finance Committee and to the Congress. It was widely distributed and studied, it focused attention on the issues, and it promoted full presentation of all viewpoints at the committee hearings on H. R. 6000.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. WHERRY. The Senator made the observation that this committee made its recommendation in December of 1948. Are we acting upon these recommendations now in consideration of this proposed legislation, or is this committee still functioning?

Mr. MILLIKIN. The Advisory Council went out of existence at the end of 1948, when it had completed its report. That report came before the Committee on Finance and was used in connection with the hearings on H. R. 6000.

I have before me about 100 of the questions which the Advisory Council considered. They give an idea of the analysis which was made of the problem, and which formed the agenda for the Council's work. I ask unanimous consent to have these questions printed at this point in the RECORD.

There being no objection, the questions were ordered to be printed in the RECORD, as follows:

What is the proper role of social-insurance and public-assistance programs in a social-security system?

Should a means-test system be substituted for the present insurance system?

Should a pension system paying flat benefits from the general treasury be substituted for social insurance?

Should benefits under social insurance be geared to wages or should they be the same for all?

To what extent should persons under the insurance program pay their own way?

Should the Government eventually pay part of the costs of the system out of general taxation?

Is it feasible and desirable to extend coverage to self-employed persons such as business and professional people and farm operators?

How can earnings reports best be secured from the self-employed?

Is it feasible to secure income reports from all 11,000,000 persons with some self-employment during the year?

Should the self-employed be charged the single employee rate, the combined employer-employee rate, or something in between?

Is it desirable to extend coverage to employees of nonprofit organizations?

Should the Government compel coverage in this traditionally tax-exempt area?

Should all employees of nonprofit organizations be covered, including clergymen and members of religious orders?

Is it feasible and desirable to extend coverage to agricultural and domestic workers?

Is it feasible to get wage reports for these groups? Through a stamp system or list reporting?

Can the value of wages-in-kind for this group be evaluated?

Is it desirable to extend coverage to Federal employees?

Are short-term workers who leave Government after a few years and return to employment covered by old-age and survivors insurance adequately protected by the existing combination of civil-service retirement and old-age and survivors insurance?

If coverage under old-age and survivors insurance were extended to Federal workers, should the civil-service system be modified; and if so, how?

Is it desirable to extend coverage to railroad workers?

Are workers who move between railroad employment and employment now covered under old-age and survivors insurance adequately protected under present arrangements?

Should old-age and survivors insurance coverage be extended to the armed services?

What should be considered the serviceman's wage?

Should the serviceman contribute directly to the program?

Is it desirable to cover employees of State and local governments?

If so, how can it be done in the light of constitutional barriers against Federal taxation of other governmental units?

Should employees of proprietary units of State and local governments be covered on a compulsory basis?

How can voluntary provisions be designed to guard against adverse selection?

What should be the relation of old-age and survivors insurance to other plans for retirement, private or governmental?

Should tips and gratuities be counted as wages?

How should the rights of World War II veterans be protected under the program?

If presently excluded groups are brought into the system, how should the eligibility requirements be modified so that the new groups are not unduly handicapped in getting benefits?

Are the present eligibility requirements the best possible ones for the presently covered groups?

In light of the fact that they cannot contribute for long periods of time, should older workers get benefits higher in amount than what they and their employers pay for?

How should such benefits be financed? By an eventual contribution from general taxation? By payroll contributions made by younger workers and their employers?

What should the level of benefits be? How should the individual benefits be determined?

Up to what level of wages should contributions be assessed?

Should the program pay the full rate of benefits now or should the amount of benefits automatically increase over the years?

Should regular contributors receive higher benefits than intermittent contributors?

How should the benefit provisions be modified to overcome the handicap under which newly covered workers would otherwise find themselves?

Are the types of monthly benefits now provided the correct ones and should any new beneficiaries be added?

Are the age conditions and other eligibility conditions correct?

Are the present minimum and maximum provisions satisfactory or should they be changed?

Should benefits be paid to workers over 65 who have not retired?

What is a reasonable test of retirement?

Is the funeral benefit properly designed?

What is the cost of the various possible recommendations, now and in the future?

What should the contribution rate be?

What should the contribution schedule be?

Should the system be financed on a full reserve basis?

What is the meaning of the reserve?

Should the risk of permanent and total disability be added to the Federal system of old-age and survivors insurance or should loss of income from this cause be handled entirely under public assistance?

If the latter, should a new special State-Federal assistance category be set up?

If the former, how can the protection be provided without undue risk to the solvency of the fund?

What eligibility requirements should be established to prevent persons from qualifying who have not really suffered a wage loss?

What should be the definition of permanently and totally disabled?

Should the definition cover all such disability or only those which result in economic incapacity?

Should the economic incapacity be for the person's usual occupation or for all gainful activity?

Should the definition cover only medically demonstrable disability?

Should the definition include a prognosis of long-continued and indefinite duration or should it cover all total disabilities that have lasted for some fixed period of time, such as 6 months?

What level of benefits may be safely paid without interfering with incentives to return to work when able?

What provisions should be set up for the rehabilitation of beneficiaries?

How should this rehabilitation be financed?

How should such a new program be administered? As a separate system or as part of old-age and survivors insurance?

How much would such a program cost?

How should such a program be integrated with workmen's compensation and Federal disability insurance systems?

Should categories such as old-age assistance, aid to dependent children, and aid to the blind be retained in the State-Federal assistance program?

Should all income continue to be counted in determining need or should exemptions be allowed?

Up to what level of State payments should the Federal Government be willing to match?

What should be the method of Federal financial participation?

Should the rate of Federal participation vary with the per capita income of the State or with the level of benefits paid?

Should the Federal Government participate in the program for children to the same extent as it does for the aged and the blind?

Should the Federal Government participate in general assistance?

Should the Federal Government participate in medical-care payments made on behalf of assistance recipients?

Should the Federal Government participate in assistance to aged persons residing in medical institutions?

Are the Federal standards which the States must now meet to get Federal financial help the correct ones?

What should residence requirements be, if any?

What is the cost of the present system and of various proposals?

Can, and will, the costs be reduced by the social-insurance program?

What has been the relation of social insurance and public assistance in the past, and what should it be in the future?

How far should coverage in unemployment insurance be extended?

Is it practical to include farm laborers, household workers, and self-employed individuals under unemployment insurance?

How should individuals who move from State to State, or from railroad to nonrailroad employment, be handled under unemployment insurance?

What should be done about veterans' benefits and those of men who will be drafted?

Should the Federal Government establish a separate unemployment system for its own employees or utilize the various State plans?

What provisions under unemployment insurance should be made for workers who exhaust insurance rights in time of severe depressions?

Should temporary disability payments be incorporated with all unemployment-insurance laws?

What would be the advantages of workers' contributions to unemployment insurance?

What are the advantages and limitations of the present methods of experience rating?

What, if any, Federal standards are needed for eligibility, benefits, or disqualification rules?

How high should benefits be in relation to wage loss and need?

How might benefits be related to increasing cost of living?

Should the size of benefits vary with the family status, as is done in old-age and survivors insurance?

How far should the Federal Government go in continuing to supervise administrative expenditures?

Should all funds collected for unemployment insurance be set aside for such purposes only?

What provisions should be established for reinsurance or Federal loans to States, in case the State reserves are exhausted?

What sort of a tax program could be devised to minimize rather than accentuate cyclical unemployment?

Mr. MILLIKIN. Mr. President, I have gone into this detail regarding the Advisory Council because there has been some criticism to the effect that it consisted of eminent men who because of antecedent demands upon their time were able to give only a day or so every couple of months to the questions of social-security revision; that the real shaping of policy and the making of fundamental decisions should not be left to subordinate staffs; that those undertaking such a job should be independent, competent people of standing, who are prepared to give their full time to the work and who shall receive the compensation due to persons of their experience and prestige.

I have read the names and some of the history of the members of the Advisory Council in the belief that by merely doing so there would be a complete refutation that those men and women would serve as stuffed-shirt stooges for a technical staff. There must always be a technical staff in such a highly technical subject. And in my opinion, the technical staff to that Council was expert, and a better group than the Council which I have described could not have been assembled to pass on the technical labors of the staff and to evolve policies from them.

Would, for example, Mary Donlon, chairman of the New York State Workmen's Compensation Board, and past chairman of the New York State Industrial Board, be fooled by technicians operating within the field of her experience?

Would Emil Rieve, president of the Textile Workers Union, vice president of the Congress of Industrial Organizations, expert on social-security questions, be fooled by the work of the staff?

Would Nelson H. Cruikshank, director of social-insurance activities of the American Federation of Labor, an outstanding authority in this field, be fooled?

Would Albert Linton, president of the Providence Life Insurance Co., past president of the Actuarial Society of America, fellow of American Institute of Actuaries, and of the Institute of Actuaries of London, be fooled in that way?

Would Marion B. Folsom, treasurer, Eastman Kodak Co., staff director of the House of Representatives Special Committee on Postwar Economic Policy and Planning, vice chairman of the Committee for Economic Development, and member of the New York State Advisory Council on Unemployment Insurance, be taken in by staff experts?

Would Dr. Sumner Slichter, who spends his lifetime in the analysis of basic data, be fooled in that way?

And so on down through the list.

No, these people would not be fooled by a technical staff. We were fortunate to have their services. There was not the slightest evidence that the technical staff was trying to put over anything. Among the staff members was Mr. Fauri, the technical adviser to the Senate Finance Committee in its consideration of the pending bill. He has the complete confidence of all of the members of the Senate Finance Committee.

Several members of the staff were on loan from the Social Security Administration. They did a fine job, and earned the confidence of all the members of the Council.

I am not a champion of the Social Security Agency. I spent the greater part of the summer in 1947 with the assistance and cooperation of the Senator from Georgia [Mr. GEORGE] in organizing the Council. I started out on the theory that its staff could be built up of persons without roots into the Social

Security Agency. I thought that such a staff could be recruited from insurance companies, for example, but quickly learned that the insurance experts work in narrow specialties and that in the last analysis they would have to get their fundamental data from the Social Security Agency for the simple reason that that is the only place where it may be found.

I should add that the clerk of the Senate Finance Committee, the late Sherwood B. Stanley, himself especially qualified in social-security matters, by having handled them in private business, was in constant liaison with the operations of the staff and of the Council.

His services were highly praised. He was a loyal, indefatigable, most able clerk of the Senate Finance Committee, and as such kept me well informed as to what was going on.

The pending bill, in my judgment, rectifies a considerable number of the faults of the present system and leaves others untouched. Because H. R. 6000 is an improvement over what we now have, I give it my support. But personally, I feel that the present system, improved as it is by H. R. 6000, cannot be considered as others than one in transition. We have not abolished the problems of old-age assistance. As I see it, there will have to be wider coverage leading perhaps to universal coverage.

We will have to come, as I see it, to a truly pay-as-we-go system. There are many forces operating in these directions.

We will have to get rid of the misleading anomaly which we call the insurance reserve trust fund.

We now have 11.3 million people age 65 and over. In 20 years from now it is estimated we shall have from 16 to 18 million of our population in that age bracket. Twenty years ago, 4.1 percent of our population was age 65 and over; today it is about 7.5 percent and 20 years from now it will be 9 to 11 percent. Life expectancy at age 65 is constantly lengthening. Only about 25 percent of persons aged 65 and over are working at the present time. It is easy to see that the problem of security for the aged will rapidly intensify rather than diminish.

The excess of collections over disbursements and administrative expenses in the old-age and survivors insurance system is spent for the general expenditure programs of the Federal Government, not to build up the strength of the so-called insurance system. The trust fund receives bonds covering these expenditures, which means that the taxpayer will ultimately have to pay the bill. As we widen coverage, the insured and the taxpayer come closer together in identity, and thus many of our insured and employer contributors will have to pay twice for that which they thought had already been paid for.

This easy and deceptive method of raising money for general expenditures tempts extravagance. It argues for a pay-as-you-go system. Widened coverage only intensifies the discriminations against the dispossessed who are not covered, and this fact will exert its pressures for universal coverage.

Mr. CAIN. Mr. President, will the Senator permit me to ask one question at this point?

Mr. MILLIKIN. Certainly.

Mr. CAIN. In his admirable address on the subject of social security it seems to me the distinguished Senator from Colorado is recommending that the Congress extend and liberalize a system at this time which at some future time must be replaced with an entirely different system of social security. I ask whether or not my understanding of what the Senator is presently proposing is approximately correct, or in what particular it is incorrect.

Mr. MILLIKIN. It is my personal opinion that this is not a static subject. It is my personal opinion that after we have made the improvements to the present system, there will still be many things remaining to be done to meet the problems involved. In my opinion we are coming to a pay-as-you-go system. In my opinion we will constantly be coming closer to a universal coverage system. That involves methods of raising money, it involves methods of provisions necessary to make the changes. That is a very difficult problem. We could not resolve it at this session. The committee recommends that there be created a study committee, to consider the problems which have not been resolved in the pending bill.

Mr. CAIN. Mr. President, if the Senator will yield for another question, a social-security system which involves pay-as-you-go and universal coverage would be a system entirely different, would it not, from the social-security system which presently the Senator is recommending that we should extend and liberalize?

Mr. MILLIKIN. I say we should extend it and liberalize it because it would be an outrage, to those who have benefits under the present system, to deprive them, for example, of greater benefits, considering the significant loss in the purchasing value of the dollar. I say we must continue the present system because no other system could be made available without a very punishing lag of time to those who have a right to depend on the present system. I am stating it as my personal opinion that we shall have wide departures from the present system before we finish.

Mr. CAIN. The Senator from Colorado is hopeful, is he not, that some day in America we shall probably have a social-security system involving a pay-as-you-go business base and universal coverage, probably with age as the only requirement?

Mr. MILLIKIN. I think it is inevitable. That is my personal opinion. I should say that under the enlarged scale of benefits provided in H. R. 6000 we will approach rather rapidly a pay-as-you-go program, so far as that particular part of the system is concerned, and the effect of that will be to hold steady, if it does not diminish, the phony reserve into which we have been putting credits which are in fact debits.

Mr. CAIN. The Senator from Washington is very grateful for the observations just offered by the Senator.

Mr. BRICKER. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield to the Senator from Ohio.

Mr. BRICKER. The Senator from Colorado practically answered a part of the question I had in mind, when he said it would be impossible to make the complete transition during this session of the Congress. Does the Senator likewise feel that if such a transition were possible the shock would be so great on the present system that there would be a handicap and a hardship in the interim as we approach what many of us do desire?

Mr. MILLIKIN. I do feel that way. That was why I emphasized at the beginning of my remarks how many people there now are who have a vested interest in the present system, and that it would be a brutal and unconscionable thing, even if someone did not like the system, to say that it must stop and come to an end. I cannot think of anything which would be more devastating to the well-being of millions of our people. We cannot do that, and when we move into something else, if we do, there must be an adjustment between the present system and what we move into, so that none of the beneficiaries who are entitled to benefits under the present system will be injured, and with the hope that we will have, as a result of such a change, a more equitable system applying.

Mr. BRICKER. To do otherwise would be to deny the benefits of social security to those who already have been attached to the system, would it not?

Mr. MILLIKIN. Yes; and who have made contributions toward it.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield to the Senator from Maryland.

Mr. TYDINGS. I do not wish to interrupt the able Senator from Colorado, but I have a conference report on the table, about which there will be some discussion. I am not going to try to bring it up while the Senator is speaking, but inasmuch as several Senators have asked me to notify them when it will come up, may I inquire when, in the opinion of the Senator from Colorado, he feels he will conclude his able address?

Mr. MILLIKIN. I will finish my remarks, I am quite sure, within 10 or 15 minutes.

Mr. TYDINGS. I thank the Senator.

Mr. McFARLAND. Mr. President, will the Senator from Colorado yield?

Mr. MILLIKIN. I yield to the Senator from Arizona.

Mr. McFARLAND. I should like to have the Senator's opinion on two matters. If a pay-as-you-go system were installed, with universal coverage, would it entail more bookkeeping on the part of the employers, or would it mean a saving to the employers? And would it mean less overhead expense to the Government, or would it cost more? What is the Senator's opinion?

Mr. MILLIKIN. I believe, under the facts which have been presented to the committee, that under any kind of a system of that kind which can be imagined, the administrative costs would be less, both to the Government and to the employers.

Mr. McFARLAND. If the Senator will further yield, that would mean a great deal to the employer, especially to one who employs small numbers.

Mr. MILLIKIN. Yes.

Mr. McFARLAND. The present system is quite cumbersome in the matter of keeping books. An improvement of course would mean quite a saving to the Government in the way of overhead expense, I should think. I agree with the Senator about that. Has the Senator any estimate of what the saving would be?

Mr. MILLIKIN. No; I have not been able to obtain a dependable estimate.

Mr. McFARLAND. I think it would be interesting to have it.

Mr. MILLIKIN. I think that if we cast the improvement to the system in a simple mold, when we contrast most any imaginable improvement of the kind we have been speaking about—it will involve less bookkeeping, infinitely less bookkeeping, both by the Government and by the private employer.

Mr. McFARLAND. Mr. President, will the Senator yield further?

Mr. MILLIKIN. I yield.

Mr. McFARLAND. Does the record show what percentage of the money collected is used for administrative expense?

Mr. MILLIKIN. About 3½ percent is used for administrative expense.

Mr. McFARLAND. Does that include the money expended by the States, or merely money expended by the Federal Government?

Mr. MILLIKIN. That is the cost of conducting the Federal Security Agency.

Mr. McFARLAND. I thank the Senator.

Mr. MILLIKIN. I now wish to deal with some of the problems which are ahead of us. We have not yet related the Federal system to private pension plans. More than 7,000,000 workers are covered by such plans. I venture to say that most of the private pension plans will crash under real adversity. There are some 13,000 private pension plans. Most of the business of the country is, as Senators know, done by so-called small establishments. These small businesses do not have large reserves. They do not operate on anything resembling an assurance of profit over any substantial period of time. The casualty rate is shockingly high. Private plans do not provide for transferability of benefits in the case of workers moving from one employer to another. Some idea of the scope of this movement in the labor force may be realized when it is recalled that 31 percent of the workers in covered employment worked for more than one employer in 1948; that in 1947 in the automobile industry 40 percent of the workers worked for more than one employer, and in the steel industry in 1947, 38 percent of the workers worked for more than one employer.

The pension benefits in big industry about which we have been reading lately do not follow the worker if he changes employers. And the small plans do not have that kind of provision either. Obviously worth-while pension plans under present patterns have a tendency to immobilize the workers, and this may well be considered as unwholesome.

The superior benefits of the pension plans of big and profitable industries will tend to give them the pick of the workers of the Nation. This will be resented, I suggest, by the smaller payroll makers who cannot meet the competition. The resulting pressures for wider and higher coverage are obvious.

Discussing now another feature of the present insurance aspect of the system, we are saying to a young man entering the labor force, let us say at the age of 20, "When you get to be 65 years of age, 45 years from now, we are going to give you so much money." Well, maybe we can give him that much money, but what is the relation of the money that he gets then to the money he puts in as he goes along in terms of purchasing power? We are now revising our social security system because the value of the dollar since its inception has been cut in half. Unless we stop the process which has cut the 100-cent dollar to 50 cents it will go to nothing by the same token. How can we sit here as realists and say to a young man, "Forty-five years from now we are going to give you security by giving you so many dollars"? It is utter fakery to undertake to give such an assurance. That is another pressure leading to a pay-as-you-go system. If we are to be realistic the current working force or the current economy must carry the current problems of the aged and the others benefiting from a security system. That is the only honest way it can be done.

Mr. President, I wish to digress long enough to say that for the reasons just stated those who are interested in pensions, in annuities, and in the social security system, should give an equal amount of attention to preserving the solvency of the Federal Government, which means keeping the national budget in balance. We can put the utmost concentration on the benefits, yet we will gut their values just as surely as we are here today if we do not bring to the Government a responsible management of its fiscal affairs.

I commence to see a growing realization of that fact by people who live on rentals, by people who live on insurance, by people who live on interest, by people who live on pensions, annuities, and public assistance. So it is high time that coupled with an interest in these benefits, there should be an equal interest in the fiscal responsibility and soundness of the Government, for otherwise the persons in those categories are wasting time, they are deluding themselves. Security cannot ride with insolvency.

Despite this improved legislation, with its many corrections of inadequacies of the present system, with its fairer treatment of a larger number of workers, with its wider coverage, with its other good points which have been outlined by the distinguished chairman of the Senate Finance Committee—despite all those things I cannot consider this as a static subject. I think we will have other revisions long before another 10-year period passes.

A large number of problems, which have been pointed out by the distinguished chairman of the committee, require further study. We must deal with the question of coverage for agricultural employers and agricultural workers more thoroughly than we have so far. I believe, and I think the other members of the committee believe, that there should be a most careful poll as to the real sentiment of the farm employer and worker in this field. We should give more study of methods for maintaining employment opportunity for the aged who are willing and able to work.

Mr. CAIN. Mr. President, will the Senator yield for a question?

Mr. MILLIKIN. I yield.

Mr. CAIN. It seems rather obvious that when we replace the system we now have with a system providing for universal coverage, then any future finance committee of the Senate or similar committee of the House will be concerned with what various groups of Americans think, because all will be covered in terms of each other.

Mr. MILLIKIN. If, of course, we reach this point where everyone is covered then we have universal coverage and a part of the present problem will have disappeared. Now, under the pending bill we are covering only a small proportion of the farm workers. The administrative difficulties of trying to keep track of migrant workers, of getting and keeping them covered, the administrative difficulties of keeping under a proper system of records the farm employer who also works as employee for others seem at times to be almost insurmountable. Yet I am hopeful that further study will result in clarifications which will lead us to the conclusion either to include all of those not included or that it is impracticable to do so.

Mr. CAIN. I would gather that the Senator from Colorado shares a very deep hope with, for example, the junior Senator from Washington that eventually we shall have a system which will cover all our aged, so that we shall not be confronted with preferential treatment to one group as contrasted to another group.

Mr. MILLIKIN. It is my opinion that preferential treatment of the nature I have described will eventually bring us to universal coverage. I do not think it can be avoided.

INTERPRETATION OF EMPLOYEES

Mr. MALONE. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. MALONE. I should like to ask the distinguished Senator from Colorado whether under the law as it now exists, which gives more or less of an over-all definition to the term "employee," it is his opinion that even the lessees of a mining claim, leasing the claim from the owners, or in fact leasing under any system, might be considered employees under the provisions of this bill, with the

result that a dislocation would be caused in the case of the usual leasing system of mining in the mining sections of the country.

Mr. MILLIKIN. I may say to the distinguished Senator from Nevada that we had probably as good a hearing coverage on that point as on any point which came before the committee. I am thoroughly convinced that the type of mining lessee the Senator speaks of is not covered by the pending bill. He would have been covered by the bill which came to us from the House of Representatives.

Mr. MALONE. Mr. President, will the Senator yield further?

Mr. MILLIKIN. I am glad to yield.

FURTHER STUDY OF THE SYSTEM

Mr. MALONE. In view of the additional coverage provided by this bill, there are many of its provisions which are not thoroughly understood. Would the distinguished Senator from Colorado believe that a further study until, let us say, the first of the year would uncover the remainder of such weaknesses in the bill and perhaps would afford a chance to overcome the weaknesses, and perhaps would be desirable for the additional reason that we are not at all sure that the economic system is ready to stand such an expansion of coverage at this time?

Mr. MILLIKIN. I shall give the Senator a double-barreled answer to his question.

No. 1: Regardless of whether the junior Senator from Colorado thought such a result could be obtained, there would not be for such a proposal a sufficient number of votes in either the Senate or the House. The Congress is determined to have a social-security bill, in my opinion, during the present session.

No. 2: When we consider the magnitude of what remains before us under study, I am not so sure that we could do the job by the end of this year. I am not so sure that we could do it by the end of next year. Personally, I would not want to delay, because millions of persons are living under this system, and are living on 50-cent dollars, and they cannot begin to commence to reach a decent standard of subsistence under the existing system. Therefore, so far as my vote is concerned, I wish to give them relief, and I wish to give it to them quickly.

SOCIAL SECURITY AND THE ECONOMIC SYSTEM

Mr. MALONE. Mr. President, will the Senator yield further?

Mr. MILLIKIN. I yield.

Mr. MALONE. I agree thoroughly with what the Senator from Colorado has just said. I am in favor of social-security legislation based on a determination, arrived at by means of investigations by the appropriate and proper committee, that the economic system can support the proposed system. At this moment I am not entirely convinced that the economic system, as it now exists, would support the shock of the additional coverage at this time without considerable danger of dislocation. What is the opinion of the Senator from Colorado on that point?

Mr. MILLIKIN. I may say to the distinguished Senator that the present rate of tax—1½ percent on the employee and 1½ percent on the employer—will be adequate, under conservative estimates, to carry the coverage of the proposed bill for 3, 4, or 5 years to come. So there is no shock of the type mentioned by the Senator from Nevada.

Mr. CAIN. Mr. President, will the Senator yield for a question?

Mr. MILLIKIN. I yield.

Mr. CAIN. The Senator from Colorado has said that millions of persons are presently covered by our social-security system, and he has said that, because they are presently living on a 50-cent dollar, the recommendation is being offered that the benefits be increased in order to make it possible for them to maintain their standard of living.

I think the Senator previously said there are approximately 2,500,000 beneficiaries under the present security system.

Mr. MILLIKIN. There are a slightly smaller number on the insurance side, and then there are more on the public-assistance side.

Mr. CAIN. I wish to call attention to the fact that approximately 9,000,000 aged persons are not covered by social security, although several millions of them are covered by assistance programs of the States. I wonder whether the Senator from Colorado will give us his opinion as to how we are going to provide some assistance, particularly to the several millions who are not now covered by any system, Federal or State, even though they are over the age of 65.

Mr. MILLIKIN. So far as the Federal Government is concerned, a measure of help is received through the insurance part of the system, if the aged person is covered. The theory, then, is that if he is not covered and if he shows need—a test for which I have no appetite—he then can come under the public-assistance part. The opinion has been voiced by wiser men than I that what we are doing in this improved bill will reduce the public-assistance side of this program. Personally, I am somewhat skeptical about that. There are so many persons who are not covered by the insurance feature, but who must have help of some kind, that I cannot see a radical, rapid decrease in the amount of our public-assistance appropriations.

Mr. MALONE and Mr. TAFT addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Colorado yield; and if so, to whom?

Mr. MILLIKIN. I yield first to the Senator from Nevada, to whom I promised to yield.

GOVERNMENT TAKING OVER INDUSTRIAL PENSIONS

Mr. MALONE. Mr. President, I should like to ask the distinguished Senator from Colorado, if we should pass this bill and the system of pensions should go into effect, what would happen to the pensions which have been granted by the steel companies and other companies. Is their arrangement with the employees such that their payments to the employees will be decreased by the amount of Government pensions, or will they be in any way affected?

Mr. MILLIKIN. Some of the systems make a provision of that kind and some do not.

It is my understanding that the United Mine Workers' system puts its pension on top of whatever may be received from the Government, no matter what the amount may be. It is my understanding that the recent General Motors' pension system makes deduction of the amount of benefits which may be obtained from the Government.

Mr. MALONE. How about the pensions paid by the steel companies? Is the Senator from Colorado familiar with the arrangements for the payment of $100 pensions by the steel companies?

Mr. MILLIKIN. I feel rather certain that the steel company pensions also provide for giving credit for the amount received by the worker from the Government.

Mr. GEORGE. Mr. President, let me say to the Senator from Colorado that his statement is correct. In other words, the steel companies combine the two.

Mr. MILLIKIN. Yes; that is a good way to put it.

COST BORNE BY EMPLOYEES AND EMPLOYERS

Mr. MALONE. Mr. President, will the Senator yield further?

Mr. MILLIKIN. I yield.

Mr. MALONE. The distinguished Senator from Colorado estimated that the 1½-percent tax imposed on the workers and the 1½-percent tax imposed on the employers would yield sufficient returns for the first 2 or 3 years or so. Have any estimates been made as to what the percentage ultimately would reach, under the provisions of this bill?

Mr. MILLIKIN. Yes; I think the percentage ultimately on the part of both employer and the employee will reach a total of 6 or 7 percent.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. MILLIKIN. I am glad to yield.

Mr. TAFT. As a basis for determining the number of persons covered by the bill if it is put into effect, without reflecting on either the adequacy or the inadequacy of the bill, let me say that today this system covers, as I remember, approximately 2,000,000 persons over 65 years of age; that is to say, they are drawing pensions. I heard the figure 1,900,000 given; and I think the Senator from Colorado said it is 2,100,000; I refer to persons over 65 years of age. There are in the United States today 11,500,000 people over 65 years of age. In addition to the 2,000,000 who are drawing benefits under this system, there are about 2,800,000 who are drawing old-age assistance through the Federal and State systems.

Mr. MILLIKIN. That is correct.

Mr. TAFT. Subtracting the 4,800,000, that would leave approximately 6,500,000 or more people over 65 years of age who are not drawing anything.

Mr. MILLIKIN. That is correct.

Mr. TAFT. I think it might be pointed out in respect to the inadequacy of this bill that there is not one of those 6,500,000 people who is going to get a cent under this bill, as I see it. Possibly some of them who are still working and who will continue to work for a year, 2 years, or

2½ years, who will be included. So that we are not today actually helping old people, who are not getting anything. We are going to double practically what the old people who are getting something are now getting.

Mr. MILLIKIN. Under the present insurance system, 17 percent of the aged beneficiaries 65 years of age or older are under the insurance system.

Mr. TAFT. That is the only point I wanted to make.

Mr. MILLIKIN. That percentage will be somewhat enlarged under the pending bill.

Mr. TAFT. This is by no means a universal old-age security system.

Mr. MILLIKIN. No.

Mr. TAFT. Of course, as a result of the coverage now being provided a larger and larger percentage of the people over 65 will have assistance. As the Senator pointed out, he and I, I think, voted for the increased coverage because we believe we are going in the direction where ultimately under this system, or otherwise, there will be universal coverage of everyone over 65 years of age.

I may say to the Senator from Washington, the big problem, if we ever get to it, is if there shall be a flat pension, as in England, or as it is under the proposed Townsend plan, or whether there shall be a pension graduated as the present pension is, with a minimum for those who have paid in nothing, plus additions with relation to what they have paid in. I mean the carrying on of the present system, with the addition of a minimum sum for those who have not paid in under the present system.

We have the problem also, if we ever get to that, as to how the tax shall be levied. Shall it be a payroll tax, or shall it be some other form of tax? How should people who are self-employed be taxed? All those problems are going to be raised.

I think the Senator pointed out that we decided we could not develop such a system in less than 6 months, at best, and, even then, probably the House would not have considered it. So it seems to us absolutely impossible to make any such extensive change of this system.

I should like to point out finally, that what we have done, as I see it, is entirely in the right direction, and I see no reason why it should not be done at once. I think the subject has been considered carefully. The House committee has studied the matter for 5 years, and the Senate committee has studied it for 3. I see no reason why the bill now proposed should be postponed; but I think also we should look forward to a substantial further change in the nature of the assistance.

Mr. MILLIKIN. I thank the Senator.

Mr. MALONE. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. MALONE. With further reference to the question as to what subcontractors or lessors will be considered as employees, I should like to ask the distinguished Senator from Colorado if that question is not left largely to the administrative agency, under a proper definition?

Mr. MILLIKIN. It is not left so much to discretion as the distinguished Senator might think from reading the House bill. We restored the common law test. Under the common law test it is impossible to bring in as employees independent contractors of the type the Senator has mentioned.

Mr. MALONE. Mr. President, if the Senator will yield further, I note that paragraphs 4 of sections 104 (a) and 206 (a) of the pending bill, which may have been changed since the junior Senator from Nevada read the bill, define the terms, and that the social-security tax and "benefit purposes" are subject to interpretation by the administrative agency; of course, if these provisions were retained the combined effect of such broad factors interpreted by an administrative agency might change the coverage intended by the Senate bill.

Mr. MILLIKIN. I may say to the Senator, that nonsense is all out of the bill. It would be impossible to have such a provision passed by the Senate.

Mr. MALONE. I hoped it would be impossible.

Mr. MILLIKIN. We knocked it out in the Senate, over a veto by the President of the United States, about 2 years ago.

Mr. MALONE. That is very good. There is still considerable nervousness on the part of the employers who follow the methods outlined with reference to who might be declared employees, and it would upset the established basis of the act.

Mr. MILLIKIN. I may say to the Senator, I believe that if those in the category the Senator mentions as nervous will read the pending bill, unless their situation is extremely cloudy, I do not believe they have anything about which to be apprehensive. I may say many were particularly anxious about two years ago when this same question was before the Senate. We had a good briefing then, and we have had a superb briefing this time on what those problems are. We rejected the House theory of how to determine an employer and an employee, and I think we have provided the only reliable test that can be followed, with the exceptions noted therein of what is an employee, and that is the test of the common law rule, realistically applied.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. WHERRY. I should like to ask a question, in view of the statement made by the distinguished Senator from Colorado relative to the fund which is now invested in bonds. I understood the Senator to say it amounted to approximately $12,000,000,000. Is that correct?

Mr. MILLIKIN. It is about $12,000,000,000 now.

Mr. WHERRY. I wanted to ask this question, because of the interest I have in preserving the stability of the dollar, and so forth: Is there sufficient money in the fund today to take care of the actuarial liabilities which could be assessed against the fund in the event there should be a liquidation?

Mr. MILLIKIN. The answer is "No." We started on the theory of a fully funded reserve system, and, by one of the amendments to the system, that was changed. What we now have is at best only a partial reserve.

Mr. WHERRY. Will the Senator indicate what part that is of the total liabilities which would have to be assumed if the liabilities were liquidated?

Mr. MILLIKIN. I do not want to give an off-the-cuff figure, but it would be several times larger than the present amount, which theoretically is in the reserve.

Mr. WHERRY. That is correct.

Mr. MILLIKIN. There is nothing in the reserve until a taxpayer is taxed to pay it off. As I said a while ago, the taxpayer, under wider coverage, becomes the same person as the insured man, and he therefore pays twice.

Mr. WHERRY. Does that not also strengthen the argument that the so-called "pay out as you take in" principle becomes almost mandatory?

Mr. MILLIKIN. It makes it so at least from a moral standpoint. If we do not want to be deceiving the people, it makes it mandatory. There will always be, I assume, what might be called a "till fund" or small reserve, to prevent having to come to Congress every year to keep the outgo adjusted to the income. That kind of reserve fund, if we care to call it that, would be necessary, I think, under almost any kind of system that we might have. But the present thing is a fake.

Mr. CAIN. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. CAIN. If 17 percent of America's aged population are now receiving benefits from our social-security system——

Mr. MILLIKIN. From the insured part of that system.

Mr. CAIN. And less than 2,000,000 from public assistance, what would be the maximum percentage intended through the recommended amendments which are now before the Senate?

Mr. MILLIKIN. The ultimate tax rate is 6½ percent, shared equally by the worker and the employer, except in those cases in which we insure the self-employed at a rate which is somewhat less than that, because the self-employed person pays the whole thing and pays only three-fourths of the amount which is now paid by the employer and the employee.

Mr. CAIN. What the Senator from Washington more nearly wishes to be able to understand is the percentage of America's aged persons eventually to be taken care of by the proposed extended and liberalized social-security system.

Mr. MILLIKIN. As of 1949, there were 11,300,000 persons aged 65 and over. By 1970 we shall have from 16,000,000 to 18,000,000 in the aged category, and in the year 2000, 50 years from now, it is estimated that we shall have from 19,000,000 to 28,000,000 such persons.

Mr. WHERRY. Mr. President, will the Senator yield for one more question?

Mr. MILLIKIN. I yield.

Mr. WHERRY. Is it intended that further studies shall be made by the committee?

Mr. MILLIKIN. That leads me to my conclusion, which is that the committee has decided that it will support a resolution offered during the course of the proceedings for doing the necessary things, to establish a special study committee, expertly staffed, to continue the study of various problems of the type which have been discussed there today.

That, Mr. President, is all I care to say at the present time.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child-welfare provisions of the Social Security Act, and for other purposes.

Mr. BUTLER. Mr. President, before entering on my formal statement on House bill 6000, I wish to say that any remarks contained in the statement which I may make are not intended to be other than constructive. I have the greatest respect, as do all the other Members of the Senate, for the loyalty and the ability of the distinguished chairman of the Committee on Finance, the senior Senator from Georgia [Mr. GEORGE], who, as I think most of the Senators know, has held meetings almost daily, beginning in about mid-January, until recently, considering House bill 6000. He has been most faithful in the discharge of the very arduous task assigned to him in that connection. I may say the same with reference to the junior Senator from Colorado [Mr. MILLIKIN], who has also spoken on the bill. The meetings were always attended by those members of the committee, and as frequently as possible by other members.

I

Mr. President, if the Senate passes the pending bill, H. R. 6000, we will be perpetuating a system which does grave injustice to millions of Americans—most of the present aged, and millions more who will some day reach the age of 65 without ever gaining coverage under OASI. I intend to cast a vote against it as a vote against such injustice.

My position does not mean that I am against social security. On the contrary, one reason I am opposing this bill is because it does not provide security for our elder citizens. That point I expect to deal with in some detail later on in my remarks.

In this bill are certain provisions dealing with aid to the blind and to dependent children. I shall not deal with these provisions in my remarks at this time. That is not because I have not given them consideration. It is because right now the provisions dealing with the old people are of an over-riding importance. The sums involved and the number of persons concerned are far greater; the national commitments are more far-reaching; and the questions raised are far more pressing, both as they affect the plight of our old people and as they affect the very life and vitality of the American economy.

Mr. President, this bill represents a further extension of the deferred benefit concept of social security which the Social Security Administrator tirelessly urges, defends, and promotes. It is a mistake to suppose that that concept is the only one on which a social-security system can be based. We have had that kind of a system for 15 years. Under that system, we have seen less than one-fifth of our present old people receive any insurance benefits. We have seen millions of other aged, equally deserving, excluded from the benefits of the system. In fact, millions of those who draw no benefits have paid in payroll contributions, and, under the present concept, they receive nothing, not even their own money back. That is the kind of system that we have today.

What is this theory upon which our present old-age and survivors insurance system is based? Briefly, it is a system whereby certain selected groups of employed persons—and their employers—are taxed to provide a trust fund. Out of this trust fund, supposedly, a series of graduated benefits—depending in part, but only superficially in part, on what the beneficiary has earned in the past—are paid to those persons who are safely within the fold. In the course of time, the number of groups who are subject to these taxes has been increased and in H. R. 6000 it is still further increased. It is the contention of the Truman administration that the system can be improved and made perfect by adding additional groups.

I disagree with that conclusion. I believe that the law as it now stands, and as it still will be if the bill passes, is capricious, in many instances extravagant, in other instances cruel and unjust. The bill simply patches up a system that is working badly. Furthermore, I say that the system tends to concentrate more and more power in the executive branch and simultaneously to dissipate the resources and sense of responsibility of our local communities. But above all, I believe the operations of the law constitute a mean and miserable cheat both on millions of our old people and upon many more millions of those who, still in their youth and in the first years of their working lives, are paying taxes for future benefits which they may never receive.

The Social Security Administration has always set great store on the wage records of those covered. In a special division in Baltimore there are assembled over 80,000,000[1] wage records handled by machinery devised by the International Business Machines Corp., machinery on which the Government is said to be paying a rental of more than a million dollars a year. Now, despite the fact that 80,000,000 wage records are on file, Commissioner Altmeyer estimates[1] that at any one time only 35,000,000 persons are working in "covered occupations." This phrase "covered occupations" does not mean that 35,000,000 are certain of old-age benefits. It only means that 35,000,000 are currently paying social-security taxes and that if they continue to pay these taxes long enough, the happy day for some of them may arrive when they may be safe and sure of old-age benefits.

Mr. President, this is a strange spectacle. Our social-security system is 15 years old. We have 80,000,000 wage records. But out of the 80,000,000 only 35,000,000 are "currently" insured and a much smaller number are in a position to be positive that they will ever receive old-age benefits.

Back in 1935, when the Social Security Act was first passed, it was obvious that numerous old people at the time were past their working years and never could qualify under the system. The problem, so people said, was to make some special arrangement so that destitute old people could be provided for until the system, that is, old-age and survivors insurance, came into full operation. The present needs of these old people could be looked after by another arrangement entirely called old-age assistance. This worked as follows: Out of general revenues the Federal Government annually appropriated large sums. A matching formula was devised by which the States would put up so much and the Federal Government so much and out of the combined sums the currently aged and destitute could be provided for. It is called "assistance," but, baldly put, assistance is nothing but relief and is generally granted through a means test.

As I say, it was supposed back in 1935 that very speedily the money required for this purpose would begin to shrink as more and more persons were covered by old-age and survivors insurance.

But strange and wonderful to relate, this shrinkage has never occurred. Instead, the opposite has happened. The expenditures for old-age relief began to mount and they have never stopped rising. Every year the Federal subsidies grow bigger. In 1936 the Federal Government spent only seventeen million for old-age assistance. By 1949 the Federal portion of the subsidy had climbed to $726,700,000. Including what the States spent, a total of one and one-third billion dollars—$1,326,047,000—was spent in 1949 for old-age assistance relief alone.[2]

The so-called old-age pensions paid by most of the States have come to depend, in very considerable degree, on these Federal subsidies. The pensions vary from State to State, they are not uniform, and of course they are political footballs.

Many a State political campaign has been fought with promises to jack up the pensions of the old folks. Fundamentally it is cruel to the old people for they are constantly being harangued and excited by further promises which inescapably depend on subsidy and political chance. They never know whether or not their

[1] Senate Finance Committee hearings, p. 29.

[2] Source of all three figures—Bureau of Public Assistance, Social Security Administration, May 8, 1950.

hopes may be dashed; furthermore, they are often so dazzled by spellbinding promises that they acquire fantastic notions of what it is possible to pay.

No one ever tells the old people the obvious truth which is this: It is the working force of this country who must provide the help for the old people.

There is just so much margin out of the pay envelope that can go to the old and when that limit is reached no promises in the world can do any good. What old people have a right to is the knowledge that definite provision has been made for them in some simple and understandable plan. The old people have no such knowledge now nor will they have it if this proposed bill is passed.

By the first of January 1950, 15 years after the passage of the Social Security Act, our double-barreled social-security system has reached this point: Out of 11,500,000 persons in the country 65 years and over, 2,000,000 aged persons are receiving old-age and survivors benefits under the social security tax system, and 2,700,000 old people are getting assistance, or rather relief, under the State-Federal matching subsidy system. In other words, after 15 years the old-age assistance, that was supposed to dwindle away, is actually far ahead of old-age and survivors insurance when the number of recipients is compared.

When we look at the sums paid out the comparison is even more startling. During the year ending June 30, 1949, the OASI so-called insurance paid out to aged beneficiaries $442,000,000.[3] But during the same year the Federal Government alone paid out in subsidies for old-age assistance more than $700,000,000.[4] As already stated, the Government and the States together spent during that year one and a third billion dollars for old-age relief.

II

Every time embarrassing facts like these are raised, it is customary for the defenders of the system to argue that all of this difficulty will be solved if only old-age and survivors insurance is expanded further so that all will be covered.

This puts the administration in the curious position of simultaneously defending its own creation and denouncing it. President Truman in his state of the Union message of January 7, 1948, said:

> Over the past 12 years we have erected a sound framework of social-security legislation.

Two years later, in January 1950, he said in his economic report to the Congress:[5]

> The current inadequacy of the social insurance program is sharply reflected in the disproportionate load now being borne by public-assistance programs. Increasing numbers of the aged, the disabled, and the unemployed have been forced to resort to public assistance.

You cannot have it both ways. If a sound framework of social-security legislation had been erected we would not now have the pressure for public assistance. And the reason we do not have a sound framework for social security is that the Administration has fought tooth and nail in defense of the present system and the present concept.

Repeatedly, over the years, many Members of both the House and Senate have felt uneasy and sometimes alarmed. They have urged and pressed for a thorough house cleaning in the Social Security Administration. But so great is the complexity of the subject, so full of fancy footnotes, its, ands, and buts, that in the end the effort has been fruitless and the system grows in power and strength. Somehow or other, every time we have an advisory council, experts from the Social Security Administration take over the research job and persuade the council to endorse the system and ask for an expansion of it. The possibility of a completely different system never gets any consideration at all.

A year ago, when this legislation came before the House, Chairman DOUGHTON, of the Ways and Means Committee, wrote to former President Hoover and asked his views on social-security revision. Mr. Hoover has had a close acquaintance with this subject for many years, and he replied to Chairman DOUGHTON in great detail. Said he:[6]

> The real and urgent problem is the need group. It is not solved now, nor can it be solved for many years, by the Federal insurance system, even if that system can be made to work efficiently.

And again, Mr. Hoover said:

> The [Ways and Means] Committee should undertake to establish an independent research body to provide analyses of other possible systems. It should be given a year for study. * * * On the organization side, both the State systems and the Federal insurance system maintain expensive administrations of the same general problem. The administrative cost of the Federal insurance system is likely under this bill to rise eventually to over $100,000,000 per annum.

Although Mr. Hoover was referring to the original 1949 House bill, and not H. R. 6000, the concept of both bills is identical, and the criticism holds.

Finally, Mr. Hoover said:

> A careful inquiry might disclose an entirely different system which would avoid the huge costs of administration and the duplication, which would substitute some other form of taxation, more simple and more direct for its support, and which would give more positive security to the aged than this complicated system.

I ask the Senate particularly to note this phrase of Mr. Hoover's: "more positive security to the aged than this complicated system." Unfortunately, Mr. Hoover's sound advice was not heeded.

Instead there comes before us the current bill, H. R. 6000. Where does it carry the system from the point where we are at the moment? I shall try to show where we are going. I said I shall try, because the system is so complex that it almost baffles description.

I may say at this point that this complexity is one of the phases of this problem that baffles Congress. In my business life, I never yet sat down to discuss an insurance problem with an insurance man without having the two of us understand perfectly within an hour or so, at least, what both of us were driving at.

Such is not the case with social insurance, so-called. Get a social-security official talking, and he will have you dizzy in no time.

There is a mass of official reference material. This material is blurred; the statistics are jumbled; the writing is involved. Just to compute the benefits for any given individual requires three or four different steps—three or four computations.

It ought to be plain enough to the Senate that a staff of bureaucrats, running a system which few Congressmen can understand, are in an ideal position to bewilder and confuse the Legislature. I am afraid that is exactly what the Social Security Administration has been able to do.

What does H. R. 6000 do, Mr. President?

First. It expands the compulsory coverage of old-age and survivors insurance to additional categories, including some domestic workers, sundry types of self-employed, and various smaller groups. It also provides voluntary coverage for some 1,500,000 State and local government employees who do now have retirement plans of their own. New and compulsory coverage will add 8,300,000 persons to the system, so that, all told, both compulsory and voluntary, we may possibly get 10,000,000 new persons on the rolls.

Second. By a process of liberalization, those approaching retirement age in the newly covered groups,[7] are able to quickly qualify for benefits. Under this phase of liberalization it is estimated that about 500,000 additional persons would be paid benefits during the first year of operation after this bill is passed. By making these 500,000 aging persons more quickly eligible, it is contended that the need for old-age-assistance relief will be reduced to that extent.

Third. Again, the scale of benefits is liberalized for all those currently receiving old-age and survivors insurance benefits by an average of some 90 percent.

Fourth. Old-age assistance: This is the relief item which I said had been climbing so rapidly, and which now runs at $1,300,000,000 a year. Note this, please: The contention is made that the cost to the Federal Government for public assistance "should not be increased further by modifying the existing matching formulas."[8] What this means is that the existing matching formulas will be left as they are. Even so, it is very probable

[3] 1950 Report on the OASI Trust Fund, p. 7.
[4] Social Security Administration, May 8, 1950.
[5] Economic Report of the President, January, 1950, p. 14.
[6] House Ways and Means Committee hearings on social-security amendments of 1949, pp. 2278–2279. Hoover letter is dated April 25, 1949.
[7] Second Finance Committee release, p. 4.
[8] Finance Committee release, May 5, 1950, p. 3.

that the costs of old-age assistance will continue to rise—merely by allowing the formulas to stand as they are today.

Fifth. Finally—and I am compressing the gist of the bill into the shortest compass I can—the cost of the so-called insurance plan will be met by a swiftly rising payroll tax. At the moment the tax is 3 percent on the first $3,000 a covered person earns, the tax being split 50–50 between employer and employee. In 1956 this rises to 4 percent, in 1960 to 5 percent, in 1965 to 6 percent, and, finally, in 1970—20 years hence—to 6.5 percent.

III

At least, that is what the sponsors of the legislation contemplate, and that is what this proposed bill will provide—if it is not changed before 1970.

In practice, none of us know what tax rates will actually be levied when 1970 rolls around. Most of us probably recall that when the original Social Security Act was passed, a rising scale of tax rates was written into the law. As the time came for those increased rates to go into effect, however, the Congress felt it advisable to defer again and again the increases in the rates—and for good and sufficient reasons. If those increases had not beeen deferred, we would have had a really mammoth trust fund by now, far, far bigger than the approximately $12,000,000,000 fund that we now have. The Congress felt there was no real necessity for creating such a monster fund.

No doubt, the same thing will happen again, each time we approach the date at which increased tax rates are supposed to go into effect. For that reason, I say that we do not really know what rate of tax will be levied under this system in 1960 or in 1970. The really rigid part of this bill, the part which it may be politically impossible ever to reduce in years to come, is the level of benefits promised.

Under this system, the total cost of these benefits becomes larger and larger as the years go by. We do not know exactly how heavy that cost may become. Consider, for example, what the burden may be in the year 1990, when the present young men of twenty-five first become eligible for pensions under the promises contained in this bill. Our committee report presents us with a wide range of estimates as to the cost. According to the low cost estimate, benefits in 1990 will amount to $7,800,000,000. According to the high cost estimate, they will be practically 50 percent greater, or $11,700,000,000. In short, we are asked to enact legislation on a matter where our estimates of cost vary as widely as 50 percent.

These cost items are not something that we can easily control. They represent the total of the promises, made by this bill, to millions of people who today must contribute out of their earnings toward a guaranty of security in their old age. If those costs run higher than expected, the Nation will still feel obligated to pay them.

These are the costs which, according to the committee estimates, probably can be taken care of by the rising scale of taxes provided in this bill. The difficulty is that since we do not know what the costs will be, we do not know what level of taxes will be necessary to meet those costs. The distinguished chairman [Mr. GEORGE] undoubtedly believes in all sincerity that this bill provides a scale of tax rates which will be substantially self-financing. I say that on the basis of these widely varying estimates he does not know, and none of us know whether the tax rates provided in the bill will come anywhere near providing the revenue needed to pay the costs. Under the table entitled "High Cost Estimate," on page 39 of the report, the cost could easily run 9 percent of payroll in 1990 and in excess of 10 percent of payroll in the year 2000. That is the level of taxes we might have to levy at that time if the promises made by this bill are to be kept.

What is the possible sense of making promises covering a period 40 or 50 years hence, which may have to be fulfilled with such crushing tax levies? How do we know that private business in 1990 or 2000 will be able to bear such a burden? In fact, how do we know that private business will be able to bear a payroll tax of 6½ percent at that time?

If we are so sure that we can afford a tax levy of that magnitude, why do we not levy it today and take care of the present aged in a decent way? The fact is that we do not know, and we have not tried to find out, how much of an additional tax present income earners can carry for the support of the aged. We have been content to defer the whole problem to the distant future, but at the same time we have made big promises that some future generation may have to carry out.

IV

Now, if this bill passes, what is going to happen?

With these taxes the income of the trust fund will be so great that the payment of increased benefits for the next few years will be easy. Smooth sailing is the word. The tide of tax money flows in. A much smaller ebb of payment checks flows out. All looks rosy. For a while. For just a while.

But do not forget that hundreds of millions of dollars of this tax income are coming from young men and women 25, 30, and 35 years old. They are paying for benefits that supposedly will be due them anywhere up to 45 years hence.

Meantime, what about the number of old people? The census tells us of the steady increase in the number of aged in this country. Oscar Ewing may claim that our methods of medical care are terrible, but the truth is that we have cut infant mortality to the bone, and that is the chief fact that guarantees us lots of old people in the future. The proportion of old people in the United States is expanding. Under H. R. 6000's liberalized benefits, which some may get and many will not, and with the number of qualifying beneficiaries rising, the outgo of benefit payments swells. Then begins the race between the tax income and the benefit outgo.

Never forget that many receive benefits far greater than anything they have ever paid in and that money must come from somewhere. In fact, every beneficiary on the rolls today is receiving far more than the actuarial value of the contributions he has made.

Listen to this [9] from the annual report of the trustees of the Old-Age and Survivors Insurance Trust Fund, a report dated January 2, 1950:

> The trend of such payments will be upward throughout the present century. By 1970 (20 years from now) benefit disbursements are expected to increase to three to five times their current level.

That means that sooner or later in this race between tax income and benefit outgo, the outgo catches up with income and the two are running neck and neck. Then income begins to fall behind outgo and there remains the sacred trust fund to fall back upon.

As of June 30, 1949, there was in this trust fund [10] a little over $11,300,000,000. This amount in the trust fund will handle the excess of benefit payments over tax income for X years more. That is to say, within X years the trust fund is exhausted, the tax income is insufficient for outgo, and the zero hour for old folks is at hand.

I say X years because neither I nor anyone in the Senate nor anyone in the Social Security Administration nor any actuary in the world can accurately project figures set up as this system is. Benefits have been boosted before with no regard for the source of the money and it can be done again.

But wait. The amount in the trust fund is not in dollars. The Government has long since spent that money, replacing it with bonds. To make good the bonds, presently needed for benefit payments, either the Government must tax further or borrow more. Even when this is done, a few years sees the end in sight.

Now I ask, Mr. President, just exactly what is the Congress going to say then to the younger men and women who have been paying, paying, paying for a promise? What is the Congress going to say to these people when they learn that the fund is exhausted and their money gone with it? As my Nebraska colleague in the House, Representative CARL CURTIS, put it in his minority views on H. R. 6000:

> We bind on coming generations to pay untold billions of dollars not only 50 years from now, or 100 years from now, but so long as the Government of the United States stands. It is totally unmoral.

And, I might add, totally insane.

V

I have said that I dislike the capricious character of the existing law. I want to illustrate this in the case of Nebraska.

The figures I shall use are worked out in the rough and may not be precise to the last digit. Total national employment figures are common but are not customarily broken down by States. The

[9] Report of the Trustees of OASI Trust Fund, S. Doc. 151, 81st Cong., 2d sess., Jan. 2, 1950, p. 31.

[10] Ibid., p. 8.

figure for employed persons over 65 in Nebraska is prorated from national figures. I believe, however, that the figures are substantially correct, giving a picture of the situation in my State as it is now.

There are in Nebraska about 126,000 persons 65 and over. Some 14,500 now receive OASI benefits and perhaps 24,000 get old-age assistance. If we subtract overlaps and add some 2,200 who are getting federally subsidized institutional care of one sort or another, we find that about 39,000 persons 65 and over are getting old-age benefits or old-age assistance. This leaves about 87,000 Nebraskans 65 years of age out somewhere in the fog. What has happened to them?

Well, about 37,000 of them are working more or less, and the estimates indicate that there are around 6,000 wives 65 years and over married to the persons 65 and over who are still working. This gives 43,000 old Nebraskans working, some with aged wives. A few, perhaps 3,000, earn so little that they get some benefit or some assistance. We end up with 40,000 elderly working Nebraskans and elderly wives, of a total of 126,000 in the State, who are right now getting no benefit and no assistance.

In addition, there are perhaps 47,000 Nebraskans 65 and over who neither work nor receive benefit, aid, relief or assistance of any kind.

That is to say, 87,000 old folks in Nebraska get nothing, whether they are working or not.

Some of these 87,000 Nebraskans have in one way or another made provision for themselves. We do not need to worry about them.

Some are living with their children and are supported by them, which is no disgrace in my book.

Some—and nobody can tell how many without access to the wage records in Baltimore—have paid social-security taxes, but not long enough to qualify and for most of these the day is forever past when they can qualify. If they are in need, they must look to relief—that is, to old-age assistance.

It is unfair to whipsaw the old people in such a manner. Why give a man the impression that through taxation he and his employer have bought an annuity when he gets more than what the taxes would really buy? Sometimes he gets more; sometimes less. And why, having given a man this impression, and having taken his taxes, do we leave him stranded outside OASI and move him over into relief, or throw him out altogether? Would H. R. 6000 help any of them? A few, possibly, but only a few.

Let me give a couple of examples of the capriciousness of the law, taken from letters in my own files:

First. Here is a man who ends up with 15 quarters of coverage when he had to have 22 quarters to qualify. We look into his case. We find that he would have qualified under the original act but that subsequent amendments have the effect of freezing him out. He has paid taxes and thinks he deserves consideration. What true justice would do in this case is obscured by the complexities and shifts in the law. All we know is that he paid in something, he gets no benefit, and that he is sore.[11]

Second. Case No. 2 gives a man who misses out with only 11 quarters of coverage. He put in claims, was informed that the claims were disallowed and that he could, if he wished, go to court and that if he did so, Oscar Ewing was the person he should sue. All of this is quite legal, no doubt, but it leaves us about where we were. "I have battled this case since you took it up about 2 years ago," says this claimant. "I was 65 in 1948. These guys pass the buck and ask me to go to court. They know we do not have the money to fight this case as I told the judge personally in the first denial." [12]

We can amend and manipulate the present social-security law all we want, but under a deferred and graduated benefit system please tell me how we are going to avoid cases like these?

Many of those who have qualified and are receiving benefits are in what to honest people is a disagreeable position. They are told that what they are getting is an insurance benefit. But they know better.

They know that many are getting back far more than they paid in. They know of neighbors who are getting less. They know of other neighbors who missed the boat at retirement because they could not quite qualify. Furthermore, they know that still others are getting more on old-age-assistance relief than they, who paid taxes, are getting in so-called old-age insurance.

If Nebraska old folks could read about this bill, they would know that out of the 500,000 additional old people still working who will come on the insurance rolls some will be Nebraskans.

If they are smart, the present recipients will understand that Nebraska's share of this 500,000 will in some degree be given a free ride.

Could anyone figure out a more complicated picture than this? No wonder old people get sore—sore when the benefit is small and assistance bigger, sore at the size of the benefit and the way their benefit was figured out.

Furthermore, the complexities present a never-ending temptation to exploit the system. Honest people will not do it. Dishonest people will.

Let me give the Senate an example taken from old-age assistance. Old-age-assistance payments in Colorado are higher than those in Nebraska. In October 1949 the average monthly payment in Colorado was $75, compared with $43.52 in Nebraska.[13] The recent Senate hearings [14] turned up the case of a man whose farm was astride the Colorado-Nebraska line. He had moved his house to the Colorado side of his farm in order to claim the higher Colorado pension.

We can find people who think this a comical story and others who say that it simply proves that Nebraska's assistance is niggardly compared to Colorado's.

I have no patience with either explanation. I say it simply shows what a crazy maze our system is and ask why should I vote for House bill 6000 to make the maze even crazier.

I am firmly in favor of the social-security principle. No aged person in Nebraska or any other State shall be left in destitute misery as far as I can help it.

But I want a system and a benefit that they can understand and I can understand.

I am tired of the legislated lunacy that we now have.

I want a system and a benefit that we can honestly pay for as we go, closing out each year's accounts when the year is over and beginning again when the new year starts.

VI

As we know, farmers and almost all agricultural labor are excluded from this bill. Why?

Well, opinion is mixed. Among the farm organizations the Farmers Union endorses coverage.

The National Grange is interested but somewhat uncertain. For example, their 1949 resolution contained this clause:

> That the executive committee be authorized to advocate the Grange stand favoring general coverage of farm people if it is satisfied that the plan proposed is workable.[15]

That is a big "if."

The Farm Bureau is also interested in coverage and the resolution adopted at the December 1949 convention at Chicago showed their interest and concern. Still, the resolution was qualified to this extent, and I now quote: [16]

> If the extension is provided by law to include self-employed other than farmers, and is proved feasible and administratively practical, then careful consideration should be given by State and county farm bureaus to the coverage of farm operators under the old-age and survivors insurance program.

That is another big "if."

As far as individual farmers are concerned, I get little mail from them or from agricultural labor, either, on any side of the question. Various explanations are offered to explain this, but the fact remains.

I have just as much concern about the indigent aged on Nebraska farms as I have about the indigent aged in Omaha, Lincoln, Hastings, Grand Island, or Scottsbluff.

But if I am persuaded that the present system is not administratively practical, that it is capricious and in many instances unjust, and that, about all, the system as it is now organized is on the way to bankruptcy or chaos, I would be without a conscience if I tried to vote farmers and farm labor into such a trap.

I am persuaded that if the present law is expanded as it is in H. R. 6000, we are on the way ultimately to bankruptcy and economical chaos.

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[11] Becker correspondence, Butler files.

[12] Trabold correspondence, Butler files.

[13] Table No. 1, December 21, 1949, FSA, Social Security Administration, Bureau of Public Assistance.

[14] Senate Finance Committee, hearings, p. 325.

[15] Hearings for the complete 1949 resolution of the National Grange, p. 776.

[16] American Farm Bureau Federation Official News Letter, December 19–26, 1949, p. 8.

Some reports in the press have made that this bill is a pay-as-you-go bill. It is not pay-as-you-go in my language. To me a pay-as-you-go system is one in which the cost is paid in full in any given year and that when the year closes, nothing is owed and nothing is promised.

VII

I shall vote against House bill 6000 because it is unjust, uneconomic, and undemocratic.

My position is not merely negative, however. I have a new, specific, constructive alternative to offer. A little later in the course of this debate, I plan to present this proposal to the Senate in some detail.

WEDNESDAY, JUNE 14, 1950

(Legislative day of Wednesday, June 7, 1950)

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

Mr. GEORGE. Mr. President, it would accommodate the committee in the consideration of the bill if Senators who have amendments to offer would, as soon as they can have them prepared, submit them to the Senate. If that is done, we will get a better idea of the length of time that may be required on the bill. I am merely making this as a suggestion.

Mr. LUCAS. Mr. President, before the Senator from Georgia takes his seat, I should like to advise him of a fact which he perhaps knows. The Senator from Colorado [Mr. MILLIKIN] advised me this morning that he was under the impression that the Senator from Georgia would leave for his home in Georgia today. I told him that was incorrect, that the Senator would probably leave tonight, that he would be present in the Senate today.

Mr. GEORGE. I shall be here today and tomorrow. I shall not leave until tomorrow night, and I shall be back Monday. I thought that if the debate went on through Friday I could ask some other members of the committee to look after the bill.

Mr. LUCAS. I desired to advise the Senator with respect to the conversation I had with the Senator from Colorado, who indicated that he would be willing today to enter into a unanimous-consent agreement to vote on the bill and all amendments starting on either Monday or Tuesday next.

Mr. GEORGE. We are working on the problem now with the distinguished junior Senator from Nebraska [Mr.

WHERRY], and we may have a proposal to make at a very early hour today.

Mr. LUCAS. I was not sure that the Senator had seen the Senator from Colorado; that was why I raised the question.

Mr. President, I desire to make a further statement.

The VICE PRESIDENT. The Senator from Illinois has the floor.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

The VICE PRESIDENT. The Senator from Ohio has the floor.

Mr. LUCAS. Mr. President, will the Senator from Ohio yield?

Mr. TAFT. I yield.

Mr. LUCAS. I offer amendments to the pending bill (H. R. 6000) on behalf of myself, the Senator from Alabama [Mr. HILL], the Senator from New York [Mr. LEHMAN], the Senator from Massachusetts [Mr. SALTONSTALL], the Senator from New York [Mr. IVES], the Senator from Massachusetts [Mr. LODGE], and the Senator from Illinois [Mr. DOUGLAS].

The amendments provide for coverage on a mandatory basis of the employees

of transit systems operated by municipalities or other political subdivisions of States. I should like to have the amendments printed and lie on the table.

Mr. TAFT. Mr. President, will the Senator be willing to add my name as a cosponsor of the amendments? I had intended to offer an amendment of the same sort myself.

Mr. LUCAS. I shall be very glad to do so.

The VICE PRESIDENT. Does the Senator from Illinois offer the amendments as the pending question, or to be printed and lie on the table? There is no pending amendment, other than the committee amendment.

Mr. LUCAS. Very well; I offer the amendments as the pending question, and I add as a cosponsor of the amendments the name of the distinguished senior Senator from Ohio [Mr. TAFT].

The amendments submitted by Mr. LUCAS (for himself and and other Senators) are as follows:

On page 246, beginning with line 13, strike out all down to and including line 24 and insert in lieu thereof the following:

"(8) (A) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions (other than service included under an agreement under sec. 218 and other than service performed in the employ of a State, political subdivision, or instrumentality in connection with the operation of any public-transportation system the whole or any part of which was acquired after 1936).

"(B) Service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410 of the Internal Revenue Code (other than service included under an agreement under sec. 218)."

On page 328, beginning with line 8, strike out all down to and including line 16 and insert in lieu thereof the following:

"(8) (A) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more State or political subdivisions (other than service performed in the employ of a State, political subdivision of any public-transportation system the whole or any part of which was acquired after 1936).

"(B) Service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410."

Mr. LUCAS. Mr. President, in connection with the amendments, I ask unanimous consent that a short statement of explanation be printed in the body of the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

TRANSIT EMPLOYEES AMENDMENT TO H. R. 6000

This amendment provides for coverage on a mandatory basis for the employees of transit systems operated by municipalities or other political subdivisions of States. This result is obtained by amending the section defining "employment" so that service for publicly operated transportation systems is included within the types of employment covered by the old-age and survivors insurance program. Employees of all transportation systems taken over by municipalities or political subdivisions of States after 1936 would be brought under the social-security system by this amendment.

The comparable provision included in the House bill would have covered only the employees who worked for the transit company at the time it was taken over by the municipality. Representatives of the Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America testified against this provision. The amendment proposed here would meet with their approval.

In the Senate Finance Committee the sections providing for special treatment for this group of employees were dropped. Under the committee bill they will be covered only if they qualify under the section pertaining to public employees generally. This means they can obtain social-security coverage only if they do not have a retirement plan and if the State legislature enters into a compact with the Federal Security Administrator providing for the coverage of the transit employees.

The VICE PRESIDENT. The question is on agreeing to the amendments offered by the Senator from Illinois for himself and other Senators.

Mr. LUCAS. Mr. President, I also offer an amendment to the bill, on behalf of myself and the Senator from Rhode Island [Mr. GREEN]. The amendment would amend the Social Security Act by adding a new title providing for the payment of insurance benefits by the Federal Government under certain circumstances. The amendment is entirely different from the present provisions of the bill.

The VICE PRESIDENT. The amendment will be received, printed, and lie on the table.

Mr. LUCAS. Mr. President, in connection with the amendment just offered on behalf of myself and the Senator from Rhode Island [Mr. GREEN], which provides for the establishment of a fund to be used for grants to State unemployment compensation systems which are being depleted, I ask unanimous consent that a short statement of explanation of the amendment may be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

GRANTS TO STATE UNEMPLOYMENT FUNDS

Section 404 of H. R. 6000 was inserted by the Senate Finance Committee. It provides for the reestablishment of a loan fund for State unemployment compensation systems which are being depleted.

This amendment would delete that section and provide instead for grants to State systems which are being depleted. In order to implement this provision for grants, the funds collected by the Federal unemployment tax would be earmarked so that a Federal fund would be accumulated for this purpose.

Title 12 was originally enacted in 1944 and is the loan provision extended by section 404 of the committee bill. This amendment provides a new title 12.

A State would be entitled to a reinsurance grant for any calendar quarter commencing after October 1, 1950, if that State's unemployment fund is less than the amount of the compensation paid by the State during the preceding 6 months. In order to qualify for such a grant after December 31, 1952, a State whose unemployment fund is being depleted must have had a minimum payroll tax of 1.2 percent.

Under this amendment the size of the grant will be equal to three-fourths of the excess of the compensation payable during the quarter over 2 percent of the taxable payroll, except that after June 30, 1953, increases in the compensation within the year preceding the application for a grant shall be disregarded.

The last paragraph of the amendment earmarks for the Federal unemployment account the funds collected under the Unemployment Tax Act which are not used for the payment of administrative expenses.

The other sections of the amendment provide for the administration of the grant program by the Secretary of Labor.

ARGUMENT FOR THE AMENDMENT

Although the loan fund now contained in title 12 of the Social Security Act has been in existence since 1944, it has not been used. This, of course, can be explained by the fact that most State unemployment compensation systems were not depleted during those years of high employment. However, as unemployment in local areas does increase, it becomes more and more obvious that the provision for loans is completely inadequate.

In at least 28 States there would be serious constitutional questions with respect to the State borrowing money in this way. This in itself is a major argument against reliance on such a loan provision.

The unemployment compensation program is financed by a payroll tax. As employment decreases, the total revenue from this tax is greatly reduced. At the same time, increasing unemployment brings an increased drain upon the unemployment compensation fund of the State. The loan provision would require the State to go further into debt under these circumstances. The loan would have to be repaid, but the State has no foreseeable means of repaying it. The States in which the unemployment funds are being depleted will have ever-increasing financial difficulties under this loan provision.

A provision for grants to the unemployment-compensation funds which are being depleted because of high unemployment in particular States will more adequately meet the needs of these States. It seems proper to use the funds collected from a payroll tax designed to provide unemployment compensation for this purpose. In the past these funds have gone into general revenue. At the present time, up to 90 percent of the Federal unemployment tax may be paid to approved State unemployment-compensation funds. The other 10 percent of the Federal tax is collected by the Federal Government. Administrative expenses have been met from these collections, but the excess has gone into general revenue. If these amounts were transferred to a Federal unemployment account over a period of years, a fund would be built up which could be used to aid State funds which are being depleted.

The amendment does not change the present arrangement of State administration of these funds. The amendment provides for certain conditions which must be met by any State before a grant will be available. If that State's unemployment fund is being depleted, the State must provide a payroll tax of at least 1.2 percent before any grant will be available.

Mr. LUCAS. Mr. President, I also offer and send to the desk an amendment on behalf of myself and the Senator from Pennsylvania [Mr. MYERS]. The amendment provides for assistance payments to the caretakers of dependent children. The amendment is in line with what the House of Representatives agreed to, but what the Senate Finance Committee saw fit to eliminate.

The VICE PRESIDENT. The amendment will be printed and lie on the table.

Mr. LUCAS. Mr. President, in connection with this amendment offered on behalf of the Senator from Pensylvania [Mr. MYERS] and myself, I ask unanimous consent that a short explanation of that amendment be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

AN AMENDMENT TO PROVIDE FOR ASSISTANCE PAYMENTS TO THE CARETAKER OF DEPENDENT CHILDREN

H. R. 6000, as passed by the House, provided for Federal sharing in aid furnished to meet the needs of the relative with whom a dependent child receiving aid is living, to the same extent as it shares in the cost of aid furnished dependent children. The maximum individual payment to be counted for this purpose would be the same as for the first dependent child.

The Senate Finance Committee omitted this provision from the bill it reported. This amendment would insert into the bill the provisions as passed by the House of Representatives.

ANALYSIS OF AMENDMENT

The desired result is obtained by amending the following sections of the committee bill:

Section 321

The changes on page 378 of the bill are necessary to prevent a recipient of old-age assistance from also receiving a benefit payment as a caretaker of a dependent child.

Section 322

This section in the bill amends section 403 (a) of the Social Security Act by increasing the maximum amount for the first child from $27 to $30 and the amount for the other children from $18 to $20. In order to provide for payments to the caretaker it is necessary to restate this entire section, including the formula for Federal matching of funds. (Three-fourths of the first $12 and one-half of the excess up to the individual maximums of $30 for the first child and the caretaker and $20 for each additional dependent child.) This means that up to $18 of Federal funds will be available for each caretaker.

This provision would take effect October 1, 1950.

Section 323

This section is amended (p. 379, line 10) so that the definition of aid to dependent children will include payments to the relative with whom a dependent child is living. The relatives already specified by existing law are father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt.

Section 341

This section is amended (p. 381, line 14) so that persons receiving aid as the caretaker of dependent children shall not also be entitled to assistance under the aid-to-the-blind program.

ARGUMENT FOR THE AMENDMENT

The program in the past has provided aid to the dependent children, but has made no provision for the parent or relative with whom the children are staying. This does not seem proper or sensible. If the problem of providing in some way for dependent children is to be met at all through the combined efforts of State and Federal financing, it would seem only sensible to make that aid available in such a way that the parent or relative may properly care for the child.

The existing law is completely inadequate in recognizing the fact that dependent children qualify as such only if one or both of the parents are away from the home and they meet a needs test. The program should be administered in such a way that the home that is available may be kept intact. This necessitates some provision for the parent or relative with whom the children are staying.

The American Legion has actively sponsored this amendment.

Mr. TAFT. Mr. President, the pending bill attempts to improve the system of old-age and survivors insurance, which has been in effect for a period of 14 years. That system has been frequently criticized. I remember the distinguished Senator from California [Mr. DOWNEY] made a speech which lasted throughout an entire day, pointing out the inequalities and unsoundness of this system. Certainly it is long overdue for improvement. The general purposes of the present bill have now been endorsed by both political parties for a period of probably as much as 8 years. I know they were endorsed in the Republican platform of 1944. In the Republican platform of 1948 we favored "extension of the Federal old-age and survivors insurance program and an increase of the benefits to a more realistic level." In the statement of Republican principles and objectives adopted by the Republican Members of the House and Senate about the 1st of February of this year, as I recall, and also by the Republican National Committee, we undertook this obligation:

The obligation of government to those in need has long been recognized. Recognizing the inequities and injustices of the present program of social security, we urge (a) the extension of the coverage of the Federal old-age and survivors insurance program, reduction of eligibility requirements, and increase of benefits to a more generous level, with due regard to the tax burden on those who labor; (b) a thoroughgoing study of a program of more nearly universal coverage, including the principle of pay-as-you-go.

The pending bill does exactly what was at that time proposed. It extends the coverage of the Federal old-age and survivors insurance program by including, as I remember the number, including 7,000,000 or 8,000,000 people under 65 years of age who are not now included, and it reduces the eligibility requirements by giving what is called the "new start," so that anyone who starts now to pay will, after about a year and a half, I believe, or after six quarters of covered employment, come under the benefits of the system. It increases the benefits to a more generous level, by increasing them approximately by 85 or 90 percent.

I think it should be made perfectly clear what the bill does not do. The present old-age and survivors insurance program provides benefits for about 2,000,000 people over 65 years of age, so far as the payment of benefits at the present time is concerned, although of course many millions more look forward to benefits under it. Those 2,000,000 people are today receiving a wholly inadequate pension, one which is worth about half what it was when the system was inaugurated in 1936.

There are 11,500,000 people over 65 years of age, and the present system does not cover more than 2,000,000. It therefore does not meet the general demand for old-age pension for the people who are over 65 years of age today.

Outside the 2,000,000 receiving benefits under this system, I think about 2,800,000 are getting old-age assistance on a needs basis, through a combination of State and Federal payments, which costs the Federal Government today approximately $900,000,000.

The pending bill increases the coverage of old-age insurance. I do not think I shall want to discuss the details. There are many detailed questions as to who should be covered and who should not be. In general, the committee tried to cover everyone they thought could be covered on a compulsory basis, where it was practicable, and where there was not a substantial objection on the part of those who are not now covered.

The benefits, as I say, are increased by from 85 percent to 90 percent, both the benefits of those who have already retired, and, of course, the benefits of those who may be retired in the future; and I point out also that the eligibility requirements are reduced.

In addition to the general question of the old-age and survivors insurance, the bill also tries to improve the public assistance programs by which the Federal Government shares on a needs basis with the States in paying old-age assistance aid to the blind and aid to dependend children. The House bill actually increased the Federal share of those payments to an extent which would have cost the Federal Treasury about $235,000,000 a year in addition to what we now pay. The Senate committee felt, I think very strongly, that there was no particular reason at this time for increasing the Federal proportion, because the Federal Government has a deficit of $6,000,000,000 a year, while the States are reasonably well off. So there was no reason why the Federal share of these other payments should be increased, and no reason why the total payments should be increased.

One of the objections to the present condition is that the old-age insurance payments to which contributions have been made in the form of taxes average about one-half of the old-age assistance payments to which no contribution is made. One of the purposes is to make the old-age assistance insurance more popular and more attractive by bringing those payments up to a realistic level. Certainly they should be above the old-age assistance payments.

There seems to be no reason to increase old-age assistance payments at this time. The committee made a slight increase in the dependent-children program which has not been entirely satisfactory or sufficiently large to cover all the needy cases throughout the States. Instead of approximately $225,000,000 in the House bill, the Senate bill increases the total Federal payments by only $36,000,000. The bill also increases the authorization for services for crippled children, for services for maternal and child health services, and for child welfare services. Those are programs which involve no cash payments to anyone, but simply enable the States to conduct a more comprehensive and satisfactory service in these fields where the need of assistance and State action are clearly recognized.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. TAFT. I yield to the Senator from Vermont.

Mr. AIKEN. Does the bill provide for any reduction in Federal contributions?

Mr. TAFT. No. Old-age assistance is left as it is, and I think the same is true as to the blind. There is a slight increase for assistance to dependent children, and there is an increased authorization for the services to which I have just referred.

I feel that the bill carries out general pledges which have been made by both parties, and I also think it moves in the right direction. The only thing I do not like about the bill is the fact that it still adheres to the so-called social-insurance program. I do not believe it is insurance, and I think the sooner we recognize that old-age pensions are desired by the people on a pay-as-you-go basis, on a universal basis, the better off we shall be. I think social insurance is not, in fact, insurance. It is not anything in the world but the taxing of people to provide free services to other people.

I do not like to have old-age pensions, which are popular and necessary, and of which I approve, used as a basis for extending so-called social insurance to all kinds of other fields of social welfare, and increasing the tremendous expense of welfare service beyond the present means of the people of the country. I do not believe the Federal Government ought to become more involved than it is in the general problem of providing welfare services and providing for the needy throughout the entire Nation.

As I say, this old-age system is not insurance. It started out to be an actuarily sound fund. The fund was to be established by the people who paid taxes in, and then when it reached the proper point they were to take out what they were entitled to as a result of having paid something into the fund. That was very soon abandoned, because the fund was impossible to administer.

If we should try to have an actuarily sound fund invested in good property, it would get up into the neighborhood of $100,000,000,000, and very soon the fund would own all the property, stocks, and bonds in the United States. It was soon recognized that that could not be done. We could not actually buy all those stocks, so the fund was to be invested in Government bonds. That was nothing but a collection of Government I O U's. We collected a tax, put the tax into the fund, then took the cash out of the fund and put it in Government bonds. Then the Treasury spends the money taken out of the fund. When we come to try to cash in on the fund, we have to tax the people again to pay the interest or the principal on the bonds in the fund. In the last analysis, the fact is that where we have a widely spread old-age pension system and undertake to pay persons over 65 years of age when they are not working, the sum is so large that it is impossible to handle on an actuarily sound basis. In the long run we have to recognize that the only way to pay those sums is for the people who are working at the time to pay the benefits for the people who are not working. There is no other way to do it. We may as well recognize that at the beginning. If we are going to pay old-age pensions, the only way to do it is to pay it out of contributions of the people who are earning money at the time.

Mr. SMITH of New Jersey. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. SMITH of New Jersey. I should like to ask the Senator if I correctly understand his position. Is the Senator proposing that hereafter those presently working will be taxed to pay benefits to those who are 65 and over, but at the same time those presently working will not be contributing to their own retirement benefits?

Mr. TAFT. That is correct. I would favor a universal old-age pension system. At the same time, we might just as well recognize what we are doing. In the old days children were supposed to take care of their parents. That was sometimes done, and sometimes it was not done. Sometimes there were no children to assume the responsibility. For that system we should substitute a system under which all the people under 65 are undertaking to say they will pay old-age pensions to everyone over 65, hoping that when they reach the age of 65 the people who are at that time working will assume the same obligation.

Mr. SMITH of New Jersey. I understand the Senator to take the position that the contributions made by individuals through the years have no relation to their ultimate pensions.

Mr. TAFT. I think there is a slight relation, but the benefits which are paid have only a slight relation to what a man pays in.

I should like to read from a speech made by Representative CARL T. CURTIS, of Nebraska, in the House of Representatives. He said:

> Let us consider the case of a man who is now 40 years of age. Let us assume that he has been under old-age and survivors insurance since it started in 1937, that he and his wife are the same age, and that both will reach 65 at the same time. We will also assume that his average monthly wage has been $200. This man will have paid in in taxes according to the schedule in the present law a sum of $1,440, and his employer a like amount, or a total of $2,880.
>
> This amount would have purchased him a monthly benefit of $14.10 on an actuarial basis. However, under existing law he would draw $47.95 a month, and his wife would draw $23.98, or a total of $71.93. In less than 3½ years he and his wife would draw out everything that he and his employer have paid in, even though he would have been covered for 37 long years. The actuaries say that the total value of all these benefits under existing law is $9,770. Under the pending measure his benefits will be raised to $71.10 a month, his wife's to $35.60 a month, or a total of $106.70 a month.

Mr. SMITH of New Jersey. Mr. President, will the Senator yield further?

Mr. TAFT. I yield.

Mr. SMITH of New Jersey. Do I correctly understand that the Senator from Ohio would favor a flat pension for everyone, or would he favor a graduated pension?

Mr. TAFT. I favor universal pensions, but the question of whether the pension should be flat or graduated should be studied by the committee which is proposed to be established under our proposal and which, as I understand, has been approved by the Finance Committee and will be considered by the Senate at about the same time we vote on the bill itself.

Mr. SMITH of New Jersey. I am glad to hear the Senator refer to a committee for studying the question.

Mr. TAFT. The Senator asked about a universal pension system. A flat pension system is in force in England today, but the conditions in England are much more uniform than they are in sections of the United States. I personally, at the moment, should be inclined to favor a flat minimum and then have an increased benefit as people have paid taxes during their life or as they have earned money during the 10 years prior to the time they retired. Under that rule there would be some relation to the amount paid in. I think some relation should be recognized. But it is not very close. Take the case of a man with an average wage of $50 a month. He pays in a tax matched by his employer. The total tax paid in is $60 by each, or $120 over a 10-year period. Under the pending bill he would receive retirement pay of $22 a month instead of $20. If he has a wife who is over 65 years of age, he would get $33 a month. On the other hand, a man earning $100 a month pays in $120, twice as much as does the man earning $50 a month. He retires on only $27.50 a month, instead of $22.50 a month which the other fellow gets. There is practically no relation between what he has paid in and what he gets.

Under the new bill, the same thing is roughly true. A man with $100 average monthly wage would pay $432 and would receive $50 a month on retirement. On the other hand, a man with $200 monthly average wage would pay, or have paid for him, twice as much, or $864, but his benefit would be only $65 a month. For the same payment the first man might get $75 a month for half the money paid in by the single man under the proposed bill.

What I want to point out is that this bill already has gone far toward recognizing the principle of paying to those over 65 years of age a pension, with little relation to what they paid in during their life. In other words, it is no longer insurance. It is something called social insurance. It is not insurance, and, at least up to date, this system has not been very social either, because it has covered only a very small portion of the total number of people who are over 65 years of age.

Mr. SMITH of New Jersey. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. SMITH of New Jersey. Did I understand the Senator to say that he disapproves of disability insurance? If so, how does the situation differ between someone who is disabled and someone who is 65 years of age and cannot earn a living?

Mr. TAFT. It is a different subject. In England today they have, I think, eight different payments for social insurance.

Mr. SMITH of New Jersey. I am speaking only of total disability, in the case of a man who is unable to earn a living.

Mr. TAFT. Why take permanent disability? Why not medical services? Why not the whole gamut? People are using the term "social insurance" to cover everything. Social insurance is used as a means of saying that we are going to levy a Federal tax to pay Federal benefits to people for particular things. That is not a Federal field fundamentally. We have accepted the principle in old-age pensions for people over 65. We have not accepted it in general relief, in hardship cases, or in hundreds of other instances which may require action by State and local authorities.

As I see it, the general problem of taking care of the unfortunate is primarily one for the States, and ought to be administered by them. We ought not to have a national system. In the case of old-age pensions, the people have thought that it should be a national program, and they have made it a national program. But the moment we use the insurance idea as an excuse to cover other benefits, we shall have the Federal Government take over the entire welfare activities of the United States. We shall be doing the whole thing in Washington, and we shall be administering it from here. It would cost us about three times as much as it would if we left it with the States and assisted them in those fields.

I am willing to consider the general problem of how far the Federal Government should help the States in the matter of permanent disability as a matter of State aid. However, permanent disability is a very minor factor. In total money, it is very small, and it is well within the financial capacity of the States to look after. I see no particular reason, on the basis of necessity, why the Federal Government should be invited in.

The point I have been trying to make is that this bill does not provide insurance, and the sooner we get back to the recognition that what we are doing is simply debating an old-age pension policy and not any general theory of social insurance, the better off we will be.

I regret that we are calling this a social insurance bill. The fact is that the changes that have been made show it is not insurance. Take one thing, for example. Take the fact that we are doubling these payments. If the payments under the old-age and survivors insurance program paid for the benefits, and were intended to pay for the benefits, then certainly we could not double the benefits and maintain that principle. Even if they paid in enough to get the benefit they are supposed to get under the old system, we are now going to give them twice as much. In other words, we are recognizing in this bill that we have an obligation to pay old-age pensions to people who are old, simply because they are old and not because they paid money into the fund.

The one thing I do like about the bill is that it does establish that principle. It destroys the whole idea of insurance even while it uses the term "insurance." It puts it on the basis of old-age pension, and therefore moves in the direction of universal pension for all over 65, which I think we ought to adopt. I might say that I believe the Committee on Finance would agree with that point of view. The argument which was made against it, and which prevailed, properly so, was that it required such a complete study and such a complete change in the present system that it could not possibly be done in 4 months. We are not going to stay here 4 months longer this year. We felt something ought to be done about the inequities of the present system. The House committee has not even considered plans of that kind, so far as I know. Therefore, they would have to consider the whole thing if we tried to change the system now. However, as I see it, the bill destroys the whole theory of insurance. It recognizes an obligation. Under the new start principle, a man who pays in practically nothing will get $70 a month. Why should we not give the man who does not pay in anything $70 a month, or at least $65 a month? As I see it, we have practically destroyed the theory of social insurance. All I regret is that we still use the name "insurance" when as a matter of fact there is no insurance about it.

Mr. SMITH of New Jersey. I thank the Senator very much.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. AIKEN. I am sure the Senator from Ohio, like all the others of us, has received many communications from people who complain that while they contribute to the cost of the social-security program in the form of increased prices for social services and goods, they are not able to get any of the protection which is afforded by such a program. I further understand that many people have not been covered—and in this class would fall part-time farmers—simply because the committee has not been able to work out any administrative procedure for covering this large number of people. Did the Senator state whether in his opinion a universal program of pensions on a pay-as-you-go basis would afford equitable protection to all these people, whereas at present under the actuarial insurance program no way has been found to extend this protection?

Mr. TAFT. Yes. A universal system would extend to all. It would cover a migrant farm worker as well as a permanent farm worker. In this bill we have not included farmers, because it was not at all clear that they wanted to be included, and we did not include the migratory farm worker because, while I am sure they would like to be included if they could be included, it seemed to us to be very difficult to work out a system with respect to them. We felt we should start to move piece by piece. We included about 900,000 permanent farm workers, covering men who work substantially for the same farmer the year round. In those cases I think we would be covering only about 20 percent of the farmers. Those farmers would have to make returns and pay taxes for their permanent employees. That seemed to us to be practical. Of course, those are the same farmers who keep proper books anyway. It represents the top 20 percent of the farmers. It seemed to us to be a practical thing to do. Those farmers would keep proper books, just as the storekeeper would keep books, for example, for the men in his employ. Various plans were proposed for stamp books, for example, which migratory workers would be expected to carry around with them, but it was questioned whether any of them would keep those books permanently.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. AIKEN. The fact that farmers have not come forward in large numbers to ask to be covered under social-security programs does not indicate that they do not feel they are entitled to protection on an equitable basis with other groups of people. It simply means that they themselves cannot see how such a program could be worked out, and I am of the opinion that if a universal program, on a pay-as-you-go basis, can be developed, then we will find the farmers in much larger numbers coming forward and saying, "This looks to us as if it would work. We would like to go under it." But they do not want to urge a program which appears administratively impossible, so far as they are concerned.

Mr. TAFT. I think they are right in saying that the payroll tax, while it seems to fall on the employer and employee, really is pretty generally covered into the cost of production. The wages are calculated on a take-home-pay basis. Of course, what the employer pays for himself is included in the cost of production for everybody in the industry, but it adds to the cost, and the consumer pays it.

I believe the National Grange and the Farm Bureau Federation, which were originally opposed to the inclusion of the farmers, favor it today, largely because they think that the farmer, on the basis of prices paid, is helping to pay for the benefits, and is not getting the benefits. I think that is a legitimate complaint. But it would be taken care of in such a universal system as I am suggesting, and toward which we are moving. We are not there yet, but the pending bill moves in that direction.

Mr. AIKEN. The farmers are fully aware of the unfairness of the present program, whereby they pay their share of the cost for the protection of less than a third of the people. There is no inclination on their part, so far as I can see, to deprive of the benefits those who are now getting social-security benefits, but I believe, and I think I can say from first-hand knowledge, that they would be very much in favor of a program which covered all people equitably, and in which all people shared the expenses equitably.

Mr. TAFT. That may be, although we now find that there has not been a great deal of discussion among farmers. We received some letters from farmers for, and some letters from farmers against. The organizations which appeared before the committee favored the program, but they had opposed it in the past, and they

have not been what we might call pressing it very hard.

Of course, when we take 7,000,000 farmers and they all have to pay 2¼ percent tax on their incomes, and not get any benefits, on an average, for about 25 or 30 years, we might find opposition among them to that 2¼ percent tax, which would have to be imposed on them if they were included. So I am not certain that they want it. Whether they do or not I do not know.

Mr. AIKEN. Let me suggest that it is the bookkeeping rather than the tax which makes some of them reluctant to approve the present program.

Mr. TAFT. I think they are correct about that. So in covering only the permanent farm laborers, we have included those working for only 20 percent of the farmers, those who are best off, and probably can keep their records clear.

Mr. President, as I have said, I regret that this is called an insurance program. I think the bill moves toward the universal pension system without getting to it. I do not care to call it insurance, because I do not think it should be taken as a precedent for the extension of insurance to all the other services.

I have here the British plan, and while I am not quite certain that this is exactly what is in effect today, roughly speaking, they have social insurance now for unemployment benefits, including training and rehabilitation.

They have a program for disability benefits, both permanent and temporary, other than industrial.

They have industrial disability benefit pensions and grants, similar to the workman's compensation program which we have in Ohio.

They have retirement pensions, that is, old-age pensions.

They have widows' and guardians' benefits, which are somewhat similar to the survivors' part of our program.

They have a maternity grant and benefit provision. When a woman has a baby, she is insured against the cost of having the baby.

Then there is a marriage grant. I do not know exactly what that is, but apparently it is insurance to pay for the marriage license, or it may be that it is to pay for the honeymoon, I am not certain which. I do not believe it is insurance against the perils of marriage.

Then there is a funeral benefit, to bury one when he dies.

In addition to that, they have national assistance similar to our old-age assistance.

Then they have children's allowances, so that everyone who has a dependent child receives a benefit, except, I think, perhaps, the man who is working does not get any benefit for the first child, but he gets money to help him support additional children.

Then, of course, they have the medical service, which is an additional form of insurance, or is so considered here.

I do not think we should recognize for a moment the social-insurance principle as a good thing in itself. There is an effort to bring all these programs under social insurance, because people think insurance is a nice thing and does not cost anyone anything, if they can pay for it as it goes, whereas the fact is that it is merely another Federal program taxing the people to pay benefits to other people who are not working, and give them something for nothing.

Mr. President, I think it is important that we do not use whatever we do here as a precedent to extend it to other fields of operation. I think it is important, therefore, that it be not extended to permanent-disability insurance, which is included in the House bill. If we extend it to permanent-disability insurance, then we are going to have to extend it to temporary disability, which means we would pay a man's wages while he is sick or thinks he is sick. Then we move right on to the whole medical program, and pay for his doctor and pay his hospital bill, until the cost of the whole program is something beyond conception.

Just the program we have outlined here today in the pending bill will result in the payment of old-age pensions in 1952, when it goes into full effect, of $2,236,000,000. In 1952 we will tax the people in payroll taxes about $3,000,000,000, and we will pay out $2,236,000,000. In addition to that, we will pay about a billion dollars in Federal contributions for old-age assistance. So that the Federal Government will be paying for old-age benefits approximately $3,200,000,000.

If that is extended to a universal basis, it will be more expensive. I do not think it will be a great deal more expensive, if the benefits are not too large. The present bill's program grows until in 1960 we will be paying $3,700,000,000, and by 1990 we will be paying $10,000,000,000. In other words, it is extremely expensive to support people over 65 years of age who are not working.

It is a program I am willing to see the Government undertake, and I think it is one the people are willing to have the Government undertake, but I do not think that before it gets established we should extend it into other fields which properly belong to the States and the localities, where the obligations are being assumed today by charitable institutions in many cases, by denominational hospitals of all kinds, by the local governments, and by State governments.

Mr. President, I wish to say also that it seems to me clear that we should not increase the allowances we have made for assistance to the States for old-age pensions, or otherwise. The Federal Government has a deficit today of $6,000,000,000. The States are able to get along, at least, and I see no reason why the Federal contribution to the things the States are doing should be any larger than it is today.

Mr. President, there is one other subject which is likely to come before the Senate, the proposal to increase the wage base from $3,000 to $4,200 or $4,800. Today a man's taxes are figured on his actual wages up to $3,000 a year. If he gets more than $3,000 a year, they are still figured on $3,000 a year. That means that the total tax paid today is 3 percent of $3,000, or about $90 per annum for any man. It is a system favorable to persons with very low incomes. On the first $100 a month of the average monthly wage an individual gets $50 a month in benefits when he retires. On the amount over $100 of the monthly average wage the Senate bill increases the rate from 10 percent to 15 percent. So he receives 50 percent of the first $100 and 15 percent of the next $250. If the amount were increased from $3,000 to $4,200–$4,800 the result, of course, would be to increase the tax proportionately. The man who actually receives a $5,000 income, instead of paying $90, will pay $108. He will pay on the $3,600 figure. But when he comes to receive his benefit he receives only 15 percent of the additional $600.

Roughly speaking, it is doubtful whether he receives any benefit. The additional tax he would pay over and above what he would have paid on $3,000 is so large that, although I am not entirely certain, he could buy insurance from private companies for the additional benefit more cheaply than he receives it from the system.

Mr. President, I do not think it is a vital matter. The Senate committee felt it was better to leave the figure at $3,000. In the first place, there are many private pension funds which are integrated into the $3,000 level and they would all have to be changed.

The chief effect of increasing the $3,000 simply seems to be an increase in taxes on everyone who is receiving more than $3,000. It is of no particular benefit to those receiving more than $3,000. So I do not regard it is a matter of vital importance, but, on the whole, I see no reason to increase the wage base beyond $3,000. The House increased it to $3,600, but by providing 15 percent instead of 10 percent we give a $3,600 man just as large a benefit under our bill as he was receiving under the House bill with the 10 percent on a somewhat larger base. So that, so far as I can see, the increase in that base is not actually going to give anyone any greater benefits than he receives today, except to the extent perhaps that he pays a much larger tax to receive it.

Mr. President, I feel that we have in this bill fulfilled our obligations, carried out the policy of the Republican Party, and, I think, carried out also the policy of the Democratic Party. In this bill I feel that we are moving in the right direction. I voted for every increase in coverage, I think, because I contend that in the end we ought to cover everyone.

I believe we should insist upon a commission to study the whole problem of a universal pension. I think it can be worked out. I think it can be worked out with very little additional expenditure by the Federal Government over what is being paid today. I think it can be worked out so as to relieve the Federal Government of the $900,000,000 a year which today we are paying to the States to make the old-age assistance payments. I am only guessing, but I should think that, whereas in 1952 the present program would cost us $3,200,000,000, for somewhere between $4,000,000,000 and $5,000,000,000 a year we can provide a universal old-age pension.

I believe, therefore, that we should pass the bill as a step in the right direc-

tion. I believe we should pass it to eliminate many of the inequities and hardships created by the present system. I believe we should enact it, if for no other reason, simply to bring the figures into accord with the present cost of living. I believe, therefore, that it is a reasonable program carried out on the principles of an old-age pension which we have long adopted in this country. I think we should adhere to the Senate bill substantially. I do not mean to say that many minor amendments are not necessary, but I do not believe we should undertake an extension of the field of disability insurance or other possible phases of coverage. I think as soon as possible we should wipe out the whole idea that this is insurance, and adopt a universal old-age-pension system.

Mr. SCHOEPPEL. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant journal clerk called the roll, and the following Senators answered to their names:

Aiken	Hendrickson	Malone
Benton	Hickenlooper	Martin
Brewster	Hill	Maybank
Bricker	Hoey	Millikin
Bridges	Holland	Mundt
Butler	Humphrey	Murray
Byrd	Hunt	Neely
Cain	Ives	O'Mahoney
Capehart	Jenner	Pepper
Chapman	Johnson, Colo.	Robertson
Chavez	Kefauver	Russell
Cordon	Kem	Saltonstall
Darby	Kerr	Schoeppel
Donnell	Kilgore	Smith, Maine
Dworshak	Langer	Smith, N. J.
Eastland	Leahy	Sparkman
Ecton	Lehman	Stennis
Ellender	Lodge	Taft
Ferguson	Lucas	Thomas, Utah
Flanders	McCarran	Thye
Fulbright	McCarthy	Tydings
George	McClellan	Watkins
Gillette	McFarland	Wherry
Green	McKellar	Williams
Gurney	McMahon	Withers
Hayden	Magnuson	Young

The PRESIDING OFFICER (Mr. HOEY in the chair). A quorum is present.

The question is on agreeing to the amendment proposed by the Senator from Illinois [Mr. LUCAS] for himself and other Senators.

Mr. WHERRY. Mr. President, will the distinguished Senator from Georgia yield at this time for a question?

Mr. GEORGE. I am pleased to yield.

Mr. WHERRY. Mr. President, we have just had a quorum call. Some reference was made by the distinguished majority leader to the effect that a unanimous-consent agreement might be worked out, agreeable to Members of the Senate, to vote on all amendments and also on final passage of the pending bill. Does not the distinguished Senator from Georgia feel that this would be a proper time to present the request which has been worked out? I hope it will be satisfactory to Members of the Senate.

Mr. GEORGE. Mr. President, I am pleased to present the unanimous-consent request at this time. It is agreeable to the Senator from Colorado [Mr. MILLIKIN], the leader on the minority side of the committee. I send to the desk the proposed agreement and ask that it be read.

The proposed unanimous-consent agreement was read by the legislative clerk, as follows:

Ordered, That on the calendar day of Tuesday, June 20, 1950, at the hour of 4 o'clock p. m., in connection with the consideration of the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, the Senate proceed to vote upon a resolution (S. Res.) sanctioned by the Senate Committee on Finance, and to be offered by Senators GEORGE and MILLIKIN, authorizing and directing that said committee, or any duly authorized subcommittee thereof, shall continue the study and investigation of social security problems in the United States on general and specific subjects to be described in said resolution, with authorization for employment of such technical, clerical, and other assistance as said committee deems advisable, with authority, for the purposes of the resolution, with the approval of the Committee on Rules and Administration, to request the use of services, information, facilities, and personnel of departments and agencies in the executive branch of the Government, and with provision for the expenses of such investigation, or any amendment that may be proposed thereto; and immediately thereafter proceed to vote, without further debate, except as hereinafter provided, upon any amendment or motion that may be pending or that may be proposed to the foregoing bill H. R. 6000, and upon the final passage of said bill: *Provided,* That no vote on any amendment or motion shall be had prior to said hour of 4 p. m. on said day; that no amendment that is not germane to the subject matter of the bill shall be in order.

Ordered further, That the time between 12 noon and 4 p. m. on said day be equally divided and controlled by Mr. GEORGE and Mr. MILLIKIN.

The PRESIDING OFFICER. Is there objection?

Mr. CAIN. Mr. President, reserving the right to object, may I address a question to the senior Senator from Georgia?

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Washington for a question?

Mr. GEORGE. I yield.

Mr. CAIN. Will the resolution, referred to in the proposed agreement, when it becomes the pending business before the Senate, be subject to amendment?

Mr. GEORGE. It will be, under the unanimous-consent agreement.

Mr. CAIN. I thank the Senator.

Mr. MUNDT. Mr. President, reserving the right to object, I wonder whether the Senator from Georgia would be willing to modify the request so as to permit 5 minutes to each side of any amendment that may be offered, for purposes of explanation?

Mr. GEORGE. I have no objection to that. If it is agreeable to other Senators, I shall be glad to modify the request in accordance with the suggestion made by the distinguished Senator from South Dakota.

Mr. MILLIKIN. That is entirely agreeable to me.

The PRESIDING OFFICER. Without objection, the proposed agreement will be modified accordingly. Is there objection to the unanimous consent agreement, as modified. The Chair hears none, and it is so ordered.

The unanimous-consent agreement, as modified, is as follows:

Ordered, That on the calendar day of Tuesday, June 20, 1950, at the hour of 4 o'clock p. m., in connection with the consideration of the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, the Senate proceed to vote upon a resolution (S. Res.) sanctioned by the Senate Committee on Finance, and to be offered by Senators GEORGE and MILLIKIN, authorizing and directing that said committee, or any duly authorized subcommittee thereof, shall continue the study and investigation of social security problems in the United States on general and specific subjects to be described in said resolution, with authorization for employment of such technical, clerical, and other assistance as said committee deems advisable, with authority, for the purposes of the resolution, with the approval of the Committee on Rules and Administration, to request the use of services, information, facilities, and personnel of departments and agencies in the executive branch of the Government, and with provision for the expenses of such investigation, or any amendment that may be proposed thereto; and immediately thereafter proceed to vote, without further debate, except as hereinafter provided, upon any amendment or motion that may be pending or that may be proposed to the foregoing bill H. R. 6000, and upon the final passage of said bill: *Provided,* That no vote on any amendment or motion shall be had prior to said hour of 4 p. m. on said day; that no amendment that is not germane to the subject matter of the bill shall be in order; and that after said hour of 4 o'clock p. m., debate on any amendment or motion shall be limited to not exceeding 10 minutes, to be equally divided between the mover thereof and the Chairman of the Committee on Finance.

Ordered further, That the time between 12 noon and 4 p. m. on said day be equally divided and controlled by Mr. GEORGE and Mr. MILLIKIN.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child-welfare provisions of the Social Security Act, and for other purposes.

The PRESIDING OFFICER. What is the further pleasure of the Senate?

Mr. GEORGE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ROBERTSON. Mr. President, I ask unanimous consent that the order for a quorum call be rescinded and that further proceedings under the call be suspended.

The PRESIDING OFFICER (Mr. HOLLAND in the chair). Without objection, it is so ordered.

Mr. ROBERTSON. Mr. President, we have before us today a bill consisting of 391 pages. It deals with one of the most complicated and intricate subjects that any legislative body ever attempted to handle.

During my 10 years of service on the Ways and Means Committee of the House of Representatives, the most arduous duty I discharged was in an effort to improve the original Social Security Act, which was passed, as I recall, in 1935.

The fiscal basis of the original Social Security Act was, first, that we would set up a self-supporting, self-liquidating insurance fund; and, second, that we would create a trust fund of approximately $50,000,000,000, with which to meet death benefits and retirement claims, which would accumulate through the years, and finally would reach a very large amount.

However, that plan was criticized—and, I think, properly so—from the standpoint that the payroll taxes imposed, one-half of the amount to be paid by the employer and one-half to be paid by the employee, to finance this insurance system would be spent by the Government as received, and the Government would then put in the trust fund what some persons called the Government's I O U. Of course, it was a little bit more than what is ordinarily called an I O U, because it was an official Government bond; but the fact remained that when the demand for payments exceeded the current income and the Government was forced to resort to this trust fund for payment, new taxes would have to be imposed to get the money, unless the Government was running at a surplus at that time and could afford to sell some of its bonds on the open market, in order to obtain money.

In 1937, as I recall, months of hearings were held on this problem. We had the benefit of so-called experts in social security and we had the benefit of so-called mortuary experts and pension experts. However, Mr. President, I soon became convinced that if there was any man on any committee who really knew how to frame a system of this kind and at the same time to properly and adequately evaluate the political considerations which grew out of the various proposals for coverage and in regard to how the collections could be made, that man could get a job at any time he wanted at a salary of $50,000 or $75,000 or $100,000 with any one of the big insurance companies. On our committee we simply did not have such experts. In fact, I doubt that there is any living man who could take these nearly 400 pages of a bill which, as I have said, deals with this very difficult subject, and could analyze them and could tell exactly what is in the bill and how it will work out 10, 15, or 30 years from now.

As a matter of fact, Mr. President, the best experts we had before us claimed that they wanted at least a 25-percent margin of error in all of their computations. They said that was about as close as they could gage earning power on which the tax would be levied; increases or decreases in employment; the opportunities for men to remain employed up to a given age; and the inherent difficulties of collections—if, for instance, the program was extended to cover those who keep no regular books, such as domestics, and who perhaps would be given a book in which they would paste stamps; and the difficulty of bringing farmers under the system, inasmuch as farmers ordinarily keep no regular books, to say nothing of the fact that only a few years ago the average income of the average farmer in the United States was only $600. To require him to provide old-age pensions and so-called security for either his regular or his temporary employees would present a problem which we did not know how to solve.

In the preparation of House bill 6000, the House committee spent weeks on the hearings, and still further weeks in executive sessions. Then the House passed the bill and sent it to the Senate. That happened last October.

Off and on, for most of the present session, the Senate Finance Committee, composed of some of the very ablest Members of the Senate, have been at work on this bill.

Frankly, Mr. President, it would be presumptuous for me, without having attended all those hearings; without having had an opportunity to read the voluminous record compiled by the committee—it would take weeks and weeks to read it; without attending any of the executive sessions where the conflicting viewpoints and views and matters were debated back and forth, to attempt to analyze or criticize what is contained in the Senate version of House bill 6000.

Mr. SCHOEPPEL. Mr. President, will the Senator yield?

Mr. ROBERTSON. I yield.

Mr. SCHOEPPEL. Is not that a very good reason why the suggestion by Members of the Senate that additional studies be made by the Senate on this subject, is in order?

Mr. ROBERTSON. Undoubtedly. Yet after 2 years of study, we are expected to do something on this subject now. However, it was my understanding that it was the opinion of the distinguished members of the Senate Finance Committee that they have gone as far as they dare to go in this bill, and then they propose that before we go any further, the best possible study be made of what is involved.

Mr. SCHOEPPEL. Mr. President, will the Senator yield further?

Mr. ROBERTSON. I yield.

Mr. SCHOEPPEL. What I particularly had in mind was that some of the areas of coverage which are lacking in this measure, should be the object of additional studies on the part of the proper committee and on the part of the Senate itself. Does the Senator agree that that is about the only practical way we can approach this matter on a businesslike basis?

Mr. ROBERTSON. I wholeheartedly agree. It would be unfair to ourselves and perhaps very harmful to the Nation we are trying to serve if we were

to move blindly into so technical a subject, however much we should like to see a complete coverage of social security for the entire Nation. I fully agree with the distinguished Senator from Kansas that the coverage which is not provided by the Senate version of House bill 6000 should be studied, with an indication given to those who are not covered that all appropriate suggestions concerning their future coverage will be fully considered by the Congress.

However, Mr. President, it is my understanding that the coverage in the Senate version of House bill 6000 is substantially larger than that of the House version of the bill. My distinguished colleague, the senior Senator from Virginia [Mr. BYRD], helped to frame the bill, and he is now on the floor of the Senate. If I am in error on that point—let me repeat that I have not had an opportunity to fully analyze this bill—I should be glad to have him correct me.

Mr. BYRD. The Senator is correct; the coverage has been substantially changed.

Mr. ROBERTSON. Mr. President, my distinguished predecessor, the late Carter Glass, used to tell me that WALTER GEORGE, of Georgia, was one of the noblest men he ever knew, and one of the ablest men with whom he had served throughout a very long legislative career, first in the House, then in the Senate. In the multitude of duties which are pressed upon every Member of the Senate, it becomes a matter of physical impossibility for him to be fully and adequately advised about every bill which comes before the Senate. I happen to be sitting on the Banking and Currency Committee, which has, at this session, reported more bills, excepting private bills which go on the Senate Calendar, than any other committee of the Congress. We have had more hearings on bills, so our clerk tells me, than almost any other committee of the Congress. I might except the Finance Committee, which has had before it these two very highly technical and controversial matters, the social security bill and certain matters relating to taxation. And I am also serving on five subcommittees of the Appropriations Committee. And so I say, Mr. President, that every Senator in certain phases of his legislative work must to some extent rely upon the demonstrated ability and the demonstrated correctness of those who bring legislation to the floor of the Senate for the consideration of their colleagues. I am happy therefore whenever a man of the stature of WALTER GEORGE, of Georgia, brings a bill before us and tells us that under all the circumstances it is about as good as he was able to do.

It is also a source of gratification to me when the senior Senator from Virginia puts his name to a bill and asks favorable consideration by his colleagues, because I have been associated with him in a very close way from the time we were desk mates in the Senate of Virginia, commencing in January 1916. I know, as his other colleagues in the Senate have so well learned to know, his business judgment and the care with which he scrutinizes all proposals which may result in a tax burden upon the American people.

Last night I was discussing the Senate bill with a Member of the House who had been very active in the preparation of the House version of the pending measure. He told me, and possibly it was quite natural for him to think so, that he thought the House bill was better than the Senate committee bill. I said, "Why do you say that?" He replied, "In the first place, the Senate committee bill increases the benefits to be paid, and decreases the tax collections with which to pay them." I have had no opportunity since last night to check the provisions of the House bill against those of the Senate committee bill, and so I merely give as my authority one member of the House committee who assigned that as one reason for his believing that the House bill was a sounder bill than the Senate committee bill.

Back in 1937, all proponents of social security and all the experts who testified before us said that our objective was to be a self-supporting insurance plan. At every hearing we had from then until I left the committee to come to the Senate side in 1946, those experts constantly told us we were dealing with a 3-percent program. That was on the basis of the old benefits. What did they mean by that? They meant a program under which it would be necessary for both employer and employee to contribute 3 percent to the fund during the working period of the employee, if we were to have a self-supporting program, one that did not eventually have to turn to the Federal Treasury for the promised benefits.

It is unnecessary to do more than review the repeated action of the Congress to stop the step-up of the payroll taxes, and to look at the payroll taxes which are carried in the House version of the pending measure and the Senate version of it, to know that we do not have a 3-percent program. We have a program which undoubtedly is headed for a very large deficit, from the standpoint of being self-supporting, at a date not too far distant.

Just what solution we should make of that serious problem I am not prepared to say. I am glad, however, that it is the plan of the Senate Finance Committee not only to make a further study of additional coverage, but I am sure that it must cover a study of how this plan is to be financed in the future, whether we will keep the payroll taxes down and have just enough to meet current demands on the fund, or whether we will put them up to meet the accruing liability. If so, how will we preserve and how will we invest an accumulated fund of that kind so that it will not in the end be dissipated perhaps on domestic spending schemes of various kinds, and then face the necessity of placing an additional tax upon employees who have already paid a special tax for the pension that will be paid to them in their retirement?

It is my present intention, Mr. President, to support House bill 6000, but I shall consider some of the amendments which I understand will be offered, because I understand there was not complete agreement in the Finance Committee on everything that was included in this bill, which was reported, I believe, by a unanimous vote. As a matter of fact, I do not feel that I am disclosing any confidences when I say that the distinguished chairman of the committee recently told me, when I asked him what he thought of the bill which had been reported, that he thought possibly there could be several amendments adopted on the floor that would improve the Senate bill.

I shall vote for the bill with such appropriate amendments as I may see fit to support from the floor, because I realize the necessity for a pension system under the economic conditions as they have been developed in this country.

We are in the grip of a machine age which attaches more importance to physical vigor and alertness than to maturity of judgment and experience. As a result, the age at which men can remain gainfully employed is being reduced, and the age at which a man can reenter industry, if he is so unfortunate as to lose his job, is being materially reduced. It is almost impossible, Mr. President, for any industrial worker past the age of 50 years to enter a new firm; and the requirement of retirement at 65 years of age is becoming almost universal in the large industrial areas of our Nation. While this machine age, which weds the nimbleness of a man's fingers to an electrically operated machine and requires a minimum of his brain power and experience, is gradually easing men out of gainful employment, our doctors, thanks to a remarkable advance in medical science, are adding approximately 5 years to the life span of the average man. As a result, we find the number of those persons above 60 years of age increasing at a far more rapid rate than we anticipated 10, 15, or 20 years ago, and we find a growing sentiment among children that it is the duty of the State, and not their duty and loving privilege, to support their parents in old age. There never has been a time in this Nation, so far as I know, Mr. President, when the average man, to say nothing of that large segment of workers receiving below the average income, could save enough during his active working years to provide comfortable and adequate income in his sunset years. They did try to buy a little home, and they usually could do it if they would work and save. They sometimes carried a little insurance, but generally that was for the protection of the widow; it was not for their lifetime. They usually raised large families and trained the children to think that one of their duties in mature life was to return to the parents the care and love expended on the children in their infancy and as they were growing up. Unfortunately, that sentiment in this Nation is changing, and it is not a change for the best. It is doing something to our families; it is tending to disintegrate the ties which in the past have held families together.

Mr. President, this morning I received a letter from a friend touching on this

subject, which I want to read to the Senate, because I think it is a thought-provoking letter. It reads as follows:

JUNE 12, 1950.

The Honorable A. WILLIS ROBERTSON,
United States Senate,
Washington, D. C.

DEAR SENATOR ROBERTSON: Upon my recent return from a brief sojourn on my farm near Charlottesville, I found the copy of your speech on the Preservation of Private Enterprise you have been so kind to send me. I have read it with genuine interest and I think it is excellent. The kind of thinking and concepts voiced by you, it seems to me, represents the type of philosophy under which this Nation has grown great. The trend away from the sound doctrine enunciated by you, however, is something about which, I think, there is a woeful lack of due concern throughout the Nation. Our people (maybe it is true of all people), are dangerously inclined toward complacency until they are personally pinched.

I suspect Captain Kincaid had passed on to you the copy I had given him of a speech delivered by the vice president of Marshall Field Co. in Chicago. His views, similar I believe, to yours, had, I thought, been set forth quite well.

In a speech recently delivered somewhere, perhaps before the board of directors, by Benjamin A. Fairless, president of the United States Steel Corp., I noted an enunciation of views similar to yours, bearing upon the importance, indeed the vital essentiality of private enterprise, if our way of life is to endure. I think if you have not already seen a copy of the Fairless speech entitled "Man's Search for Security," you would be interested in noting some of his comments which I will quote verbatim as follows:

"I believe, and I think you do too, that all human beings grow in dignity and self-respect by reason of accomplishment and the assumption of responsibility. The spirit of independence, or of confidence, or of self-reliance, is mightily nourished by the exercise of one's own efforts. Moral stature is increased and moral fiber is strengthened by each job done with the free play of one's own ability. Ambition, which inspires men to attainment, is fed by an atmosphere of endeavor. In short, a man develops by standing on his own feet. He does not wax strong by having others do for him what he can and should do for himself.

"Are we interested in the cultivation of these qualities in our own citizenry? Have we properly appraised the value of the spirit they create, in terms of a powerful influence for the preservation of freedom in America? If this land of opportunity, where men traditionally have enjoyed more independence than in any other, is to maintain that national spirit which has blessed it from the very beginning, it must carefully foster the dignity, self-respect, moral stature, and self-reliance of the millions of individuals which make up the integrated whole.

"Too much coddling, too much paternalism, too much recession from personal responsibility can have a decidedly weakening effect upon the aims and purposes of man. With the possibility of lapsing into a feeling of security provided wholly by others, the time-honored emphasis upon thrift is pushed into the background, and one of the spurs to maximum effort becomes inoperative. We should take thought then, serious thought, that in our over-all approach to this matter of planning security, we do not adopt methods which will wither the spirit while catering to the needs of the flesh. Already we find that many young men who are on the point of entering industry inquire first about pensions, benefits, and other elements of social security to be provided for them, while they manifest secondary interest in the opportunities lying ahead for a successful career, based upon the exercise of their own abilities. Little is the wonder that this distortion has taken place, with the atmosphere so filled with conflicting discussions about the merits of guaranteeing security throughout the entire span of life, with socialized this and socialized that applying at every point."

There is no question in my mind that too much ado over security at the expense of a healthy interest in opportunity has come to be the order of the day.

I have no doubt that this Nation abounds with individuals sufficiently endowed with common sense and realistic convictions to guide its destiny safely and efficiently, and I am not concerned so much over the fact that there are individuals in high offices whose ideas seem to be detrimental to the best interests of the country as I am with the evident reality that the voting public contains sufficient members of an ilk likewise imbued with questionable ideas to vote their candidates into high office. In fact, the alarming aspect of this situation is that this type of citizen seems to be on the increase.

History seems to indicate that given time, society always succeeds in socializing itself. It is nevertheless my doctrine that the view that history repeats itself, is fallacious. History only points its finger at what to expect unless men of vision and courage and enthusiasm and energy rise up and do something about it. Someone has observed that social security as it is being dished up to us today, is a sort of death. Security is not a living instrument unless it is a part of our own effort and planning. It is the striving for security that really preserves it. Security cannot be promised, bestowed, or endowed. It is the product of each individual's work, planning, saving, thinking, and holding. Security is not security when it is only a politically promised social gain. It is then a political gain and an individual loss.

George Washington uttered a profound truth when he said, "He who seeks security through surrender of liberty loses both."

With kindest regards and best wishes, sir, and again thanks for the copy of your fine address.

I shall not include the name of the writer of that letter, because I am using it today without having had an opportunity to get his consent to use it. Therefore I am not at liberty to disclose his name. I am sure that he would have no objection to my using his splendid statement about what now confronts us to illustrate my point that while a machine age and a highly socialized state, together with an economy which is rapidly maturing, is forcing us to provide so-called security by way of old-age pensions and retirements we must not in our enthusiasm for that type of program, which may be very popular politically, lose sight of the fundamental fact that the greatest security for the people of this Nation is the security which comes from a system of private enterprise in which there are openings for men of brains, energy, and ability, and employment for which there is an adequate reward for those who prove their superiority in those high fields. The writer of the letter from which I have quoted referred to a speech which Mr. Benjamin Fairless had made on some previous occasion. I recently saw a copy of a speech which Mr. Fairless had made in Boston. I believe it was made on the 19th of May. I have a copy of that speech before me, Mr. President, but as I am already late for a meeting of the Committee on Appropriations, where we shall be engaged in marking up a very important appropriation bill, I shall not take the time to read from this speech as I had previously intended to do. The speech is built around the theme that there are some bodies or groups of bodies in Washington which are throwing monkey wrenches into the business machine. Mr. Fairless said that if certain manufacturers get together and fix a price for their product they get prosecuted under the antitrust laws for price fixing. If they do not get together and attempt to meet competition in a given area by absorbing freight, they are prosecuted under the Robinson-Patman Act. He said thousands of manufacturers do not know which way to turn. They do know that whichever way they turn will be wrong. We tried to take that one monkey wrench out the other day when we passed S. 1008. Oh, how that bill has been misrepresented, Mr. President. The druggists of Virginia were the largest group that applied pressure on me from the time the conference report on S. 1008 reached the Senate until the final vote was taken on the bill. I do not know one in that group who has not benefited from freight absorption. We do not have any great drug manufacturing concerns in Virginia. We buy from a firm in Baltimore or from its branch office in Norfolk. There is a big firm from which we buy which is located near the border between Virginia and Tennessee. It is in Bristol. I do not know whether it is Bristol, Va., or Bristol, Tenn. However, it is down in the far corner of Virginia. Yet every druggist in Virginia can get a proprietary remedy at the same price anywhere in the State, because the manufacturer absorbs the freight on it, and it is sold at the same price under the Robinson-Patman Act. Suppose there was some small drug manufacturing company which was selling all over the United States. It could not absorb freight if the President vetoes S. 1008, nor could he build a series of new plants.

I hope the President does not veto that bill. I am satisfied that the amendment, prepared by the Attorney General and included in the conference report, is an adequate safeguard against anti-trust-law violations.

I asked a very distinguished representative of our Government how S. 1008 was going to come out.

He said, "The best I can tell, it is 50–50."

I said, "Do you mean that the President is just as apt to veto that bill as to sign it?"

"Well," he said, "he has some mighty strong friends urging him to sign it, and some equally strong friends urging him not to sign it."

He cannot be quite like the candidate who was running for the legislature. He was young and inexperienced, and one of his political advisers said, "Now, Bill, you are going out to sell yourself to the people. You're going to make some speeches to the people. There is one thing you must not do; you must not say anything about that squirrel law."

Bill said, "I will not."

He got through his speeches fine until he got to the last night, when he made a powerful speech, because he saw victory in his grasp. He warmed up, and really went to town. Just before he sat down, one old farmer in the hall said, "Bill, you haven't said anything about that squirrel law."

Bill said, "My friend, I'm awfully glad you raised that question. I have some mighty good friends in favor of the squirrel law, and I have some mighty good friends who are opposed to the squirrel law, and I want to tell you I'm going to stick by my friends." [Laughter.]

I express the earnest hope—although it would not have any immediate effect on H. R. 6000—that the President will not veto the basing-point bill, because jobs are more important than pensions. Jobs come before pensions, unless we are going to knock the bung out of the Treasury and distribute the benefits of the accumulated wealth of past generations. One of the things that will stimulate business and help to make jobs is the removal of the present uncertainty as to what a man can do and what he cannot do and remain in business and stay out of jail.

LABOR MONOPOLY

Mr. President, there is another bill pending in the Senate. I do not expect to get any action on it this year, but I do wish to mention it so that it may be close to the hearts of my distinguished colleagues after November. I refer to the bill I introduced last January to amend the antitrust laws to provide that labor leaders exercising a monopoly shall not exercise that monopoly to unreasonably restrain production or to fix prices of goods or services that are of national interest and concern.

Consider the situation which confronts the coal industry. It was a consideration of that situation that got me into the study of labor monopoly, the 3-day week, the 2-day week, the 1-day week, and the no-day week.

The price of coal is now so high that our distinguished colleagues from West Virginia and other coal-producing States are coming to us with tears in their eyes, asking us to put what would amount to a prohibitive tariff on the importation of foreign fuel oil, in order that coal from Virginia, West Virginia, and Pennsylvania may not lose its historic market in New England. That market is being lost today, and what is the effect? It means unemployment in the coal mines; it means fewer and fewer to work and pay payroll taxes for the benefit of those who are retired.

Mr. President, the hearings on my bill are now available. The bill was favorably reported to the full committee by a very fine subcommittee composed of the Senator from Mississippi [Mr. EASTLAND] the Senator from Maryland [Mr. O'CONOR], and the Senator from Missouri [Mr. DONNELL], three very able and fine Members of the Senate. They heard the evidence. They considered it very maturely, and unanimously reported the bill to the full Committee on the Judiciary. As I have said, the hearings are now available. I hope the Members of the Senate will read them. They are very illuminating.

Another thing I feel we have to consider in connection with any bill like H. R. 6000, to levy taxes on those who work to take care of those too old to work is whether those who are able to work are going to have jobs. If they are, let Congress impose no unreasonable burden upon those who are willing to save and invest their funds in plants and equipment which would afford others the opportunity of working.

It is said that it now takes an average of $10,000 to give just one man a job in a plant. The time has passed when the blacksmith could go out under the spreading chestnut tree, with an anvil and a bellows and a big hammer, and hammer out his horseshoes by the sweat of his brow. He could do that in the old days. He could stay out under any old chestnut tree where there was fresh air and romance. When I was a boy there was nothing I enjoyed more than to see the great muscles of the blacksmith and to smell the odor of the burning horse hoof. I was a farm boy, and loved everything about horses. But the blacksmith could make only 12½ cents an hour. He could not get by on that now. He would starve to death, I do not care how hard he would work. His prototype is now working for General Motors, or United States Steel, making $2 to $2.50 an hour, not sweating nearly as much. He is making what looks like good money, but he does not know whether he is going to be there after he is 60 or not. He knows he is certainly not going to be there after he is 65. That is why I favor a social-security system, and I think we should do what we can to make it a good and comprehensive one.

We have also to consider whether we are going to continue the boast that with 7 percent of the population of the world we produce 50 percent of the world's wealth. We have to consider the plans under which men with $10,000 jobs are willing to save and invest their money in order to give the worker a chance to start in life, and to qualify for a social-security pension.

Mr. President, I am glad to see before me today my distinguished colleague, the junior Senator from Mississippi [Mr. STENNIS]. Last fall we had a delightful trip together through 14 countries of Europe. He and I did a good deal of inquiring about why those countries were hard up, why they needed so many billions from us. That was not so strange for a distinguished representative from a State which is listed in our statistical books as having the lowest per capita income among all the States of the Union. Virginia cannot boast too much about per capita income, but fortunately we have a few great industrial plants, and have diversified our farming a little, and are not as poor as we used to be, though, we cannot boast too much. But we wanted to find out what was the matter in Europe.

One of the things we ascertained was that many rich people of France, Italy, and Greece were evading income taxes.

Second, we found that there were plenty of people with money over there who would not put it into their own industries, simply because they did not trust their governments, or did not know whether communism was going to involve them from within or without. They had their money in hiding, or they had it in the banks of Switzerland.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. ROBERTSON. I yield.

Mr. LUCAS. The Senator is talking about the flight of capital from Greece into Switzerland. The Senator will recall that back in 1931 and 1932 in this country there was a flight of money out of America into Canada and to other countries because people feared at that particular time that the economy of this country was on the rocks. The Senator will recall that many of those who had a great deal of money took their money out of the country because they had no confidence in their own Government at that particular time.

Mr. ROBERTSON. I know that is true. And in 1934, over the protest of my distinguished predecessor, in whose judgment I had great confidence, the late Senator Carter Glass, I voted that the United States go off the gold standard because people were hoarding gold at a time when we were facing a shortage of money and at a time of great depression. Senator Glass always claimed that was an immoral act. It was of doubtful legality, I admit. The Government promises a man to pay him in gold, and then says, "Forget about it. We will pay you in a silver certificate or a bank note of the Federal Reserve System." But in my opinion we were forced to do it.

Oh, I will say to our distinguished majority leader, I do not stand on this floor and try to condone everything that has happened in this country in the last 50 years. There has been plenty of selfishness in industry. There were plenty of industries financially able to set up a company-pension plan and a health plan and things they did not do until some labor union compelled them to do it.

I shall always rejoice in the fact that the main railroad that serves Virginia, the Norfolk & Western, years ago adopted a pension system for all its employees, from the lowest to the highest—a liberal pension plan. Those employees did not want to go into the Railroad Retirement Act when it was first passed because they thought they would be better off under their own company plan.

There were two other railroads in Virginia, however, that did not have any retirement plan at all, and, so far as I know, would not have one today if we had not passed the Railroad Retirement Act.

Incidentally, I take some credit for working out, after the Supreme Court had set that act aside, because of its unsound fiscal provision, a sound fiscal plan that stood up and is providing a fine retirement system for the railroads. Naturally I did not appreciate it when I was placed on the railroad brotherhood's black list in 1948, but that is one of the hazards one incurs for having supported the Taft-Hartley Act which specifically exempted the railroad brotherhoods. But they did not draw a fair distinction.

I will leave that subject now. The Senator from Illinois got me a little bit off the subject.

I want to go back to my statement that I do not condone the selfishness of those corporations who combined and squeezed the last dollar out of the consumer. But that is no excuse for condoning labor leaders now who are exercising more power than the corporations ever tried to exercise in their control of certain basic industries. It is all tied up with the social security program, because there is your job. I definitely believe that if we can economize in spending, if we can reduce the tax on corporations, if we can ease upon that super-duper tax in the higher brackets where we tax first the earning that a man's money has made in the corporation, and when it comes to him as a dividend less 38 percent, we hook him again for a top of more than 80 percent. If we can ease that sum, if we will encourage those men to use their savings for plant expansion, to give more jobs, that is just as important as a plan to pension workers. If we do not have workers to tax as we go along, we have no funds to pay those who have already retired or will shortly retire, except out of the public.

Mr. President, I hope my distinguished colleagues will forgive me for attempting to discuss a bill concerning which I know so little. But I explained at the outset that I do not believe there is any Member of the Senate or the House who can sit down and tell us everything that is in the bill, and I know there is not one who can tell us how the provisions of the bill are going to be working 10 years from now. There are provisions in the bill which we take on faith. There are things we have to go along with because the general program is what we approve, even though we do not know all the details.

I conclude as I began; I rejoice that two so outstanding friends and colleagues as the senior Senator from Georgia [Mr. GEORGE] and the senior Senator from Virginia [Mr. BYRD] have brought this bill to us with their endorsement, which makes it much easier for me to accept it without the kind of knowledge I like to have and try to have when I am voting on a program that will ultimately run into billions of dollars.

Mr. GEORGE. Mr. President, I am not prepared to offer amendments now, but I give notice that I shall offer an amendment which I hope the Finance Committee will approve, making the effective date of the appropriation for the children's fund carried in the bill, the date of the enactment of the act itself, so that advance planning may be quite possible both for the agency and for the States.

I also give notice that I shall, for myself, offer an amendment to bring under coverage traveling salesmen who work for one employer principally, and who takes orders for delivery by the manufacturer or the wholesaler. This amendment I hope to be able to present tomorrow for printing.

Mr. GEORGE. Mr. President, I send forward to the desk two amendments intended to be proposed by me to the House bill 6000, and ask that they be printed and lie on the table, to be subsequently offered.

The PRESIDING OFFICER (Mr. MARTIN in the chair). The amendments will be received, printed, and lie on the table.

Mr. SCHOEPPEL. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant journal clerk called the roll, and the following Senators answered to their names:

Aiken	Hendrickson	Martin
Benton	Hickenlooper	Maybank
Brewster	Hill	Millikin
Bricker	Holland	Mundt
Bridges	Humphrey	Myers
Butler	Hunt	Neely
Byrd	Ives	O'Mahoney
Cain	Johnson, Colo.	Robertson
Capehart	Kefauver	Russell
Chavez	Kem	Saltonstall
Connally	Kerr	Schoeppel
Cordon	Kilgore	Smith, Maine
Donnell	Knowland	Smith, N. J.
Dworshak	Leahy	Sparkman
Eastland	Lehman	Stennis
Ecton	Lodge	Taft
Ellender	Lucas	Thomas, Utah
Flanders	McCarran	Thye
Fulbright	McCarthy	Tobey
George	McClellan	Tydings
Gillette	McFarland	Watkins
Green	McKellar	Wherry
Gurney	McMahon	Withers
Hayden	Malone	Young

The PRESIDING OFFICER. A quorum is present.

Mr. CAIN. Mr. President, after 2 days of debate on H. R. 6000, as amended by the Senate Committee on Finance, a good many things are now clear and understandable.

It has been agreed that the Senate will vote on H. R. 6000 as proposed to be amended, and on other amendments to be offered on Tuesday of next week, June 20. The Senate is anxious to rapidly dispose of H. R. 6000 in this session of the Congress, and has agreed to do so.

H. R. 6000 as amended will, to my mind, pass overwhelmingly when the roll is called next Tuesday.

Members of the Finance Committee, and other Senators who are the first to urge rapid passage, are first among those to admit that our social security system, with which H. R. 6000 deals, is possessed of basic weaknesses and faults and inequities which will continue to plague and jeopardize and harass the Nation for as long as our prevailing social security system is continued.

In recognition of the gigantic and dangerous faults contained in the present social security system, the committee will urge the Senate to approve a resolution which would authorize the Finance Committee to reanalyze and study the present system and every other possible system, and make recommendations for the future. One takes for granted that this proposed resolution, though it may be amended, will pass without a dissenting vote, because probably every Member of the United States Senate, if he has studied the question at all, is completely convinced that our present social security system must in time be replaced with

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

some other security system which will actually provide, as the present system does not, for the security of our American aged population, present and future, and do so out of the earnings of our Nation's working force on a year to year basis.

H. R. 6000 will substantially increase the dollar benefits to those who are presently and will be beneficiaries of the system. This proposed increase in dollar benefits is nothing less than a recognition by the Congress that the Nation has cut the purchasing power of the American dollar just about in half since the social-security system was established in 1935, 15 short years ago. It ought therefore to stand to reason and publicly be stated by every Senator that there is no human way of determining social-security benefit dollar needs for the future until some way can be found to stabilize the purchasing power of our American currency.

Mr. President, the Senator from Washington believes that each of the statements he has just made are completely true, and point up the situation which confronts the Senate, the House, and the Nation.

For the sake of argument and in an effort to inform the American people of the quicksands and faults and betrayed hopes which constitute the foundation on which our social-security system was first established in 1935, the Senator from Washington will now assume that H. R. 6000, as amended, is not to pass. He wants to make a reasonable contribution to the Finance Committee study which is intended for the future, and this he can only do by constructively and vigorously attacking the prevailing social-security system and the proposals which are now before the Senate.

On May 24 the Senator from Washington spoke of the social-security question, which was not then before the Senate, and submitted a concurrent resolution which called for the appointment of a commission of completely independent authority, to undertake full time, divorced from all influence of the Social Security Administration, a complete investigation of the present social-security system and an investigation of other possible systems. In his statement the Senator from Washington paid his respects to the sincerity, integrity, and ability of the members of the Finance Committee. He stated that he thought the committee had done its level best with a completely impossible situation. He wishes now to reaffirm his respect for the committee. He has no personal interest in the resolution which he offered. He wants only to think that competent individuals within the Senate, with help of qualified persons outside of the Senate, will undertake the social-security examination to which his resolution was addressed. It little matters who does the work. The only thing that matters is that the work must and should be done.

The Senator from Washington will attempt this afternoon, in language which all Americans can understand, to prove that the present social-security system is a nightmare of madness and will continue to plague the Nation, including its beneficiaries, until the system is scrapped and replaced by a security system which will provide a reasonable amount of security for all our American aged and at a cost which the productive capacity of America can afford to bear. But before doing this the Senator from Washington wishes to offer comments which have been made by several other Senators since H. R. 6000 became the pending business before the Senate on Tuesday of this week.

On Wednesday of this week the chairman of the Finance Committee, the senior Senator from Georgia, said:

> The committee is not unconcerned with the eventual liability which this revision of the social-security program will place upon the Government and upon employers and employees alike, but we have proceeded with faith in America to meet the problem.
>
> There has not been sufficient time to arrive at definite conclusions on how the present aged who are not a part of the labor force should be protected from want.
>
> In urging the adoption of this bill, your committee is mindful of the fact that it does not do the whole job.
>
> Your committee has recommended therefore, that further study be given to this and other problems not resolved by the bill so that within the next year or two a sound social security system, which affords equitable protection for all citizens of the United States, can be put into full operation.

I think it was on Wednesday, which was yesterday, that the ranking minority member of the Senate Finance Committee, the Senator from Colorado [Mr. MILLIKIN] said:

> Because H. R. 6000 is an improvement over what we have now, I give it my support. But personally, I feel that the present system, improved as it is by H. R. 6000, cannot be considered as other than one in transition. * * * As I see it, there will have to be wider coverage, leading perhaps to universal coverage.
>
> We will have to come, as I see it, to a truly pay-as-we-go system. There are many forces operating in these directions.
>
> This easy and deceptive method of raising money for general expenditures (social security collections being spent and bonds placed in lieu thereof) tempts extravagance.
>
> It argues for a pay-as-you-go system.
>
> In my opinion we are coming to a pay-as-you-go system.
>
> In my opinion that preferential treatment of the nature I have described will eventually bring us to universal coverage. I do not think it can be avoided.
>
> There is nothing in the reserve until a taxpayer is taxed to pay it off. As I said a while ago, the taxpayer, under wider coverage, becomes the same person as the insured man, and he therefore pays twice.

Yesterday the Senator from Nebraska [Mr. WHERRY] posed this question to Mr. MILLIKIN:

> Does that not also strengthen the argument that the so-called "pay as you take in" principle becomes almost mandatory?

The Senator from Colorado responded:

> It makes it so at least from a moral standpoint. If we do not want to be deceiving the people it makes it mandatory. There will always be, I assume, what might be called a "till fund" or small reserve, to prevent having to come to Congress every year to keep the outgo adjusted to the income. That kind of reserve fund, if we care to call it that, would be necessary, I think, under almost any kind of system that we might have. But the present thing—

And I would call the attention of every Senator and every other American to this sentence with reference to the reserve fund made yesterday by the very distinguished Senator from Colorado [Mr. MILLIKIN]:

> But the present thing—

Referring to the reserve fund—

> is a fake.

The Senior Senator from Ohio [Mr. TAFT] had this to say on yesterday:

> As the Senator from Colorado pointed out, he and I, I think, voted for the increased coverage because we believe we are going in the direction where ultimately under this system, or otherwise, there will be universal coverage of everyone over 65 years of age.

Said the senior Senator from Ohio:

> I see no reason why the bill now proposed should be postponed; but I think also we should look forward to a substantial further change in the nature of the assistance, so that we are not today actually helping old people, who are not getting anything.

The senior Senator from Ohio had some other startling and interesting things to say about H. R. 6000 yesterday. He said:

> In other words, we are recognizing in this bill that we have an obligation to pay old-age pensions to people who are old, simply because they are old and not because they paid money into the fund.

He also said:

> However, as I see it, the bill destroys the whole theory of insurance. It recognizes an obligation. * * * All I regret is that we still use the name "insurance" when as a matter of fact there is no insurance about it.

That is the pronouncement which the senior Senator from Ohio made yesterday regarding this vitally important American question which is being considered by all of us at this time.

On yesterday the senior Senator from Nebraska [Mr. BUTLER] stated:

> One reason I am opposing this bill is because it does not provide security for our elder citizens.
>
> The bill simply patches up a system that is working badly.
>
> I want a system and a benefit that we can honestly pay for as we go, closing out each year's accounts when the year is over and beginning again when the new year starts.

Mr. President, the Senators from whose remarks I have quoted are all distinguished members of the Finance Committee. They are able and conscientious men. They are urging improvements and changes in a system which they state must be changed if our real intention is to provide real security for the aged of America.

I

Mr. President, perhaps the commonest word applied to the social security bill is the word "complicated." A truer word was never spoken. Here we have a piece of legislation which is primarily supposed to help old people. Yet when we come to examine the legislation we find it so complicated that it is hard to find anyone, old or young, who can understand it.

I can say that if anyone proposes to push his way through the accumulated materials on this bill, he has his work cut out for him.

I hold in my hand, merely by picking it up, a copy of the Senate bill. It weighs 1 1/16 pounds. The hearings on H. R. 6000 before the Senate Finance Committee weigh 4 7/8 pounds. If we include the House hearings, the House report and the House bill, along with the Senate hearings and Senate bill, we have 12 1/4 pounds of material.

At a conservative estimate, leaning over backward almost far enough to break the spine, I estimate that all this material runs to well over 2,838,444 words.

The Senate bill alone runs beyond the length of a standard mystery novel, and any Senator who is interested in solving puzzles now has something very choice before him in the shape of this bill. It surpasses any mystery novel that I have ever seen in respect to the number of blind alleys, false clues, traps, and pitfalls planted along the way.

Mr. KERR. Mr. President, will the Senator yield?

Mr. CAIN. Certainly.

Mr. KERR. Would the Senator say that the traps and pitfalls were there other than on the basis of having been planted by the committee, or did the Senator from Oklahoma rightly understand the Senator from Washington to say that they had been planted?

Mr. CAIN. The Senator from Washington does not believe that a single one of the traps or pitfalls to be found in this bill was planted intentionally within the proposed bill by any member of the Committee on Finance.

Mr. KERR. I thank the Senator.

Mr. CAIN. It seems to me to be obvious that pitfalls abound within the bill.

Mr. KERR. I understood the Senator to say that——

Mr. CAIN. Not because of any premeditated desire to plant them by the group of splendid men who make up the Committee on Finance.

Yet, complicated though it is, we must try to understand it, for it is, as I truly believe, one of the most unjust pieces of legislation we have ever had to deal with. I propose to discuss, in some detail, the Finance Committee report on H. R. 6000. But before I do this I want to say something about the existing social-security system.

II

What we now have, in dealing with old people in this country, is a system divided into two branches or stems: Old-age and survivors insurance, and old-age assistance.

These two operations are yoked together in a very strange way that is almost organic. They are Siamese twins and the role which they play in our economy is one of a most twisted and grotesque character.

On the one hand is old-age and survivors insurance. One of the first things we discover is that OASI is not interested in old people at all. It is interested solely in what the administrators call categories of employment.

I know many old people, but I have never met a category of employment. Yet categories of employment are the OASI's main stock in trade.

The essence of this part of the system is a deferred-benefit plan. Because its rosiest promises are always away off in the future, OASI, in its present stage, is a slight burden since the demands upon it are not great.

But as efforts are made to expand the system and bring additional groups under coverage, and as benefits are arbitrarily increased out of current social-security revenues, so the ultimate demands upon the system are made the greater.

It seems clear that in all probability these ultimate demands can never be met save with savagely increased social-security taxes or with some form of ever more cheapened and inflated dollars.

Incorporated in this OASI part of the system are numerous puzzles and hybrid philosophies.

For example, the contention is made that the benefit must vary according to the wage that is earned. The greater the wage, supposedly, the greater the benefit. This is the so-called incentive in the system. He who earns more deserves to get more they say. This incentive is supposed to operate according to some iron law of insurance, firmly based on a formula and a wage record. This is supposed to represent an equity. But this incentive is fraudulent as far as any insurance-annuity theory is concerned, for many beneficiaries pay, along with their employers, only a small fraction of what they get from the system.

At this point, the mechanics who have pieced this system together—and it has taken a long time to do it—are unwilling to stay put with their phony incentive, iron-law theory.

This equity, which the incentive man is supposed to have, by virtue of his taxes paid, is at once violated by another theory, the theory of "adequacy."

All "adequacy" means is that if the Social Security Administration stuck to their false contributory system, the lowest-paid workers would receive only a miserable pittance.

This would never do, they feel, so a portion of the incentive formula is thrown into the trash can and the calculations are arbitrarily changed once more, so that the lowest benefits are raised from a miserable pittance to just a semimiserable pittance.

In this way phony equity and phony adequacy get cozy with one another.

Leonard J. Calhoun, who from 1936 to 1943 was assistant general counsel to the Social Security Board, describes the system this way:

> For a large number of people the system is in effect a lottery, despite the adoption of the name "insurance." Nevertheless, it is compulsory. If you are engaged in certain work, you must pay in; if you are engaged in other work, you cannot pay in, even if you desire to do so; and the fact that you have paid in does not mean that you will necessarily get any benefits or protection (p. 24, How Much Social Security Can We Afford? by Leonard J. Calhoun, American Enterprise Association, Inc., April 1950).

This old-age and survivors insurance part of the social-security system is, for the immediate present, sustained by the special taxes paid by those covered and by their employers.

Since, however, there are still millions of jobs uncovered—and since many of these will still remain uncovered even if H. R. 6000 is passed—and since, also, there are millions of indigent old people who never could have qualified for OASI in any event, we have an additional piece of machinery, so large and complicated that it resembles one of Rube Goldberg's crazy inventions.

III

This Rube Goldberg invention is called old-age assistance. Old-age and survivors insurance is one of the Siamese twins. Old-age assistance throughout this great land of ours is today the other Siamese twin.

Perhaps I ought not to say Siamese twins, for, as used in this connection, it is a reflection on the Siamese people. To be more exact, I ought to call them the Altmeyer twins.

This old-age assistance twin is a kind of relief, generally with a means test, paid to the indigent on a basis of what is called need. Old-age assistance is subsidized jointly by the Federal Government and the States out of general revenues, and the amounts paid vary among the States. In June 1949 the range was from $70.55 per month in California to $18.80 per month in Mississippi. This wide range in old-age assistance makes the crazy-quilt crazier.

In its subsidy to the States for old-age assistance the Federal Government now pays three-fourths of the first $20 of an OAA monthly payment, and one-half thereafter, up to a $50 maximum. That is, out of the first $50 a State may grant, the Federal Government may now pay as much as $30. Anything above $50, the State must pay itself. As already stated, the range of what some States will pay above this maximum is very wide.

But there are two eccentric bearings in this OAA machinery which make already wheezing and grinding gears wheeze and grind the more.

First, old-age assistance is granted on the basis of need. I may ask, what is "need"? Nobody knows. It seems to be a local affair. I have looked high and low and I can find no Federal definition of "need" under the law, though hundreds of millions of dollars are being poured out every year. What is need? In California, one can own a home and a car and yet be in need of old-age assistance. In certain other States, he cannot. What is right? The Altmeyer twins give us no help on this score.

California permits a person in this kind of need to own real property not exceeding $3,500 net county assessed valuation—State of California Department of Social Welfare Bulletin No. 389, OAS, December 30, 1949.

In Tennessee, on the other hand, an applicant is ineligible for old-age assistance if the assessed valuation of his home is more than $1,000—page 16, Social Security Bulletin, October 1949.

Where and what is need? Search the Federal law all you please, Mr. President, but you will get no help.

This failure to define need makes it possible for a State to exercise a wide latitude of judgment in determining who shall get old-age assistance.

I want it clearly understood that I am not at this point concerned with the amount granted in the various States. I will come to that problem presently. All I am trying to do now is to figure out the Boob McNutt character of the system's design.

Now for the second eccentric bearing in this crazy assistance machinery.

Because the Federal Government participates in payments up to $50 a month, it is possible for a State to enormously increase the amount of Federal subsidy it receives, with no commensurate additional expenditure of its own, simply by holding the sum paid below $50 per month. When a State starts paying $70 a month old-age assistance, that State is paying $40 out of that $70. But suppose the State hauls down the monthly below $50? Then, under the formula presently used, that State can count on getting the bulk of the assistance money out of the Federal Treasury, whose funds come from people in all the States. It was under these circumstances that the State of Louisiana in June 1949 was paying $47.05 to 819 per 1,000 of its "old folks," a circumstance which has been described as "a record for the United States if not for the world."

Back in 1934 when these matters were under consideration, the President set up a Committee on Economic Security to make recommendations. Who were the members of this committee? They were Frances Perkins, Henry Morgenthau, Homer Cummings, Henry Wallace, and Harry Hopkins. The glowing reputations of these persons for precision in judgment and for prudent management are well known to all. Surely we know all we need to know about Henry Wallace's fiscal genius. Anybody who wrote the GURU letters is an ideal choice to design a social-security system. As for Harry Hopkins, was he not the soul of probity? But I need go no further in discussing the high character and competence of this Committee on Economic Security.

HYBRID SYSTEM—NOT INSURANCE—NOT PENSIONS

Mr. MALONE. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. THYE in the chair). Does the Senator from Washington yield to the Senator from Nevada?

Mr. CAIN. I am pleased to yield.

Mr. MALONE. Before the distinguished Senator from Washington gets too far away from the question of assistance which the Federal Government might be forced to give the States under this arrangement, is it his opinion that eventually the Federal Government, under the plan for paying old-age pensions, probably will take over most of the load of the old-age pensions from the States?

Mr. CAIN. If I understand the Senator's question correctly, it would be my view that under the present social-security system we shall never be able materially to lessen the old-age assistance programs which are in vogue in the 48 States. It was always the intention of the supporters and of some of the designers of the present social-security system that in due time the financial load and burden and responsibility resulting from old-age assistance benefits in the States would be greatly reduced or wiped out altogether. It must now be recognized as a fact, and I think it is so recognized by every Senator, that a continuance of the present system would extend in perpetuity the old-age assistance programs, which every Senator wants to get away from at the earliest possible moment.

Mr. MALONE. Mr. President, will the Senator yield further?

Mr. CAIN. I am pleased to yield.

Mr. MALONE. At least as the junior Senator from Nevada understands them, neither the present system nor the one proposed by the pending bill provides either pensions or insurance. Both are hybrid things, with no particular background and no particular objective as to where they are going. What is the Senator's opinion about taking over the systems which differ in every State? Does the Senator think there has been sufficient study to enable us to understand the program the roots of which we are now planting deeper? Should the study contemplated by the resolution which the distinguished Senator from Georgia [Mr. GEORGE], chairman of the Finance Committee, has offered, calling for a further investigation, be made before we determine to drive further in the direction we are going, or should we enact the pending legislation, thus driving the stake deeper, and then investigate the question further?

Mr. CAIN. The Senator from Nevada has posed not one but several questions.

Mr. MALONE. I realize that, but they are all woven together.

Mr. CAIN. Indeed they are, and I shall do my best to answer them in a concrete way.

In 1935, the record tells us, the Congress of the United States and the Executive recognized for the first time an obligation to take care of the aged in America. It was decided in 1935 that age 65 would qualify a person for benefits under the intended social-security system. That system was established in 1935, and it had, I think, as its completely legitimate purpose and objective, providing benefits to the aged population of America. Because the designers of the system recognize that it would take a great many years for the system to achieve its purpose, there was created a system to provide financial assistance to indigent persons within the States of the Union. The cost of providing such financial assistance was to be borne by both the State in question and the Federal Treasury. Having read the RECORD, I think I could establish it as being a fact that no proponent of the social-security system which was established in 1935 thought there would be remaining in the year 1950 any need for continuing financial assistance programs in the 48 States of the Union. It is now, I may say to my friend from Nevada, the year 1950. There are today approximately 11,500,000 Americans aged 65 or over. Approximately 2,500,000 of that total are being taken care of by our social-security system.

Another group approximating almost 3,000,000, I think, are being taken care of by the old-age assistance programs in all the States of the Union. Some five or six million persons beyond the age of 65 are neither benefiting from State help on the one hand, nor from Federal assistance on the other hand.

Those Members of the Senate who share the view being expressed by the junior Senator from Washington are merely trying to establish that a system which, in 15 years, has not carried out its admittedly fine purposes or achieved its noteworthy objective ought to be scrapped in favor of a system which will provide for the legitimate, reasonable needs, not of one group of America's aged, but of all of America's aged.

The Senate Finance Committee, in recognizing and having admitted freely and most frankly some of the basic faults within our present social-security system, wishes Congress at this time—and the Senator from Washington thinks Congress is going to act accordingly—to liberalize and expand the present system, regardless of how grievous its faults may be; and in recognizing its faults the Senate Finance Committee is asking the Senate to approve—and certainly the Senator from Washington hopes that every Member of the Senate will vote in favor of it—a resolution to authorize a concrete study of every other possible social-security system known to man in order that the Finance Committee may recommend basic changes and a future system by which to replace the present system at the earliest possible time.

I think the Senator from Washington has answered every portion of the questions propounded by the Senator from Nevada, with one exception. He wanted to know whether the Senator from Washington thought we should first expand and liberalize the system we know to be bad, and then examine what we have done and study other systems in the hope that we can recommend a far better system for the future, or whether the examination and the recommendations leading toward a better system ought to be made and established before we extend and liberalize the present system.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. CAIN. I shall be glad to yield in a moment.

The Senator from Washington, obviously, as an individual Senator, is of the considered opinion that it would be the best thing for the country to leave our present social-security system as it is until we know concretely and conclusively what better system we can adopt with which to replace our present system. In my opinion, such recommendations could be forthcoming from a qualified study group within a period not to exceed 2 years.

The Senator from Washington likewise is of the opinion that it is the desire—and I can understand it— of a majority of the Senate and of the House forthwith to expand and liberalize the present system, and then take time to consider and reflect on what we have actually done.

I now yield to the Senator from Illinois.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

Mr. KERR. Mr. President, will the Senator from Washington yield for a question?

Mr. CAIN. Certainly.

Mr. KERR. Did the Senator make a statement as to how many aged would come under OASI, and how many under old-age assistance?

Mr. CAIN. Yes.

Mr. KERR. Will the Senator repeat the number for the benefit of the Senator from Oklahoma?

Mr. CAIN. Approximately two and a half million persons are now drawing benefits from the social-security system. Approximately 3,000,000 are drawing assistance from the assistance programs in the various States of the Union.

Mr. KERR. I understood the Senator to refer to a certain number of aged people. I presume that he now refers to all persons receiving benefits under both social security and assistance.

Mr. CAIN. Of some eleven and a half million persons in the country aged 65 or older, approximately five and a half million are drawing assistance from either the social-security system or the assistance programs in the States, as I understand.

Mr. KERR. The Senator from Oklahoma was under the impression that there were about two million under one system and about 2,700,000 under the other.

Mr. CAIN. The Senator from Oklahoma may be more precise. I think the figures can be very easily established. They have been offered in the past few days by the Senator from Colorado and the Senator from Georgia. The main point involved is that of all the aged in this country a number less than 50 percent are drawing benefits from either a State or from the Federal Government, when, as I understand, it was our intention beginning in 1935 to work out for the future a system which would provide benefits to all of the aged population of America.

Mr. KERR. Is it not a fact that the two-headed or Siamese-twin system to which the Senator has referred, being old-age assistance on the one hand and old-age and survivors insurance benefits on the other, is very definitely limited by the terms of the legislation?

Mr. CAIN. That is correct.

Mr. KERR. In the assistance program it is limited to those who establish themselves as being in need under standards prescribed by the individual States, and in the other program to those who become eligible by their participation in the program.

Mr. CAIN. By their being covered.

Mr. KERR. Is it not also true that the limitations within the laws themselves applicable to those eligible or qualifying under the provisions of the laws make it impossible for the programs to cover other than those who are eligible?

Mr. CAIN. I think the Senator from Oklahoma is quite right. It is the intention of some of the amendments now before the Senate to increase the coverage in the social-security system in order that there may be more beneficiaries in the future. Those amendments are being offered, to my mind, because there is a growing acknowledgment of an obligation by the Federal Government to the aged of America. My contention is that, however we may amend or liberalize the present system, we are not moving in the direction of providing assistance or benefits to the aged population of America, as is the hope for the future of the junior Senator from Washington and of other Senators of like mind. We feel that if the Federal Government is to acknowledge an obligation to the aged persons it must of necessity acknowledge an obligation toward all persons over a particular agreed-upon age.

Who was the Chairman of the Technical Board of that committee? It was none other than Arthur Altmeyer, at that time Second Assistant Secretary of Labor but now and, for many years, the boss of our Siamese-twin system for jobbing old people.

What did that committee say in its report on the question of assistance money? I shall read a portion of it:

Old-age pensions—

And it was old-age assistance they were talking about—

are recognized the world over as the best means of providing for old people who are dependent upon the public for support and who do not need institutional care.

Only approximate estimates can be given regarding the cost of the proposed grants-in-aid. If a compulsory contributory annuity is not established at the same time—

And such a contributory system was established at that time—

estimates indicate that the Federal share of the cost of the noncontributory old-age pensions may in the first year reach a total of $136,600,000 * * * and would increase steadily thereafter until it reaches a maximum of $1,294,300,000 by 1980 * * *. Obviously these figures will be reduced if a compulsory system of contributory annuities is established simultaneously with the Federal grants-in-aid. Sound financing demands this simultaneous action. (Pp. 40–42, House Ways and Means Committee hearings on the Economic Security Act, Jan. 21, 1935).

We have it established, all right, but there is no sign of reducing figures. Expenditures for old-age assistance have been climbing every year, old-age insurance or no, and there is no sign of let-up. Currently the Federal share of the subsidy is $8,000,000,000, with 1980 30 years away.

IV

To administer these two Siamese twins—OASI and old-age assistance—is no inexpensive matter, despite Mr. Altmeyer's claims of only 12 cents apiece to look after 80,000,000 wage records in Baltimore (p. 29, Senate Finance Committee hearings, January 17, 1950).

For the year ending June 30, 1949, it cost $53,000,000 (p. 6, Trust Fund Report, 1950) to administer OASI and $66,703,000—Bureau of Public Assistance, Social Security Administration—to administer old-age assistance—Federal share, $33,014,000; State and local shares, $33,689,000—a total of almost $120,000,000. If H. R. 6000 passes, some estimates run to $110,000,000 for the administration of OASI alone.

If we want to know why these costs are rising, the incredible jerry-built complexity of the machinery supplies one of the answers.

Of course it takes a small army of people to man this Rube Goldberg machine. Commissioner Altmeyer tells us that the Social Security Administration alone employs 11,900 persons (p. 35, Senate Finance Committee hearings, January 17, 1950). In addition to this, according to the most recently available figures (p. 8, Social Security Bulletin, April 1950) more than 56,000 persons are employed throughout the country in State and local welfare agencies. In all, more than 67,000 persons are officially employed in dispensing welfare in one way or another throughout the United States. To be sure, some of these dispensers of welfare are concerned with dependent children, the blind, and so on, but the chief business of these nearly 68,000 functionaries—Federal, State, and local—is looking after old people in one way or another.

That their labors are onerous we may well believe.

Philip Vogt, welfare administrator of the Douglas County Welfare Department, Omaha, Nebr., appeared last January before the Senate Finance Committee and described the social-security machinery in action. He said:

In Douglas County, Nebr., the administration of assistance requires the understanding and use of 102 pages of finely printed State and Federal laws, a three-volume State manual of 1,001 pages of rules, regulations, and procedures, no less than 66 different forms and a food budget listing 124 amounts. Many other memoranda, special reports, attorney generals' opinions and modifications are forthcoming which add to the confusion and expense of operation. * * * We have a rather simple law. I mean our Social Security Act itself is not too complicated. But what comes out of that, thousands and thousands of pages of administrative rules and regulations and interpretations, is something else. Our administrators spend less than 20 percent of their time in the field. They are bogged down with the machinery and mechanics superimposed upon us either by State or Federal officials. (Pp. 528 and 555 of the typewritten transcript of the 1950 Senate Finance Committee hearings.)

Mr. President, the real problem with which we are concerned is the security of our old people.

When we consider this fact and then turn and, in perspective, view the weird monstrosity that has been cobbled together over the years, imagination staggers.

We have a hand-out system, old-age assistance. We have a phony annuity system, OASI, where many get a dollar for a nickel's worth of taxes. Both systems, yoked together, are called the social-security system, an adaptation of ideas originally set up in that paradise of bureaucrats, the German autocracy.

When we stop to consider the American genius in handling native organizational problems, our stupefaction grows.

In this country, where the founding fathers devised a governmental system of checks and balances, the most ingenious known to mankind;

In this country, where assembly-line manufacture was developed, a process which attained magnitudes of production that amazed the world;

In this country, where the demands of communication have been met, the physical tasks of distribution more brilliantly achieved than in any other place;

In this country, where men and women from thousands of trades and professions were able to man, equip, administer, and supply throughout the world the greatest military organization ever known;

In this country, I say, Mr. President, we have been content to supinely accept a jumble of alien theories for handling the economic problems of our old people, theories which never worked efficiently even in the countries where they were born.

In his testimony last January Commissioner Altmeyer told the Finance Committee that they had a right to be proud. I see no reason for pride. Our social-security system is a disgrace. The whole set-up is a gruesome example of where we can get when we start with a series of faulty ideas and, thereafter, expand and build upon them. Stage after stage is added to the superstructure, temporary props are put under the sagging floors. Political expediency demands further additions, until at last we have the system of today.

After 15 years of talk and conversation, of incessant propaganda by Mr. Altmeyer and those employed by him, we have fewer than 20 percent of our old people, 2 million out of 11½ million, beneficiaries of the so-called insurance system.

And now, to make confusion worse confounded, H. R. 6000 arrives before us, an enormous bill, 188 pages long, with 203 pages of matter from the House bill thrown in, a total of 391 pages of material.

V

What do we find? Here, briefly, are some of the points:

First. The bill enlarges the compulsory coverage of old-age and survivors insurance. Further occupational categories—not human beings, as I said, but occupational categories—are brought in, among them domestic workers and some other occupational classifications Farmers are left out, but hired men, if they work for a single employer for at least 60 days in a calendar quarter, with cash wages of at least $50 for services in the quarter, are brought in. Voluntary coverage is extended to about 1½ million State and local government employees who are presently without retirement plans. Already established plans of State and local government employees are not interfered with. New and compulsory coverage brings in 8,300,000 persons; 1,700,000 come in on the so-called voluntary basis. In sum, we may perhaps take 10,000,000 new persons on the old-age and survivors insurance rolls (pp. 5–6, Senate report).

Second. Persons in newly covered groups who will soon reach retirement age are put in a position to promptly qualify for benefits. The idea seems to be that through this quicker eligibility of older workers old-age assistance might be cut down to the same extent. That this is anything but certain I shall presently show (p. 7, Senate report).

Third. The whole scale of benefits is liberalized by an average of from 85 to 90 percent for all currently receiving old-age and survivors insurance benefits. The money for this liberalization comes from the tax income in current receipt from younger persons in the system (p. 6, Senate report).

Fourth. Old-age assistance: The Finance Committee in its release of May 5, 1950, stated that—

The committee is of the opinion that the cost to the Federal Government for public assistance (this, of course, includes aid to dependent children and the blind) should not be increased further by modifying the existing matching formulas and establishing a new State-Federal program as would be provided by the House-approved bill.

Actually (p. 9, Senate report) existing law is retained except that where an old person gets so meager an OASI benefit that he can qualify for old-age assistance also, the Federal Government will match only 50–50 up to the $50-a-month OAA maximum. All this means is that in the past, in these particular cases, the Federal Government could pay $30 out of the first $50 of old-age assistance. Now, in these cases—and these double-jointed cases only—the Federal Government will pay no more than $25. Otherwise, the matching formula is left intact.

Fifth. The Finance Committee has declined to change the tax base, leaving it on the first $3,000 a covered person earns. But the tax on this base is supposed to rise with considerable speed. The tax, divided equally between employer and employee, is now 3 percent. If not frozen, it will rise to 4 percent in 1956; 5 percent in 1960; 6 percent in 1965, and, at length, to 6.5 percent in 1970 two decades from now.

VI

Let us now turn for a few minutes to the Senate Finance Committee's report on the bill, and see what light we can get from its 319 pages.

In the first place, we find that, as in the case of the House bill, the committee has thought it proper not to consider the many requests for a complete revamping of the system, and has not recognized the necessity for adopting a truly currently functioning program.

The senior Senator from Nebraska clearly recognizes this, and states in his minority views (p. 313):

The committee has not attempted to make an analysis of the fundamental basis of our so-called social-security system. Although there was some discussion of making such a study and considering alternative methods of meeting the need, the committee, in effect, decided against taking such action this year. Instead, it was content to accept the present system substantially as it stands; revise the tax and benefit scale; patch up some of the inadequacies; attempt to fill some of the more glaring loopholes; and report a bill which will merely push us further along a course which I believe to be unwise.

In other words, what H. R. 6000 does is to get us deeper into confusion and contradiction. Even the majority seem to have a glimmer of this. They say in their report (p. 1):

The onrush of broad social and economic developments has completely unbalanced the Nation's social-security system.

They further say (p. 2):

Your committee's impelling concern in recommending passage of H. R. 6000, as revised, has been to take immediate, effective steps to cut down the need for further expansion of public assistance, particularly old-age assistance.

The committee must have been misled by the Social Security Administration. Certainly the definite recognition—and the report so recognizes it on page 9—that people will draw benefits from both systems simultaneously scarcely tends to reduce expenditures for old-age assistance. On the contrary, this sort of open advertisement is an encouragement to boost old-age-assistance costs.

True enough, the report recognizes that the present indigent aged, uncovered by OASI, must inevitably be forced into assistance. But the report on page 2 goes on to say:

Your committee has not been able to arrive at definite conclusions on this problem in the time available for the consideration of H. R. 6000.

In other words, basic study has not been given to the problem. More than a year ago former President Hoover warned the House Ways and Means Committee that at least a year of independent study would be needed. His warning went unheeded, and the unhappy results of this neglect are now before us.

We find also a strange statement on page 3 of the report, in the section on Purpose and Scope of the Bill. This is a reference to private-pension plans, which have attracted so much recent attention in collective-bargaining agreements. Says the report, in discussing the disadvantages of these plans:

Most of these plans do not give the worker rights which he can take with him from job to job.

If this statement is a reflection of the Social Security Administration's thinking, it marks a high point in cynicism. Commissioner Altmeyer knows perfectly well that, even if H. R. 6000 is passed, people can be moved in and out of OASI without taking their benefit rights with them.

Numerous weird arguments turn up in the discussion of extended coverage. For example, coverage is extended to the Virgin Islands at once and to Puerto Rico if the Puerto Rican Legislature so requests. Says the report on page 17:

Puerto Rico and the Virgin Islands are a part of our American economy, and their populations are clearly in need of social-insurance protection. As a result of relatively low average earnings, workers there are generally unable to provide for their own future security.

The implication of this passage would seem to be that many of our high-wage people here at home could provide for their future security; but this possibility is never mentioned. Furthermore, this concern about the plight of Puerto Ricans and Virgin Islanders seems remarkable when it is recalled that millions of our own old people are shut out.

Some self-employed persons are compulsorily taken in, others are left out. Publishers are covered, but not certified public accountants; actors, but not dentists; chemists, but not physicians; musicians, but not professional engineers. The way the coverage among the self-employed might apply in a city block has been described this way:

Let us imagine a city block of stores and offices occupied in the following manner: The first office is occupied by a physician. Next door is a bakery. Then comes an office occupied by an architect. Next to him is a small millinery shop. Beyond that is a dentist's office, followed by a florist. The next office houses a lawyer. On the corner is a filling station. The tax collector skips the doctor, the architect, the dentist, and the lawyer, but picks up $67.50 each from the baker, the milliner, the florist, and the owner of the filling station. The four who are taxed are probably less able to part with the money than the four who go scot free. None of the eight would be particularly likely to claim old-age-insurance benefits at age 65. We thus have the anomalous and unfair situation in which half the operators of small independent businesses on a block would be taxed, half would not. There is no justice, no logic in the arrangement. Presumably milliners, florists, bakers, and the like are not so well organized and not so vocal as doctors. But are taxes to be laid on the weak and unprotected, while the strong escape by clamoring? (Challenge to Socialism, p. 2, June 1, 1950.)

VII

As I have stated, the OASI benefits are raised in the bill in a highly varying degree. On the average those who are now receiving benefits—about 2,000,000 persons—will get from 85 to 90 percent more than they are getting now. The average primary benefit, now $26 a month for retired workers, would be increased to an average somewhere around $48 (p. 6). These increases, as I said, will be paid out of current security tax revenues.

Now for the new categories, and they are of considerable concern, to the Senator from Washington, anyway. Younger people just coming in may require as much as 40 calendar quarters of coverage, earning $50 or more during a quarter. The self-employed, a more high-toned crowd, must have at least $100 a quarter in order to be covered.

But since there are numerous old people still at work and not far from 65, some way has got to be found to permit them to qualify quickly. So any person 62 years or over on the effective date of the bill would be fully insured for benefits at age 65 if he had at least six quarters of coverage acquired at any time.

Through such methods of operation the Social Security Administration figures that "about 700,000 additional persons would be paid benefits in the first year of operation, thus reducing the need for public assistance by the States."

Whether this reduction of need is referring to the reduction in Federal subsidy of $5 a customer for those who manage to get both OASI and old-age assistance is not clear. But it may well be. Looked at, first blush, it would appear that the Siamese-twin system simply proposed to move 700,000 persons out of old-age assistance and into OASI. But such a performance, done with mirrors, seems hardly possible even for Mr. Altmeyer's expert scene shifters.

It does seem likely, however, that this claim for a reduction in assistance payments does have some reference to that altered part of the matching formula which reduces the Federal subsidy, $5 a customer, for those who manage to get both OASI and old-age assistance.

But that this new first-year crowd of 700,000 means any real reduction in old-age assistance costs I do not believe for a minute. There may be an occasional dip in these costs. There was, as I understand, a decline of four-tenths of 1 percent in the total Federal subsidy in February 1950.

But such intermittent variations in the curve can hardly alter the steady climb. A case turned up last April of old-age-assistance payments of $568 a month. There may be many hidden items in that case that we do not know about, but it happened.

VIII

Let us have a bald look ourselves. We have about 11,500,000 persons 65 years and over in the country now. We have 2,000,000 persons getting OASI benefits and we have 2,700,000 getting old-age assistance. That is a total of 4,700,000. Now if there are taken on 700,000 new OASI beneficiaries in the next year, and for the sake of argument let us say that none come from old-age assistance, we will have a maximum of 5,400,000 persons receiving money from OASI or OAA. In other words, almost half the people 65 years and over in America will still be left out of consideration.

What about those who are not being given other consideration or benefits today, Mr. President? We simply do not have an answer to that question. We are supposed for the moment—and I presume we must do so—quietly to forget about them. But now let us turn around and look what is ahead of OASI. As I have said, these arbitrarily increased benefits will be currently paid out of social-security tax revenues. According to the trustees' report of 1950, there were more than $11,000,000,000 worth of Government bonds in the trust fund on June 30, 1949. The taxpayers can worry about those bonds, I might suggest, so there is no immediate strain on the system.

If H. R. 6000 passes, as certainly it will do next Tuesday, there are certain things we ought to bear in mind. As I understand the figure to be, we will be paying OASI benefits to 2,700,000 persons only during the coming year. But as the coverage extends and as the number of insured who reach retirement age and claim benefits increases, then the threat of some real trouble for all of us comes.

Every member of the committee with whom I have discussed this question has quite frankly admitted the possibility of financial trouble in the years to come. But it is the sincere hope of the members of the committee and other Members of the Senate that the problem will have been solved before the system is overcome with trouble.

SIX OR SEVEN MILLION AGED NOT COVERED

Mr. MALONE. Mr. President, will the Senator yield?

Mr. CAIN. I yield.

Mr. MALONE. Did I correctly understand the distinguished Senator from Washington to say that even this new

social-security bill would not reach any of the existing six or seven or eight million people who are 65 or over at this time who are not under the old bill—I presume because they have not paid into the fund, and that there is no provision for them?

Mr. CAIN. The understanding of the junior Senator from Washington is that when the present social-security system, which includes old-age insurance and survivors benefits and financial assistance programs in the State, has been agreed to by the Congress, there will yet be from five to six million aged Americans, each 65 or older, who will be receiving financial assistance and/or benefits from no source, either Federal or State.

MAXIMUM SOCIAL-SECURITY SYSTEM WILL STAND

Mr. MALONE. Mr. President, will the Senator yield further?

Mr. CAIN. I am pleased to yield.

Mr. MALONE. The junior Senator from Nevada is for the maximum of social security that the economic system will stand without undue pressure or dislocation. Has the distinguished Senator from Washington heard any discussion or does he know of any study as to what this plan might do to the economic system which I think the distinguished Senator from Washington would agree with the junior Senator from Nevada is not too sound at the moment? It seems to me that should be the first consideration; then, with that in mind, we should go just as far as we can go in including the remainder of the aged persons—65 or over.

Mr. CAIN. In the past several days some of the finest Americans in the land, who are Senators of the United States, from both political parties, have publicly stated that the present system, whether left as it is or whether it is expanded or liberalized, frightens them, and that they look forward to the time in the near future when the present system can be replaced by a system which pays for itself on a current or annual basis. There is a ready admission—I think I state the point correctly—on the part of some of the members of the Finance Committee, that there will be no dangerous economic strain, or no dangerous financial strain, on our Nation's economy with reference to the proposed extension and liberalization of the present social-security system for the next 4 or 5 years. I cannot remember at the minute how many million Americans are actually covered by the system and pay into it, but we know that figure is many million persons more than are drawing benefits at this time.

That, I think, is one of the reasons why the chief defenders of H. R. 6000, as revised, urge us to pass the bill at this time. Those gentlemen are sincerely of the opinion, I take it, that there is time remaining in which we can secure a different system before the Nation is seriously disturbed by the defects, the faults, and the inequities inherent in the social-security system now in operation.

SYSTEM NEITHER INSURANCE NOR PENSION

Mr. MALONE. Mr. President, will the Senator further yield?

Mr. CAIN. I yield.

Mr. MALONE. Then, recognizing, as the distinguished Senator from Washington has already explained, that this particular system never has been and is not now either fish or fowl; that it is neither insurance, such as that into which one pays an amount somewhat comparable to that which will on the average, be paid out to the beneficiary, plus interest, nor is it altogether a pension; but is a hybrid thing. Has the junior Senator from Washington seen a breakdown and study sufficient to convince him that it will be 3 or 4 years before the system becomes effective? The junior Senator from Nevada has not seen any such study.

Mr. CAIN. The Senator from Washington has seen no figures. He has merely done some work with his own pencil. He has taken the number of people who pay into the system, and the amounts they pay, and he has considered the number of people who are to benefit from the system, and because the system is taking in currently much more money than it can use, it is just as easy as we are making it easy, among other things to increase the benefits.

The trouble will come when either the benefits become too high or there no longer is sufficient money coming in to satisfy the obligations. The best thinking I know of in the country is that after H. R. 6000, as amended, has been approved and becomes the law, in 5 or 6 years we simply will not then be able to have enough payers into the system to pay out the obligations so rightfully to be demanded by the beneficiaries of the system, which is another way of saying that everyone is in agreement, whether we are for or against H. R. 6000, as revised, that we better get rid of the system we have at the earliest possible moment if we want to keep it from becoming financially involved in a serious way, and if we want to keep faith with the aged people of America.

Will my friend from Nevada permit this most frank observation? I think that those of us who are endeavoring constructively to criticize this proposed legislation can only hope at this session of the Congress to achieve two things. The first is that we will be able to advise the American Nation, including its aged population, of what America's social-security system can never do for millions of them if they live to be a million years of age. Secondly, we might so dramatize the weaknesses and the faults and the inequities included in the system which is now before us for discussion, that more Senators will be determined to find an equitable system to replace a system which was well-intentioned, to my mind, from the beginning, but which has on the basis of performance outlived its usefulness and failed to realize the objective laid down for it in 1935.

BOND PURCHASES

Mr. MALONE. Mr. President, will the Senator further yield?

Mr. CAIN. I am glad to yield.

Mr. MALONE. The explanation of the distinguished Senator from Washington is very clear so far as he goes. But what happens to the money that piles up in the Treasury or elsewhere? It is not, as I understand, invested in real property or in any manner invested so that there is a return on the money, as there is on insurance funds, as such funds usually are invested. But is paid into the United States Treasury, and presumably from what the junior Senator from Nevada understands is, to a large extent, used to buy Government bonds.

Mr. CAIN. I think the Senator from Nevada is quite right. I may state it another way. X number of dollars come into the social-security fund. They are turned over to the Government to be used for satisfying current obligations, and so on. They are replaced by Government bonds with a maturity which in due time, when the due date has been reached, must be picked up by the Federal Treasury.

Mr. MALONE. Mr. President, will the Senator yield further?

Mr. CAIN. Certainly.

DOUBLE TAXATION FOR BENEFITS

Mr. MALONE. It seems a little confusing to the junior Senator from Nevada that we tax certain citizens who are currently on payrolls, 1½ or 2 percent—and I understand the tax increases as the pay increases—and tax from the employer so much, all of which goes into the Treasury. We then buy bonds with that money and pay interest on the bonds. The interest on the bonds is paid by the taxpayers. Then, when the time comes that payment must be made, we cash the bonds, presumably, in order to obtain the money. But when the bonds are cashed we immediately have to sell more bonds to make up the deficit. So, perhaps what actually happens is, we merely assess the taxpayers at the moment and pay currently what we have to pay. It finally feather-edges out into the twilight zone, and it is very difficult to determine who is paying for what, and when.

The junior Senator from Nevada has heard no adequate explanation as yet of just how these funds are handled and what effect the process has on the employee and the employer, who are also taxpayers, with whom it finally catches up, the second time. It looks more like a double payment system. Can the junior Senator from Washington enlighten the junior Senator from Nevada on this point?

Mr. CAIN. The Senator from Washington believes he can help the Senator's thinking perhaps a little bit. To my mind, the thought of the Senator from Nevada with reference to this so-called trust fund is substantially correct. I myself cannot forget that yesterday I listened to a man who is extremely intelligent and very thoughtful, the junior Senator from Colorado [Mr. MILLIKIN], ranking minority member of the Senate Finance Committee, who advised the Senate and the Congress that the sooner we could get away from a reserve fund which was not truly a funded

operation, the better off the country would be. He then continued, saying substantially this: "But what we have in the form of a trust fund is a fake." The Senator used that word—f-a-k-e.

Mr. HAYDEN. Mr. President, will the Senator yield?

Mr. CAIN. When I have finished this point, if it is then the wish of the Senator from Arizona, I shall be very pleased to yield to him. I urge the Senator from Nevada—and this is what the Senator from Washington likewise wishes to do—when first we have an opportunity which will be soon, either this afternoon or tomorrow, to pose either to the Senator from Georgia, who would be pleased to answer it, or to the Senator from Colorado, who likewise would be pleased to talk to us about the question which concerns us both at the moment, namely, What is the true nature and the ultimate future of the so-called social security trust fund, if it is not to be replaced shortly by some other method of operation?

Mr. CAIN. I now yield to the Senator from Arizona.

STUDY AND INVESTIGATION OF SOCIAL-SECURITY PROGRAMS

Mr. MILLIKIN. Mr. President, will the Senator from Arizona yield? I should like to ask unanimous consent to submit a resolution and explain its general nature, if I may.

Mr. HAYDEN. I yield for that purpose.

Mr. MILLIKIN. Mr. President, in the unanimous-consent agreement to vote on the pending bill it was provided that there shall be included a vote on a resolution sanctioned by the Senate Committee on Finance and to be offered by the Senator from Georgia [Mr. GEORGE] and the Senator from Colorado [Mr. MILLIKIN], authorizing and directing that said committee, or any duly authorized subcommittee thereof, shall continue the study and investigation of social-security problems in the United States on general and specific subjects to be described in said resolution, and so forth.

The resolution reads as follows:

Resolved, That, for the purpose of assisting the Senate in dealing with legislation relating to social security hereafter originating in the House of Representatives, under the requirements of the Constitution, the Committee on Finance or any duly authorized subcommittee thereof, is authorized and directed to make a full and complete study and investigation of social-security programs with a view toward ascertaining what further changes should be made in the laws of the United States relating to social security.

The Committee on Finance shall determine the scope of said study and investigation, and without limitation thereon the following shall be included:

1. The type of social-security programs which are most consistent with the needs of the people of the United States and with our economic system, including study and investigation of proposed programs for a pay-as-you-go universal coverage system and the problems of transition to such a system.

2. The extension of coverage under the old-age and survivors insurance program to farm operators and nonregularly employed agricultural labor and to other uncovered workers with a minimum burden of record-keeping and report-making imposed upon such farm operators and the employers of such other uncovered workers.

3. Financing of the old-age and survivors insurance program particularly with respect to the issue of reserve financing as opposed to a pay-as-you-go plan.

4. Increased work opportunities for the aged who are able and willing to work.

5. The relationship of the social-security programs to private pension plans.

6. The social-security programs in relation to care, income, maintenance, and rehabilitation of disabled workers.

SEC. 2. For the purposes of this resolution, the committee or the subcommittee thereof duly authorized to conduct the study and investigation under this resolution is authorized to employ such technical, clerical, and other assistants as it deems advisable and to designate and appoint advisors.

SEC. 3. The committee or the subcommittee thereof duly authorized to conduct the study and investigation under this resolution is authorized, with the approval of the Committee on Rules and Administration, to request the use of the services, information, facilities, and personnel of the departments and agencies in the executive branch of the Government in the performance of its duties under this resolution.

SEC. 4. The expenses of the committee or subcommittee under this resolution, which shall not exceed $25,000, shall be paid out of the contingent fund of the Senate upon vouchers signed by the chairman of the committee.

Mr. President, on behalf of the Senator from Georgia [Mr. GEORGE] and myself I submit the resolution and ask that it lie on the table and be printed.

Mr. TAFT. Mr. President, will the resolution be referred to the Committee on Finance?

Mr. MILLIKIN. I do not believe it is necessary for the resolution to be referred to the Committee on Finance.

Mr. HAYDEN. The Committee on Finance must pass on the resolution.

Mr. MILLIKIN. Then may I have it referred to the Committee on Finance?

The PRESIDING OFFICER (Mr. THYE in the chair). The unanimous-consent agreement entered into yesterday referred to the fact that a resolution would be introduced "sanctioned by the Senate Committee on Finance, and to be offered by Senators GEORGE and MILLIKIN," and that it would be received and voted on on next Tuesday.

Mr. TAFT. What I was concerned about was that the rules of the Senate require the Committee on Rules and Administration to pass on any resolution which provides an allowance of $25,000.

Mr. MILLIKIN. It is mentioned in the resolution.

The PRESIDING OFFICER. The Chair is of the opinion, on the advice of the Parliamentarian, that the unanimous-consent agreement in that respect suspends the rule.

Mr. TAFT. It is entirely satisfactory to me. I merely did not want the resolution to lie on the table if it had to go through two committees before it could be voted on.

The PRESIDING OFFICER. Without objection, it is the order of the Chair that the resolution lie on the table until next Tuesday, at which time it will be voted on.

The resolution (S. Res. 330) was ordered to lie on the table, and to be printed.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000), to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

Mr. HUMPHREY. Mr. President, I send to the desk amendments to H. R. 6000. The amendments are submitted in behalf of myself and the Senator from New York [Mr. LEHMAN].

I have a statement pertaining to the amendments, which describes the purposes of the amendments in general terms. The purpose of the amendments, broadly speaking, is to raise the maximum individual old-age-assistance grant from $50 to $65 per month. They do so by providing that the Federal Government shall match any additional individual grants above $50 by providing one-third of that amount.

Mr. President, I ask unanimous consent that the amendments offered by the junior Senator from New York and myself may be printed in the RECORD at this point, together with the statement of explanation of the amendments.

The PRESIDING OFFICER. The amendments will be received and will lie on the table and be printed.

The amendments will also be printed in the RECORD, together with the statement submitted by the Senator from Minnesota.

The amendments and the statement of explanation are as follows:

On page 375, line 19, strike out the words "$50" and insert in lieu thereof "$65."

On page 376, beginning with line 1, strike out all down to and including line 4, and insert in lieu thereof the following:

"(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with respect to any month as exceeds the product of $50 multiplied by the total number of such individuals (other than those included in clause (D)) who received old-age assistance for such month, plus

"(C) one-third of the amount by which such expenditures (other than expenditures with respect to individuals included in clause (D)) exceed the sum of the products obtained under clauses (A) and (B), plus."

On page 376, line 5, strike out "(C)" and insert in lieu thereof "(D)".

On page 383, beginning with line 4, strike out all down to and including line 18, and insert in lieu thereof the following:

"SEC. 342. (a) Section 1003 (a) of the Social Security Act is amended to read as follows:

"'SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind for each quarter, beginning with the quarter beginning October 1, 1950, (1) an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditures with respect to any individual for any month as exceeds $65—

"'(A) three-fourths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"'(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with respect to any month as exceeds the product of $50 multiplied by the total number of such individuals who received aid to the blind for such month, plus.

"'(C) one-third of the amount by which such expenditures exceed the sum of the products obtained under clauses (A) and (B); and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.'

"(b) The amendment made by subsection (a) shall take effect October 1, 1950."

The amendment is designed to raise the maximum individual old-age-assistance grant from $50 to $65 per month. It does so by providing that the Federal Government shall match any additional individual grants above $50 by providing one-third of that amount.

I also send to the desk, Mr. President, a second amendment designed to accomplish the same purpose in the assistance-to-the-blind program of the Social Security Act.

These amendments, Mr. President, are vital if America is to live up to its obligations to those of its citizens who have contributed their years and their efforts to this Nation's welfare, and now find themselves—frequently with their energies spent—too old to work. A maximum of $65 per month for the aged should be a minimum. The success of the medical profession in prolonging life when considered together with the falling birth rate, has had the effect of emphasizing the importance of providing for the aged in America. An ever-growing proportion of the population is in the older age group. Whereas fewer than 3 percent of the population in 1850 was 65 years of age, that proportion in 1940 was 7 percent, and it is expected to grow to 10 percent in 1970.

It is recognized by all that in spite of the old-age-insurance provisions of the Social Security Act, there is a need for a supplementary program to fill in the gaps and provide for the existing aged who can never qualify for social security. In addition, I think it is clear that there probably always will be a small but significant part of the population which cannot qualify under the insurance program.

Under H. R. 6000 as it passed the House, a provision is made that the Federal Government shall pay a share of four-fifths of the first $25 of a State's average monthly payment per recipient. For the next $10 the Federal Government's share is to be one-half. In view of the fact that the maximum of $50 is maintained, the Federal Government's share for the last $15 is to be one-third.

The bill as it is now on the floor of the Senate from the Senate Finance Committee, changes that formula established by the House and maintains the formula of the present act as amended in 1948, under which the Federal Government is to provide three-fourths of the first $20 and is then to provide one-half of the remainder up to a $50 maximum.

The same formula applies for the blind.

I trust that the Senate will as a minimum at least restore the House formula for the first $50. My own amendment, which I plan to bring up whether or not the formula is restored, would raise the maximum to $65 and provide that the Federal Government's share of the amount from $50 to $65 shall be one-third.

I trust that this amendment will receive the support of the Senate.

Mr. HUMPHREY. Mr. President, I wish to say that when we vote on House bill 6000 and the amendments thereto I hope every United States Senator will search deeply into his conscience to determine whether he believes the recipients of old-age assistance can live upon the puny, paltry pensions they are receiving throughout the United States. I want Senators to ask themselves honestly how the recipient of an old-age pension can live on $40 a month.

After looking over the national record of the pension system of the country and seeing the intolerably low pensions which our old people are receiving, I think it is about time that we face up to the fact that no matter whether a person may live in the South or the North, in the East or the West, in the center of the country or at any of its four corners, it is utterly impossible for a human being to be able to subsist on a maximum pension of $50 a month. Several States have, by their own State enactments, provided a pension higher than that. But it is impossible for a decent standard of living to be maintained for an individual citizen at $70 a month. Therefore the proposal by the junior Senator from New York and the junior Senator from Minnesota is to my mind a very moderate, conservative, and reasonable proposal which will call upon the States to share in the benefits paid to the old people. I hope that when that proposal, or others like it, come to the floor, they will be given support, because I cannot imagine a Congress which has provided liberal pensions for its own membership—and that we have done—that would in any way deny this modicum of a pension for the average American citizen that is in need of a decent pension.

Mr. HOLLAND. Mr. President, reserving the right to object, let me say that I have a series of questions which I should like to propound to the Senator from Georgia with reference to the bill amending the Social Security Act. If the Senator from Georgia is available this afternoon, I can propound my questions to him today.

The PRESIDING OFFICER. Earlier in the day the Senator from Georgia was granted leave of absence from the Senate until Monday.

Mr. HOLLAND. Then, Mr. President, still reserving the right to object, let me inquire whether there is presently available any other member of the committee to whom I could properly address questions having to do with agricultural labor and the provisions of the bill amending the Social Security Act, as the provisions of that bill would be applicable to agricultural labor.

Mr. MILLIKIN. Mr. President, I do not know whether I am qualified to answer the questions; but I have given some time and study to the social security measure, and I shall make myself available to the Senator at the appropriate time.

Mr. HOLLAND. Mr. President, it happens that I shall have to leave the Senate on important and necessitous business tomorrow night, and I shall not be able to be here for several days thereafter. For that reason, I should very much like the privilege of addressing my questions a little later this afternoon to the junior Senator from Colorado, if the Senate is to remain in session for a while.

Mr. MILLIKIN. I would have no objection.

Mr. HOLLAND. The Senator from Florida was not here when the unanimous consent request was made, and is not familiar with its contents.

The PRESIDING OFFICER. The Chair will state that the Senator from Washington yielded the floor for the consideration of the conference report, and, in the absence of unanimous consent to the contrary, or of his yielding the floor, he will regain the floor at the termination of the discussion and action with reference to the conference report. He now asks unanimous consent that he have that privilege tomorrow, at the conclusion of the call of the calendar, in lieu of having it at the conclusion of the consideration of this conference report this afternoon.

Mr. HOLLAND. Mr. President, reserving the right to object, I have no objection at all to that, provided the Senate may remain in session for a few moments, to enable me to get from my office the series of questions which I should like to have the great privilege of addressing to the Senator from Colorado, who, I am sure, could give me the answers to them.

Mr. MILLIKIN. Mr. President, if I cannot do so today, I will do some more home work and have them for the RECORD tomorrow.

Mr. McFARLAND. Mr. President, reserving the right to object, my reason for suggesting that the junior Senator from Washington modify his request was that I thought it a reasonable request that he had made, inasmuch as he was to have the floor after this discussion, which it was expected would only last a short time, and was so represented. While ordinarily I do not like to agree to a unanimous-consent request that any Senator shall have the floor on the following day, I feel that this is a reasonable request, and I appreciate the willingness of the Senator to modify it, so as to have it understood that he is to regain the floor following the call of the calendar, thus enabling Senators to know when to be here for the call of the calendar.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request? The Chair hears none, and it is so ordered.

Mr. BREWSTER. Mr. President, this has been one of the happiest weeks of my life. Sixteen years ago I was elected to Congress on a platform endorsing the idea of a pay-as-you-go program of old-age assistance with universal coverage.

Ever since, I have steadfastly advocated this program during my service in the House and in the Senate.

Once a year in the Finance Committee of the Senate I have presented my views to my fellow members.

This week it has been profoundly gratifying to have my Republican associates on the Senate Finance Committee, led by the Senator from Colorado [Mr. MILLIKIN], the former chairman of the committee, and the Senator from Ohio [Mr. TAFT], the next ranking minority member, announce the conclusion of all the Republican members of the Finance Committee and several of their Democratic associates that the old-age assistance program should be as promptly as possible restudied upon a basis of universal coverage and on a pay-as-you-go plan.

To this end a resolution is being presented authorizing and directing a careful study of the situation to be made during the recess of the Congress with a view to considering the formulation of legislation adapted to the transition from the present chaotic situation to a simple universal pay-as-you-go plan.

The details remain to be worked out. The recognition of the principle, however, is of profound significance.

The report of the Hoover Commission looked in this direction and suggested strongly consideration of development along this line, and the Brookings Institution in its special task force studies for the Hoover Commission went even further.

Representatives of the Brookings Institution testified before the Senate Finance Committee this winter and strongly urged consideration of a program of this character.

The pending legislation recognizes the moral obligation of the Government to make up to those who have contributed under the current scheme for the injustice that has been done to them by the 50-percent decline in purchasing power of the dollar.

This brings home very forcibly the unsoundness of the current plan, since no power on earth is able to determine what the purchasing power of the dollar will be 10, 20, or 30 years from now.

The one thing that seems fairly certain is that it will not be what it is today.

After every great war in the last century, commodity prices have steadily declined which means that the value of the dollar has increased. Whether this will be duplicated after this war remains to be determined.

The injustice of compelling Americans to purchase "a pig in a poke" by buying future dollars on a purely speculative basis is now tragically apparent.

A pension program of this character was urged in the Republican National Platform of 1936 and in the most recent statement of Republican policies and principles issued this past winter.

It is most gratifying that the Republican leadership is now moving to implement these pledges as one of the soundest methods of restoring fiscal sanity to our Government.

Careful studies will be made of the very substantial savings that will result to all concerned with our economy as a result of this sound measure of reform.

Experience has in truth been the best teacher. Patience will have its perfect work.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks excerpts from Republican platforms, and statements on social security, and also a letter written by H. D. Ruhm, Jr., president, Bates Manufacturing Co. on April

20, 1950, to Mr. Stephen MacRae, Project Manager, Economic Cooperation Administration, dealing with the necessity of protecting the American standard of living.

There being no objection, the matters referred to were ordered to be printed in the RECORD, as follows:

EXCERPTS FROM REPUBLICAN PLATFORMS AND STATEMENTS ON SOCIAL SECURITY

1936 PLATFORM

Real security will be possible only when our productive capacity is sufficient to furnish a decent standard of living for all American families and to provide a surplus for future needs and contingencies. For the attainment of that ultimate objective we look to the energy, self-reliance, and character of our people, and to our system of free enterprise.

Society has an obligation to promote the security of the people by affording some measure of protection against involuntary unemployment and dependency in old age. The New Deal policies, while purporting to provide social security, have, in fact, endangered it.

We propose a system of old-age security, based upon the following principles:

1. We approve a pay-as-you-go policy, which requires of each generation the support of the aged and the determination of what is just and adequate.

2. Every American citizen over 65 should receive the supplementary payment necessary to provide a minimum income sufficient to protect him or her from want.

3. Each State and Territory, upon complying with simple and general minimum standards, should receive from the Federal Government a graduated contribution in proportion to its own, up to a fixed maximum.

4. To make this program consistent with sound fiscal policy the Federal revenues for this purpose must be provided from the proceeds of a direct tax widely distributed. All will be benefited and all should contribute.

We propose to encourage adoption by the States and Territories of honest and practical measures for meeting the problems of unemployment insurance.

The unemployment insurance and old-age annuity sections of the present Social Security Act are unworkable and deny benefits to about two-thirds of our adult population, including professional men and women and all those engaged in agriculture and domestic service and the self-employed, while imposing heavy tax burdens upon all. The so-called reserve fund, estimated at $47,000,000,000, for old-age insurance is no reserve at all, because the fund will contain nothing but the Government's promise to pay, while the taxes collected in the guise of premiums will be wasted by the Government in reckless and extravagant political schemes.

1940 PLATFORM

We favor the extension of necessary old-age benefits on an earmarked pay-as-you-go basis to the extent that the revenues raised for this purpose will permit. We favor the extension of the unemployment compensation provisions of the Social Security Act, wherever practicable, to those groups and classes not now included. For such groups as may thus be covered we favor a system of unemployment compensation with experience rating provisions, aimed at protecting the worker in the regularity of his employment and providing adequate compensation for reasonable periods when that regularity of employment is interrupted. The administration should be left with the States with a minimum of Federal control.

1944 PLATFORM

We pledge our support of the following:

1. Extension of the existing old-age insurance and unemployment insurance systems to all employees not already covered.

* * * * *

3. A careful study of Federal-State programs for maternal and child health, dependent children, and assistance to the blind, with a view to strengthening these programs.

1948 PLATFORM

Consistent with the vigorous existence of our competitive economy, we urge extension of the Federal old-age and survivors insurance program and increase of the benefits to a more realistic level; strengthening of Federal-State programs designed to provide more adequate hospital facilities, to improve methods of treatment for the mentally ill, to advance maternal and child health, and generally to foster a healthy America.

STATEMENT OF POLICY BY REPUBLICAN MEMBERS OF HOUSE AND SENATE, DECEMBER 5, 1945

Government alone cannot feed the people, nor employ them, nor make the profits from which new enterprises and new jobs are born. Government can help its people to prosperity by lightening the burdens of debt and taxes, laying down the rules of fair play and protecting those whose own strength and resources are not sufficient to protect themselves.

STATEMENT OF PRINCIPLES AND OBJECTIVES BY REPUBLICAN MEMBERS OF HOUSE AND SENATE AND REPUBLICAN NATIONAL COMMITTEE, FEBRUARY 6, 1950

The obligation of Government to those in need has long been recognized. Recognizing the inequities and injustices of the present program of social security, we urge:

A. The extension of the coverage of the Federal old-age and survivors insurance program, reduction of eligibility requirements and increase of benefits to a more generous level, with due regard to the tax burden on those who labor.

B. A thoroughgoing study of a program of more nearly universal coverage including the principle of pay as you go.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The PRESIDING OFFICER. There being no further routine business, the Senator from Florida [Mr. HOLLAND] is recognized under the unanimous-consent agreement.

Mr. HOLLAND. Mr. President, I note that in his opening statement in the debate of the pending measure, H. R. 6000, the distinguished chairman of the Senate Committee on Finance [Mr. GEORGE] speaking for himself and as chairman of the committee, advised the Senate that under the recommendations of the committee about 1,000,000 persons engaged in agricultural work are brought under the social-security system. I quote from the statement of the Senator from Georgia, as follows:

> Workers on farms who are employed by one employer at least 60 days and earn $50 or more in a calendar quarter are covered, and, in addition, border-line agricultural workers, such as those engaged in processing and packing of agricultural and horticultural commodities off the farm, are brought under the system. These groups total about 1,000,000 persons. The committee gave careful study to the extension of coverage to workers on farms. It proposes this limited extension of coverage at this time in order to assure simplicity of administration for the farmer. There is no question but that workers on farms, including migratory workers and share croppers, need social-security protection. The public-assistance loads in the agricultural States reflect this need. To go beyond the coverage that is proposed in the bill, however, without further study of the administrative problems that would arise, would be impracticable. I regret that I am compelled to advocate delaying the extension of coverage to agricultural workers not covered by the bill until a thorough study of the feasibility of such coverage has been made.

Later in his statement the able Senator from Georgia made further reference to the same subject in the following words:

> As I indicated earlier, the bill does not provide social-security protection for all citizens of the Nation. Some groups, such as share croppers, migrant agricultural labor, and part-time domestic servants, who are not brought under insurance coverage, need protection. I regret that further extension of coverage must await more detailed study of the problems inherent in bringing additional persons within the system.

I fully approve the conclusion reached by the Senate Committee on Finance that workers on farms need social-security protection. I also approve their recommendation that all of such workers who can be brought under the protection of the system at this time without bringing on complex bookkeeping and administrative burdens for the farmers should be included within the scope of the pending amendments.

Inasmuch as only a part of the agricultural workers are included within the amendment, whereas a larger part are excluded, I think it is highly desirable to clarify the subject for the record as much as possible. Since the Senator from Georgia is absent on official business I should like to address several questions to the distinguished junior Senator from Colorado [Mr. MILLIKIN], ranking minority member of the committee, relating to those provisions of the pending bill which deal with the subject of agricultural labor. I shall appreciate it if the Senator from Colorado will accord me that privilege.

Mr. MILLIKIN. Mr. President, if the Senator will yield, I wish to say that I shall be delighted to do the best I can.

Mr. HOLLAND. I thank the Senator.

My first question is this. At the top of page 263 of the printed bill, in section 104 (a) of the bill, there appears as a part of section 213 of the amended Social Security Act the following verbiage:

> SEC. 213. (a) For the purposes of this title—
>
> (1) The term "quarter" and the term "calendar quarter" means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

Applying the definition just quoted to that portion of the bill that deals with agricultural labor, is it possible to construe the terms "quarter" or "calendar quarter" to mean a 3 months' period commencing with the first day of the employment of any agricultural laborer, or is the time of employment of an agricultural laborer under the terms of this bill computed strictly with reference to the calendar quarters defined by that portion of the bill which I have just quoted?

Mr. MILLIKIN. Mr. President, I do not believe it is possible to construe the terms "quarter" or "calendar quarter" to mean a 3 months' period commencing with the first day of the employment of any agricultural labor. It seems clear to me that the language means a calendar quarter, the first quarter being the first 3 months starting from the first of the year, the second quarter being the next 3 months, and so on, until we have four quarters.

Mr. HOLLAND. I thank the Senator.

I next refer to that portion of the bill appearing as part of section 210 of the amended Social Security Act (a) (1) (A), beginning at line 16, page 240 of the printed bill, and extending through line 7 of page 241, which reads as follows:

> Except that, in the case of service performed after 1950, such term shall not include—
>
> (1) (A) Agricultural labor, as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some 60 days during such quarter such individual performs agricultural labor for such employer for some portion of the day, or (ii) such individual was regularly employed (as determined under clause (i)) by such employer in the performance of such labor during the preceding calendar quarter.

My second question to the distinguished Senator from Colorado relates to the requirement that an individual farm employee shall be deemed to be regularly employed by an employer during a calendar quarter, only if such individual performs agricultural labor for such employer "on each of some 60 days

during such quarter." What is the meaning of the words "some 60 days," as appearing in the section of the bill from which I have just quoted?

Mr. MILLIKIN. The use of the word "some" is to afford a distinction between 60 consecutive days of labor during the quarter and 60 unconsecutive days of labor during the quarter.

Mr. HOLLAND. In other words, whether the 60 days are consecutive or not, if they appear as days within the calendar quarter, they will satisfy this particular requirement of the bill. Is that correct?

Mr. MILLIKIN. Exactly.

Mr. HOLLAND. My third question relates to the words "for some portion of the day" as they appear in the section which I last quoted. Am I correct in my understanding that if the employee performs agricultural labor for the employer during any portion of a calendar day during a calendar quarter, whether such portion shall be for only a few minutes or for any number of hours of said calendar day, such calendar day shall count as 1 day of employment during said calendar quarter?

Mr. MILLIKIN. I think the Senator is entirely correct in his interpretation.

Mr. HOLLAND. My fourth question is this. Then the hours worked by the employee bear no relation whatever to the day factor, either by way of permitting the employer to add together part-time work in a group of several days to make 1 day or by way of fixing any limitation on the number of hours of work in any 1 day which should count as a full day, with the right of the employee to carry over any excess number of hours of work to another or a different day?

Mr. MILLIKIN. The employee or the employer would not have any right to carry over any of the hours of 1 day's work to some other day.

Mr. HOLLAND. My fifth question is this: If the agricultural worker qualified under the term employment for the first quarter, both by working 60 days and by receiving cash remuneration of $50, is it not correct that for the second of two consecutive quarters, the only requirement for coverage under the term employment is the payment of $50 of cash remuneration during the second quarter?

Mr. MILLIKIN. The distinguished Senator is entirely correct.

Mr. HOLLAND. My sixth question is this: What provision of the bill, if any, will prevent an employer from employing an agricultural worker 59 days or less in a quarter and rehiring him in the succeeding quarter for 59 days or less, thus depriving the worker of the coverage of the law?

Mr. MILLIKIN. There is nothing in the bill which would prevent that.

Mr. HOLLAND. My seventh question is this: What provision of the bill, if any, will prevent an employee who does not want to make contributions under the bill from working 59 days or less in a quarter for a single employer, and then ceasing work or going to work for another employer, thus avoiding coverage under the law?

Mr. MILLIKIN. My answer is that there is no provision of the bill which would prevent a practice of that kind.

Mr. HOLLAND. My eighth question is this: Referring to the statement of the Senator from Georgia [Mr. GEORGE], on page 8494 of the CONGRESSIONAL RECORD of June 13, 1950, to the effect that migrant agricultural labor is not brought under insurance coverage by the pending measure, is it not true that this statement is based entirely on the provision which may be referred to as the 60 days and $50 provision in section 210 (a) (1) (A), which I have quoted into the RECORD? In other words, there is no express reference to migrant agricultural labor, as such, by the terms of the pending measure, is there? Also, is it not true that part-time employees are equally excluded, along with migrant employees, under that provision?

Mr. MILLIKIN. Answering the first question first, let me say that I do not recall any specific reference in the bill to migrant agricultural labor, described as such. The Senator is entirely correct when he says that the basic definition, that which excludes a migrant worker from the coverage of the bill, is in the language he has quoted.

Mr. HOLLAND. That is, in the 60-day and $50 provision?

Mr. MILLIKIN. Yes; in the 60-day and $50 provision.

Mr. HOLLAND. Am I also correct in saying that, by the same provision, part-time labor—that is, labor which has not been employed 60 days in any calendar quarter and has not received $50 in such calendar quarter—is also excluded, along with migrant labor, from the coverage of the law?

Mr. MILLIKIN. That is true.

Mr. HOLLAND. My ninth question is this: Is it not true that share croppers are excluded from the coverage of the bill? If so, is it not true that this exclusion of share croppers arises entirely under the cash-remuneration requirement in section 210 (a) (1) (A)? In other words, is it true that there is no express reference to share croppers, as such, by the terms of the pending measure?

Mr. MILLIKIN. I do not recall any description of share croppers, as such, in the pending measure.

Mr. HOLLAND. Is it true that they are excluded from coverage, as stated by the distinguished senior Senator from Georgia [Mr. GEORGE], by the use of the words "cash remuneration," which is required to constitute any regular employee?

Mr. MILLIKIN. That is correct.

Mr. HOLLAND. My tenth question is this: When is the employer privileged to begin making deductions for social-security tax from the compensation of the employee? We have received a considerable number of requests on this point from vegetable producers in the State of Florida, who, recognizing the fact that it will not be known until late in the quarter whether an employee is covered or is not covered, are disturbed about the question of whether they should begin to make deductions to cover the employee's contributions to this tax at the first employment, or only after the 60 days of labor have been completed, thus qualifying the worker to come within the term of "regular agricultural employee."

Mr. MILLIKIN. As a matter of right, as distinguished from what might be an agreement between the employer and the employee, I would say there is no right to make a deduction until 60 days have been worked in a calendar quarter. That leaves, I suggest, sufficient protection to the employer.

I assume that the Senator has in mind, perhaps, some worker who may be working for 60 days, being paid, we will say, weekly, and perhaps disappearing before the proper deductions are made. I think that, as a practical matter, the last week's work, or whatever the number of days that would be involved, would provide sufficient wages out of which the employer could make his deduction. The reason for being required to wait that long is that the worker has a right to quit after the first week, or at any time short of a full quarter, and it would be unfair to make a deduction from his first week's pay, if he left after that time, before completing 60 days' work in the quarter, because he would not be owing anything; and, on the other hand, the employer is not obligated to make any reports or payments until after the man has worked 60 days.

Mr. HOLLAND. As another part of the same question, I should like to ask the distinguished Senator this: If deductions for the tax are made by an employer, and the employee works less than 60 days, is it not true that the employee is entitled to a refund under such conditions?

Mr. MILLIKIN. He certainly would be. That carries me back to a remark I made a moment ago. If by agreement between employer and employee, the employer were entitled to take out the tax week by week, obviously I should think such an agreement would require a rebate of the money. Otherwise, I do not believe the question arises, because, as I suggested before, the employer has no reporting obligation and no paying obligation until after the 60-day period during the quarter, and he will have the opportunity, I suggest, let us say during the last week, of having sufficient money due the employee to make the necessary withholding.

Mr. HOLLAND. My eleventh question is this——

Mr. MILLIKIN. May I make one more suggestion?

Mr. HOLLAND. I shall be glad if the Senator will.

Mr. MILLIKIN. The amount is 1½ percent of the rate of the worker's wages, and as a practical matter that 1½ percent, applied to any wages which might be received by the type of employee the Senator is discussing, would allow, perhaps even out of one day's employment, considerable leeway for the deduction at the end of the quarter.

Mr. HOLLAND. My eleventh question is this: Referring to section 210 (a) (1) (A), line 24, page 240, through line 7, page 241 of the printed bill, is it not true that under this provision agricultural

workers working side by side in a farmer's field will be differentiated as to whether they are subject to social-security benefits by virtue of the number of days they have worked for that particular employer during the previous calendar quarter?

Mr. MILLIKIN. That is entirely correct.

Mr. HOLLAND. My twelfth question is this: I note that there is no definition of the word "employer" stated in the bill itself, as there is of the word "employee," and of most all the other terms. Will the Senator state for the RECORD the definition of the word "employer" which he would regard as appropriate for the purposes of this bill?

Mr. MILLIKIN. I should not want to attempt an off-the-cuff definition of the word, but I think that, in common parlance, it has a very well-defined meaning. It is the man who pays the wages, and it is the man who has control and direction over the employee's labor.

Mr. HOLLAND. I will not press the Senator, but will he say for the record that the proper definition of this term for the purposes of this bill would be the common-law definition as the same may be affected by any of the specific verbiage of the bill?

Mr. MILLIKIN. Yes; I would say so.

Mr. HOLLAND. The Senator has been extremely patient, which I appreciate.

Mr. MILLIKIN. I wish to express my appreciation of the very finely phrased and important questions which the Senator from Florida has propounded.

Mr. HOLLAND. I thank the Senator. It seemed to the Senator from Florida, in view of the fact that only a small fraction of the total of agricultural workers was to be covered under the terms of the proposed bill, and that many of its terms were new to the body of our law, that it was highly appropriate, if not necessary, that this entire matter be explored for the protection of the worker and for the protection of employers in the agricultural field, particularly under the statement of the Senator from Georgia, that the committee had sought to confine itself, by the additional and partial coverage given in that field under this bill, to such coverage as could be effected without bringing undue hardship or complexity or administrative difficulties upon the farmers of the Nation.

Mr. MILLIKIN. I think the Senator's questions are especially pertinent, due to the conditions that exist in his own State and in other States which have somewhat comparable situations, where a large amount of migrant labor is necessary for the harvesting of the crops.

Mr. HOLLAND. I thank the Senator. I should like to ask one additional question, because I think it is wholly pertinent. So far as migrant labor is concerned, is it correct that there is nothing whatever to exclude migrant labor by reason of the mere fact that the workers travel from place to place, provided that they stay in any one place of employment under one particular agricultural employer so long as to have worked 60 days and to have received $50 in cash remuneration during any calendar quarter, as set forth in the bill?

Mr. MILLIKIN. The Senator is entirely correct. In asking his question, I am sure he has in mind what happens in the second quarter, where a man has complied with the conditions affecting the first quarter. He does not have to work 60 days in the second quarter; he can work any amount of time, if he gets $50 during that time.

Mr. HOLLAND. I thank the Senator. The real purpose of my question was to make it clear that there was no purpose on the part of the committee, nor will there be any purpose on the part of the Senate if it passes this measure—which I hope it will—to exclude any workers or their families from the coverage of the law by reason of the mere fact that they travel from place to place in following the crops and therefore come within the accepted category of the term "migrant" or "migratory agricultural workers."

Mr. MILLIKIN. They would be clearly included in the coverage if they met the 60-day and $50 per quarter requirements.

Mr. HOLLAND. I am deeply appreciative of the kindness and the patience of the Senator from Colorado.

Mr. MILLIKIN. I thank the Senator very much.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

Mr. KNOWLAND. Mr. President, will the Senator from Washington yield to me for a statement, not to exceed 10 minutes, relative to an amendment I am submitting to H. R. 6000?

Mr. CAIN. Mr. President, the Senator from Washington asks unanimous consent that the Senator from California be permitted to speak for 10 minutes without the Senator from Washington losing his right to the floor.

The PRESIDING OFFICER (Mr. LEHMAN in the chair). Without objection, it is so ordered, and the Senator from California may proceed.

Mr. KNOWLAND. Mr. President, at this point in the RECORD, as a part of my remarks, I should like to have printed a copy of an amendment which I have heretofore submitted to House bill 6000, to extend and improve the Federal old-age and survivors insurance system, and so forth, and along with that I should like to have printed immediately following it a telegram which I have received from James G. Bryant, director of employment, California Department of Employment; a telegram from Harry Benge Corzier, chairman, and Dwight Horton, and Dean W. Maxwell, commissioners, of the Texas Employment Commission; and a telegram from Gov. Allan Shivers of Texas.

There being no objection, the amendment and the telegrams were ordered to be printed in the RECORD, as follows:

AMENDMENT INTENDED TO BE PROPOSED BY MR. KNOWLAND TO H. R. 6000

At the end of the bill add the following:

"PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

"SEC. 405. (a) Section 1603 (c) of the Internal Revenue Code is amended (1) by striking out the phrase 'changed its law' and inserting in lieu thereof 'amended its law', and (2) by adding before the period at the end thereof the following: 'and such finding has become effective. Such finding shall become effective on the ninetieth day after the governor of the State has been notified thereof unless the State has before such ninetieth day so amended its law that it will comply substantially with the Secretary's interpretation of the provision of subsection (a), in which event such finding shall not become effective. No finding of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State.'

"(b) Section 303 (b) of the Social Security Act is amended by inserting before the period at the end thereof the following: ': *Provided*, That there shall be no finding under clause (1) until the question of entitlement shall have been decided by the highest judicial authority given jurisdiction under such State law: *Provided further*, That any costs may be paid with respect to any claimant by a State and included as costs of administration of its law'."

SACRAMENTO, CALIF., *June 15, 1950.*

Senator WILLIAM KNOWLAND,
Senate Office Building:

Confirming our conversation re amendment to H. R. 6000 the various States are now subject to pressure from Secretary of Labor's office on unemployment insurance benefit decisions if unions disagree with such decisions, as was the case in the maritime conformity issue involving California last December. Under the proposed amendment employers or unions involved must exhaust their judicial remedies in the State courts and until such is done the Secretary of Labor would not be able to raise a conformity question. After decision by the Supreme Court the Secretary of Labor may then raise conformity question and provide the State with opportunity for hearing thereon in the event the Secretary of Labor then made findings of fact and conclusions of law that the State statute as interpreted by the State supreme court did not conform to the standards laid down in section 1603 of the Internal Revenue Code, his decision would be held in abeyance for 90 days in order to permit the State to convene its legislature and amend the State law to bring it into conformity with the Federal standards. Such an amendment is highly desirable in order to achieve proper Federal-State relationship as it affects the unemployment insurance program. The background of the California conformity hearing of last December is being sent you under separate cover, air mail, today.

JAMES G. BRYANT,
Director of Employment, California Department of Employment.

AUSTIN, TEX., *June 15, 1950.*

Senator WILLIAM F. KNOWLAND,
United States Senate,
Washington, D. C.:

The Texas Employment Commission warmly commends you for sponsoring amendment to H. R. 6000. We are sure all of the State agencies are grateful to you.

HARRY BENGE CORZIER,
Chairman.
DWIGHT HORTON,
Commissioner.
DEAN W. MAXWELL,
Commissioner.

AUSTIN, TEX., *January 15, 1950.*

Senator WILLIAM F. KNOWLAND,
United States Senate,
Washington, D. C.:

Your amendment to H. R. 6000 is highly appreciated by me as I am sure it is by governors of other States.

ALLAN SHIVERS,
Governor of Texas.

Mr. KNOWLAND. Mr. President, the unemployment-compensation amendment I propose is made necessary by recent events to which I shall refer.

As we know, the Federal unemployment-compensation-tax laws impose a 3-percent tax on employers. When a State has an unemployment-compensation law containing provisions specified in the Federal law, employers subject to the State law receive a 90-percent credit against the 3-percent Federal tax, and accordingly pay one-tenth of that amount, or three-tenths of 1 percent. The States under the Social Security Act receive Federal grants covering their entire administrative costs in operating their systems. Today every State is receiving these grants and employers covered by every State system are receiving this 90-percent credit against the Federal tax.

The Secretary of Labor is required under existing law, on December 31 of each year, to certify for the 90-percent tax credit against the Federal tax each State whose law has been approved as containing the provisions required in the Federal law. However, he is not to certify if he finds either that the State has so changed its law that it no longer contains the required provisions, or that the State has failed during the year to comply substantially with these provisions. On such a finding he can withhold tax credit certification. Without the Secretary's certification, taxpayers of the State must pay an additional penal Federal tax of nine times their normal tax, in addition to any State tax. Furthermore, the Federal grants to the State for all administrative purposes will be withheld.

During more than a decade of operation before the authority over tax credit was transferred to the Labor Department, although there have been thousands of claims decisions, no hearing was ever held on the question of State conformity to the Federal law arising from such decisions. But there were hearings last December, just before the deadline for tax credit certification, on the question of whether the States of California and Washington would be certified.

Neither State was accused of failing to conform to the federally required provision by virtue of a legislative change in

its law or by virtue of its court's interpretation of its law. Each State was cited to a hearing in Washington, D. C., because of mere appealable administrative applications of the law in certain claims cases. Nobody can know how the claims would have been decided under the State law, as the claimants had not completed the normal procedure under that law of establishing their rights.

What happened was that late last November both States were notified to appear at the Labor Department, and in December were tried by a minor official of that Department on the issue of the State being out of conformity—because of these appealable administrative claims actions.

These States escaped the penalty of having their grants withheld and the State unemployment compensation taxpayers of these States escaped in excess of $200,000,000 in tax penalties only because the State agencies agreed at the last minute to meet the Secretary's demands.

Thus, even assuming that the initial claims actions complained of were incorrect, and contrary to the Federal provisions, it is utterly disruptive of State administration of its law for the Secretary to concern himself with this kind of day-to-day appealable action. It disrupts all the State corrective machinery, and interjects the Federal administrators into the State administrative processes, in effect denying to the State court charged with the duty of final action the right to hear and correct administrative errors.

Yet, because of his conclusion that certain appealable administrative actions were erroneous, the Secretary insisted that the State itself should be held out of conformity and denied grants, and that employers subject to that act be penalized an extra tax equal to 2.7 percent of their payrolls for the year unless the State administrator immediately capitulated to the Secretary's requirements.

Such a development raises a vital issue—whether the State claims procedure is to be scrapped. So far, the Secretary has actually intervened between the highest level of administrative decision and appeal to the State courts for interpretation and application of State law. Tomorrow he may step in between initial claims action and the administrative appeal from such action. It is not compatible with State administration that the Federal Secretary of Labor, rather than the review forum specified in State law, should pass on day-to-day problems. The Federal interest is certainly amply protected by the Secretary awaiting a final decision of the State on a case before deciding that the State is out of conformity.

The proposed amendment clarifies congressional intent as to the point at which the Secretary may act to hold a State out of conformity. It merely requires that the Secretary shall not intervene in State proceedings on appealable matters, but shall act only after the State itself has spoken finally through its highest appeal forum. This provision merely gives the State an opportunity to follow through its prescribed procedure in determining whether to give or deny benefits to the claimants in question. The limitation on the Secretary's action in no way deprives him of his subsequent authority to determine whether the State is or is not out of conformity with the Federal statute after the review procedure of the State has been completed.

The second important provision of the amendment gives the State a 90-day period to get in conformity after the Secretary has held the State to be out of conformity. In the two cases previously cited, the State administrators were able to meet the Secretary's demands because the claims in question had not become a matter of court decision. The situation may be that it is a court interpretation rather than an administrative interpretation which the Secretary finds to throw the State out of conformity with Federal standards. In such a situation it would be impossible to obtain immediate compliance by administrative action, as occurred in the two recent cases. It would be necessary to convene the legislature after the court decision, and where the decision is late in the year legislative action might be impossible before the December 31 deadline. After this deadline, State legislative action could not relieve the State of the penalties. The amendment would merely give the State a 90-day compliance period and relieve the State of the penalties of the Secretary's action if, and only if, the State conformed with the Secretary's interpretation of the Federal standard within this 90 days.

Mr. President, I think that all Members of the Senate who have expressed an interest in States' rights and in proper administrative procedures in the several States of the Union which have a responsibility should support this amendment.

Mr. CAIN. The Senator from Washington has been very much interested in what the Senator from California has stated, and wishes now to associate himself with the views expressed by the Senator from California. He joins with the Senator from California in hoping sincerely that the amendment proposed by him will be adopted by the Senate next week.

Mr. KNOWLAND. Mr. President, I should like to take this opportunity of expressing my appreciation to the Senator from Washington for yielding. One of the cases to which I referred grew out of a situation in the State of Washington. I think the amendment involves a question of tremendous importance to every Member of the Senate. The reason I took the opportunity of interrupting the Senator from Washington at this point was because I wanted the material, which included a telegram from the Governor of Texas, from the Texas Commission on Unemployment, and from the State of California, to be in the RECORD so that it might be examined by Members of the Senate as background material on this subject.

Mr. CAIN. Mr. President, when the junior Senator from Washington yielded late yesterday afternoon to make way for a conference report on the bill (H. R. 2143) to amend the Hatch Act the Senator from Washington was discussing the pending business, House bill 6000, and was when interrupted analyzing the Finance Committee report on House bill 6000. The Senator from Washington hopes to conclude this analysis within the hour.

The argument which the Senator from Washington has been and is presenting is being offered in the hope that appropriate committees of the Congress will shortly undertake to recommend to the Congress and the Nation a new social-security system to replace our prevailing system which was established in 1935. It is generally admitted by both those who advocate and those who resist the passage of House bill 6000 in this session of the Congress that our prevailing social-security system has fallen so far short of achieving its objective, which is that of providing for the legitimate needs of America's aged population, and is so possessed of fundamental and basic faults and inequities, that this system must be replaced in time, and the sooner the better, with a system which would probably provide for universal coverage and be maintained on a true pay-as-you-go or annual basis. In recognition of this obvious need the Committee on Finance has offered a resolution to authorize and encourage a study of every possible social-security system. The Senator from Washington is of the considered view that this study and the resulting recommendations ought to be made before House bill 6000 is passed. It seems, however, to be the consensus of opinion that House bill 6000 ought to be and will be approved by the Senate next Tuesday. The Senator from Washington is offering his criticisms of House bill 6000 in an effort to be of constructive assistance to any group which may be formed to encourage future social-security improvements which are so imperatively required.

Mr. President, in recent weeks the junior Senator from Washington has carried on correspondence with a number of persons throughout the United States for whose judgment and ability he has considerable respect. A good many of these persons to whom the Senator from Washington has written represent American corporations and companies in which Americans by the tens of millions have invested their savings. It seems to the Senator from Washington that others aside from himself—and I think this is likely to be so—ought to be terrifically and thoughtfully interested in the observations which have been made to the Senator from Washington by those who now manage, and have so successfully managed in recent decades, the savings which belong to the American people. I have before me at the moment only two letters, which I wish to read. The first one was received under date of June 13, 1950, and was written by Mr. J. W. Scherr, Jr., executive vice president of the Inter-Ocean Insurance Co., which has its executive offices in Cincinnati, Ohio.

Mr. Scherr writes as follows:

SIR: I was indeed interested in your speech before the Senate on the subject of an investigation of the social-security program. Apropos to this subject, I have just returned from a meeting in New York of the Health

and Accident Underwriters Conference and as might be expected, your stand on the question of H. R. 6000 and the future of our social-security system has commanded the respect of the entire insurance industry. I assure you that those of us who deal in probabilities and who are vitally concerned with the economic welfare of the people of this country are not entirely selfish in our opposition to further extension of the program. We feel that any system which completely ignores the insurance principle must eventually fall by its own weight and we are prepared to help you fight your battle with the tools at hand.

Mr. Scherr goes on to say:

I am today sending the following telegram to Senators WALTER GEORGE, HARRY BYRD, EUGENE MILLIKIN, HUGH BUTLER, and ROBERT A. TAFT.

The telegram is quoted as follows:

Urge that you act favorably on Cain resolution 92. H. R. 6000 not compatible with insurance principle and can virtually destroy our economy. Reconsideration of entire social-security program essential to future of country.

Mr. Scherr concludes his letter by saying this:

I appreciate the urgency of this matter and feel that the strategy which you have employed to defeat H. R. 6000 or to delay action on this bill represents a great service to the Nation.

Cordially yours.

Mr. President, I should like to say to Mr. Scherr, in reply, at this time, that the junior Senator from Washington has stated what he feels to be a fact, that H. R. 6000 will be passed in the Senate of the United States next Tuesday. The Senator from Washington is very grateful to be a medium through which the views of Mr. Scherr and other thoughtful actuarial students can be offered to the Senate.

The junior Senator from Washington feels that the contributions to be made by Mr. Scherr and his associates throughout this land will constitute a prime case to lay before whatever commission or group or committee is established, either by the Senate or by the House, or by both branches of the Congress, to reexamine the system and make recommendations for the future with respect to the social-security program needs of the people of the United States of America.

Mr. President, under date of May 23, 1950, I received a letter which was signed by Mr. Charles J. Haugh, who is the secretary of the Travelers Insurance Co., with offices in Hartford Conn. I take it that probably there is no American living anywhere in this great country who does not recognize the name of the Travelers Insurance Co. to be a byword throughout the land. The secretary of that company is a gentleman who, together with his colleagues, takes our money, turns over to us insurance policies in lieu of that money, and promptly proceeds to so invest and make secure our savings that when the policies come due we not only will receive the total number of dollars called for in the policies, but the dollars we receive will have a maximum of purchasing power contained within them.

The Travelers Insurance Co.'s official point of view, then, with reference to the pending bill—and their views ought to be of concern to most Americans—is as follows:

I am writing in reply to your letter of May 12 relative to the social-security bill (H. R. 6000) which is about to be considered by the Senate.

As you so clearly state, an effective revision of the Social Security Act designed to accomplish the objectives which are generally understood to be sought by such legislation can best be accomplished only after a thorough independent investigation by a commission comprised of individuals well versed in this field.

Unless and until a well-thought-out study is made, it is inevitable that the social security program will be subjected to perennial assault of well-meaning, but ill-advised individuals who seek to remedy defects (either real or imagined) by legislation which may create two problems where only one grew before, and by individuals who seek to use the social-security program as a means of injecting the Federal Government into any and every kind of business pursuit possible. In saying this, I do not in any way intend to cast aspersions on individuals merely because they propose to revise the social-security laws of the country. I merely want to stress the fact that the problem is an extremely technical one and, as such, offers opportunity to seriously involve an already complicated situation and also offers a medium for adroit individuals to seek in an indirect way to accomplish an objective which, if clearly made known, would be rejected vigorously by the Congress. It is only sound logic to seek the advice of technicians before reaching a conclusion.

Parenthetically, I would suggest that with reference to the present we are not inclined, as a Senate, to seek the advice of technicians before reaching a conclusion. We are determined to reach a conclusion on Tuesday next. It is simply the hope of the Senator from Washington, and now of Mr. Hall, of the Travelers Insurance Co., and a goodly number of other Americans, that in the near future, after we have taken action on and approved H. R. 6000, we shall seek advice from the best qualified technicians of the United States, and ask them, "What have we so recently done without first seeking your advice and your counsel?"

Mr. KERR. Mr. President——

The PRESIDING OFFICER (Mr. STENNIS in the chair). Does the Senator from Washington yield to the Senator from Oklahoma?

Mr. CAIN. I am pleased to yield.

Mr. KERR. Is it not entirely possible that H. R. 6000 represents the result not only of research by experts and technicians, referred to by the distinguished Senator from Washington, but also of the best thinking of the members of the Committee on Finance? And is it not possible that it might represent a great improvement over the present social-security law, and be far better than what we now have, and yet still not be the ultimate we hope eventually to have?

Mr. CAIN. The Senator from Oklahoma has posed a reasonable question, for which I think there is a reasonable answer. I have been advised, and I think correctly, that no study has yet been made by either the Senate Finance Committee, or by the technicians employed by that committee, of social-security systems other than the one which has been in force in this country since 1935. The junior Senator from Washington hopes and expects that some or perhaps all the amendments offered by the Senate Committee on Finance to H. R. 6000 are designed to improve a particular system. What the Senator from Washington has been suggesting is that in his view anyway, it would have been better to examine other systems before seriously endeavoring to patch up a system which the proponents of H. R. 6000 have told us in the Senate must eventually, and they hope soon, be replaced by a different system.

Mr. KERR. Has the Senator seen the document of blue paper which has been placed on the desk of each Senator since the beginning of the debate?

Mr. CAIN. I have not personally seen it.

Mr. KERR. Mr. President, would the Senator be surprised to know that that document contains a tabulation, first, of the provisions of the present law with reference to our social-security system; second, a tabulation showing the difference between the present law with reference to each item of H. R. 6000, as passed by the House, and, third, the difference between the present law and H. R 6000, as reported by the Senate Committee on Finance with reference to each one of the main provisions? Furthermore, is not the Senator from Washington aware that the Senate Finance Committee had the bill before it for some 3 months of hearing, and had the benefit of the recommendations of its own advisory council, which had worked on the matter for some 2 years or longer with reference to each one of those points?

Mr. CAIN. The Senator from Washington is aware in general of what the Senator from Oklahoma has just said. The Senator from Washington merely returns to the premise that no examination of any other possible system has been made or deeply studied or reflected upon, so far as the Senator from Washington knows, by the advisory council, by the Senate Finance Committee, by the staff of that committee, or by any technicians employed by it, because the Senate Finance Committee conceived that it was confronted with a very practical matter—the need for improving, insofar as it was possible for them to do, the existing system.

Mr. KERR. Then the Senator would really be surprised to know that the advisory council studied all known social-security laws, and that testimony with reference to many of them was brought to the Senate Committee on Finance. If the Senator would read the documents to which he referred yesterday, as I recall, in terms of their weight, embracing the two volumes I hold in my hand, the facts I have stated would be apparent to him.

Mr. CAIN. The junior Senator from Washington expects pretty soon to be able to refer to the same 11 or 12 pounds of hearings and reports on the basis of his having read them, sir, from begin-

ning to end. That task has just been undertaken and is by no means completed, and certainly will not be completed by Tuesday of next week.

Mr. KERR. Then, the Senator is doing what he thought maybe the Finance Committee did when he said they recommended a bill and then decided to study the matter, in that the Senator from Washington is advising against the bill and after having done so expects to read the hearings with reference to it?

Mr. CAIN. No, I think that is not so.

Mr. KERR. Maybe I misunderstood the Senator.

Mr. CAIN. I think in part the Senator has, I have not read all the hearings, though I have read a good part of them. Particularly have I read the testimony offered by those who dissent from the provisions of H. R. 6000. When the junior Senator from Washington says he considers that the advisory committee has not given thoughtful, thorough attention to the merits of other social-security systems, he thinks he is on very sound ground. There is a difference between an advisory committee giving, if not lip service, at least casual service to a study of other systems and giving the other systems a comprehensive going over.

Mr. KERR. Mr. President, will the Senator yield for one further question?

Mr. CAIN. I am pleased to yield, sir.

Mr. KERR. In our search for perfection, would the Senator think that we should use the exclusive method of waiting until it had been fully achieved before making any change, or would he countenance the possibility of merit in approaching it gradually and by stages?

Mr. CAIN. The Senator from Washington would think that every question of that character would have to be considered on its individual merits. He takes the position, from which a majority of the Members of the Senate are going to dissent that a new approach to our social-security problems in this country could be recommended and established in about a 2-year period. He does not see an impelling need for liberalizing and expanding a system which its chief proponents and defenders on the floor of the Senate tell us they think must be replaced by another system.

Mr. KERR. I should like to give the Senator the information that the advisory council of the Senate Finance Committee, which, by the way, I believe was created during the time we had what was known as the Republican Eightieth Congress——

Mr. CAIN. Yes.

Mr. KERR. And the Republicans had a majority of members on the committee.

Mr. CAIN. The chairman then, the distinguished junior Senator from Colorado [Mr. MILLIKIN] and his fellows, began the undertaking of a very serious study. But I take it that the Senator from Colorado, together with the Senator from Georgia [Mr. GEORGE], the present able and distinguished chairman of the Senate Finance Committee, will not maintain on this floor, as in fact they said otherwise the other day on this floor, that those studies undertaken during the Eightieth Congress have by any means been completed.

Mr. KERR. No; the position is not taken that they have been completed, but neither is there a feeling on the part of the committee at this time that the studies were entirely without effect, or that no progress whatever was made, but that on the contrary, much progress was made, and based upon the studies and recommendations, further progress was made by the Finance Committee in its very extended study and hearings on the bill this year.

Mr. CAIN. The Senator from Washington has not maintained that some progress has not been achieved.

Mr. KERR. Then, if it has been achieved, does not the Senator think that the Congress might be wise to take advantage of that which has been done and implement it by this proposed legislation, and yet look forward to a further continuance of the study in the hope that still greater progress may be made?

Mr. CAIN. At this time the junior Senator from Washington would by no means agree. The Senator from Washington and the Senator from Oklahoma and other Senators know the approximate number of persons now paying in to the social security system. We know approximately the number of Americans who are benefiting from that system. We know that for a very limited period of time we are going to be able to take in money much more rapidly than we are required to pay it out. We are presently suggesting a liberalization of the benefits to go to the beneficiaries of this system at this time purely, it seems to me, because we are financially in a position so to do.

I think it was about 2 or 3 days ago that other Senators on this floor, in answer to a question relating to financial matters, said that in their view the reserve fund would not be in jeopardy or in possible trouble for the next 4 or 5 years. Beyond that they would not venture a guess, because 4 or 5 years from now it stands to reason that many, many additional persons will be drawing benefits from the system.

Mr. KERR. The Senator is aware of the fact, is he not, that the committee took into consideration not only the fact that the fund had certain amounts of reserves, but that the compelling reason for the liberalization of the provisions of the law was not on the basis of the amount of money in the reserves, but on the basis of the need and the equitable considerations with reference to those participating in the program?

Mr. CAIN. The Senator from Oklahoma is scratching a fundamental at the moment. I think we are all in agreement that we are only willing to double, on the average, the benefits to go to the aged who are members of the social security system, because in the past 15 years we have cut the value of the American dollar just about in two. Because we have a system today which takes in much more than it has to give out, in the immediate future we are in a much better position to move much more rapidly in liberalizing the benefits, without giving too much consideration as to what our financial involvement is to be possibly 4 or 5 or 10 or 15 or 20 years from now.

Mr. KERR. Then the Senator recognizes, does he not, that there is some considerable merit to moving, to the extent that we feel we can do so, to meet that increased need of those who now are benefiting or participating in the program?

Mr. CAIN. I feel that my Government, of which I and the Senator from Oklahoma, the Senator from Colorado, and all other Americans are a very proud part, has recognized an obligation to the aged of America. In resisting in what I think is a reasonable way the enactment of House bill 6000, I do so because I hope that before very long there will be an admission by everyone of what is simply a fact, and that we shall establish in this country a social-security system which will offer—offer, by the way, because many persons ought to turn it down—to every aged American what is offered to other aged Americans, whereas our present social-security system, if continued in this country for a thousand years, would, in my opinion, never achieve that objective.

Mr. KERR. Then the Senator will admit, will he not, that the bill now being considered is a great improvement over the present law?

Mr. CAIN. I think I have not maintained otherwise. What I have maintained is that whatever may be the merits of the suggested new law—and there are considerable merits to it, upon some of which the distinguished Senator from Oklahoma has just commented—it still remains a fact, and a very distressing one, that we are extending and broadening a system which we recognize possesses faults of such a nature that in time—and I merely stress the rapid passage of time—it must be replaced with an entirely different system.

I am not unmindful of the fact that Members on both sides of the aisle of the United States Senate have been saying, in the course of this debate, "We are going to adopt a resolution authorizing a study." I am so hopeful of the results of that study that I have done my best to provide in the RECORD certain arguments which that study group will want to examine, along with arguments offered before it by, I hope, thousands of groups and interested persons in the land.

Mr. KERR. I thank the Senator very much.

Mr. CAIN. I thank the Senator from Oklahoma most sincerely.

Mr. President, I should like to read now the last several paragraphs of the letter written to me by the secretary of the Travelers Insurance Co. Its author, Mr. Haugh, concludes by saying the following:

> When it comes to suggesting individuals who might be considered to serve on a commission to make a study of this nature, I am naturally inclined to lean to the type of individual whose training and experience is such as to afford him a good knowledge of the economic and administrative problems which are involved. It is for this reason that I suggest consultation with the Casualty Actuarial Society and with the Society of Actuaries. They can be reached as follows: Mr. Harmon T. Barber, president,

Casualty Actuarial Society, care of the Travelers Insurance Co., 700 Main Street, Hartford, Conn.; Mr. Edmund L. McConney, president, Society of Actuaries, care of Bankers Life Co., Des Moines, Iowa.

I shall not suggest specific individuals within these organizations as I would prefer to leave that to the organizations themselves. Neither do I suggest that any such commission be comprised entirely of actuaries.

I sincerely trust that you will be successful in your effort to have this matter thoroughly studied by a competent commission so that any modification of the Social Security Act which may be adopted will be adopted in the light of full consideration of all facts and with full knowledge of the effects of such legislation, both immediate and ultimate.

Very truly yours,

CHAS. J. HAUGH,
Secretary.

I would simply say to Mr. Haugh that I am not speaking only for myself, Mr. President, but I believe I am speaking for a good many persons of like mind. Those to whom I have referred and I, likewise, will continue to be anxious and hopeful that any study group established and authorized by the Congress will undertake a serious analysis of the social-security needs of the aged population of the United States, in order that in the years soon to come we shall have replaced the present system, with all its faults and all its inequities, with a system which will provide as much justice to one aged American as it provides to any other such person.

Mr. President, if House bill 6000 is passed, it seems to me that it will only result in paying old-age and survivors benefits to 2,700,000 persons during the coming year; but as the coverage expands and as the number of insured reach retirement age and claim benefits, then the threat of trouble will begin.

Mr. President, let me say parenthetically that we are not in trouble at this time with reference to our American social-security system, but I think we are headed for trouble, and, in my opinion, it is quite proper to run up a flag of warning in this year of 1950.

The step rate tax rises come at intervals beginning in 1956, 6 years from now. Then the race starts between the social-security tax income and the benefit outgo. If the benefit outgo exceeds the tax income, and if the trust fund is absorbed, and there is a very good likelihood that that will occur, then there will be nothing but brass knuckles and a club in the shape of increased taxes to keep the system from bankruptcy.

Mr. President, I quote now from page 33 of the report:

> Estimates of the future costs of the old-age and survivors insurance program are affected by many factors that are hard to determine.

That statement is the truth, if the truth ever was spoken.

The report further says, on page 34, that there has been recommended—

> A tax schedule which * * * will make the system self-supporting as nearly as can be foreseen under present circumstances.

How is this masterpiece of self-support demonstrated? It is demonstrated by a series of actuarial tables, presumably prepared under the eagle eye of Robert Myers, the chief actuary of the Social Security Administration. Mr. President, every once in a while a person is entitled to make a guess as to the author of a particular work, and I have made mine. If we look closely at these tables, however, we shall find escape hatches scattered along the way. In reading further from the report, on page 37 we find this statement:

> The range of error in the estimates may be fully as great for contributions as it is for benefits.

Certainly that is a very reassuring statement.

Furthermore, Mr. President, we find the following on page 33 of the report:

> Because of numerous factors such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement insurance program, benefit payments may be expected to increase continuously for at least the next 50 years.

Of that there can be no doubt. We know for a fact that the number of old persons in the country is increasing. We also know that the greater the number who are taken into the system, the greater the number—always assuming that no trick conditions to throw old persons out of the system will be invented—who will claim benefits.

Mr. President, on what basis have the estimates been prepared? They are prepared by making a whole series of calculations, and those calculations, required to be made in the absence of certain obtainable facts, are based on a variety of factors—continued high employment being one of them. As one of the escape hatches, table 19, based on unfavorable economic assumptions, is inserted on page 50 of the report.

Then there are figured out low-cost estimates and high-cost estimates and out of these two we get a blend called intermediate-cost estimates. Says the report, at page 43:

> It should be recognized that these intermediate-cost estimates do not represent the most probable estimates, since it is impossible to develop any such figures. Rather, they have been set down as a convenient and readily available single set of figures to use for comparative purposes. Also, a single intermediate figure is necessary in the development of a tax schedule which will make the system self-supporting.

If that set of sentences says anything, it says that intermediate cost estimates are not the most probable ones, since any such probable figures are impossible to develop; yet, for all that, the intermediate figures are essential to figure out taxes that will make the system self-supporting. That is as clear as crystal, is it not?

What all this fancy figure work comes down to is this: The Social Security actuaries do not know. They will not admit it in so many words—and I can understand that—but the fact remains, they do not know.

We do know that the number of old people in the country is increasing. We likewise know that if H. R. 6000 passes, coverage will be expanded and the number of oncoming benefit claimants must inexorably expand.

But whether the social-security-tax income will be sufficient to pay these benefits Mr. Altmeyer does not know, and his actuaries do not know, and nobody on earth knows. That is why this question excites the curiosity and interest of many of us.

So we are going to proceed arbitrarily to increase benefits out of current income, knowing, and having a reason to know, that the day must come when the brass-knuck taxes must be socked to the young boys and girls in their first jobs, who right now are being told, and encouraged to think, that they are paying for some kind of annuity.

There was a man, not so many years ago, who briefly succeeded with a variation of this scheme. His name was Charles Ponzi, and he eventually landed in jail. What the prospects are for our Social Security officials getting into deep trouble in the future is unknown at the moment.

What I have suggested is that if we look for some solid basis for cost estimates we do not find facts sufficient to give us reassurance about the future.

What I have said is that if we look for some solid basis for cost estimates we do not find any.

Remember that I have suggested that this is a Siamese-twin system and that, so far as the taxpayer is concerned, they must be considered together.

Look, for example, at some of the things the report tells us about the year 1970, only 20 years hence.

Table No. 7, found on page 35, tells us that in 1970 the number of men and women 65 and over in the United States will be anywhere from 15,900,000 to 18,500,000. A wide range of estimate, I would say.

Then table 9, found on page 38, gives us the estimated number of old people in 1970 drawing benefits—that is, the number of primary beneficiaries and the widows and the parents.

The range of such old beneficiaries runs, according to these calculations, from a little over 6,000,000 to a little over 9,000,000.

In other words, Mr. Altmeyer's lowest estimate of the number 65 and over in 1970 is 15,900,000 persons, almost 16,000,000 human beings. I refer to table 7, on page 35.

On the other hand, his highest estimate of OASI aged beneficiaries is a little over 9,000,000—to be exact, 9,117,000—table 9, page 38. However, it is sliced, 20 years hence, according to Altmeyer calculations, there will still be, at the very least, more than 6,000,000 persons 65 and over not drawing benefits from the social-security system.

Yet we are told in the face of these tables—whatever they may be worth—that the costs of old-age assistance may be expected to decrease.

To finish piecing out this jigsaw puzzle let us turn to the sacred wage record system.

Everyone who works in a covered category, however briefly, and who has paid social-security taxes has a wage record in Baltimore, Md.

Mr. Altmeyer told the Finance Committee last January—page 29, Senate hearings—that there are 80,000,000 in-

dividual wage records in the files. This does not mean at all that 80,000,000 persons are insured. Indeed, says Mr. Altmeyer, "at any one time we estimate that there are only about 35,000,000 workers actually in insured employment." What it means is that 80,000,000 persons, over and above current benefit-receiving old people, have worked in covered employment at one time or another and established a wage record if only for a few months.

It has been said that to handle these 80,000,000 accounts a rental of more than a million dollars a year is paid to International Business Machines. Whether this is true or not I do not know, for Mr. Altmeyer does not seem to have been very explicit on this point.

These 80,000,000 records are supposed to represent live accounts. Some of the persons with records in Baltimore may be, and probably are, dead. But some method has been figured out to discard dead people, and the 80,000,000 are presumed to be alive, if not all of them kicking.

The Senator from Maine [Mr. BREWSTER] last January—page 30, Senate hearings—said to Mr. Altmeyer that the amount of money which the Federal Government had received from these persons, now uncovered or perhaps dead—and I quote the Senator—"runs into many hundreds of millions of dollars." Said Mr. Altmeyer, "I think this is true."

But, said the Senator from Maine, "Do you intend to keep that up forever? Sometime you will have to make a check, will you not?"

Mr. Altmeyer's rejoinder to this was as follows—page 31, Senate hearings:

> What we have to do, of course, is to use the various avenues of public information. Some streetcar companies, for example, have given us free space for those cards you see inside of streetcars. We have not resorted to loudspeakers and that sort of thing. * * * We get out explanatory pamphlets. We send those pamphlets to groups that we think would be particularly interested, like labor organizations and employers, and we have a very definite program of local contact by our local managers. We try in every way to tell people what their potential rights are, but we do not have any way of maintaining individual contact with each one of these 80,000,000.

I am told that it requires more than 6,000 persons to look after these records. I should think it would.

Pamphlets we have, though no loud speakers, and an amount paid in through these slumbering accounts of sums running perhaps to hundred of millions of dollars.

Did I say that this system was a Rube Golberg invention? Goldberg, in his most extreme flight of fancy, never dreamed up anything to equal what the Social Security Administration has done.

On these wage records, supposedly, are based the various sums that beneficiaries are paid. But when these formulas have to be arbitrarily changed and benefits shifted in order to get the right answers, what is the value of all these records?

The truth is that the longer one looks at it the more it becomes apparent that aged human beings are not the concern of the system at all. What Mr. Altmeyer and his functionaries are concerned about primarily are categories and machinery. They have fixed up a giant's cat's cradle which only they can understand, and it is the cat's cradle that they want to enlarge, expand, and entrench.

They hang on like grim death to their preposterous wage records and at this minute they have a bill over in the Public Works Committee of the House—H. R. 7873 is the bill—asking for $11,500,000 with which to buy land here in the District and construct a building to put those records in.

You will hear people say, Mr. President, that one reason why it is impossible to change this system is that these 80,000,000 persons, living and dead, have paid taxes and hence have acquired a vested right in the present system.

Look a little closer at this so-called vested right, for it is something. Carefully examined, we find it a half-true, half-false, proposition.

It is perfectly true that those 80,000,000 persons have paid taxes for a longer or shorter time, but what is the character of the vested right?

An actuary, after careful scrutiny of H. R. 6000, gives me this picture about the real source of benefits that thousands will receive:

> Consider two men who earn $100 a month and $250 a month, respectively, from 1937 to 1955, each retiring in 1956 at age 68—which is a typical retirement age. Under H. R. 6000 the first man will receive a primary benefit of $50 a month; the second man, one of $72. A very conservative actuarial valuation of their future primary benefits, taking account of some probability of each having a wife or widow qualifying for benefits, would show the first man to get total benefits worth $7,500; the second worth $10,800. The first man has paid in $264 in employee contributions; the second, $660. Interest on these amounts is ignored, as the value of the survivorship insurance received by each is more than the interest. In tabular form the figures and their relationship are as follows:

Average monthly wage	Employee contributions paid	Value of benefits to be received	Rate of contributions to benefits	Excess of value of benefits over contributions
			Percent	
$100	$264	$7,500	3.5	$7,236
$250	660	10,800	6.1	10,140

NOTE.—It may be noted that the $250 man has paid a higher proportion of the value of his benefits than the $100 man. But neither has paid a significant proportion anyhow, and each one therefore gets a substantial profit from the system. This profit is derived partly from employer contributions—which are charges on the general public in the shape of higher prices—but largely are from contributions by and on behalf of younger employees.

In other words, Mr. President, the so-called vested rights of many of these people are for benefits that will have to be sweated out of the hides of the younger men and women whose own benefits, in the future, look more than dubious.

All this vested right really amounts to is the fact that 80,000,000 persons, living and dead, have paid social security taxes in varying amounts.

Why make this fact the excuse for getting deeper and deeper in with an unjust, capricious, inflationary, and hopelessly complicated system?

Why not, rather, face the task, if we must, of paying back what those people have paid in, or of squaring the deal in what seems the most reasonable way, and then making a truly fresh start where age is the only qualification and all receive the same sum, raised and paid for year by year, as it must be raised and paid for by those of us who are still at work.

Mr. President, the contention is also made that the Old Age and Survivors Insurance Fund and the payroll tax supporting it, will finally be made universal, with a minimum payment to all persons, augmented by their wage credits acquired as at present. All this is supposed to happen simply by steadily expanding coverage.

I see no prospect of success here, Mr. President. I see only the same old delusions. Some people call what we have now a pay-as-you-go system simply because for the moment the tax income is greater than the benefit out-go.

I notice with tremendous compliment to those involved that in recent days neither the senior Senator from Georgia, the chairman of the Finance Committee [Mr. GEORGE], nor the junior Senator from Colorado [Mr. MILLIKIN], the ranking minority member of that committee, have made any such contention that we are presently paying as we go in connection with our social security system.

Expand coverage however you will under the present system, but the day of reckoning must come. What right have we to dump this fearful problem on our children and grandchildren, simply because we have not the moral fortitude and energetic imagination to face the truth today?

Mr. President, if this has seemed a lengthy statement I can assure the Senate that in attempting constructively to describe the almost fathomless intricacies of our present siamese-twin system of so-called social security, I have barely scratched the surface.

If we pass House bill 6000, we make even more complicated that which is already complex beyond endurance. It is necessary and healthy for us to admit and know what we do.

As I have said before, we simply make worse a situation where millions of the present aged get no consideration and where millions of future aged have no assurance, whether they pay social-security taxes or not, that they will ever get any benefit.

Mr. President, just a short time ago, on May 24, I introduced Senate Concurrent Resolution 92 calling for the appointment of a commission of completely independent experts to undertake, full time, divorced from all influence of the Social Security Administration, a complete investigation of the present social security system and an investigation of other possible systems.

I earnestly appeal for support of this resolution.

In the statement which I made when I introduced the resolution, I said:

> Why pass a bill that we know is bad, despite the best efforts of the Finance Committee, when with the expenditure of a little more time we might have legislation that is good?

I can only repeat what I said then and urge that the most serious consideration be given to what I have proposed.

Let us not try to mortgage the future of our children. Let us halt where we are now and try to discover what is best to do. Let us do nothing further to entrench what is fundamentally a cheat, a dishonest system, that does not deserve the name of social security at all.

Mr. President, if Senate Concurrent Resolution 92 is not to be approved by the Senate, then the junior Senator from Washington will place his faith and hope in the results to be achieved from the adoption of the resolution offered this afternoon by the junior Senator from Colorado [Mr. MILLIKIN] for himself and the senior Senator from Georgia [Mr. GEORGE]. I know that if their joint wishes come true, our present social-security system will soon be replaced by a system which offers to one aged American what is offered to every other aged American. These two distinguished Senators have publicly agreed that there is no long-range cure for the fundamental weaknesses to be found in the pending bill which seeks to patch up a social-security system, 1935 model, which is neither now, nor can it be in the future, a reasonable or workable answer to the needs of the aged persons of America. The junior Senator from Washington will appreciate an opportunity to work with the Senators mentioned and other Senators in looking for and establishing the right answer for the needs of the aged who live now and who will live in the future in our great country.

Mr. President, it will take but a very few minutes to summarize my position concerning the pending bill.

Mr. President, when I made my statement on May 24 last, in introducing Concurrent Resolution 92, providing for an investigation of the social-security system, I offered a letter which I had written to several hundred persons throughout the country, persons who in one way or another had had direct experience with social-security problems and had given a great deal of time and thought to them.

The letter which I wrote was as follows:

As you know the social-security bill (H. R. 6000) which passed the House last October, is now before the Senate Finance Committee and shortly will be reported out for Senate action. This bill represents the first major revision made in our social-security legislation since 1939 and is no unimportant piece of legislation. Although we do not yet have the completed Senate bill three committee releases have specified what the bill will contain in respect to old-age assistance and expanded old-age and survivors insurance coverage and benefits.

After considerable thought, I have come to the conclusion that I cannot vote for a bill containing these provisions. Instead, I am urging that the social-security establishment be left as it is, pending a thorough and completely independent investigation and overhauling. This overhauling, it seems to me, should be undertaken by a commission, and carried out along the line specified by former President Hoover in his letter on social-security revision to Chairman Doughton of the House Ways and Means Committee a year ago.

I have become increasingly skeptical about the present deferred-benefit system which excludes—and must continue to exclude—so many of today's aged from our so-called social insurance and gives large benefits to some who qualify after making only token contributions. Back in 1935 when the Social Security Act was first passed, it was assumed that the insurance system with reasonable promptness would cover the old people and that old-age assistance (means test relief supported by Federal subsidies) would soon pass out. The reverse has happened. The groups covered by insurance have slowly expanded; relief for destitute old people has zoomed ahead. What this amounts to is that social-security legislation has pushed many of the States, including my own, into trying to handle these problems through jerry-built relief plans, often practically unsupervised and depending, of course, on Federal subsidy.

Patching up unworkable social-security programs—as H. R. 6000 attempts to do and as any bill of the type will do—is bound to create more maladjustments than it cures. We badly need a fundamental technical study that can lead to a constructive redesign of our social-security system.

My own feeling is that an honest pay-as-you-go system with age the only qualification necessary is probably the answer. The benefit, I suppose, should be a certain number of dollars a month—small enough to indicate the normal expectation of other personal provision and large enough to be of some significance in the income of the recipient. I set neither age nor figures; the Commission's work would have to give us the answer or the basis for an answer. I would suppose that the benefits would be financed by an earmarked tax, from the lowest earnings up to some such maximum as the $3,000 now used in the limited, discriminatory tax now in current use. This simply means that the producing workers of the Nation are paying a tax to aid in the support of the old and by the earmarked tax each knows and is conscious of what he is paying. In no way should such a benefit be regarded as taking the place of personal thrift, nor does it take the place of local charity and relief. The system ought to be designed to get the Federal Government out of the business of subsidizing relief in the States.

I am asking you, as a person whose professional interests have included social-security problems, to let me have your views on this question. I ask that you write me with all frankness about the objectives, the personnel, and the method of study that might be pursued by such a Commission as I have described above. There must be men of standing—independent, competent, and informed in this area—who could help in this task. We ought rightly to expect that such men would represent a truly American approach to these problems—an approach which so far has been sedulously avoided by the official advisory councils.

I am persuaded that this is a matter of vital importance to the preservation of our system of free enterprise and the noncollectivist way of life.

Since the bill will be before the Senate any day now, I appeal to you for a prompt consideration of this letter.

To show the deep feeling which this social-security question has aroused—and I think it is a very healthy feeling, indeed—I shall now refer to and ask permission to insert some of the replies in the RECORD.

If these letters which the junior Senator from Washington has received from competent Americans from every section of the United States do nothing else, I think they will help to convince the Senate that the insurance people, among others—and to the insurance people generally I may say again Americans everywhere in all confidence turn over their savings to be properly invested—are anything but unanimous in their support of our social-security system.

The junior Senator from Washington wishes, and in fact is privileged, to bring the views of such students of the question to the attention of every Senator on both sides of the aisle who now or in the future may become interested in this question.

Mr. President, I should like unanimous consent that a letter from Mr. Elgin Fassel, the actuary of the Northwestern Mutual Life Insurance Co. of Milwaukee, be made a part of my remarks at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE NORTHWESTERN MUTUAL
LIFE INSURANCE CO.
Milwaukee, Wis., May 19, 1950.

Hon. HARRY P. CAIN,
United States Senator,
Washington, D. C.

MY DEAR MR. CAIN: I have pleasure in acknowledging your letter of May 11, addressed to me personally and asking my views as to social security. You state the you do not expect to vote for H. R. 6000 and instead are urging no change in social security at this time, and that there be an investigation and overhauling undertaken by a commission along lines suggested by former President Hoover. Also you favor the pay-as-you-go system.

I have long felt that the accumulation plan is a mistake in the social-security system and that it ought to be on the pay-as-you-go method.

The concept that each generation ought to accumulate vast national funds with which to look after its own old age is a delusion, because such funds become political targets and are likely to fail of their purpose. In giving such assistance as may be desired to the aged and infirm, it is proper for the State to operate on the pay-as-you-go plan because it has the taxing power. This is quite a different situation from that of individuals providing for old age out of their own resources, which of course can only be done by saving in an accumulation plan.

If I had a vote it also would be against H. R. 6000, and I agree with you that a study and overhauling of the existing law would be advisable. If it is your idea that actuaries would be of assistance on the proposed commission, I would refer you for suggestions to Mr. E. M. McConney, president, Society of Actuaries. The headquarters of the society are at 208 South LaSalle Street, Chicago, Ill., but Mr. McConney also is president of the Bankers Life Co., Des Moines 7, Iowa, and would ordinarily be reached at the latter address.

A number of actuaries have been actively associated with the social-security development. Mr. M. A. Linton, president, Provident Mutual Life Insurance Co., Philadelphia 39, Pa., has been in close association from the start. Mr. R. A. Hohaus, actuary, Metropolitan Life Insurance Co., New York 10, N. Y., has been in close contact for many years. Mr. W. Rulon Williamson, 3400 Fairhill Drive, Washington 20, D. C., has also had a good deal of contact and in the past has been actuarial consultant of the Social Security Board.

It will of course be understood that the expressions herein are my personal views only.

Yours truly,

ELGIN G. FASSEL.

Mr. CAIN. Mr. President, I may say that a number of the replies which I have received urged that I consult Mr. Linton, Mr. Williamson, and Mr. Hohaus. I have done so. No reply has yet come to me from Mr. Hohaus, but I have letters both from Mr. Williamson and Mr. Linton. They are more than interesting; they are in complete contradiction.

I am going to read them.

Mr. Linton is president of the Provident Mutual Life Insurance Co. of Philaphia. He was an actuarial consultant to the Economic Advisory Committee back in 1934 and 1935. He was also a member of the advisory counsel set up by the Senate Finance Committee during the Eightieth Congress as a result of the passage of Senate Resolution 141.

Mr. Williamson was for 20 years an actuary with the Travelers Insurance Co. of Hartford and, thereafter, from 1936 until his resignation in 1947, was actuarial consultant first to the Social Security Board and then the Social Security Administration. He is presently an actuarial consultant in private practice here in Washington.

Mr. President, in order not further to consume the time of the Senate I ask unanimous consent that the letters received by the junior Senator from Washington from Mr. Linton and from Mr. Williamson be made a part of my remarks at this point.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

PROVIDENT MUTUAL LIFE
INSURANCE CO. OF PHILADELPHIA,
Philadelphia, Pa., May 5, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Committee on Public Works,
Washington, D. C.

DEAR SENATOR CAIN: Thank you for your letter of May 31 about H. R. 6000. I am strongly in favor of enacting the bill as reported by the Senate Finance Committee. Then, next year study can be made of extending it to cover the present retired aged. If that extension could be made we could then have a program which would provide benefits reasonably related to the workers' economic status prior to retirement, and supported by the kind of tax which has been accepted by the country, and which would continue to be accepted, I believe, because the relationship between the taxes and the level benefits would be so close.

Sincerely yours,

M. A. LINTON.

WASHINGTON, D. C., *May 27, 1950.*

Senator HARRY P. CAIN,
Senator from Washington,
Senate Office Building,
Washington, D. C.

COMMISSION OF EXPERTS ON SOCIAL SECURITY

DEAR SENATOR CAIN: I find myself very largely in agreement with the position you take in your letter of May 24 and I should like to deal with certain aspects in this reply. There has been an increasing recognition of the "wrong start" represented by the deferred benefit system. Among the objectives, then, of a Commission of competent informed thinkers, the most important at the outset seems to me a study of the objectives proper in the United States of America in a national program of shared provision of some portion of the very personal responsibilities represented in programs of social security.

I am giving a paper before the Health and Accident Underwriters Conference in New York City on Monday, June 5, and in dealing with the subject I outline rather dogmatically certain conclusions I have reached. I am enclosing a copy of that discussion. The Commission should seriously analyze purposes, philosophy, program, and performance for the United States of America. The prime question is: "What are we trying to do, and what should we try to do?" The Commission should start with the American uniqueness—the economic conditions and environment of freedom. Since the report of the original Committee on Economic Security of 1934 and 1935, the Advisory Councils of 1937–38 and 1948, there has been a steady and an obvious avoidance of facing any full consideration of the subject. There has been rather every effort to avoid opening up the consideration of a full program for all the citizens—at least it seems that way to an unprejudiced observer.

This study requires persons with a comprehension of demography, actuarial science as handled in private insurance—the better to avoid the deferments and the individual equities of such protection—the law, business economics and finance, business, and public research. Congressman CURTIS says that competent men should be engaged who can put consecutive time for many months on canvassing the situation, and setting down the results of their studies. They should be free of the domination from the Social Security Administration or political expediency. Such men exist, and they should be found. They must be mature, competent, honest, patriotic. As my paper for June 5 sets forth, I believe the insurance designation a misleading one, and I suggest calling the proper program social budgeting to bring in the sense of financial responsibility in budgeting, and to sidetrack the oppressive bargains for all appeal in the current OASI program.

I shall perhaps add a second letter later, but in this one I want to discuss the problem of costs which is so much the province of the actuary. A paper of mine on cost factors appeared in a social-security bulletin while I was actuarial consultant for the Social Security Board—in 1938. In 1947 after I had left the Social Security Administration, there appeared Actuarial Study Number 21, written by Mr. L. O. Shudde, still with the Office of the Actuary—Social Security Administration—and by George Immerwahr, then with the Actuarial Section of the Analysis Division of the Bureau of Old Age and Survivors, now with the Monumental Life of Baltimore. The purpose of both reports was to make clear the wide range present in these cost factors and the essential unpredictability of costs over time in such a program as old-age and survivors insurance. This is so fundamental an item that in spite of careful disclaimers as to the prophetic power in the actuarial section of Senate Report No. 1669, just off the press, the avoidance of certain important items tends to create misapprehension. Thus while table 12 indicates low and high costs at the end of the century respectively of eight and one-half billion and thirteen and one-fifth billion, on the assumption of no wage advance, optimists talk of 4 percent a year and pessimists perhaps 1 percent or 2 percent a year. Most administration discussion assumes at least double the wages—and through another application—or maybe half a dozen—of today's new start, it would be more rational in the expanding planned economy to expect twenty-five billion or forty billion as the annual costs at the century's end.

The population of that time aged 65 and over—see table 7—could be 19,000,000, or it could be 29,000,000. The census has recently corrected upward the figure for 1950 to a higher point than that used in the projections, and another correction may well occur from the 1950 enumeration. Table 9 shows a low of 13,000,000 old-age beneficiaries and a high of 20,000,000—but with gerontological maintenance of work to advanced ages, and the threat of great extension of life at those high ages and earlier retirement, the range could be much wider. Ten million to thirty million might be logical. If we had only $600 a year at the lower end as benefits and $2,000 a year at higher assumption, there is a range of from $6,000,000,000 to $60,000,000,000 as the benefits range way out there. Dollar costs have no definiteness off there in the future, but last year the outlay of two-thirds of a billion is about 1 percent of that top figure in the future. Percentage costs hide a lot more vagaries, but nothing can hide the speculation which is possible. The level-premium costs have an apparent definiteness that does not bring out sufficiently the fact that there is no expectation of collecting such sums in advance, and earning the interest on them. They do not bring out the fact clearly enough that table 19 can occur many times before 2000, but that in the years when the benefits have piled up to tremendous proportions an outgo of 50 percent more than the income could really be serious. Such guides seem to me about like a New York street sign, floating on an errant flying Dutchman in the Sargasso Seas.

Through the 15 years since the act of 1935 went through, we have had pious warnings at each yearly interval that benefits were indeterminate and that it would be well to collect more money. But always as to the current time when we could know barely what current requirements might be, OASI has neglected them and has centered attention on the remote future when we could not know. It has seemed a strangely inverted concern, but we have been very sure that current outlay would not be large. This report, however, seems to open up a route of easy qualification, only six quarters of covered employment, with as little as $300 earnings from employment, or as little as $600 earnings from self-employment—and perhaps affecting six to eight million persons in the next 5 years. Whether we regard it as a racket or not, it has all the earmarks, but it brings down to the current situation the indeterminateness that affected the distant future heretofore. We might qualify only 1,000,000; we might qualify 6; we might have the minimum of $25 or even $20 a month for most, or we might have a minimum wage of 75 cents an hour—or at the rate of $125 a month—to give over $50 a month in benefits. So now we have indeterminate costs almost at once, as well as in the distant future.

We run into the values of the sociologists—the assessments made by American citizens of these devious folk ways so untried and so fundamentally unattractive to responsible citizens. How measure the persistence of integrity, the power of the dollar of benefits for a penny of contributions—or less?

Public assistance has been the leading source of benefits to the aged and the dependent children—three times the payments last year that were handled through OASI. This is a very interesting fact, that virtually no forecast is made for the major plan, while these serious studies have been developed for the minor one.

There are in fact four categories of the aged: 1, the recipients of OASI benefits; 2, the recipients of old-age assistance and aid to dependent children; 3, the recipients of both; and 4, the recipients of neither. The third category is one of major importance hereafter, since the new bill calls attention to the convenience of collecting from both sources, by limiting the Federal grant to the States to $25 instead of $30 available for the recipients of two alone.

In short we have undependability both now and later under the recommendations of the Senate Finance Committee, and I have gone to this trouble to show how badly needed is the financial responsibility of men of

the right type in this Commission. There is internal evidence that the actuary is trying to tell his story in this report, but that he has not been free to bring out the long-run hazards sufficiently. The type of "open-end" program was that of the assessment and fraternal insurances of the 1870's and 1880's, which have been so unsatisfactory over the years for the relatively small groups which they involved. Large numbers of life actuaries regard this OASI as inherently of the same danger, but the area of operation multiplied a hundredfold.

Financial irresponsibility seems to me to characterize this program, but if the benefits to the existent aged are now dangled before the eyes of these old people and the qualifications are as few as set forth in this report, I expect that current unhappiness can be more serious in the next few years than a long-delayed nemesis.

I have covered much of this, with extreme brevity, in some of my testimony before the Ways and Means Committee and the Senate Finance Committee. This should not be just a debate, a showing up of flaws, though the flaws should be examined. It should be the sort of analysis that the British used to call a "Royal Commission." It should get the outside opinion, so carefully avoided by the last advisory council, and it should integrate much available data both within the Federal Government and outside.

The magnitude of the present OASI and Public Assistance Benefits would permit adjustment now. The difficulty of adjustment would be many times harder, should H. R. 6000 be enacted first. Next to the value of the Commission is blocking H. R. 6000, with its contradictory principles, and its unpredictable costs.

I am tremendously impressed with the objectivity of your letter, and with the importance of your resolution. If I can be of any help to you, either as an actuary or as a citizen, please feel free to call upon me.

Yours sincerely,

W. RULON WILLIAMSON,
Actuary.

WASHINGTON, D. C., *May 28, 1950.*

Senator HARRY P. CAIN,
Senator from Washington,
Senate Office Building,
Washington, D. C.

SOCIAL SECURITY COMMISSION

DEAR SENATOR CAIN: I wrote you yesterday to bring out one fundamental point in connection with OASI—its unpredictability of costs, and the danger that this unpredictability will be glossed over by such expedients as level premium costs, the use of percentage of pay roll costs and the absence of any really critical examination of these matters.

Today I wish to discuss very briefly too, the unsuitability of the use of employment and unemployment as a basis for our Federal program of national sharing. It seems to me that the goal should be a program for all the citizens, so that for the aged we treat the two sexes equitably. In Report No. 1669, there is a little table on page 36, which shows that by 1970—20 years from now, only 66 to 75 percent of the persons aged 65 and over will be fully insured among the males, and only 13 to 19 percent among the females. That is—20 years from now the major part of the population will still not be provided for directly.

Today only 8 to 10 percent of the aged widows of 65 and over are drawing benefits from OASI. Since on the whole formal employment is uncommon for women from 40 onwards, the gearing of major dependence upon employment records is not the way to grant benefits to such persons. The substitute of using the employment of the husband and giving 50 percent of the husbaud's benefits, of 75 percent of the former husband's benefits, for wives and widows respectively is a method of discriminating against women.

Steadily the administrators of social security have been bringing evidence to show that relating benefits to past records of wages has been unsatisfactory—requiring a doubling of benefits—though not handled that simply—for the retired groups and the group to be retired later—and by implication correcting for the clumsiness whenever the shoe pinches later.

The system does not fit the presumptive needs of women, it does not fit the presumptive needs of men—as natural changes take place in the economy. It does not even insure the majority of our older people for 20 years.

We do not handle sufficient data to show what the assets and incomes presumably are for the existing older persons. We need such a comprehensive review as to the status of the American citizens today—quite different than it was in the sad days of the depression, and absolutely different than it was implied to be, when all married women were regarded as dependents—essentially penniless—without regard to the earnings or property of the spouse.

So a major objective of the Commission's work is factual analysis not yet really attempted.

Sincerely,

W. RULON WILLIAMSON.

Mr. CAIN. Having offered these two letters, both from persons who have had intimate contact with social-security affairs, I want to offer two others from persons who in different ways have seen at close range exactly how our present social-security system operates.

The first of these next letters is from Mr. Jay Iglauer, vice president and treasurer of Halle Bros. department store in Cleveland. Mr. Iglauer was a member of the special committee appointed in 1937–38 to study the Social Security Act. If I am not mistaken, the junior Senator from Illinois [Mr. DOUGLAS] was also a member of that committee, and I would draw Mr. Iglauer's letter to the attention of the junior Senator from Illinois.

The second of these letters is from George Immerwahr, now a consulting actuary, of Baltimore, but formerly chief actuary of the Bureau of Old-Age and Survivors' Insurance in the Social Security Administration.

Again, Mr. President, in an effort to save time, and because I know the letters probably will be read by my colleagues, I ask unanimous consent that both of them be made a part of my remarks at this time.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

THE HALLE BROS. CO.,
Cleveland, Ohio, May 17, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I have seldom seen a position regarding the social-security problem which is so accurately in accord with my own views, as your letter of May 12.

H. R. 6000 is an illustration of the dangers inherent upon embarking on any long-term program such as social security without a full realization of the ultimate consequences.

When Congress established the first social-security law it created the impression that the employer and the employee jointly, with some small assistance from the Government, were to create a fund, out of which would be paid the minimum subsistence requirements of the aged—not as a matter of charity, but as a matter of right. I hope you have followed carefully the testimony of W. R. Williamson, one of the original actuarial consultants to the Social Security Board, whose opinion I have learned to respect highly. He has come to the same conclusion as you—that the public assistance has now overshadowed the so-called insurance system of which you speak.

You may recall that I was a member of the committee appointed by joint action of the Senate and the Social Security Board to study the Social Security Act in 1937–38. Already at that time members of that committee were deeply concerned over the fact that the funds paid in by employees, and in which they had a moral vested right, were being paid into the Federal Treasury along with the employers' contributions, and that to the extent that they were not being currently used to pay benefits the remainder of the funds were being used by the Federal Government for every purpose. The answer of the political economists has been that to the extent that the Government has used these funds they did not have to borrow with bonds of the United States for other Government purposes and therefore the credit of the United States of America was thereby so much improved.

With the advent of World War II and the enormous public debt that was created as a consequence, it becomes clear that as and when the amount of benefits that were contemplated to be paid in 1960, 1970, and 1980 approached the maximum and then exceeded the collections, the Government would have to borrow or impose additional taxes to meet any underestimates or any liberalization of benefits.

The trouble with the whole program is that the accumulation of tax payments for social security in the earlier years of the system produces so-called "trust funds" so large that the temptation is constantly present to liberalize benefits and/or to increase coverage. I agree with you that a pay-as-you-go system, with minimum subsistence coverage for all, is the only answer. That, I believe, is in the main the thesis of Mr. Williamson's position too.

I am particularly glad that you have taken the position in favor of a well-organized Commission to study the whole social-security problem. Such a Commission should be composed of—

1. Representatives of the actuarial profession.
2. Representatives of the Government.
3. Representatives of business.
4. Representatives of labor.
5. Representatives of the general public.

Care should be taken that the Commission's personnel should be nonpartisan in character so far as it is possible, or at least balanced as to the principal political parties. Such a Commission might well be expected to take a full year or two to arrive at conclusions.

A word about my observations concerning the previous Social Security Commission on which I served—I was impressed with the high character, ability, and conscientious attitude of the majority of that special committee. If there was any unfavorable aspect to that committee, it was the absence from most of the committee conferences of the representatives of labor.

I believe that such a program as you envisage is the only way to approach the problem that bids fair to have such serious consequences to the whole economy. I believe also that such a proposal would meet with the support of every right-thinking organization concerned with these problems.

With your permission I am sending a copy of your letter to the chairman of the Social Security Committee of the National Retail Dry Goods Association and the Social Secu-

rity Committee of the American Retail Federation, and I shall ask them to give support to your proposal.

I shall await your reply with interest.

Sincerely yours,

JAY IGLAUER,
Vice President and Treasurer.

BALTIMORE, MD., *June 12, 1950.*

Senator HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: Though there have been some other national issues in which I have not been in accord with your views, I must say that I am most definitely in accord with those expressed in your letter of May 25, 1950, relating to the proposed social security bill, H. R. 6000. I am convinced that to extend the defects of our present social security law as H. R. 6000 does would be most unfortunate, and that what is needed is a thorough, independent study which will go back to fundamentals and reconstruct our social security system from scratch.

As you probably know, I served on the actuarial staff of the Bureau of Old-Age and Survivors Insurance in the Social Security Administration for 7 years, ultimately becoming the chief actuary for the Bureau. When I began this work I was most enthusiastic over the social security program as it was then conceived. After some years in this work, however, I came to the recognition that this program was not working out as had been contemplated and that its defects were so serious and so fundamental that it could not work out effectively without complete revision, and this recognition was one of the factors that led me, late in 1946, to leave the Social Security Administration and enter another Government agency. And even more impelling factor was my realization that Social Security Commissioner Altmeyer and some of my other superiors, who in my opinion must have been as well aware of most of these basic defects as I was, nevertheless apparently lacked the intellectual honesty needed to come to an open admission of these defects and to seek their elimination, but instead chose to temporize with what they knew to be defective, to cover up one mistake with another, to divert the public's attention from the real defects of the social security program and instead to blame the program's failure on factors of a much less pertinent nature. It seemed to me, also, that there were various ulterior motives which I shall describe later. So long as this attitude and these motives prevailed among the officials of the Social Security Administration, it seemed useless for me to remain there.

I will not give here a full story of what I consider to be the defects of the social security program and the proposed patching-up legislation, nor shall I spell out my recommendations for correcting the program. Because I was an employee of the Bureau of Internal Revenue at the time of the House and Senate hearings on social security, I could not testify personally at their hearings. However, an address which I prepared for a local actuarial club was inserted in the Senate hearings by another club member and appears on pages 1979–1987 of the hearings, and this address indicates my views. In many respects they are quite similar to the views indicated in your letter. I oppose the present system and the proposed legislation on the grounds that it excludes from benefits the great majority of today's old people (and would still exclude them despite extension of coverage among people still working), that the major cash costs of the system are deferred to such an extent that the costs actually accruing are concealed beyond any possible public recognition, that no adequate financing method can be developed for such a system, that the benefit formula, under which benefit amounts are more or less proportionate to previous income, gives rise to a socially incorrect and wasteful distribution of the funds available for social security purposes, and that the basing of benefits on wage and payroll records is needlessly complex in its administration. Like yourself, I favor a system in which Federal benefits would be available to all in certain categories; for example, to all those above a specified age. Benefit amounts would in general be uniform, but they might be tapered down for beneficiaries above a certain income level; if so, such tapering down would be based on taxable income (as shown in the beneficiary's tax return) but not on a needs test. The Federal Government would no longer subsidize public assistance. Federal benefits would be financed out of an earmarked addition to Federal income tax.

WHAT EVERY SENATOR AND CONGRESSMAN SHOULD KNOW

What seems most important for me to pass on to you now is some vital but little-known information concerning the Social Security Administration, its motives in sponsoring legislation, and its tactics in furthering its aims. These must be appreciated if a proper course of action is to be taken.

First, there is a definite desire on the part of the Social Security Administration to convey to the public the idea that social-security benefits—that is, old-age and survivor pension benefits furnished through the social-security system—are far more inexpensive than the same benefits furnished in any other way. A deferred-benefit system, in which benefits are denied a large proportion of the old, the survivors and the disabled of the present but generous promises are made to those who will be old, survivors, or disabled in the future, plays right into the hands of this desire. Because the number of beneficiaries under such a system in its early years is a very small proportion—say one-eighth or one-tenth—of the ultimate number, such a system appears to be cheap even though a large actuarial cost is accruing, and it is easy to promise benefits at an ever-increasing level without the public realizing the cost to which it is ultimately committed. The proposed method of financing the benefits of H. R. 6000 by employer and employee contributions which rise from 1½ percent to 3¼ percent by a series of scheduled increases is entirely unrealistic. All experience to date indicates that the increases will not place as scheduled unless either future disbursements rise faster than predicted or benefit increases are promised with the contribution increases—and either of these conditions would render the scheduled increases insufficient to make the system self-supporting.

The contribution increases which had been scheduled for the existing benefit law did not take place as scheduled, so that today's contributions fall considerably short of indicating the true cost of the system. Social Security Commissioner Altmeyer will tell you that the blame is on Congress, that he favors an actuarially balanced system, but he knows that an actuarially balanced system is a political impossibility if scheduled contribution increases are to be relied upon. If he were really sincere about an actuarial balance for the system, he would insist on the full level premium rate being assessed from the start. But this would give the public pause about the cost of the system. Similarly, in a true pay-as-you-go system of the type both you and I advocate, the system's real costs would be immediately apparent, and this too is a situation the Social Security Commissioner could not tolerate.

Mr. Altmeyer will tell you that at various times during the war years he resisted the freezing of the employer and employee tax rates at 1 percent on the ground that this was well below the level actuarial cost of the existing program. Yet at the same time, he did nothing to discourage the hopes of labor groups who were supporting a tax increase in the belief that the increase would lead to higher benefits. In the Social Security Administration we played a double game; we told Congress that the tax rates were too low for the existing scale of benefits, yet we told covered workers that they were "paying for their benefits." We talked of the system as if it were contributory, yet the employee taxes represented such a small proportion of true cost that the system could not really be called contributory in any true sense. But the public deception went on and still goes on; in fact I recall one time when I was told by Commissioner Altmeyer's office to refer to the employee taxes not merely as contributions but instead as "premiums," to convey even more emphatically the erroneous idea that the worker pays the cost of his benefits.

Second, the Social Security Administration wishes that its system be looked to as the source of the major portion of income for retired persons and survivors and not merely the source of a subsistence benefit on which the worker or beneficiary can fall back if all else fails. If a man who has been earning $5,000 a year writes in to the Administration and complains that his $45-a-month benefit is far insufficient to maintain him after retirement in the manner to which he is accustomed, I think you and I would agree that the correct answer to the man would be that after earning $5,000 a year for some years, he should have laid aside for himself a substantial additional amount in the form of insurance and savings, perhaps in an owned home. We would tell him that because the cost of social insurance benefits is substantial, before his benefit was raised, our first effort should be to make sure that a benefit providing at least subsistence should be made available to his less fortunate fellow who had been earning only $1,200 or $1,500 a year and who, therefore, had probably been unable to lay aside for his old age. We would tell him that the differential between his employee taxes and those paid by the $1,200-a-year man paid for a differential in benefit of only $2 a month, whereas he was already getting a differential in benefit over the lower-paid man far above that figure, and that actually it was not the responsibility of the Government of the United States to give him a benefit much higher than that of the low-paid man merely because he enjoyed a higher standard of living already.

But the Social Security Administration officials would send him an altogether different answer. They would agree with him that his benefit is much too small, despite the fact he had already had an income well above that of the average-paid worker and should have been able to make considerable provision for himself. They would stress the fact that they had repeatedly urged Congress to liberalize benefits like his. It is of interest to note that in the social-security bill which it advocated, H. R. 2893, the monthly benefit of a man who has earned $4,800 or more a year since 1937 would have been increased by about $50, while that of the man who has earned $50 a month would have been increased by less than $6, despite the fact that it is the latter man whose benefit under the present law is so pitifully small and for whom a benefit increase is so desperately needed.

Third, the Social Security Administration stresses the payroll tax method of financing social security even though it knows that this method is unsatisfactory in theory and in practice and can never be extended to cover 100 percent of gainful work in this country. This method, which involves employee taxes withheld by employers and matched by employer taxes, seems to work out conveniently for the presently covered employment groups,

though even here are various administrative difficulties on the part of both Government and employers that are not generally realized. But to extend this method to the myriad borderline forms of employment, the casual earnings, the small earnings of marginal self-employed persons is a process which can be attempted only with a great degree of trouble and never will be perfected. Even for the partial extension of payroll tax coverage contemplated in H. R. 6000 we find numerous difficulties of definition and enforcement, a disproportionately increased administrative expense, and the quite intenable formula of taxing the self-employed by one and one-half times the employee rate.

Since social security is really a charge on the country as a whole, why not recognize it as such and finance it by adding an earmarked tax to our existing individual income-tax system? The machinery for this system has already been developed; it covers income earners of all types, whether employer or employee, farmer or factory worker or investment holder, and it leaves out the trifling amounts of income (those under $600 a year) which it is a nuisance to tax for social-security purposes or otherwise.

The reason for rejecting this ready-made and suitable form of taxation in favor of the inappropriate employment tax structure and the mammoth system of wage records is that of implementing the impression that this social-security program is a contributory program, and second, that the employer pays part of the cost. The error of the first of these impressions I have already pointed out. The second impression, that the employer pays part of the cost is also erroneous, in that the employer tax is largely passed on to the consumer; that is, to the general public. Nevertheless this employer-bears-the-cost argument is one which has been continually used by the Social Security Administration in order to get the support of labor groups and others. The idea is to make labor think the other fellow pays.

Fourth, the incomplete job coverage, inevitable under the payroll-tax method, forms a very convenient scapegoat on which the Social Security Administration can place the major blame for the social-security program's shortcomings. When asked by the Senate Finance Committee why only 2,000,000 out of 11,000,000 people over 65 are receiving benefits, Commissioner Altmeyer answered: "Exactly, and why is that? Because we did not start a system with universal coverage. I hate to remind you but the Committee on Economic Security did recommend universal coverage in 1935, just as we are recommending it today." Mr. Altmeyer knows that the major reason for the small proportion of beneficiaries among the present aged is the more fundamental defect that people already too old on January 1, 1937, to work on and after that date could not become beneficiaries under any job-coverage definition, and even if his own bill, H. R. 2893, had been law since 1937, over 6,000,000 of today's 9,000,000 nonbeneficiaries would still be nonbeneficiaries, but this device of blaming the trouble all on incomplete job coverage seems to have worked wonders for him. Even the normally astute Prof. Sumner Slichter was taken in by this deception, as is indicated in his prepared statement to the Finance Committee (see p. 2128 of the recent Senate hearings).

Even the estimates in the committee report on H. R. 6000 show that extension of job coverage will pay only a limited number of today's older people on the benefit rolls, and it should be remembered that those who do come on the rolls are either those who are still working or some others who are in a position and of a nature to work the system by getting a few extra "quarters of coverage" for themselves. Those who are now off the benefit rolls and are no longer working and who are too honest to work the system in this way will remain off the benefit rolls.

Even at that, I believe the estimates of number of beneficiaries in 1955 are too high. I am not aware of what pressures the present Social Security Administration actuaries work under, but I know that during my years as an actuary for that organization there was a decided pressure exerted to produce high estimates of the number of beneficiaries in the immediately ensuing years. This was partly to create a good impression of the effectiveness of the system and partly to assure a safely padded administrative budget for the organization. I recall, for example, how on one occasion I had worked out estimates covering, I believe, a 2-year period and submitted a detailed statement in support of them. Mr. John J. Corson, then Director of the Bureau of Old-Age and Survivors Insurance, sent the estimates back to me with various changes of his own pencilled in, raising the estimates by probably 50 or 75 percent, and directed me to work out a justification of these revised estimates of his. This, of course, I had to do, though I was convinced of the greater accuracy of my original estimates, and it subsequently turned out that even my original estimates were too high. Some of the published actuarial estimates in connection with the 1939 legislation were several times too high; for example, it was estimated that the number of retired workers who would receive benefits in the middle of 1945 would be from a low of 1,217,000 to a high of 1,654,000, but the actual figure turned out to be only 431,000.

Fifth, the Social Security Administration officials will tell you that they prefer contributory social insurance to public assistance. They know, however, that passage of H. R. 6000 will transfer practically none of the present assistance recipients to the insurance benefit rolls and that despite the passage of H. R. 6000 the assistance rolls will probably grow for some years to come. The passage of a really effective social-security program, under which the current aged and the current survivors would be brought on the rolls to receive automatic benefits—that is, without a needs test—would make it appropriate for the Federal Government to withdraw completely from the assistance field, but nothing could be more distasteful to the Social Security Administration officials than this.

The two reasons for their preference of the perpetuation of this dual system of insurance and assistance are these: First, through participation in the State programs of public assistance the Social Security Administration officials are enjoying an increasing influence in State welfare administration, and, second, they are able to pit insurance recipients and assistance recipients in competition with each other for increasing benefit levels. It is a form of competition which has played beautifully into their hands thus far, and why throw away a device like this.

Sixth, vested interests in the existing form of program have been well developed. The Social Security Administration has encouraged covered workers to believe that they have paid for the benefits promised them and in this way a resistance on the workers' part has been built up against any change in the form of the program. But even more unfortunate is the vested interest of the Social Security Administration itself. Naturally it has the usual vested interest of a bureaucracy in its jobs, but even more, it is concerned about the perpetuation of the techniques and the philosophy it has built up. The wage-record system, for all the mechanical techniques and skill which have gone into its making, has become such a mammoth thing that any curtailment of it is unthinkable to the Administration. I recall the reaction I got to a proposal I made for a less steeply graded benefit scale, a proposal which I argued on the basis of both social desirability and actuarial equity. Other officials protested that if we adopted such a proposal, we might become unable to justify the wage-record system. Truly this system has become not a means to an end but an end in itself.

THE NEED FOR A STUDY COMMISSION

The most unfortunate thing the Senate could do would be to pass H. R. 6000 on the supposition that it would investigate its shortcomings later. Obviously, if it approves the bill, it will not hurry to take up a study of it later. But more important is the fact that the passage of this bill now would make it much more difficult and costly to develop an effective bill later. As it is politically next to impossible to lower benefits, if the Senate desires now to go to a uniform benefit system, it can do so now by setting the uniform benefit at about $45 a month, but if now this bill is passed and then a uniform benefit is decided upon, the benefit level will have to be much higher.

It is safe to say that no really independent study of this subject has been made since the enactment of social security. There are those who will claim that the Senate Finance Committee's advisory council which studied the subject in 1948 was independent. The men and women who served on this council were big-name persons who were extremely busy in their own fields and could not devote the time necessary for extended original study of this subject. As the result, the study staff, whose members were recommended by the Social Security Administration, did the real work. The data which the staff members provided for the council members were those which the Social Security Administration wanted them to see, and I have ascertained from some of the council members that various other facts which might have led to different results were never brought to their attention. There were independent qualified people who sought to serve on the staff and who later sought to come before the council meetings, but who were denied that opportunity. Social Security Commissioner Altmeyer was the only "outsider" permitted to come before the council with an expression of his views.

You ask me in your letter how an appropriate study commission should be formed, and, as I have already indicated, I feel it should include persons who are proficient students, drawn from a variety of fields, persons who can approach the subject without pride of sharing authorship in the existing system, and persons who can devote extended full time to do original work.

Once the commission is formed, it is essential that it admit for expression of viewpoint any person who can demonstrate close association with the field of social security, including those who wish to appear "off the record." If the commission is permitted to see only officially sanctioned data and to hear only officially stated views, as was the case with the 1948 advisory council, the whole project is wasted. I should propose that Government employees who have had experience with this program should be permitted to appear, with their presence and views held confidential. Some very interesting and valuable testimony could, in fact, be furnished by some present social-security employees whom I know, if this protection were granted them. Persons who appear off the record usually have a more genuine interest than many of the witnesses who appear at a congressional committee hearing, many of whom express views that are not their own and are given merely for the record.

I cannot tell you emphatically enough how necessary it is to have a study of this sort before any bill is enacted, and I sincerely wish you success in your efforts to achieve this end.

Yours very truly,

GEORGE E. IMMERWAHR.

Mr. CAIN. Mr. President, in conclusion, I have two groups of letters before me. The first group consists of six letters. Each one of them is from a different type of organization, person or group in this country. One of the letters is from the International Association of Accident and Health Underwriters. The second letter is from the Occidental Life Insurance Co. The third letter comes from the board of pensions of the Methodist Church. The fourth letter is from the Insurance Economics Society of America. The fifth letter is from Mr. A. R. Findley, who is serving as chairman of the social security committee of the National Retail Dry Goods Association. The sixth letter is from an actuary of an insurance company, which touches on the necessity of a study by a disinterested technical staff.

Because I think such letters are of real and positive interest to all Members of the Senate, I ask unanimous consent, sir, that I may be permitted to insert them in the RECORD as part of my remarks at this point.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

INTERNATIONAL ASSOCIATION
OF ACCIDENT AND
HEALTH UNDERWRITERS,
Chicago, Ill., May 19, 1950.

The Honorable HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SIR: This is in reply to your letter of May 12. May I commend your unwillingness to vote favorably for H. R. 6000 as it is expected to be reported to the Senate by the Senate Finance Committee, and your preference for a resolution that the social security establishment be left as it is, pending a thorough and completely independent investigation of its purpose, present status and future development.

May I suggest that your resolution contain three major provisions:

1. H. R. 6000 should be deferred pending an independent study of the philosophy of social budgeting and its dominant characteristics as contrasted to the present system of OASI and public assistance. This should constitute, in essence, the mandamus to the investigatory group.

2. The personnel of this investigatory body should exclude any present employee of the Social Security Administration or the Federal Security Agency, because, in all likelihood, such an individual would be predisposed to recommend, prejudicially, a continuation and expansion of the present system. I would recommend that the following people be named to the investigatory group: Mr. W. Rulon Williamson, a Mr. Calhoun, and Mr. Alfred Guertin, the latter a staff member of the American Life Convention.

3. The method of study should be independent, fair and impartial; should allow at least one year's time to prepare a report, and should utilize and accept opinions, offered by conference method, from leaders in government, business and labor. Leaders in agricultural and consumer groups should also be consulted.

My personal opinion is that our present system should be scrapped entirely and substituted with a system of social budgeting (national sharing), providing a floor of protection for the incidence of catastrophic contingencies. This system should provide universality, current rather than deferred protection, and broad social equity rather than individual equity. The system should allow contributions from all active citizens both employed and recipients of investment income. The system should not provide progressive taxation but rather earmarked taxes, probably as a part of the wage-withholding plan. The needs test should be avoided. There should be no disqualifications because of former intelligent thrift. The social budgeting system should eliminate the demoralization and awkwardness of present public-assistance programs. I agree with you that it should be the purpose of the investigatory commission to recommend the age at which benefits should become receivable and should indicate the size of benefits to provide the floor for subsistence. I am wholeheartedly in favor of an earmarked tax to make each individual citizen conscious of what he is paying. Such a system will, by means of an informed electorate, prevent future indiscriminate increases.

At your request, the above suggestions have been prepared hurriedly and only in skeletal fashion. I hope that my views may be of assistance to you.

Very sincerely yours,
WESLEY J. A. JONES.

OCCIDENTAL LIFE INSURANCE CO.,
Raleigh, N. C., May 19, 1950.

The Honorable HARRY P. CAIN,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: It is certainly heartening to read a letter such as you wrote me on May 17 indicating such sound views on our social-security bill which is now before the Senate. It so happens that within the last 2 weeks I was requested to write a note about our social-security plan that could be understood by laymen.

I have been out of town most of the time and have written such a note rather hurriedly, but I am pleased to enclose a copy.

You will note that many of the ideas set forth therein are similar to those stated in your letter. I am thoroughly in accord with your statement that patching up unworkable social-security programs is bound to produce more maladjustments than cures. We have had studies and commissions, but probably the personnel, although capable, did not have the time and independence that were necessary.

I think you will find that educators tend to be too idealistic, lawyers are legalistic, and professional economists become too involved in theories. In 1935 I was with the Treasury Department for about 3 months working entirely on social security tax questions. At that time there was a substantial difference of opinion among actuaries. It was interesting that 15 years later actuarial opinion was almost unanimous.

As a profession we are notoriously poor politicians, but perhaps some progress is being made. Your letter is one indication.

The commission, if it should be appointed, should not be composed of representatives of certain groups such as labor, business, insurance, or the security-board bureaucracy. Actuaries are practically never wealthy enough to have much of a stock interest in insurance and are usually independent thinkers. The commission should be heavily weighted with Members of the Congress and with actuaries who have been studying the development of the social-security plan for many years. It is unfortunate that we have followed the European ideas rather than some of the better thought that has come from our Latin-American friends. One of the soundest books that has been written on this subject is in Spanish by Mr. Walter Dittell in Guatemala.

Since time is the essence I have written this hurriedly promptly upon receipt of your letter, but would be glad to hear from you at any further time if I can be of any assistance.

Yours very sincerely,
J. M. WOOLERY,
Vice President-Actuary.

A democratic society must provide some orderly machinery for providing protection against inability of individuals to attain their own security. Before living became so complicated it was possible for the aged to do odd jobs around the farm, to help with the children, and to perhaps help with sewing and such small jobs. There were not the small homes with no extra rooms for the old people, and work was carried on without the specialization that has now come to be widespread.

There should not be any conflict or confusion between proper social security and the exercise of personal industry and thrift. Social security should represent the protection, the floor of subsistence to replace reliance upon charity and public relief. It should not prevent the individual from having the right and opportunity to raise himself to such level of security as his industry and thrift dictate. If social-security benefits are ever made acceptable as a standard of security, the will to work will be weakened and destroyed.

In 1935 the first Federal Social Security Act was passed providing monthly benefits for retired employees which was amended in 1939 to provide benefits for certain specific dependents. It was recognized that it would be a long time before the so-called old-age and survivorship insurance would adequately provide for aged. To supplement the old-age benefits, so-called assistance was also provided which was to be financed jointly by the States and the Federal Government. The old-age and survivorship insurance is all Federal. The old-age assistance is operated by the States with widely varying rules for receiving such assistance. Each State decides how much property or other resources those at age may have. The Federal Government contributes one-half of whatever the State pays each person. This, of course, has resulted in some States having much larger portion of their aged people receiving such benefits varying from about 13 percent in Ohio to nearly 90 percent in Louisiana. It has also resulted in the wealthier States receiving more assistance from the Government, since they match the number of dollars that the States pay out.

At the present time there are less than 2,000,000 receiving old-age insurance benefits for which they paid something and nearly 3,000,000 are receiving old-age assistance for which they paid nothing. The average old-age benefits are nearly twice what is received under the insurance benefits. It is hardly fair to pay twice as much to the ones who have contributed nothing.

House bill 6000 is now before the Senate. Under the present bill about 35 percent of the men and 5 percent of the women over age 65 are covered. Twenty years from now under the present bill, about 55 percent of the men and 12 percent of the women will be covered. Under H. R. 6000, which is the new bill now under consideration, 20 years from now approximately 70 percent of the men and 15 percent of the women will be covered. It is obvious from these few figures that both the present bill and the suggested one are far from adequate to the problem of our aged people. Government security plans cannot operate as private insurance companies do and build up reserves to take care of future benefits. Each generation of working people must take care of their own old people; that is, the ones who are now currently dependent, just as they must take care of those who are now children and not old enough to work. To promise large benefits payable in dollars years from now, means nothing unless we know what those dollars will purchase. Our standard of living will depend upon production, and the standard of living 50 years from now will also depend upon production 50 years from now regardless of whether the average income is $2,000 or $20,000 a year. Everyone knows that it

takes $2 now to do what $1 would do 10 years ago.

The present old-age security plan is discriminatory in favor of those who have more. The honest and thrifty farmer, small-business man, and school teacher receive nothing from our present social security unless they are willing to draw old-age assistance which is based on pauperism. The man who has drawn $3,000 a year and over for a few years and has recently reached age 65 is the one who is receiving the windfall of benefits amounting to about 10 times the value of what he paid in.

In addition to old-age insurance and old-age assistance, the third Federal recognition of the aged exists in a $6,000 income-tax exemption over age 65. This benefits obviously the well-to-do, and the higher in the income-tax bracket the more is the benefit.

The whole question of social security should be referred to a commission of experts who have made a study of such plans with the idea of solving the problem that now exists instead of promising large benefits for political purposes for working people when they retire years hence and which may or may not, most likely not, be sufficient to provide any reasonable living standard. The current tax collections which are made from the laboring people are sufficient to provide a floor of protection on the subsistence level to everyone who is presumptively in need. There should be no necessity of concealing small savings or of pretending to be a pauper in order to collect benefits. Presumptive need might be those who are 70 and over, those between 65 and 70 who are not employed, and those between 60 and 65 who are invalids or unable to work.

The present plan discriminates greatly against women and children. It discriminates against the workingman in the small income-tax brackets in favor of the worker who makes the higher salary. It discriminates against the farmer and the small-business man. It discriminates against school teachers and State and municipal employees. The present bill is inadequate.

THE BOARD OF PENSIONS OF
THE METHODIST CHURCH,
Chicago, Ill., May 23, 1950.

Senator HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I have your letter of May 16 about the extension of the social-security bill (H. R. 6000) which, if I understand correctly, has been already reported out for action.

I thoroughly agree with you that the whole social-security program needs revamping in the interest of national security. Wholesale adventures in socialism (which seems to be the political passion of the moment), can involve us in a vast mass of practically invisible contingent liabilities that can in a few years outrun the published Federal indebtedness.

Careful restudy of this fundamentally important concern of the Nation is a must item.

Knowing something of the results of far-reaching social-security schemes in Australia, Great Britain, and elsewhere, I am much inclined to think that we could go on the rocks just as hard as they have, unless we take counsel with wise actuaries who are capable of taking an unbiased view of the total picture. A commission like that recently headed by ex-President Hoover would seem to be in order.

A pay-as-you-go system would be much more realistic and hard-headed than the present procedure. Those who work for wages should bear the current cost of a basic pension for all who cannot any longer work. On that basis, every family would be brought to realize that the wage earners and not Santa Claus are the real carriers of this social responsibility. The idea that it can be cared for painlessly is bunk.

Your thoughts on this subject, as expressed in your letter, are quite in line with mine.

Cordially yours,
THOMAS A. STAFFORD,
Executive Secretary.

INSURANCE ECONOMICS
SOCIETY OF AMERICA,
Chicago, Ill., May 22, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: I deeply appreciate the opportunity given me in your letter of May 15, 1950, to express my views relative to H. R. 6000 and I am delighted to note your reaction and your approach to the problem of old-age survivors insurance.

You are to be congratulated upon your forthright stand in this situaton and I am pleased to give you my thoughts in an attempt to solve a problem that requires an immediate solution.

We should not expand the Social Security Act now operating on a false basis until a thorough study is made of the act since its inception in 1935. What is needed is an independent commission with authority and with adequate funds to ascertain the best method for handling the problem of caring for the Nation's aged. Patching up the present law is not the answer.

I agree in your think realtive to an honest pay-as-you-go system which could be kept on a supportable basis, thereby keeping the cost of social security before the people at all times and not creating a further debt to be passed on to future generations.

The Commission which you propose should be composed of men of standing with no prior connections with the Social Security Board. In the past too many advisory councils on social security have been dominated by individuals committed to the continuation and expansion of the act.

This matter is of vital importance to our American way of life and I am delighted that you will lead the way in correcting a piece of legislation that has dangerous implications for the future of our country.

I hope you will be successful, and if I can be of any help, please do not hesitate to call on me.

Sincerely yours,
E. H. O'CONNOR,
Managing Director.

WIEBOLDT STORES, INC.,
Chicago, Ill., May 22, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR: I am so impressed with the cogency of your arguments and the conciseness, as well as the completeness, of your presentation that I am constrained to volunteer my views, even though you have not asked for them.

By way of introduction and background, I should like to state that I am now serving my fifth year as chairman of the social-security committee of the National Retail Dry Goods Association, and am also a member of the social-security committee of the United States Chamber of Commerce. I have given a great deal of study to social-security problems and, more recently, to H. R. 6000 itself and the significance of the changes proposed therein.

Quite some time ago, I arrived at the same conclusions you have so admirably set forth in your letter. In fact, at a meeting of the directors of NRDGA held last January, I argued at some length that the association should adopt these conclusions as its policy. While many of those present agreed that such a policy is the only logical conclusion, they felt that the association could not publicly take such a position without taking a poll of its members and that extended education must precede the taking of such a poll.

There is no question in my mind but that you are on the right track. I sincerely hope that the arguments of yourself and others of a like mind may prevail and that the Congress can be prevailed upon to authorize a thorough study prior to adoption of any amendments as contemplated by H. R. 6000.

May I have your permission to send copies of your letter to the members of the NRDGA social-security committee, some 20 in number? I think it would be helpful in crystallizing their thinking.

Sincerely yours,
A. RAY FINDLEY,
Vice President and Treasurer.

MASSACHUSETTS INDEMNITY
INSURANCE CO.,
Boston, Mass., May 22, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: My morning's mail brought letters from Mr. Williamson and from Mr. Pauley, both referring to discussions or correspondence with you about our country's social-security structure. This is just a note to express my strong agreement with the proposition that an independent commission should weigh the faults of our present structure against the desirability of the type of immediate widespread minimum coverage which has been called "pay as you go". We have had studies of our social-security system by able and disinterested men, but unfortunately the value of their studies is clouded because they did not have the services of a disinterested technical staff. I feel that one of the greatest long-range services that could be rendered to our country now would be the institution of such a study with a proper independent staff, and I hope that your efforts bear fruit.

As a matter of possible interest I am enclosing a copy of a statement submitted to the Senate Finance Committee this spring.

Yours very truly,
JARVIS FARLEY,
Secretary and Actuary.

STATEMENT ON H. R. 6000—SOCIAL SECURITY ACT AMENDMENT OF 1949

(By Jarvis Farley, Wellesley, Mass.)

My name is Jarvis Farley. I am an actuary, living in Wellesley, Mass., and working in Boston. I make no claim to being an expert in social-security matters, but my work as an actuary has necessarily required me to give more thought than the average citizen to considerations of practice and of principle with which social-security legislation must deal and has given me some appreciation of the practical problems which must be encountered in connection with the complicated individual accounting structure of our present social-security law. Although I do not speak as an expert, therefore, I do have some well-formed opinions which I would like to express for your consideration.

BASIC STATEMENT

Of those opinions there are two on which I hold the strongest convictions and which run directly counter to our present laws and to this bill (H. R. 6000). One is the conviction that to postpone the full cost and full benefits of the social-security structure for a full generation is unnecessary, unsound, and dangerous. The second conviction is that the maintaining of individual accounts for persons covered under the social-security laws is unnecessary and constitutes an unjustified and wasteful expense. I urge most strongly, therefore, that your committee study those aspects of the present law fully and objectively before making any decision which would make a later correction of these faults more difficult to accomplish.

In support of these opinions it is useful to look at the reasons why our social-security laws were first adopted. Each person is exposed during his life to the possible loss of the income upon which he relies for the means of living. Workers grow old or become blind, wives are widowed, and children are orphaned, and our Congress enacted legislation with the goal of providing a minimum income for each of those conditions. Even if the present bill were enacted, however, our social-security structure would fall far short of meeting that goal, partly because the full benefits of the law have been postponed for a generation and partly because our accounting structure is so complicated that it cannot provide wage records, and therefore provides no assured benefit, for a large proportion of our population.

Why were the full benefits deferred for a generation? A part of the reason lies in the reserve concept of the original legislation. It was thought then that the ultimate cost to the participants would be reduced if there were first developed a substantial reserve whose interest earnings could bear some of the ultimate cost. Part of the reason was the principle of individual equity—the concept that the benefits to each individual should reflect in some measure his personal contributions, so that no one was to receive full benefits unless he had been taxed for his full working lifetime. And third, if we are completely honest with ourselves I think we must recognize that a part of the reason for deferring the benefits was to postpone the full cost of social security. It seemed easier to accept the cost burden when the first impact was relatively light, but the full cost could not be postponed unless the benefits were also postponed.

How valid are those reasons today?

The reserve principle has already been substantially discarded, and there is no need to repeat here the reasons why the concept of reserves, so utterly essential to private voluntary insurance, is a dangerous fiction as originally adopted prior to the 1949 amendments.

The concept of individual equity—relating benefits to contributions—undoubtedly has political attraction. Individual equity is an essential characteristic of voluntary, private insurance operations, because in our democratic and competitive world insurance policies, like any other economic serivce, will be bought only if the purchaser is satisfied that he will get his money's worth. In one sense it is a high compliment to our private insurance companies that the sound principles which they developed in their voluntary operations were considered to be necessary in the Government's operations. The entire social-security structure, however, is based upon governmental compulsion, and, therefore, is subject to different concepts and requirements from those which govern private insurance. The Government can abandon the principle of individual equity and pay every aged or blind citizen and every widow and orphan today at a uniform benefit rate. Today's beneficiaries would have paid much less over the years than the beneficiaries a generation from now; but that result, after all, is only a special example of progressive taxation. Our whole progressive income-tax structure is an example of the Congress' willingness to depart from principles of individual equity when it feels that some greater benefit can thereby be obtained.

The third reason for deferring benefits—the postponement of cost—has already served its basic purpose. The social-security law has been enacted and is widely accepted. It is still politically attractive to continue postponing the cost, but it is dangerously easy to underestimate costs of the distant future. It would be politically attractive and much more realistic to pay now the level of benefits which are provided for a generation from now—and to pay them to all aged, orphaned, and widowed citizens, not only to those on whose account there happens to be a wage record.

You have been urged to provide greater benefits—sometime in the future—and to levy taxes accordingly—also sometime in the future. Opponents of the present bill have said that the ultimate cost of the proposed benefits will be far greater than the proponents can visualize. In effect you are being asked to enact a law which may be workable if everything works out as its proponents suggest, but which could be disastrous if the passage of time shows that the opponents were better prophets.

The key of your problem is uncertainty as to the cost of what you are being asked to do. I suggest most strongly that the solution of that problem is to make the calculation as of today, not as of some date many years from now. Give the benefits now, give them to everybody now, and accept the cost now. Give benefits which you are sure, on the basis of present calculations, the country can afford now. If experience proves that the benefits you provide cost less than we are prepared to pay, then extend the benefits currently and accept the cost currently; but base your actions and decisions on present conditions—on what you can see today, not on the unknown and unknowable future. What looks like a dilemma is really an opportunity, a rare opportunity, to create a sounder structure and provide greater benefits by a single decision.

Finally, if you provide a uniform benefit plan you will make it unnecessary to keep individual accounts. I don't know the cost of the present social-security accounting establishment in Baltimore, but it must be tremendous; and yet the cost of the individual accounting system is not to be measured solely in terms of the Government's establishment. The greater part of the cost is borne by the employers of our country. Maybe you saw a while ago a cartoon which pictured a small factory and beside it a large office building labeled "Accounting Department." The cartoon exaggerated, of course, but an important part of the cost of doing business today lies in the reports and accounts which the Government requires for each individual employee. The cost of maintaining accounts of individual wage records, essential under the present benefit structure, would be quite unnecessary if a uniform benefit were provided for every eligible person. Thus the tremendous present cost of individual accounting would be a saving to credit, along with the saving from present assistance payments, against the increased present cost of providing the benefits now.

This is not, of course, the first time these ideas have been expressed. You have heard them frequently from Mr. Williamson, and you are all familiar with the excellent statement which Mr. Curtis appended to the House report in connection with this bill. I agree with their views, and I urge most strongly and sincerely that before you make any decision on House bill No. 6000 you cause to be made, by disinterested people, a complete and objective study of the desirability of accepting now the full cost of paying benefits and of freeing the country from the cost of the present individual accounting system.

Mr. CAIN. As I recall it was on the 12th day of May that the junior Senator from Washington wrote an identical letter to several hundred people throughout the country who he had reason to believe were authorities of one kind or another on the social-security question. From perhaps as many as a hundred replies I have selected 26, only because they offer more in fewer words than do the remainder of the letters. However, the Senator from Washington wishes to express his real appreciation to everyone who was thoughtful and kind enough to write to him in reply to his letter of May 12. I think the inclusion of this group of 26 letters from students of the social-security question in America will complete the record on the pending bill which the junior Senator from Washington in all sincerity and with a complete sense of humility has attempted to establish. Therefore I ask unanimous consent that the 26 letters to which I have referred may be printed in the RECORD at this point in my remarks.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

WASHINGTON NATIONAL INSURANCE CO.,
Evanston, Ill., May 23, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: Thank you very much for writing me as you did on May 17 regarding H. R. 6000.

I agree with everything you say in your letter. The present social-security law needs a complete and thorough study and overhauling by experts in the field, including actuaries. Such a study should investigate the feasibility of placing the law on a pay-as-you-go basis. The members of any study commission should consist mostly of experts outside of the Government, so that the commission would not be controlled by experts now employed in the Social Security Administration.

The inequities as to benefits and taxes whereby the young workers carry the burdens of the older workers should be corrected and such benefits and taxes kept to a minimum to encourage savings through private channels.

As a matter of fact, I personally feel that compulsion of any kind is in the direction of socialism, and all people should be encouraged to save through presently existing private sources, such as banks, building and loan associations, Government bond savings, life insurance, etc. The Government should step in only where the States fail, and then only on the basis of a means or needs test.

The tax burden is now so heavy that starting a new business is often abandoned because of tax considerations. Reducing or eliminating the social-security tax would be a good place to start in taking the Government out of business and reducing Government personnel and record keeping and taxes.

I feel as you do—that nothing should be done at all now and that H. R. 6000 should not be passed. We hope that you can convince the Senate that a thorough study should be made instead.

If I can be of any assistance to you in any way please let me know.

This letter is also written in behalf of Mr. H. R. Kendall, chairman of the board of this company, to whom you addressed a similar letter.

Yours very truly,
R. J. WETTERLUND,
Vice President and General Counsel.

HEALTH AND ACCIDENT
UNDERWRITERS CONFERENCE,
Chicago, Ill., May 18, 1950.

Hon. HARRY P. CAIN,
The United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I appreciate very much the opportunity given me in your letter of May 15, 1950, to express my views with regard to the social-security bill (H. R. 6000) and your approach to the whole problem of old-age and survivors insurance.

Personally I agree 100 percent with your approach to the problem, and while I cannot speak for our 150 members, I believe that

most of them would agree with you. I feel that your letter is such an important contribution to the subject that I am sending a copy to each of our members. No doubt you will hear from many of them.

You have evidently given this question an unusual amount of thought and study, and I want to commend your realistic and courageous approach to the difficult and complicated problems involved in the care of the aged regardless of any political consideration.

While I have no doubt that the Senate version will be an improvement over the House bill, it will not even attempt to cure the inequalities, injustices, and omissions of the present law. Neither will it get away from the exceedingly cumbersome and expensive system of wage records, but will only increase the size of that operation.

I agree with you that there should be a complete overhauling of our whole old-age insurance and assistance program, and that it should be done now before more people acquire more or less of a vested interest.

The Commission which you propose should be composed of outstanding citizens representing every important segment of our population which would have an interest in the result of the investigation including general business, insurance, and labor. They should have a competent and independent technical staff, not dominated by any special interest, and especially free from control or influence of the personnel of the Social Security Administration, who are the authors of the present system and are committed to its continuation and expansion.

The working out of the details and the necessary legislation should, of course, await the report of the proposed commission.

I hope that you will succeed in bringing to pass the kind of investigation you propose, and if I can be of help to you in any way, do not hesitate to call upon me.

Sincerely yours,

C. O. PAULEY,
Managing Director.

WASHINGTON, D. C., *May 18, 1950.*

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: This is in response to your letter of May 11 requesting my views as to objectives, personnel, and methods which might be followed by a commission established to make a fundamental technical study that can lead to a constructive redesign of our social-security system.

You point out some practical results of the present "insurance" and "assistance" programs, particularly in their application to today's aged, and the importance of a basic reappraisal and revision of social security rather than merely amending these programs.

This need for a basic reappraisal is apparent when we look back on what has happened so far in the development of the social-security programs, and especially when we appraise some of the unplanned results of these programs.

I feel certain that practically everyone who has given serious thought to the problems of social security has been profoundly troubled by the trends away from the conception of individual and family responsibility in the decade and a half since the Social Security Act was adopted.

GENESIS OF SOCIAL SECURITY

Most of us can recall the considerable degree of economic distress leading to a series of emergency measures during the depression, and to the eventual adoption of the Social Security Act in 1935 on the principal basis of its being a desirable alternative to emergency relief. It cannot be overlooked that even at that time there was a school of thought interpreting the Social Security Act as an official admission that individual enterprise had failed as a method of achieving security, and that the Federal Government is obligated to underwrite the individual economic security of its citizens.

You will recall that there was a so-called economic brief compiled at that time and used before the Supreme Court in arguing the constitutionality of old-age and survivors' insurance and unemployment compensation. This brief consisted largely of depression statistics selected to maintain a thesis that a large portion of our population are helpless pawns on the chessboard of economic forces and cannot provide any reasonable security for themselves or their families. The argument was that this situation was so typical of our citizenry and so national in scope that destitution had become a matter of national concern justifying action by Congress. Furthermore, the brief put forth the thesis that destitution was so typical in the case of unemployment or attainment of age 65 that benefits paid on a presumption-of-need basis—that is, without regard to the actual situation—were justified.

We have seen a rapid development of the conception that benefit payments are a "right." Some of these payments are now called insurance, though, at the same time, the contractual implications of the term are disregarded in a demand for larger and larger monthly amounts—particularly for those whose income has been largest and whose presumptive need should be least. We have also found an untenable distinction between the millions of our citizens who have not been covered under old-age and survivors' insurance and are receiving no benefits and our fortunate aged who have been covered and can qualify for benefits costing actuarially perhaps 20 times the OASI taxes they have paid. Many of us have been troubled by the propaganda that these fortunate beneficiaries have paid for their benefits.

You will also recall that in 1935, when the Social Security Act was adopted, it was generally conceded that the fiscal position of the Federal Government was much better than that of many State and local governments, and thus that it was expedient for the Federal Government to participate by way of Federal grants to the costs of State relief programs for the needy aged, for needy children in broken homes, and for the needy blind.

We have all observed that since that time the relative fiscal positions of the Federal Government and of State governments have been almost reversed, and also that old-age and survivors' insurance now covers a large part of the population, and that the economic condition of the typical family is not to be compared with a few years back. The logic of the situation is that the needy rolls should be much smaller and that Federal grants should be no longer required. But, in fact, we find many more on the needy rolls, greatly augmented Federal grants, and pressure for bigger payments under the present programs and for covering disability and all medical care.

These Federal grants in essence represent a compulsory transfer, though the exercise of the general taxing power, of money from all of our citizens to only some of them. The Federal grant program is supported by general taxation. Human nature being what it is, this is an inherently dangerous procedure, tending to create a tremendous pressure for more and more funds from recipients and prospective recipients, while the great mass of citizens are unaware of the ultimate consequences of the system, and consequently afford no present effective checks and balances.

While obviously there is a justification for making social-security payments under some circumstances, just as obviously payments should not be made without a clear-cut justification.

PURPOSES OF COMMISSION

I should conceive it to be the function and purpose of a social-security commission to examine anew the broad problems of individual and family security, ascertain the areas where private initiative and group effort are in fact inadequate to afford opportunity for a reasonable security, and make recommendations as to the extent and through what mechanisms, Government should supply benefits to the families and individuals concerned.

This is a herculean task. It involves the employment of competent task forces to gather various pertinent data to make certain that the factual basis of the commission's conclusions is sound. It involves getting at the actual current economic facts of life instead of relying on the selected depression statistics of the economic brief previously referred to.

There was no economic brief adverse to this Government brief submitted to the court. So far as I know, no such comprehensive compilation has since been made and no attempt has been made to explore the soundness of the conclusions or the validity of the statistical data or methods reflected in the brief. Thus acceptance of the depression-born statistical conclusions urged on the court has been by default, and it is of basic importance that an up-to-date unbiased appraisal be substituted for the old economic brief. Presumably there should be a considerable difference in appropriate social-security measures in an economy where there is a widespread ability to achieve individual security and in an economy where there is no such ability. It is thus of primary importance to examine into the original factual and statistical basis of social security.

Perhaps the most important single function of the Commission itself as contrasted with its technical staff would be the formulation and publication of a social-security philosophy, based on documented premises. Quite probably the actual end result of such an effort would be the formulation by factions of the Commission of two or more social-security philosophies. I cannot believe it likely that any clear-cut philosophy could be developed to which all members would subscribe. However, if opposing philosophies are announced and spelled out by factions of the Commission, this would be a striking advance over the present situation. At least the Congress and the people would have two spelled-out philosophies presented for their choice, and each philosophy would be subjected to attack on any of its vulnerable points.

Today we have only a kind of an unacknowledged official philosophy concerning individual and state obligations. This official philosophy is evidenced by official viewpoints of the Federal Security Agency and the Department of Labor, and these viewpoints coincide for most practical purposes with the viewpoints officially expressed by labor leaders. Both have issued an enormous amount of propaganda to support their conclusions.

While a strong protest has been voiced to some specific recommendations that have been predicated on this unadmitted official philosophy, those disapproving, by and large, have not presented arguments derived from any clear-cut common philosophy.

It is important to the country that the general philosophy supporting or opposing any series of recommended changes in social security be clarified in terms of underlying assumptions as to the rights and obligations properly existing between the state and the individual, assumptions as to the individual's obligations and opportunities for working out his own economic security, and the conditions under which, and extent to which, his personal welfare may ethically require a compulsory transfer of purchasing power from others.

We badly need, for example, a critical examination and appraisal of the philosophy and assumptions underlying statements such as the following, which was made at the recent social-security hearings before the Senate Finance Committee:

"The workers are insistent that they receive adequate benefits and additional types of benefits not now included in the social-security law."

* * * * *

"Properly financed and administered, retirement benefits are as much a charge against industry as depreciation of machinery or any other contingency that industry may provide for. That the Government has a like responsibility is also true. In the instance of old-age and survivors insurance, the worker is willing and does make his contribution, thereby sharing the cost with the employer, who might well have to meet it all, and with Government who meets it in another form by taxation, referring of course again to direct aid to the States and so forth under the so-called old-age benefit plans."

SPECIFYING THE SCOPE OF COMMISSION'S WORK

It would seem to be of basic importance that the Commission's field of work should be specified to be extremely broad. By implication, at least, the work of the two advisory councils appointed by the Senate Finance Committee has been essentially the improvement of, and additions to, the programs provided for in the Social Security Act, as contrasted with a basic reappraisal of the problems of individual and family insecurity. This was likewise true of the Ways and Means Committee's technical study. There has also been, to put it mildly, resentment in some quarters where the study overlapped into areas covered by systems such as railroad, civil service, and military retirement and veterans' benefits. The underlying problems of security should mark the scope of the study, and this requires an appraisal of all the existing mechanisms, by whatever name called, which affect the broad underlying problems of security.

In the opinion of many, there are fundamental differences in philosophy and practical justification of the various governmental systems. Certainly, it is exceedingly important that they all be appraised by the Commission if it is to effectively survey the underlying problems of security. It is of general public importance that an impartial Commission get at the basic facts and furnish the public with a comprehensive description of each system, and of its purpose and justification. The public should know what each program is costing, who is footing the bill, who are covered by the system, and the effects of coverage. The appraisal should not only cover the matter of required contributions, if any, and potential benefit amounts, but also cover matters such as certainty of protection, individual incentives toward thrift, and other important consequences of each system. Only through such a comprehensive overall factual study can there be an intelligent appraisal of the underlying problem of individual and family security, what Government is doing about it, and what Government should do about it.

The scope of the study must naturally go further than an appraisal of what government is doing in the field of security. For the end result of the study—what government should do—requires an appraisal also of what individuals are doing, and what they should be expected to do for their own security, through individual or nongovernmental group action. There has been a great deal of ingenuity and effort given by government to the development of facts indicative of the shortcomings of free enterprise in providing security. It is equally important that facts be developed indicative of the limitations and consequences of governmentally operated mechanisms designed to provide security.

APPOINTMENT OF COMMISSION

It would seem to be of fundamental importance in establishing a commission that the membership should be appointed on some basis which would insure that social-security issues would not tend to be prejudged. As it would be primarily a researcher and adviser for the Congress, there is a strong basis for its membership to be appointed by congressional leaders. To insure at least a bipartisan approach, I should suggest that one-fourth of the members be nominated by the President of the Senate, one-fourth by the minority leader of the Senate, one-fourth by the Speaker of the House, and one-fourth by the minority leader of the House.

Respectfully yours,

LEONARD J. CALHOUN.

THE SWARTWOUT CO.,
Cleveland, Ohio, May 23, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: It is an honor to be included among those you have asked for advice with respect to our social-security program.

While none of us here at Swartwout are experts in such matters, we have a community of interest in the way we work together, and an understanding of conditions which affect our own and country's welfare which is, I believe, definitely above the average. So instead of giving you my own personal answer, I gave your letter to Charles E. Cooper, superintendent; Robert Boodman, president of our local union; and Edward Sadar, who is a member of the executive board and one of the stewards of the union. The union is affiliated with Mechancis Educational Society of America.

After all had read your letter, we met and discussed the problem thoroughly. The following represents our carefully considered opinion, based upon the belief that the common-sense principles to which we must adhere in our business if we are to survive, should also be practiced in any national program:

1. Old-age benefits should be applied alike to every person who has reached the stipulated age. There is manifestly nothing either fair or sensible about including some and excluding others. We would not differentiate between those who are very well off financially, those who are modestly fixed, and others less fortunate. Nor would we require anyone to stop work in order to qualify. Each time elaborate conditions are set up, there must be an increase in the army of clerks and statisticians to check and recheck all of the data. It should be a comparatively simple matter to satisfactorily prove one's age, and then devise a means to stop the payment with death.

2. The amount of the old-age benefit is exceedingly important. It should be great enough to make certain that life can be sustained with some simple comforts, and without the recipient becoming a burden upon relatives and friends, insofar as the bare necessities of life go. But in no case should the amount be great enough to encourage people to draw old-age benefits rather than working when they are perfectly able to do so. Of course, it is easier said than done to state these basic considerations for selection of an amount for old-age benefits. We realize that the amount necessary to support a person in one part of the country is much less than in another part of the country; also, that the matter of health has much to do with it. We would be inclined to make the amount large enough to sustain a person in the more expensive areas and not worry about the excess of payment in the less expensive areas because the money would be spent anyway and add to the general activity of business. The greatest hazard to be avoided is having the amount great enough to lead many people to draw old-age benefits rather than work.

3. We would put the whole payment on a pay-as-you-go basis. There are at least two basic defects in the present method. In the first place, the idea that there are true credits to everyone who is making a contribution is fictitious. Inasmuch as the collections have been put into Government bonds, which we owe to ourselves, and which must ultimately be retired through taxation, it simply means that we, collectively, have spent the money that has been collected and are going to have to produce it all over again in sufficient amount to pay benefits. So it seems to us a lot more sensible to admit that we are really on a pay-as-you-go basis, and set up a minimum amount of cash which must be maintained at all times to cover variations in collections as compared with payments, but not go beyond that. It does not seem to us that it should be considered as insurance in the usual sense because the only insurance is our earning ability to earn and pay the necessary amount when the time comes.

In the second place, when collections are made as at present and credited to the individuals, there is a tremendous amount of work that must be done by the employer. This costs money and involves a lot of people who are not producing the things and services we all want. On top of that, when these figures come into Washington, another army of thousands of people must handle them and sort them out, again with a great waste of human effort. On top of that, if we are to include everybody under the present plan, imagine the difficulty of reporting on some small percent of pay all the laundresses and people in domestic service who are not in any way connected with a corporation that has adequate bookkeeping facilities.

4. This brings us to the matter of collections. As it is both impractical and very expensive to go on as at present, we suggest the money be collected by taxation in a way which will eventually come out of everyone's income. While we, who derive our own earnings from the success of the Swartwout Co., are not particularly anxious to saddle taxes on corporations, it would seem as though a specific part of the income tax on corporations might be devoted to that purpose. Obviously, the taxes paid by corporations must, in the long run, be included in the selling prices of the products. Since nearly every article and every service we all buy is manufactured or provided through the efforts of corporations, it would seem that a tax arrived at in this way would ultimately be paid by all of us pretty much in proportion to the money we spend, which is in turn related to our income.

5. We would then do the entire administration job through the States. The sole function of the Federal Government would be to see that there was a uniform law which did truly apply to every single citizen who had reached the qualifying age, and then collect the money and distribute it to the States. It would take a very small office force on the part of the Federal Government to do this job. The distribution to the States would, perforce, be in proportion to the need of the States, which would, in turn, be based upon certified statements each year as to the number of people qualified to receive old-age benefits in each State. We would go farther than that, and carry that responsibility for a certified list of qualified citizens down to the smallest community within the State. It would be the job, for example, of the Government in the village in which I reside, to receive and check applications, and

then furnish such a list to the State. It would cost very little to do this and the State, on its part, would also have a relatively small clerical job to maintain such checks as were needed upon the reliability of the local lists, and then pay out the money according to those lists.

6. Finally, so that everyone could understand exactly what was going on, and be able to recognize objectionable practices if they crept in, we would like to see the Federal Government publish an annual financial statement. Our first thoughts are that such a statement would show, on one sheet and with respect to all of the States in the United States, the following information:

(a) Number of qualified recipients as of the year end.

(b) Estimated percent of population represented by these recipients.

(c) Dollars paid to the recipients.

(d) Dollars received from the States.

(e) State administrative costs, including local municipalities.

(f) Percent of State administrative cost to the payments made by the State.

(g) Total Federal administrative cost.

(h) Percent of Federal administrative cost to either the money paid out or money received.

(i) Total dollars paid out.

(j) Total dollars received.

(k) Balance in fund.

(l) Tax rate for current year.

(m) Proposed tax rate for next year.

With this information available, reasonably promptly after the year end (and it should be a simple thing to provide that), the working and cost of this old-age benefit plan could be very plain to anyone.

In order to maintain the minimum cash balance necessary in the fund, the rate of taxation should be varied every year. This again, it seems to us, would be a very simple thing to figure, and one that would be easily understood by everyone.

Again we want to thank you for your courtesy in asking our judgment in this matter. We are vitally interested, all of us. The group in our company consists of 250 people in shop and office, and we do about $2,500,000 worth of business each year, in the industrial equipment field. We also share in the profits of our business. We want to keep on doing that, and we want to do it in a way which will be better and better for us, and better and better for everyone else, and at the same time with a minimum of hardship when our folks or others reach the age when they are no longer able to work.

Sincerely yours,

D. K. SWARTWOUT,
President.

CAMBRIDGE, MASS., *May 16, 1950.*

Senator HARRY P. CAIN.

DEAR SENATOR: I have not made a detailed study of H. R. 6000. However, I have read the bill which Congressman KENNEDY sent me several weeks ago at my request.

I am very strongly opposed to H. R. 6000 for the following reasons:

1. Only a comprehensive actuarial study can provide a reasonably reliable estimate of the future annual disbursements under the bill. However, it is obvious to me as an actuary, that ultimately the annual disbursements will require tax revenues equal to at least 8 percent of the payrolls of all persons eligible to receive benefits, and that possibly the disbursements will require ultimately, annual revenues equal to as much as 16 or 20 percent of such payrolls.

A bill requiring such enormous revenues for its maintenance should not be enacted until actuarial estimates of cost, based upon adequate study, have been made; and, outstanding economists, using such estimates, have expressed their opinions as to the effect of such a program and its cost upon the welfare of the American people.

Without such prior actuarial and economic study, enactment of H. R. 6000 may readily be found in practice to be an actual serious ultimate detriment to the American people, instead of a boon.

2. The bill does not provide death and old-age economic protection for 100 percent of the American people but is applicable only to certain portions of the people—perhaps 40 to 80 percent. Many classes of low- and medium-income people whose economic need and moral claim to such protection are equally as great are excluded from the benefits. However, they are not excluded from the expenses. Either directly through taxation to make up ultimately the difference between the disbursements and revenues provided in the bill; or, indirectly through the increase in the cost of consumer goods that necessarily results from the bill, these excluded people will contribute to pay the costs. H. R. 6000 does broaden the base to cover many groups that are not within the benefit provisions of the present social-security laws. It would not be difficult to devise a revised, and, I believe, a more equitable law that would cover all of the people who have need for such protection and who have an equally valid moral claim for it.

I strongly recommend:

(A) Rejection of H. R. 6000.

(B) Appointment of a senatorial or congressional committee with power to employ actuarial and economic experts, to make a comprehensive study with the aid of such experts, and prepare a bill that will provide death and old-age protection on an economic-needs basis for all American citizens and lifetime residents of the country.

Very sincerely yours,

E. H. HEZLETT,
Fellow of the Society of Actuaries.

THE DAILY TRIBUNE,
Royal Oak, Mich., May 18, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR MR. CAIN: Your realistic letter about the social-security bill (H. R. 6000) and the social-security situation in general is a most encouraging exhibition of common sense. That you cannot go along with the highly deceptive proposal now before Congress is a tribute to both your honesty and your courage.

Describing our present social-security system as insurance is a swindle which our citizens who are now 20, 30, or 40 years of age will wake up to some day. I believe my own feeling on this matter is much the same as yours; that no amount of wishing to help others, no emotional mouthing of high-sounding phrases, will set aside the established laws of arithmetic. Two plus two plus two always makes six, whether it refers to plain, single dollars or to billions.

My own inquiries disclose the astonishing fact that the average citizen thinks our present social-security system is a scientifically planned way of insurance; that the workers of this country (those now covered) and their employers are actually piling up sufficient funds to care for future payments. There is almost no appreciation of a factor pointed out in your letter—that stopgap, old-age assistance is not gradually diminishing but is actually expanding at an unbelievable rate.

Certainly a completely independent investigation of our whole social-security program is urgently demanded. Such an inquiry should be conducted by a commission with a definite minority membership of Government officials or employees. Set some real insurance actuaries and some trained financial men to work to analyze this situation just as Dun & Bradstreet would look into the financial standing of a corporation or individual.

Let us do everything possible to install and maintain a social-security program that will be thoroughly understood by our citizens and that will have a chance of doing what it is supposed to do.

I am enclosing copies of three columns I have written for our newspaper (circulation, 23,184) on social security. There is always the risk of oversimplifying the situation or particular phases of it, but in writing for daily newspaper publication one must always take that chance. So I try in each instance to pound on one point of the problem, for the sake of emphasis and (I hope) clarification.

Congratulations again on the intelligence and forthrightness you are displaying on this vital matter.

Sincerely yours,

FLOYD J. MILLER,
President.

P. S.—I am taking the liberty of sending a copy of this letter to our Senators from Michigan and to GEORGE A. DONDERO, the Representative in Congress from this district.

F. J. M.

ILLINOIS MUTUAL CASUALTY CO.,
Peoria, Ill., May 18, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: It is my understanding that you contemplate leading the floor fight against H. R. 6000.

Even though it is my understanding that the Senate Finance Committee has made some changes in this bill, in my opinion there should not be any extension of social security until such time as a fair and impartial commission has had an opportunity to make a survey of what is necessary. Therefore, I welcome your opposition to this bill, and wish you every success.

Sincerely yours,

E. A. MCCORD,
President.

PROVIDENT LIFE & ACCIDENT INSURANCE CO.,
Chattanooga, Tenn., May 18, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR: Your letter of May 16 is most encouraging.

I hope sincerely that we may soon have a thorough and fundamental review of social security. It is preferable that this study precede any revision of the present act, but it will still be needed even if the bill reported out yesterday becomes a law.

The study commission should weigh the relative responsibilities to be assumed by the community, the individual and his employer. It should develop an orderly method to discharge the community part of the responsibility. This needs to be well within our power to pay and must leave a sufficient incentive to thrift.

The answer will be futile unless it can command broad public support. For that reason I would like to see the commission include men with experience in legislation. It should also enlist economists, tax specialists, and actuaries.

The commission should have a sufficient operating budget that it can retain independent specialists and thus secure information from all pertinent sources.

Sincerely,

K. B. PIPER,
Fellow of the Society of Actuaries.

THE MUTUAL LIFE INSURANCE
CO. OF NEW YORK,
New York, N. Y., May 22, 1950.

Hon. HARRY P. CAIN,
Committee on Public Works,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: Thank you for your letter regarding social security legislation.

I agree with what you have to say about social security generally and the pending legislation in particular. In fact I believe that there is a very strong feeling among actuaries who have taken a special interest in social insurance, that the system should properly be placed on a current cost-current benefit basis. I am entirely in accord with the idea that a fundamental technical study—objective and nonpolitical—is needed for our social security system.

You are no doubt familiar with the recent testimony before the Senate Committee on Finance. A number of insurance men including actuaries contributed to this testimony.

You will find an ardent supporter of your views in one of our leading actuaries, Mr. W. R. Williamson. He was at one time actuarial consultant to the Social Security Board and has studied both our own social insurance system and those of other countries. I mention him in particular because he lives in Washington and would, I am sure, be glad to help you in any way he can.

If I can be of any further help, please let me know.

Cordially,

LEIGH CRUESS.

AMERICAN COLLEGE OF SURGEONS,
Chicago, Ill., May 16, 1950.

The Honorable HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I agree in principle with everything you say in your letter of May 12. One unfortunate result of the policies pursued by the Federal Government since March 4, 1933 is the almost complete eradication of thrift among our people. Government paternalism has been one factor and excessive taxation another.

There is no doubt but that the rapid aging of our population has created a problem—a problem which will grow for at least a few years. Reluctance of business and industry to employ people over 45 years of age has accentuated this problem.

The plain truth is that we are now headed for, if not actually in, an economy in which, as my good friend Frank Dickenson likes to say, the old people are climbing piggy-back upon the young and riding to the grave. This adds to the difficulty of young people being thrifty.

There is not the slightest doubt but that the entire social-security program is in great need of study and reevaluation before it is expanded. A commission, made up of the type of people you describe, would be the only body which could produce a sound study. This should be made up of economists, physicians interested in the care of the aged, and what might be called citizens of the national community. Professional welfare workers would be a menace. The commission could obtain all of the technical assistance needed and it is not necessary to include technicians in its membership. The greatest need is for an honest actuarial study of the situation—not the kind that is constantly being made by the Federal Security Administration.

I feel sure that every American who wants to keep this country a land of opportunity will support you wholeheartedly in your effort.

Sincerely yours,

PAUL R. HAWLEY, M. D.,
The Director.

THE MUTUAL BENEFIT LIFE INSURANCE CO.,
Newark, N. J., May 19, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Committee on Public Works,
Washington, D. C.

MY DEAR SENATOR: Your letter of May 16 about H. R. 6000 and about the deliberations of the Senate Finance Committee in connection therewith interested me greatly.

When H. R. 6000 was under consideration, I sent to several Members of the House of Representatives the enclosed letter, marked "A" in the upper right-hand corner. Incidentally, when this came to the attention of Representative ROBERT W. KEAN, he sent me a copy of Report No. 1300 of the House of Representatives, Eighty-first Congress, first session, which contains a report of a minority committee, of which Representative KEAN was a member. No doubt this document has come to your attention.

When the amendments to the Social Security Act were being discussed in the Senate, I sent to each of our New Jersey Senators a memorandum, a copy of which is enclosed and is marked "B" in the upper right-hand corner.

These will indicate to some extent my current thinking on this important topic.

My suggestion of the omission of the yearly increase in the benefit for each year of coverage (the so-called increment) is in harmony with the point expressed in the paragraph at the top of the second page of your letter.

In fact, I am becoming more strongly of the opinion that a straight pay-as-you-go plan would have much to commend it, not the least of the advantages being the ability to abandon the complicated and huge mass of records established and maintained in the Baltimore bureau to implement the terms of the act. Procedures which are sound and, in fact, essential in the operation of private insurance and annuity plans are not necessarily most suitable for public plans, and the management of the latter must be regarded in very broad terms.

The suggestion in the second paragraph of your letter that the matter be placed in the hands of a competent commission seems to be timely and likely to produce useful results.

Yours very truly,

JOHN S. THOMPSON.

THE VOLUNTEER STATE LIFE
INSURANCE CO.,
Chattanooga, Tenn., May 17, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: I am in thorough sympathy with the views expressed in your May 11 letter.

You ask that I write you about the objectives, the personnel, and the method of study that might be pursued by an independent commission on social security.

The objective is to obtain a workable system. It should have a minimum of administrative cost and bureaucracy. Clearly, it must be adjusted to the economic strength of the country. We should give an assurance of basic security to widows with children, to orphans, and to the aged. Equally, we must not destroy the incentive to save. This system should be separate from relief. The Federal Government should get out of the old age assistance programs of the individual States. Any system supported by taxes should aim to provide a floor of protection. It should avoid discrimination. It will not take the place of employer plans because the problem of retiring the older workers at a pension which will look reasonable to them and their fellow workers will remain.

As regards personnel of such a commission, Mr. W. R. Williamson (statement, January 30, 1950, before Senate Finance Committee) has listed tax men, business economists, financial men, demographers, and actuaries as typifying the thorough professional approach which should be given, and I would agree. It is important that the study should be in the hands of non-Government men. Also, sufficient time should be given for an adequate study; Mr. Hoover said a year.

If, as you say, men of standing—independent, competent, and informed in this area, are secured for this commission then they and their leader will probably be most competent to outline the methods to be followed. I think the principal members, of whatever profession or calling, should include the whole study as their field but each group should do the specialized work for which the members are best fitted. For example, I would expect that the group of actuaries on the commission would be particularly concerned with what level of benefits at what starting age can be provided by what tax.

I thank you for writing me and giving me an opportunity to comment on this matter of such vital importance. Unfortunately, due to the railroad strike or other reason, I did not receive your letter till yesterday and I hope you may get this in time for your purpose.

Sincerely yours,

A. E. ARCHIBALD.

CALIFORNIA-WESTERN STATES
LIFE INSURANCE CO.,
Sacramento, Calif., May 18, 1950.

Senator HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR CAIN: Your letter of May 12 in regard to social-security bill (H. R. 6000) was received.

I find myself of the same opinion as you express in your letter.

The Federal participation in providing benefits for old people on a means test relief basis is very wrong in my opinion. If it is not stopped it will ultimately annihilate the regular social security old age plan.

I do not regard myself as having enough information to criticize the present social-security benefits, but I heartily agree with the thought that something like the Hoover Commission should study them and make recommendations. I think such a commission might well include such men as Reinhard A. Hohaus, actuary of the Metropolitan Life Insurance Co. I have followed his reports and discussions of the social-security program for many years and regard him as well informed, sound, capable, and, I believe, in a position where he can be free to view the subject from the standpoint of the interest of the public and the Federal Government.

I would also suggest the name of William Rulon Williamson as a member of the actuarial fraternity, who is capable and intensely interested in the social-security program. If you are not in touch with him, you should most certainly appeal to him. His address is: W. Rulon Williamson, senior actuarial consultant, the Wyatt Co., 3400 Fairhill Drive, Washington 20, D. C.

Sincerely yours,

MARCUS GUNN.

AID ASSOCIATION FOR LUTHERANS,
Appleton, Wis., May 19, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: It was a pleasure and a very gratifying experience to receive your letter of May 16. I am pleased to know that there are those in the Senate, such as yourself, who are becoming increasingly conscious of the real implication contained in H. R. 6000.

I have, with great interest, followed the development of the social-security legislation and particularly the progress of the efforts of the present Social Security Administration to obtain revisions in the present act which can only break down further our system of free enterprise and the noncollectivist way of life.

I completely agree with Senator TAFT and many others who are finally realizing that the word "insurance" is very improperly used when referring to any benefits under the Social Security Act. Our social security program is not insurance at all. When stripped of its ramifications it is only a program which gives benefits to certain groups who qualify under the terms of the act. The program is supported by taxes also levied against certain groups, but there is no relationship between the taxes and the benefits. Such an arrangement is completely foreign to the true concept of insurance.

I am glad to know that you have concluded that you cannot vote for the bill containing the provisions of H. R. 6000. I believe that you are completely sound in urging that the social-security establishment be left as it is, pending a thorough completely independent investigation and overhauling. I believe you are also completely right in your statement that patching up unworkable social-security programs is bound to create more maladjustments than it cures.

I would urge you to fight hard for the establishment of some sort of Hoover Commission that would undertake the study along the lines which you have in mind. There are men of standing—independent, competent, and informed in this area who could help in this task. There are not so many as there should be. The field of social insurance, and all phases related thereto, is comparatively new and the problems involved are so vast that few competent minds have been developed which understand the real problems. Men like M. Albert Linton, president of the Provident Mutual Life Insurance Co., Philadelphia; R. A. Hohaus, actuary of the Metropolitan Life Insurance Co.; and W. R. Williamson, consulting actuary of Washington, D. C., are men who, in my opinion, really understand the ramifications of a social-security system, not only from the actuarial standpoint, but from the economic, social, and political standpoints as well.

As to the method of study that might be pursued by such a commission, I fear I have little to offer. It would, however, seem to me that whatever our eventual social-security system should develop into, it should be based on a policy and objectives which are completely nonpolitical. This is perhaps the greatest obstruction in obtaining an adequate study at this time. In the 15 years since social security was first spread across our Federal statutes, we have learned much which was not available at the time the Social Security Act of 1935 and the 1939 amendment were passed. I believe that the knowledge gained during that time has not been used adequately in the development of H. R. 6000.

The results of social-security systems on the Federal Government level throughout the world are certainly not compatible with the free-enterprise system which we so highly prize in our country. Real factual and competent analyses of all of these systems should be included in any study forming the basis of a recommendation for change in our social-security system.

Incidentally, I have noticed that just this week the Senate Finance Committee has approved a modification of H. R. 6000. The newspapers did not carry what I believe to be the major modification; namely, the provisions for benefits in the event of permanent and total disability. It is my understanding that the Senate committee eliminated that provision, and I am certainly glad to know that they did that much. In my opinion, if the provision for permanent and total disability were to be included in any revision at this time, it would be a great mistake. The inclusion of disability benefits brings an entirely new concept, entirely new administrative problems into a system which is already suffering from unworkable provisions. If the Senate committee did not eliminate the permanent and total disability provisions, this bill should be defeated on that score alone, in my opinion.

I am sending a copy of this letter to the two Senators from Wisconsin. If, in addition thereto, you would care to give me the names of other Senators who might be influenced by similar letters, I would be pleased to write them also.

Very truly yours,

WALTER L. RUGLAND,
Actuary, Fellow of the Society of Actuaries.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, May 19, 1950.

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

MY DEAR HARRY: Your letter of May 16, unfortunately, catches me in preparation for a brief western trip, and, therefore, I am unable to give you all of the help which you ask.

I am gratified, however, to find that the conclusion to which you have come on the social-security program is so much in line with my own thinking. Your thought that what is needed at this time is a thorough and independent restudy and assessment of the whole problem of social security is one in which I strongly concur. It is indeed important to oppose the pending social-security bill and to urge as an alternative the appointment of a commission along the lines of the Hoover idea.

At this time I am not in a position to comment on the matter of the personnel and method of study that might be pursued by such a commission. I do feel, however, that a study and review commission, if provided for, should be composed of men who are socially and economically liberal, but definitely sound in their monetary and fiscal views. It ought to be possible to find men of standing and competence who have these qualifications. Given a commission of this type, adequately staffed with technicians of broad training and experience in the field, I am confident that appropriate methods of inquiry and study will be developed.

You may be interested in some views on our social-security problem which I expressed in a recent speech. I quote them in full:

"Regarding social security, let me say at the outset that I think this is a field in which a great deal can be done to provide for a more stable expansion of consumer expenditures, which would help to bring about a more balanced increase in capital expenditures. But if we want such a social-security system we will have to change our whole approach to the subject.

"In the first place, it must be a Federal Government program and it must be greatly expanded in scope from the one that is in existence today. The Government should underwrite and guarantee for all of its citizens unemployment, income, education, health, and old-age security up to its ability to pay for such benefits and at the same time maintaining a climate that would produce sufficient savings and incentives to provide needed productive facilities for an increasing standard of living and an increasing population. By doing this, the Government would assure a basic level of purchasing power in the economy that would provide a certain market for a substantial share of the commodities and services produced by our industry and agriculture.

"Secondly, the social security benefits should be paid for currently out of general tax receipts. They should not be financed out of payroll tax receipts that have been accumulated over time in a large reserve fund. Payroll taxes are too heavy a burden directly on consumption and indirectly on investment and are therefore undesirable when what we need in the long run is increased private consumption and investment. Reserve funds have to find lodgment in Government obligations, the proceeds from which must be spent to pay for Government deficits or to retire other outstanding obligations.

"These ideas on Federal social security are by no means radical. I should like to quote from an editorial published in the New York Herald Tribune on March 2:

" 'What our social security system demands today is not a mere expansion of the existing structure; it demands first of all a thorough restudy of the problem and revision of that structure if it is to have any chance of carrying the much vaster needs now contemplated for it.

" 'The system was set up in 1936. Thirteen years' experience has established beyond serious question the principle of national and public responsibility for providing security against the hazards of old age and dependence; the same experience has at the same time led powerfully to the conclusion that the system was not well designed, that it is extravagantly wasteful, and in an important sense a virtual failure.

* * * * *

" 'It is impossible for such a plan to offer any insurance against changing price levels and particularly so when the very operation of the plan can have its inflationary effect. It cannot in any real sense save up through a reserve fund, when Government bonds are the only possible investment for the fund and its only "earnings" are those provided by the taxpayers who meet the interest on the bonds. However, the financing may be juggled, the provision for old age is a current cost on the community, coming in any given year out of the current production, and it is already an urgent question whether a frank shift to a current cost or pay-as-you-go system would not yield a structure far more economical, more equitable, more adequate to current needs and offering much more genuine security for the citizen's future than the present one.'

"I could not state my views on the social-security question more simply and directly than the editors of the New York Herald Tribune have done in that editorial.

"As a final point on social security, I should like to say that I think the recent growth in private pension funds is a very undesirable long-run economic development. I am opposed to this development primarily because I feel that the growth of these funds will tend to affect the functioning of the economy adversely in two important ways. They will result in the further accumulation of funds in reserves seeking low risk investment opportunities. This encourages Government deficits to provide securities to absorb accumulating reserves. They will also result in some redistribution of income from low to higher income groups. This will come about because the financing of private pension funds will increase the prices of goods and services that are purchased in the main by the low-income groups. The pensions will be paid, on the other hand, only to a few selected and relatively well-paid groups of executives and industrial workers.

"I am also opposed to the development of private pension funds on other economic grounds. They will discriminate against small companies, for only large companies can afford them. The growth of private pension funds will make it even more difficult for small businesses to survive in a world of industrial giants. Private pension funds will also greatly inhibit the mobility of labor from one firm to another for workers will be extremely reluctant to forfeit the pension

rights they have built up. They will also probably lead to discrimination against older workers, for employers will hesitate to employ people near the retirement age."

You will gather from these paragraphs that I am in full agreement with you that the matter of social security is one of "vital importance to the preservation of our system of free enterprise and the noncollectivist way of life."

Please be assured of my every encouragement to your effort to correct basic errors. If I can be of further help in this matter, please do not hesitate to call on me.

Sincerely yours,

M. S. ECCLES.

THE WYATT CO.,
Chicago, Ill., May 15, 1950.

The Honorable HARRY P. CAIN,
Committee on Public Works,
United States Senate,
Washington, D. C.

MY DEAR SENATOR CAIN: The matter covered by your letter of May 12 is most timely, and I am pleased to offer a few views on the social-security legislation now pending. These comments follow the points brought out in your letter and will necessarily be brief.

First of all, I agree that a thorough review by an independent commission formed of experts in various fields (among others: social insurance, economics, law, finance, and actuarial science) is essential to the construction of a sound program. The present method of separating old-age benefits between insurance and assistance is little short of ridiculous, in my opinion, and merely affords an excuse for poorly conceived and loosely administered relief programs by the States. Furthermore, it appears that administrative difficulties in the way of universal OASI coverage are more fancied than real, and result from thinking which is restricted to the framework of the present law. That old-age benefits might well be provided on a different basis seems never to have occurred to many advocates of H. R. 6000.

Unless a suitable method of administering universal old-age benefits is devised, and unless the total present burden is properly related to social-security taxes on a pay-as-you-go basis, we are going to be faced with public misunderstanding of the true costs and many unsound proposals for increased benefits. I believe in getting the OASI payments up and the assistance payments down, as soon as possible.

Like you, I am opposed to the keeping of detailed wage records to determine benefits, and believe that social benefits, being in the nature of subsistence, are properly divorced from the concept of individual equity—the range in possible benefits under the present law, according to earnings level, is quite narrow already, and hardly justifies the detailed record-keeping—a proper flat benefit under present conditions might be between $50 and $75 a month. Likewise, for receipt of benefit, consideration might be given to an age condition alone, although it might be desirable to deny benefits to anyone who has not filed a personal income-tax return for a specified minimum period of years—such return possibly including a special line for the social-security tax.

A change in the qualifications as indicated should silence the schemes for stamp books and other complicated administrative procedures, as well as induce greater honesty in the submission of tax returns. In connection with the latter, assuming that a simple method could be found to correlate information between the Treasury Department and the Social Security Board, there would be no objection to scaling the benefits over a moderate range, according to income reported in the return. This feature might, however, have to be omitted entirely.

Because of the future load on productive workers to carry the old-age pensioners, I am not sure that I favor automatic payment regardless of earnings status, even though this would simplify the administration. Particularly, I do not think it wise to contemplate age 65 as the automatic age at which payments are to begin, whether or not an employee continues to work, since it may well become necessary or desirable to retire the average employee at a later age in the future.

I look forward to hearing of your success in furthering this important project.

Sincerely yours,

FRANK L. GRIFFIN, Jr.,
Vice President and Actuary.

JOHN HANCOCK MUTUAL
LIFE INSURANCE CO.,
Boston, Mass., May 19, 1950.

Hon. HARRY P. CAIN,
Member, United States Senate,
Washington, D. C.

MY DEAR SENATOR CAIN: I was very much interested in the comments in your letter of May 12 with reference to H. R. 6000 and the social-security problems related thereto. It is easy to understand why you have concluded that you cannot vote for the provisions embodied in H. R. 6000 nor in the forthcoming Senate version thereof and why you are urging instead that "the social-security establishment be left as it is pending a thorough and completely independent investigation and overhauling."

In particular, you question the necessity of the dual system of Federal old-age assistance and old-age and survivors insurance; you favor a pay-as-you-go system with age as probably the only qualification; you favor providing a reasonable floor of pension benefit which would leave room for personal thrift to make up the balance; and you favor retaining the present taxable maximum of $3,000 of annual earnings.

You have asked my views on this question, including "the objectives, the personnel, and the method of study that might be pursued" by the special commission which you have in mind.

In reply I am pleased to state that I share with you your general apprehension about our social-security program as it now stands and that H. R. 6000 is not the way to solve the problem.

1. I agree with you that there is no justification for permanently continuing the present dual system of Federal old-age assistance and old-age and survivors insurance. The question of abandoning the Federal assistance program and the means by which this is accomplished, is a subject requiring very serious consideration.

2. I would place more emphasis on the pay-as-you-go system and would favor a relinquishment of the present deferred-benefit system, which by its nature implies the accumulation of reserves.

In this connection, you may be interested to know that in 1944 and 1945 I was a member of a special legislative commission appointed to study the retirement systems of the Commonwealth of Massachusetts and its political subdivisions. This commission recommended the use of a nonreserve basis as far as public funds are involved, the annual appropriation by the appropriate governmental unit of the share of the total pensions to be paid from public funds, and the very gradual release of reserve funds previously accumulated under predecessor systems, as they become needed to partially offset the rising costs due to increasing pension loads. This recommendation was adopted and the anticipated beneficial results are being slowly realized.

3. The objectives of the contemplated study might include such topics as—

(a) The extension of the social-security system to cover the millions of people now excluded. This phase of the study should include not only the question of including in the system more groups presently employed, but also the present retired aged in the population who are not under benefit in the old-age and survivors insurance program. This phase of the study would depend partly on the solution to the problem in the next following item.

(b) Consideration of the problem of removing the Federal Government from the assistance field by bringing all, or substantially all, the present aged into immediate benefit and by removing all Federal assistance to the States, leaving to the States or municipalities the entire problem of aid to any persons not covered, or not amply enough covered, by the old-age and survivors insurance system.

(c) Consideration of the respective merits of various types of benefit formulas, the degree to which such formulas should depend upon wages earned prior to receipt of benefit, and the associated problem of the administrative costs of maintaining wage records.

(d) Retention of the provision for lump-sum benefits only in cases where no other benefits become payable.

(e) Reconsideration of the schedule for increasing payroll taxes in the light of the program finally adopted.

(f) Increase from $15 to $50 a month in the amount of earnings permitted without loss of social-security benefit (no limit after age 70).

(g) Study of proper integration of private pension plans and social-security benefits.

In this connection it will be difficult, if not unwise, because of serious overlapping, to extend social-security benefits to various classes of public employees already amply provided for under pension plans supported in large part by public funds at State and municipal levels, as well as at Federal levels. In the case of pension plans applicable to nonpublic employees, benefits may be adjusted relatively easily to reflect those available under the social-security program. This is not the case with plans covering public employees since such plans arise from special legislation, the amending of which is difficult to accomplish.

(h) Encouragement for extension of private contributory pension plans to supplement the floor of coverage provided by social-security benefits.

(i) Question of enforced retirement at age 65 of employees who are able to stay in employment.

(j) Employment opportunities for elderly people.

(k) Problems involved in the care and housing of the aged.

(l) Consideration of the governmental level at which the problems in (j) and (k) are to be handled.

(m) Inadvisability of providing for a system of total and permanent disability benefits on a Federal basis, and the advisability of handling such benefits, if at all, at a State or local level, possibly on the basis of a means test.

4. As to the personnel of such a commission, I assume above all that it should be nonpartisan and that it should include representatives from the fields of industry, labor, farming, medicine, social services, and insurance. The representative organizations functioning in these fields can furnish you with the names of suitable and qualified representatives. For the life-insurance industry, I would suggest you communicate with Mr. Bruce E. Shepherd, manager, Life Insurance Association of America, 488 Madison Avenue, New York 22, N. Y.

5. I would urge you to refer to the papers on Social Budgeting developed by Mr. W. R. Williamson, at present a consulting actuary residing in Washington, which outline a solution to our present social-security difficulties. I refer you also to the speech of

the Honorable CARL T. CURTIS, of Nebraska, in the House of Representatives on October 4, 1949, with which you are undoubtedly familiar. I believe, also, that the writings on this subject by the two actuaries, Mr. R. A. Hohaus and Mr. M. A. Linton, would be valuable. As you may know, the former is an actuary connected with the Metropolitan Life Insurance Co. and the latter is also an actuary, serving as president of the Provident Mutual Life Insurance Co.

6. As to the method of approach, I assume that this would consist of a period of intensive study by the special commission, followed by public hearings. In this connection, I would call your attention to the recent study made by the Brookings Institution in connection with social-security problems. Undoubtedly such a commission should seek the advice of experts in the various fields to which the problems are closely related.

In closing, I would like to stress above all that any revision of benefits under our social-security system should not elevate such benefits above a reasonable maximum floor level and that ample room should remain for additional benefits to be provided above such level through regular employee and employer pension schemes and other vehicles designed to encourage and stimulate individual effort.

I trust that you will find these comments of help to you in your investigation of this very important problem.

Sincerely yours,

HAROLD A. GROUT,
Vice President and Actuary.

BANKERS LIFE CO.,
Des Moines, Iowa, May 18, 1950.

Senator HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR: It was a pleasure to receive your letter in regard to the social security bill (H. R. 6000). The bill in its original form seemed to me to go too far and I am glad that the Senate committee has taken out some of the features from the original bill.

It may be that this bill has gone so far through the legislative process that it is not possible to postpone consideration of it, but, of course, that is in the hands of Senators and Congressmen.

I sincerely hope that before any more tinkering is done with the Social Security Act, Congress will appoint a broad committee which will study not only the Social Security Act, but the whole broad problem of social benefits which at present are covered in many different acts. When we deal with the whole problem piecemeal we are very apt to find overlapping benefits, omissions, conflicting doctrines, and many other things of that sort.

In a pioneer society the people upon whom misfortunes like disability, unemployment, the declining powers of old age, blindness, etc., do not starve but in various ways they are taken care of by society, either in the form of relatives, local authorities, charities, or by government. In all such cases, these unfortunates receive a basic minimum amount from such sources. It must be remembered however, that all such amounts spent for adult unfortunates as well as the amounts spent to raise our children to the age when they go to work must be provided from the national income of those who are at work, and by those, I mean individuals as well as the legal entities we call corporations.

In our more complex civilization, the doctrine has arisen that these people and children must be taken care of by a more centralized body than in the pioneer society, and consequently, we have the Social Security Act, unemployment insurance, aid for children, and blind and other retirement acts. The benefits under all these plans just as in the pioneer society must come out of the national income of individuals and corporations. It is most important that we keep this in mind and that we do not raise the benefits of any of these various plans to a figure that makes the whole cost too much of a drain on the sources of contributions. It is, therefore, vitally important that we survey the whole picture as one unit instead of, as I have already mentioned, tinkering with first one piece and then another piece.

Now to return to the Social Security Act itself. Back in 1935, it was most unfortunate that the insurance idea used in individual annuities and pension plans got mixed up with the Government's plan. A governmental, compulsory plan is entirely different from the usual insurance plans because the Government has the power of compulsion. In a private plan, since there is no compulsion, it would be quite the natural thing in human nature to postpone buying insurance until one is ill and to postpone buying an annuity until one is about to retire. We have seen the troubles of assessment companies which had no power of compulsion. It is for this fundamental reason that all insurance plans require the accumulation of reserves. When one comes, however, to governmental plans with the power of compelling people to join, we can very well use a pay-as-you-go system or one that is practically that. The insurance concept in the original Social Security Act has led us into all sorts of novelties such as taking care of those already old in a different manner to those in the plan. This other plan, old-age assistance, has not worked out at all as it was originally thought and instead, it is growing rapidly while the insurance social security concept is growing slowly.

The whole question is a very involved one. I hope that I am not boring you with a few of my thoughts. I sincerely hope that Congress will take its time to look thoroughly into the over-all problem and that it will appoint a broad committee who will carefully consider the whole problem of social benefits and all its ramifications and study the road in which we are going. I firmly believe that if this is done, we will clearly understand and be able to plan for methods of taking care of unfortunate people in our system of free enterprise but we must approach the problem with our eyes open or we may very well find ourselves with a system that has all the glittering promises that are held out by collectivist systems of the world which in reality are a cloak for slavery.

I hope our paths cross some day before long so we may chat at greater length than is possible in a letter.

With best wishes.

Sincerely yours,

E. M. MCCONNEY, *President.*

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK,
New York, N. Y., May 18, 1950.

Hon. HARRY P. CAIN,
Committee on Public Works,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: In response to your letter of the 11th of May concerning social security legislation, I quite agree with you that a thorough and completely independent investigation is required of our social security program. Also, I am favorably disposed toward a pay-as-you-go system with the retirement payments linked to a payroll tax.

The commission selected to study the social security program, should be nonpartisan, nonpolitical, and composed of highly qualified experts. Such men, I feel certain, could be obtained from universities and also from the business world. Time will be required for such an investigation in order that the report may be searchingly thorough. A hazardous guess is it would take at least a year from the time the committee is appointed before the report is completed.

I appreciate your letter and would be happy to be of any assistance I can.

Sincerely yours,

B. H. BECKWORTH,
Professor of Banking.

GROUP HOSPITAL SERVICE, INC.,
Wilmington, Del., May 22, 1950.

Hon. HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: I was extremely interested in your letter of May 13, setting forth your views on the present social security program and your thoughts concerning the need for a change in our thinking concerning such legislation. I agree with you in the points you covered in your letter.

To confuse old-age assistance and old-age and survivors benefits with insurance as is ordinarily construed to cover other hazards is fundamentally wrong. In my opinion the setting up of a so-called insurance fund to cover a situation which, while remote, nevertheless is predictable insofar as we know that it is going to develop and only unpredictable insofar as we cannot now assess its magnitude, is overly optimistic thinking. Why we should not, as you suggested, adopt a realistic and practical approach to this problem by putting it on a "pay-as-you-go system" I cannot understand, unless it is because of the fact that the magic in the use of the word "insurance" insures the sale of the idea to the American people.

Everything contained in your description of the system as you visualize it I personally feel is logical and practicable. Certainly it would have the effect of placing squarely before the people the question of whether or not they wanted to embark on such a program, and from time to time would serve to remind them, at the time of the budget for the forthcoming year, of the inevitably mounting costs of such a program even on the conservative basis on which you outlined it. Actually, such a program, as I see it, would be no more than a universally administered relief fund, offered without the necessity of a means test.

I have given relatively little thinking to the subject of exactly how this program might be investigated, but it would seem to me that as a matter of course a commission established for this purpose would need to rely heavily on the services of population experts as well as actuaries and experienced statisticians. I have no doubt that in many insurance companies as well as in a number of universities there are men of this ability who would be competent to view this problem in an objective and dispassionate manner. A commission embarking on such a study should hope to arrive at a reasonable computation of the year-to-year cost to this country for the kind of program you outline at some date in the future, for example, 1960, with alternative costs based on greater or less benefits. Such a group should recognize the fallibility of putting these costs on anything but a percentage basis or in some terms which would make the cost understandable in terms of future inflation. For example, our recent upswing in pension demands is a sobering reminder of the fact that sums set aside for old-age benefits today may prove to be entirely inadequate in the expanding-economy era of the future. Mere dolarrs set aside, therefore, are likely to constitute a poor yardstick of actual cost to the Nation as compared to some other method of expression.

It would seem to me that the first field of exploration on the part of such a commission as you suggest should be an attempt at an honest appraisal of the amount the American people are willing and able to contribute

to such a program, on the assumption that it will be applied currently to the entire population over a certain specified age. This, I think, should be a matter more for the unbiased interviewer than for the social worker or social planner who would be apt to begin such an undertaking with very preconceived ideas as to public desires, both as to the receipt of funds and the expenditure of them.

Fundamentally, of course, such a survey should be made by a bipartisan group, not addicted to any specific program but sufficiently conscious of the need for some reasonable and intelligent assistance. I think that such men can and should be found.

I hesitate to write on a subject on which I am comparatively uninformed and have developed ideas only as a sort of bystander in the field of social insurance. I am really regretful that more specific plans and ideas as to the personnel which might implement such a study are not within my grasp, but I want you to be assured that I thoroughly concur in your feelings and would willingly help in any way that I can to bring about the approach you so ably recommend.

I should like to suggest that Mr. Allen B. Thompson, vice president and actuary of the Associated Hospital Service of New York, New York City, from his wide experience in the Blue Cross and Blue Shield field, and Mr. Max S. Bell, vice president of Continental American Life Insurance Co., Wilmington, Del., might offer you some worth-while suggestions.

Sincerely,

H. V. MAYBEE,
Managing Director.

WOODMEN ACCIDENT CO.,
Lincoln, Nebr., May 22, 1950.

Senator HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: Thank you for writing me as you did on May 15 regarding the social-security bill, H. R. 6000, on which a report will shortly be rendered by the Senate Finance Committee. We have followed the development of this legislation both in the House and during the hearings before the Senate Finance Committee and are in complete accord with your conclusion that H. R. 6000, if passed or enacted with the amendments proposed by the Senate Finance Committee, would constitute nothing more nor less than a perpetuation of the unsound existent system. You are undoubtedly familiar with the minority report of Representative CARL CURTIS, who is a member of the House Ways and Means Committee. Mr. CURTIS represents the First Nebraska District and I am one of his constituents. I am in complete accord with Mr. CURTIS' conclusion and the position which Senator BUTLER, of Nebraska, has taken in regard to this legislation.

You have summarized the situation, as I see it, when you state that "patching up the present unworkable social-security program will create more maladjustments than it cures." If we accept the notion that the Government must provide some benefits for the aged and the indigent, certainly common sense dictates that the whole social-security situation be surveyed in an objective manner by people who can bring a disinterested point of view to bear on the problem. As you well know, it is most unlikely that such objectivity can be found in the Federal security agencies. I heartily endorse the study that you propose. I hope that Congress in its good judgment will vote such a survey and will delay taking any action on amending the present system until the results of such a study are available. I believe that competent personnel who do not have an ax to grind can be found to conduct such a study. Their objectives should be to determine to what extent the Government should accept responsibility for the aged, the orphaned, and the widowed, and by what means provision can be made for them. Certainly in a time when the economy of the country is strained by the necessity of carrying on a cold war it is folly to heap additional heavy burdens upon the taxpayer in order to indulge in reckless social experimentation. You are to be congratulated upon your courage in taking the position that you have in this matter.

Cordially yours,

E. J. FAULKNER,
President.

THE NATIONAL UNDERWRITER CO.,
Chicago, Ill., May 22, 1950.

Senator HARRY P. CAIN,
United States Senate,
Committee on Public Works,
Washington, D. C.

MY DEAR SENATOR CAIN: For a variety of personal and business reasons, I have not been able to give the kind of attention to replying to your May 11 letter propounding social security questions that it deserves.

I am complimented by your inquiry and I only wish that I could offer some helpful suggestions. In general I find that I concur in your thesis and especially do favor the idea of a thoroughgoing study of the whole social-security system and theory. There is, I believe, no urgency for legislation today; there are no great and reasonable wants that cry for satisfaction at this moment. Moreover as time goes on, the evidence of experience may point strongly in one direction or another. Hence the kind of study that you envisage can be afforded and would be a wise plan.

The make-up of the commission would be all-important. It could very well embrace men with capacity to understand the whole of a problem and with intuitive and imaginative qualities, but who have not been deeply involved with social-security matters. It would presumably be necessary to include individuals representing various elements of the population and with considerable social-security background. But to get together simply a group of men who have been more or less living with this problem for the past 10 or 15 years, I think would accomplish little.

Necessarily these men have developed attitudes that are more or less frozen and they may have a record of consistency to maintain, they may cling to answers that were good on the evidence of 10 years ago but are questionable today. What would be good would be a balance between men steeped in this thing and men with the capacity to come to grips with such a monumental problem but without serious prior exposure to it.

While I do not have any specific names to suggest, it occurs to me that the places to look for those with the desired endowments are on the bench, among churchmen and college presidents (perhaps freshly retired), I think I would depart from your specifications as to the type of commissioner wanted to the extent of deemphasizing "informed in this area" at least insofar as some of the members are concerned. It is my observation that the best informed in this area are the most dogmatic, the least disposed to take a fresh look, to permit factors other than those to which they are wedded to circulate in their consciousness. That is entirely human and natural and a product of age. I remember that advisers in setting up the system originally in 1935, very shortly saw the mistake of too slavish copying of the private insurance reserve principle in the field of public pensions, and they had not become too brittle to change direction. Today that same group, I think could hardly be expected to read the signs so clearly and change direction so readily. These informed men would bring attitudes, facts, opinions, background and history to the council table, but it seems to me that there is a place for men who can evaluate all this welter of viewpoint, who can see a problem, simplify it, project the answers into the future and come forth with a crystal-clear analysis.

Your letter is proof of your statesmanlike approach to this bewildering problem and it deserves a far more penetrating reply than I have been able to give. It is perfectly clear that there are no absolute principles in this field that are clearly apparent today and you are most assuredly on firm ground in advocating as today's step, a superior type of study.

You have my very best wishes.

Faithfully yours,

LEVERING CARTWRIGHT.

SEATTLE, WASH., *May 22, 1950.*

Hon. HARRY P. CAIN,
United States Senate,
Washington, D. C.

MY DEAR SENATOR CAIN: It is encouraging to know that you have given such serious consideration to the character of our present social-security legislation and the various proposals to amend it. I find myself in complete agreement with your position, both with respect to the discriminations involved in our present social-security system and with respect to the folly of attempting to cure these discriminations by a patch-work job such as is proposed by H. R. 6000.

It seems to me that the fundamental misconception involved in the present social-security legislation is the idea that John Doe Citizen is saving through social-security taxes some money which will help him take care of his old age. What John Doe Citizen needs to understand is that the social-security taxes which he now pays are used for current Government expenses, including payments to those who are now eligible for social-security benefits. In turn, John Doe Citizen will get his social-security benefits, not from what he has saved during his working years, but from taxes paid by John Doe, Jr., and other taxpayers of future years. What he receives will not bear any relationship to what he paid in taxes.

The social-security law was originally conceived as a law which would provide subsistence benefits and the dollar benefits now in the law were determined in the light of the purchasing power of the dollar in 1939. As the value of our dollar changes, we can expect the amount of benefit to be changed from time to time so that it will continue to provide subsistence benefits. It is apparent that in the long run the benefit that John Doe Citizen will get will be much more dependent upon the changing value of our currency than upon John Doe's wage record.

It is wasteful, and therefore it is stupid, to build up a cumbersome record of wages for the millions of citizens who have come under the social-security system. Because the value of the dollar is not a fixed but a changeable thing, most of the wage records which have been accumulated will ultimately be useless.

It is foolish to build up two systems of providing subsistence benefits for older citizens; one which we call assistance, and give only to those who can prove that they are in need, the other we call insurance, because those who are in the insured group have paid a special tax. The contradictions of the dual system are pointed up by the fact that many persons eligible for the insurance benefit claim the assistance benefit because it is greater.

When it comes to specific suggestions as to personnel I naturally think first of those in my own profession who have been concerned with the technical problems of insurance, annuities, and pensions. I would particularly suggest the following:

W. R. Williamson, 3400 Fairhill Drive, Washington, D. C. Mr. Williamson was actuarial consultant for the Social Security

Board during the first 10 years that this law has been in effect. He has probably given more serious thought to the fundamental problems of this law than any other man in this country. He is currently senior actuarial consultant to the Wyatt Co., a firm of consulting actuaries and pension consultants.

Joseph B. Maclean, Yarmouth Port, Mass. Mr. Maclean was formerly vice president and actuary of Mutual Life Insurance Co. of New York and is a past president of the Actuarial Society. He is the author of the well-known reference book Life Insurance. While Mr. Maclean is now retired he is carrying on an independent consulting practice and is a man of considerable vigor and exceptional competence.

Thomas A. Phillips, chairman of the board, Minnesota Mutual Life Insurance Co., St. Paul, Minn. Mr. Phillips is a past president of the American Institute of Actuaries. I believe that his present company duties are such that he can spend a considerable amount of time on a project such as the one we are now talking about.

The following men are all of outstanding competence in the professional field and have given considerable attention to social-security problems. However, most of them have substantial executive and administrative responsibilities in their companies and it might be difficult for them to arrange to devote the proper amount of time to such a commission as you propose:

Edmund M. McConney, president, Bankers Life Co., Des Moines, Iowa. Mr. McConney is now president of the Society of Actuaries. (This is the main professional body representing life-insurance actuaries on this continent and was organized last year as a consolidation of the Actuarial Society and the American Institute of Actuaries.)

R. D. Murphy, executive vice president and actuary, Equitable Life Assurance Society of New York and a former president of the Actuarial Society.

M. Albert Linton, president, Provident Mutual Life Insurance Co., Philadelphia, Pa., and a former president of the Actuarial Society.

R. A. Hohaus, actuary, Metropolitan Life Insurance Co., New York, N. Y., and a former president of the American Institute of Actuaries.

A. J. McAndless, president, Lincoln National Life Insurance Co., Fort Wayne, Ind., and a past president of the American Institute of Actuaries.

Henry Beers, vice president, Aetna Life Insurance Co., Hartford, Conn.

Ronald G. Stagg, president, Northwestern National Life Insurance Co., Minneapolis, Minn., and vice president of the Society of Actuaries.

Clarence Tookey, actuarial vice president, Occidental Life Insurance Co. of California, Los Angeles, Calif., and vice president of the Society of Actuaries.

What I have said above merely repeats thoughts which obviously have occurred to you and to other legislators who have bothered to look behind the form of our present social-security laws to their substance. The arguments for a thoroughgoing revision of those laws have been forcibly set forth by Representative CARL CURTIS in his minority report on H. R. 6000.

You have asked for my views on the objectives, personnel and method of study which might be employed by a commission to make a fundamental study of the social-security program. The problems that such a commission would have to face would be very broad and I have not had an opportunity to give the matter much thought. However, for what they are worth, here are some views on the subject:

OBJECTIVES

The assignment of this problem to a commission should make it clear that the fundamental objective of the present social-security system, namely, the provision of an economic floor of protection for all citizens of the Nation, is to be preserved. However, the Commission should be empowered to explore possible alternative systems for accomplishing this objective. The Commission's work should include the following:

1. It should examine the present system from the standpoint of the ability of the Nation to carry out in the future the promises which the social-security legislation makes to our citizens today;

2. It should examine the relationship between the old-age-insurance program and the old-age-assistance program, with particular reference to the equity or inequity of treatment of citizens in different classes, such as the present aged who are eligible only for old-age-assistance benefits, the present aged who are eligible only for some old-age-insurance benefits, those who are eligible for either, and those who are not eligible for either one, the self-employed, the worker who shifts from covered employment to uncovered employment, or the reverse, and finally the employed taxpayer in uncovered employment;

3. If the Commission finds the present system to be defective or inadequate it should be authorized to recommend whatever revisions it finds most appropriate.

METHOD AND PERSONNEL

Such a commission should be composed of persons whose training and ability are such that their recommendations can be expected to be satisfactory to all political factions. This is perhaps an ideal which cannot be attained in our present political atmosphere. Nonetheless, the Commission should be composed primarily of persons who will seek and accept facts regardless of whether or not they agree with their preconceived ideas, and who will form independent judgments from those facts. It should contain persons who would command the confidence and the respect of the leaders of both major parties. It should have a staff drawn from sources outside the Social Security Administration but this staff should have the power to call upon staff of the Social Security Administration for any assistance or information.

I assume that any such commission should have representatives from other fields including educators, scientists, businessmen, and labor leaders, perhaps even some economists. You are probably much better equipped than I to suggest names of people in these fields who would be suitable and available.

There is an ever-widening realization of the unsatisfactory character of our present social-security legislation and a commission such as you suggest could be very valuable in hastening the day when the necessary fundamental revisions will be made. If there is anything which I can do to be helpful to you in your efforts to this end, please feel free to call on me.

Sincerely,

WENDELL A. MILLIMAN,
Consulting Actuary.

SOUTHWESTERN LIFE INSURANCE CO.,
Dallas, Tex., May 23, 1950.

The Honorable HARRY P. CAIN,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: I feel greatly honored that you should write to me as you did on the 11th of May. There was some delay in the mailing of your letter because it was not received in Dallas until the 18th.

For your convenience I recite my professional qualifications. I became a fellow of the Faculty of Actuaries of Scotland by examination in the year 1909. I am a past president of the American Institute of Actuaries.

I am very sympathetic to your proposal that the most important subject of social security should be exhaustively investigated by an independent committee. If such a committee is organized I think it would be most appropriate to call upon the president of the Society of Actuaries for recommendation of such members of that society as, in the opinion of the president, are experienced and capable of cooperation on a matter of great national interest.

Personally I am sympathetic to social security. I favor the establishment of social security on a pay-as-you-go basis. I recommend that basis because it will avoid the accumulation of great reservoirs of capital which would inevitably become the target for attack.

It is manifest that without in any way destroying the individual initiative that has made the United States of America a great country, there is a place for minimum benefits established by the Federal Government. I draw your particular attention to the fact that I say "minimum benefits." We should not be unmindful of the great progress that has taken place in recent years in public health, surgical skill, and medical care. These changes have promoted a vast increase in the expectation of life.

As a result of the great change that has taken place in the expectation of life there is a growing disproportion between retired workers and productive workers. Care should be taken that we do not saddle industry and the productive worker with a burden that many years from now might compel a retreat that would be deeply embarrassing to the Federal Government.

I am indeed sympathetic to your comment on old-age assistance within the several States supported by Federal subsidies.

Sincerely yours,

ARTHUR COBURN,
Vice President.

LIBERTY LIFE AND ACCIDENT ASSOCIATION,
Muskegon, Mich., May 22, 1950.

Hon. HARRY P. CAIN,
The United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I have before me a copy of the letter which you addressed to Mr. C. O. Pauley, managing director, Health and Accident Underwriters Conference, under date of May 15, 1950. As a professional actuary and as a private citizen, I am tremendously pleased to learn of your critically intelligent attitude on the above legislation.

Just as long as we have the present framework of the social-security system under which new promises of increased benefits—always on a deferred basis—we will be drawing closer and closer to ultimate disillusionment under which those have contributed the most will receive the greatest disappointment.

I do wish I knew of some way to express my feelings on this subject more effectively so that as a nation we would face the problem of care for the aged on a basis that would be economically sound and stable.

Respectfully yours,

W. H. MACCURDY,
Vice President and Secretary.

WEST NEWTON, MASS., *May 15, 1950.*

Senator HARRY P. CAIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CAIN: Thank you very much for your letter of May 12.

There is enclosed herewith a copy of a letter which I wrote to Senators LODGE and SALTONSTALL in regard to H. R. 6000. You will note that my views correspond almost exactly with yours.

There is also enclosed a copy of a letter which I sent to Senators LODGE, SALTONSTALL, and MCCLELLAN as chairman of the Subcommittee on National Legislation of the Massachusetts Medical Society. You will

note that this letter concerns itself with the medical aspects of H. R. 6000 and sets out our opposition to a Federal program of permanent total disability compensation.

In regard to a committee to study the problem, I was impressed by General Eisenhower's suggestion made before the New York Herald Tribune Forum that a group of outstanding experts in the field of social and economic problems be convened at Columbia University. While he did not go into detail in regard to the composition of such a group, my own inclination would be to exclude from participation those persons who are intimately associated with the Federal Security Agency and therefore have an ax to grind. You will recall that in the investigations carried on to date employees or former employees of the Federal Security Agency have played a dominant role behind the scenes. Any future investigations should avoid the possibility of this kind of criticism.

If I can be of any further assistance to you, please do not hesitate to get in touch with me.

Cordially,

CHARLES G. HAYDEN, M. D.

Mr. LEHMAN. Mr. President, I should like at this time to speak briefly in general support of H. R. 6000.

There are and will be pending, as the Senate knows, many amendments to the pending social-security measure. Most amendments, I understand, will be directed toward liberalizing the bill reported out by the Senate Finance Committee. I shall be inclined to support most of the amendments directed toward this end. I have introduced and joined with others in sponsoring some of these amendments. I shall speak on them again when they are called up next Thursday.

Before discussing amendments, however, I should like to make clear that in my opinion the Senate Finance Committee has done an outstanding job with this complex and difficult piece of legislation. The committee as a whole has shown a forward-looking attitude toward the problem, and the committee chairman, the senior Senator from Georgia, has earned the thanks and admiration of all of us in this great work which he has directed so skillfully and thoroughly.

The liberalization of the benefits in some categories and the extension of coverage in the Senate bill—while not as wide as I should like to see them—are long steps in the right direction.

It is comforting to realize that in this debate the question is not whether we should have social security. That is now accepted in principle by almost all of us.

It is to be recalled, however, that when the first social-security measures were originally proposed in 1935, violent opposition was offered both in the Congress of the United States and the Legislature of New York State, of which I was Governor at that time. Perhaps some may recall that in the Presidential election of 1936, the party on the other side of the aisle argued that social security was regimentation—that awful word—and that the American people were soon to be required to wear dog tags as a result of having social-security numbers. Happily that argument is now gathering dust in the attic of poltical discards.

Today the question is how much social security we should have and can afford and what is the best method for extending social security to as wide a sector of the population as possible. I congratulate those of my colleagues on the other side of the aisle who have come to this advanced position. At this point my argument with them is one of degree and not of kind.

Today I appeal to the Senate to liberalize the present measure—not merely to approve it. Today I speak to my colleagues in behalf not only of a social-security program but of a broadened social-security program—a program broadened beyond even the limits set forth in the Senate bill.

I cannot presume to be the administration spokesmen on this subject, but I think I speak the mind and will of the administration and of the intent of the Democratic platform—certainly of the platform on which I ran last year—when I say that the liberalization of the social-security program is our mandate from the people. That mandate is not only for the pending bill but for the liberalizing amendments which have been introduced.

Amendments which I and other Senators have sponsored would extend coverage to 2,000,000 more people than would be covered under the pending bill. Approximately 1,000,000 of these would be domestics, the group that possibly needs social-security coverage more than any other. One additional million would be agricultural workers.

One liberalizing amendment would increase the average benefit under the OASI program from an over-all average of $49 proposed in the Senate bill to an average of $55. Moreover, it would increase the maximum amount which could be obtained by an individual who has made his contributions for 5 years from the proposed level of $72.50 to a new level of $100—and for an individual who has worked and contributed for 20 years, to a maximum of $114.

In view of our present standard and cost of living, this is not a princely pension. It is only barely enough for a person to live at a self-respecting level and to maintain his health.

I recognize, of course, that the Senate bill is a vast improvement over the present law in this respect. The Senate bill proposes an over-all average benefit of $49 compared to the average of $26 provided under present law. Obviously, the present benefits have no relation to reality. That is best illustrated by the fact that the over-all average public-assistance grant to the needy aged in 1949—the so-called pension to the aged who have made no contributions—was $45, or almost $20 more than is now provided under the insurance system. I want to emphasize that to be eligible for these public-assistance aids, the so-called pensions, the aged individuals involved must pass a means test, must take a pauper's oath.

In many States today, including my own, these public-assistance payments to the needy aged are far higher not only than the benefits now available under the Federal insurance program, but, in some cases, higher even than those now proposed under the Senate bill. This disparity between a system based on insurance savings and a system based on outright grants to the needy must be wiped out. The emphasis must be transferred to the insurance system. The insurance system must be made more attractive than public assistance to the needy.

Even the average $49 pension proposed by the Senate bill is woefully inadequate, and lacks the essential element of recognition of the length of time during which the individual has contributed, and also fails to accept as a base for taxation a sufficiently high wage level. It does not recognize the fact that the monetary wage level of our working population has doubled in the past 10 years. The liberalizing amendments which will be proposed on the floor take cognizance of these real changes in the national situation.

Another vital liberalizing amendment would provide disability insurance on the same principle as that approved by the House. This provision might be expected to add approximately 500,000 people to the pension rolls by 1960. The average pension would be about $50 per month—certainly not an overgenerous amount. Still other liberalizing amendments would increase Federal grants for special assistance; yet other amendments would extend public assistance to Puerto Rico and the Virgin Islands, and thus honor our commitments to the people of those dependent Territories.

One further amendment would help finance more adequate medical care for the needy. The Advisory Council on Social Security recommended such a provision.

I know that there are some who will say that these measures are impractical or that they are luxuries which we cannot afford. My answer is simple: These are not luxuries but investments in the security and welfare of our people. These investments will earn for our Nation a liberal return in increased contentment and increased productivity.

This, I take it, is the object of the social-security program.

The able and scholarly senior Senator from Ohio may say that with these liberalizing amendments, we are providing for increased payments out of the social-security fund while making no provisions for increased payments into the social-security fund.

It is estimated that if all the amendments I have referred to are adopted, the increased cost to the fund over the projected period, which means until the year 2000, will be approximately 1½ percent of payroll.

I wish to say that in my judgment, after studying the experience of the past many years, I am convinced that a dynamic and expanding economy, and our steadily rising wage pattern will provide the increased collections which the increased expenditures will require. That has been our experience in the past; I am sure that will be our experience in the future. In my judgment there is no reason to increase the present schedule of social-security taxes beyond that already provided. If the need should arise, however, I would be perfectly willing to increase the tax schedule when that time comes.

At this point I should like to take a quick look backward and examine for a moment just what it is we are talking about when we talk about social security.

It might be worth while to recall that the quest for security is one of the most ancient in the history of mankind. Security against aggression and security against the natural hazards of life, of sickness, of old age, of drought, and of famine have been sought by men in various ways since the first dawn of time. As soon as people first developed the art of communal living, they took their first steps toward social security in its broadest sense.

External aggression being the greatest threat to security in ancient days, towns were built with great walls for purposes of security, armies and navies were assembled for security, constabularies and police departments were organized for security. In organizing these measures for security, the whole people were taxed in order to provide security for those who required it.

Later, when the need for financial security and health security gained recognition along with the need for security from theft and aggression, banks, insurance companies, and hospitals were organized for the security of individuals and of groups of individuals. The demand for security is neither new nor revolutionary. It is as old as man himself.

The fact that the present emphasis is on governmentally provided security against the hazards of sickness, unemployment, and old age merely recognizes the increasing complexity of society and the advancing status of our concept of social obligations. We now recognize that human life, itself, is a precious national resource. We realize that the conservation of that resource against the extraordinary hazards of twentieth-century existence is an essential function of government and is, indeed—as I have said—an investment in the material welfare of the Nation.

Today we all accept this fact, although some may not publicly acknowledge it. Political conservatives as well as liberals have certainly reached agreement on the desirability of social security. It has passed out of the realm of political controversy. Of course, there are still some few exceptions. There are some individuals who would, if they could, turn back the clock to another age. I doubt whether this point of view has any significant representation in this body.

Today we discuss the extent of social security, the exact amount of the benefits, and the specific groups which can be covered, and how to guarantee that the money will be available in the future when the swelling fraction of our population over the age of 65 reaches such proportions that the aged would be an unmanageable burden on the revenue resources of the Nation, unless provided for in an insurance system such as this.

By 1990, the percentage of our population over 65 it is estimated will be 13.2 percent, and the liabilities of the old-age trust fund will be of such a magnitude—and constantly growing—that unless some reserves are built up now, the national economy may have a liability which cannot be practicably met out of budgetary appropriations.

That is the reason for this insurance system, rather than for a straight universal pension system supported entirely by current Government revenues. I would like to see our old-age system enlarged now, and all the 11,500,000 of our aged covered under the system. I favor universal old-age coverage. This must and will be soon provided. That will be our next step.

Meanwhile, however, I think our public-assistance grants should be liberalized, but the insurance system should keep pace, in order that benefits based on earnings and contributions may in the not too distant future replace public-assistance grants altogether.

These are general goals. These are problems to be worked out. We must beware, however, of those who would call a halt to the insurance system, and to improvements in it, pending another study. Studies designed to delay action rather than to enlighten action are the most deadly device in the arsenal of the opponents of progress.

We debate today on the amount and kind of public assistance to extend through grants-in-aid to States and to Territories for their welfare activities for children, for the needy aged, and for the health of the people.

All these programs are part of the pattern of the welfare state. I need not tell my colleagues in the Senate that I am for the welfare state. The people, too, are for the welfare state. But some of my colleagues are inclined to confuse the concept of the welfare state with the conflict over Federal-State authority. They are afraid of federalization and say that they favor welfare activities by government, but only by State governments and not by the Federal Government.

I shall not enter into this argument today. But I want to point out that in the field of social security, the Federal Government, under the general-welfare clause of the Constitution, has a mandate to serve the people. If this can best be done by direct Federal action, it must be so done. If it can best be done through the States, that should be done. But to block action by insisting that the Federal Government may not provide for the general welfare in the field of social security because this is properly a State function is to deny our essential responsibilities and to fail the people in their basic needs.

While we weigh and debate the best method of accomplishing what we seek, we must remember that we are "one Nation, indivisible, with liberty and justice for all." That is what we say in our Pledge of Allegiance. That is what we must justify by action on the pending bill, and on the pending amendments to liberalize that bill.

Mr. BUTLER. Mr. President, there has come to my attention in recent years a deeply disturbing observation. People are saying that we are so far along the road to statism that we cannot possibly turn back, and so we might as well make the best of it. This, of course, is the most malicious nonsense.

If we are on the wrong road—and statism is the antithesis of democracy—then we must reorient ourselves. But we do not have to waste time going back. Far better, we can cut a new trail across country until we reach the right road off which we wandered.

Mr. President, it is because I sincerely believe that the road we are traveling in regard to social security is leading us away from American ideals and toward ultimate national insecurity and disaster that I am voting against H. R. 6000.

However, I do not advocate standing still, much less going back. On the contrary, I am offering you a new concrete proposal for a pay-as-you-go, full coverage social-security program which would give more protection to more Americans than H. R. 6000 and spell security rather than insecurity for our national economy.

The bad features of our present Social Security Act—and H. R. 6000 would in the main simply multiply them—these bad features fall into two broad categories: First, inhumanities, injustices, and undemocratic discriminations; and second, economic unsoundness.

So-called social security has been with us now for 15 years. Back in 1935, weary and discouraged from depression, many believed the promises then made by President Roosevelt that the magic formula of contributory, deferred-payment, social insurance would free us from the fear of poverty in old age. The Nation did not examine carefully who was in and who was out—but passed the Social Security Act confident that, by virtue of compulsory contributions, it was purchasing, in a dignified manner, adequate retirement pensions. There would be no more poorhouses; no more public charity; no more of the humiliation and grief of the means test.

Now, after 15 years, what do we find?

Out of our 11,500,000 men and women over 65, only around 2,000,000 are receiving OASI benefits as a right; and of these, 250,000 are forced to undergo the means test to qualify for supplementary local public assistance because their OASI benefits are insufficient. Two million seven hundred thousand who have not qualified for OASI—although many of them may have several years of contributions—are on public assistance with all the indignity that that implies. And over 6,500,000, not qualified for OASI and too proud to apply for assistance, receive neither the one nor the other. Many of them may be as worthy as those selected for the former and as needy as those subjected to the latter. In addition, according to the Bureau of the Census, the largest single group of these 6,500,000 forgotten old folks are widows who are not working and whose incomes range from $1,000 all the way down to zero.

In short, after 15 years, out of some 11,500,000 men and women over 65, we have only around 2,000,000 receiving insurance benefits and the rest—over 9,000,000—receiving public assistance or nothing.

Is this security or is it sand in our eyes?

Certainly it is not what we bargained for; it is not what the people of this country want; and it is not what they expect Congress to give them. If the

honest people of America really understood the restrictions and discriminations implicit in H. R. 6000 and there would be a referendum on the subject, I feel sure they would vote, as I will, against it.

H. R. 6000 discriminates against the present 9,500,000 OASI-excluded aged who cannot be brought in under the employee insurance formula.

My program, on the other hand, awards them immediate protection.

H. R. 6000 discriminates against all OASI ineligibles. To them it says: "If you are in need, declare yourself a pauper, prove you have no assets, no close relatives who might be made to support you. Open your books. Let a paid social worker snoop around and look under the rug to see that you have nothing hidden. Then as a public ward you will be sent a check made up partly of State and local taxes, partly of Federal taxes. But if you should have the luck to earn a few dollars, you will be cut off and run the risk of losing your place on the list."

My program wipes out the pauper's test forever and guarantees recipients the dignity of a pension. Under my program no social worker will darken their doors.

H. R. 6000 discriminates shamelessly against those unlucky OASI contributors who fall a fraction of a quarter short of insured status. As of January 1, 1950, for the 80,400,000 men and women who had contributed to OASI since the beginning only 43,700,000 had fully insured status. It is true that H. R. 6000 would extend eligibility to a few hundred thousand of the present aged, former OASI contributors—but only a few. Even so, for the future, H. R. 6000 still would cut people off from benefits entirely if catastrophe struck and if they missed their required number of quarters. In other words, the social-security system would remain a lottery system under this bill.

My program is free of all such capricious juggling of formulas and funds. Under my program the only qualifications are age and state of income.

H. R. 6000 would discourage elderly individuals from working, and so would reduce over-all production. Even under the new amendments if a man should earn $51 a month or more he would be cut off from all benefits. At the same time, he would be permitted as much unearned income as he pleased, without reducing his benefits by a single dollar.

My program puts no premium on idleness. Under my program a man can continue to work without being cut off from his pension entirely.

H. R. 6000 would exclude from OASI privileges some fifteen to twenty million of the gainfully employed—among whom are those most likely to be in need, such as marginal workers in domestic service, migratory farm labor, share croppers, and so forth.

My program would cover every American citizen.

H. R. 6000 would hand windfalls to retired bank presidents, and would supply less than enough to live on to old folks in the lower wage brackets. Although benefits would be increased between 85 and 110 percent, the poor fellow now drawing an OASI benefit of $10 a month would have that benefit increased only to $20—still not enough to meet the increased cost of groceries.

My program would leave no aged American with an inadequate income.

Under H. R. 6000, it would be possible for a man of 65 to qualify for benefits at the bottom of the ladder, with 6 quarters and a total contribution of $4.50. For this $4.50, if he retired immediately after his 6 quarters he would receive a primary benefit of $20 a month for the rest of his days. If his wife were the same age, with the usual life expectancy of 13 years for him and 15 for her, they would net for that original $4.50 investment. $4,826. However, a 65-year-old man earning $3,000 or over, would do even better. Under the same set of circumstances, he and his wife might expect to receive $17,373 worth of handouts from Uncle Sam—quite a nice prize. These figures that I have quoted are conservative estimates; and under particular circumstances, such as when there are a greater number of dependents and more years of life, the windfalls would come much higher.

What a contrast between this situation and that of the aged widow who receives absolutely nothing because her deceased husband barely missed acquiring sufficient quarters of coverage.

My program holds no such unjust, undemocratic, un-American distinction.

Now let us consider the economic aspects of H. R. 6000.

In the first place, OASI is not an insurance at all in the actuarial sense. This is readily understandable when a comparison is made between the total contributions and the windfall benefits of persons retiring during the first 20 years. Even with the rising payroll tax rate during the maturing years of the system, benefits far outstrip what the employee's contribution of tax would purchase actuarially. This means that other people must pay the actuarial margin of error. Not only is the employers' part of the tax passed on to the consumers in the form of higher prices, but the forfeitures of some contributors add to the windfall of others.

In addition, there is the question of what happens to the payroll taxes collected. Obviously the money cannot be kept safe and sound in a sack. It must, under law, be invested in Government obligations. The Government promptly spends the money, pays interest to itself from the taxpayers' pockets on the slips of paper in the Treasury and then, when these old-age-and-survivor-insurance I O U's fall due, must either float new bond issues or tax the people again to get the cash to pay benefits.

But by far the most dangerous element in the economics of H. R. 6000 is to be found in the rising costs of the dual old-age and survivors insurance—public-assistance system. OASI deferred payments increase precipitously as greater numbers retire on a high-benefit scale. If past performance is any indication of future trends, political pressures would continue to multiply the millions of Federal grants-in-aid for State and local public assistance.

Dr. H. G. Moulton, president of the Brookings Institution, in his preface to Cost and Financing of Social Security, by Lewis Meriam and Karl T. Schlotterbeck, declares:

> The old age and survivors insurance system in its present form involves constantly mounting costs over a 50-year period. Great confusion has been engendered in the public mind because of the assumption that these costs can be gradually provided for through the application of ordinary insurance principles. That is, it is widely believed that the social-security taxes now being paid furnish the resources from which the future benefits will be paid. The fact is that a practically universal governmental system cannot successfully apply the actuarial legal reserve devices of private, voluntary insurance systems. As the present system operates, no real reserve funds with which to meet future requirements are accumulated. The benefits will have to be paid out of future taxes.
>
> The future demands upon the Government for benefit payments—to be paid out of future taxes—will be so great that it appears to us essential that they be given full consideration now before the commitments are made. The demand for cash for benefits must be studied in the light of other governmental cash requirements for national defense, foreign relations, veterans benefits, interest on the public debt, and all other activities of Government.

The authors conclude with a recommendation for a true pay-as-you-go system under which persons now in need will have those needs met from current revenues.

Mr. President, during more than 3 months of public hearings and many weeks of executive session, the Senate Finance Committee labored to report Social Security Act amendments that would be fair and just to all Americans. However, we found that it was impossible to devise an OASI formula to make the present aged eligible for benefits or to cover those most likely to be in need—such as marginal domestics, migratory farm labor, and share croppers.

I strongly suspect that the majority of the Finance Committee is not only unhappy concerning the conglomerate amendments which have emerged, but, for reasons of justice and considerations of economy, would favor an honest pay-as-you-go social-security system. This is proven by the proposed committee resolution to set up a subcommittee specifically instructed to study pay-as-you-go systems.

During the hearings it became apparent that the opponents of the present system and of H. R. 6000 fall into three principal groups: First, those who would like to see a pay-as-you-go plan adopted, but who cling to the idea of contributions; second, those who wanted a pay-as-you-go, low, flat-rate floor of protection for all citizens without a means test; and third, those who believed, with the Brookings Institution, in pay-as-you-go protection for the aged, but on the basis of some kind of a means test, as the only system economically sound.

The proposal which I am about to outline is an attempt to incorporate in one universal-eligibility, pay-as-you-go social-security program the best features of these various points of view. That is: First, equal protection for all, under the law; second, freedom from the means

test; third, universal contributions; and fourth, economic soundness: pay-as-you-go, go-as-you-pay, on an income-tax, income-supplement basis, for all aged persons and dependent children whose income or means of support drop below a given minimum.

In a nutshell, my program is a universal contributory social-security system, in the sense that everyone with income would pay a special, earmarked income tax to support it; and thus, at some period of his life every individual would be consciously contributing to his own future security.

It is pay as you go, in the sense that the receipts for any particular year would be roughly the amount necessary to pay the benefits for that year.

It is go as you pay, in the sense that we would be doing for the old people today exactly what we expect the young people of tomorrow to do for those past 65 in their time.

Here is the plan: Every American citizen, aged 65 and over, will be entitled to an individual citizen's pension under the following conditions:

Every American man or woman aged 65 or over, whose income for the year ahead on the estimated income declarations currently used for income-tax purposes, amounts to a figure under $600, will receive a citizen's pension of $50 a month, or $600 a year—that is, $100 a month for a man and his wife, both 65 or over.

Every American man or woman whose income amounts to $600 or over will receive a citizen's pension of $1 a month less for every $50 more of annual income. In other words, if his or her income amounts to between $600 and $650, he or she will receive a citizen's pension of $49 a month or $588 a year. If his or her income is between $650 and $700, he or she will receive a citizen's pension of $48 a month or $576 annually. And so on. The pension tapers off to zero at around $3,000, although the repeal of the present $600 special income-tax exemption for persons over 65 will not make it worth while to apply for pension after the $2,450 level. If this income changes during the course of the year, the pension rate also will be changed.

In principle, the same system will apply to dependent children. That is, inadequacies in means of support will be made up in benefits on a graduated scale.

As to financing, although, on pay-as-you-go, the special old-age and dependent children's tax rate will be determined by the current outgo, and vice versa, it is thought that to support the pension schedule indicated, the initial tax will be about 5 percent of the first $3,000 of individual income. However, this 5 percent will not be a net increase in taxes for the following reasons: First, the existing OASIS payroll tax will be repealed; second, the greater part of the present local taxes required to support the State public-assistance programs will be unnecessary; third, a reduction of about 2½ percent in the regular income-tax rates on the first $3,000 of individual income will probably be effected, in recognition of the fact that the new system will relieve the Federal Government of substantially over a billion dollars a year in grants-in-aid to States for public assistance. At the same time, it might prove wise to abolish the existing $600 personal income-tax exemption for individuals 65 and over.

The advantages of this program, like the disadvantages of H. R. 6000, fall into two primary categories: First, social, and, second, economic.

Taking the economic advantages first: My proposal would mean tremendous savings in costs over the committee bill. I have been supplied with a preliminary cost study on my proposal by Mr. George Immerwahr, former chief actuary for old-age and survivors insurance, a distinguished authority in this field. The concluding sentence of his memorandum is as follows:

> When allowance is made for these further savings, it seems conservative to state that the adoption of this proposal in lieu of H. R. 6000 would produce an ultimate saving of $5,000,000,000 a year.

Instead of the gigantic, pyramiding costs of H. R. 6000, which may either bankrupt the taxpayer or destroy the value of the dollar in the years to come, my proposal provides a system well within the ability of the taxpayer to carry.

I am inserting Mr. Immerwahr's brief memorandum in the RECORD at the conclusion of my remarks.

Let me mention now the advantages of my proposal from the standpoint of the individual American, groups of Americans, and the Nation as a whole:

My proposal matches the equal opportunity of our American way of life with equal protection against loss of income in old age. It plays no favorite, offers no special privileges. It is just, nondiscriminatory, thoroughly American.

It assures every American, the richest as well as the poorest that if catastrophe strikes, he or she will be adequately provided for in old age. At the same time it puts the burden of responsibility on the individual to work and to save for his own old age and for his survivors.

It also makes the individual over 65 responsible for making an honest declaration of his income for the year ahead—just as now he is expected to make an honest income-tax return—and upon this declaration his citizen's pension is based. No investigation is anticipated beyond the usual Treasury sample check for fraud.

It frees every American from the fear of ever having to submit to the indignity of the means test in the event of income loss in old age. No one's neighbor will have to know whether Joe Doakes and his wife are receiving citizen's pensions—any more than the neighbors know the amount of income tax Joe Doakes now pays.

My proposal to abolish the means test will have a direct, immediate appeal for the approximately 3,000,000 present public-assistance recipients—not to mention any who might have to undergo the test in the foreseeable future.

My proposal to bring in the present aged will affect 6,500,000 persons, in addition to those 3,000,000 now on assistance.

My proposal for universal eligibility will affect 15 to 20 million farmers, sharecroppers, migratory farm labor, and marginal domestic servants.

My proposal to pay pensions on a graduated, income-loss basis will give more in pensions to greater numbers.

Organized labor will gain right down the line. It is true my proposal will reduce the over-all pensions of those few retired workers who hold a 25-year record of service with companies having no offset clause in their collective-bargaining pension contracts. However, it will give more to the vast majority of workers who are employed by small business and who change jobs every few years.

Farmers will approve my proposal as a guaranty of their traditional independence rather than in any way interfering with it. Rural areas generally will be emancipated from the oppression of public assistance.

State Governments will be relieved of a large share of their present financial outlay for public assistance. State funds will be freed for other necessary local developments, or for tax reduction.

The advantages of my program for the individual American, for important groups of Americans, and for the country as a whole, it seems to me, Mr. President, add up to an impressive total.

The 3,000,000 present aged on public assistance, the 6,500,000 present aged on neither OASI nor public assistance, plus the fiftten to twenty million of the gainfully employed who would remain uncovered by House bill 6000 amount to more than 25,000,000 Americans who will be benefited immediately by the adoption of my program.

Add to this the advantage to be won by the members of organized labor and by the farm population on top of the financial relief to State treasuries, and whom have we left against it? Those OASI contributors who might—but then might not—land a windfall. They are the only ones who would lose.

Mr. President, I am well aware that the change-over from one type of old-age security system to another will require the talents, time, and services of men of the caliber of the Hoover Commission.

Such a commission, for instance, will have to determine what do with the present OASI fund. It might be refunded to former contributors with interests in the form of bonds. It might be used for operations during the first year of the new system. It might also be held intact as an interest-bearing investment to cushion recession periods when incomes drop and appreciably more old people receive pensions.

Mr. President, to give the time and opportunity for such careful study as the committee already has recommended—to work out details of my proposal and to analyze and incorporate the best features of sundry other pay-as-you-go proposals, I am introducing as an amendment to House bill 6000, a stopgap measure of 2 years' duration.

This stopgap measure goes exactly as far as House bill 6000 in liberalizing eligibility requirements for the present aged. It increases benefits from the

present $10 a month minimum to $25 minimum with a maximum of $50. Thus it goes further than House bill 6000 for the lowest benefit groups and, during the interim period, meets the demand of the increased cost of living for all present beneficiaries.

My amendment strikes out all of House bill 6000 after the enacting clause except the portion relating to the unemployment fund. However, if any titles thus struck out, such as "Aid to Dependent Children" and "Aid to the Needy Blind," should be considered necessary during the interim 2-year period of my bill, I shall be the first to ask that the difficulties be ironed out in conference.

If I might stress one final point: This stopgap bill of mine meets the real, immediate need as well as House bill 6000 is supposed to meet it. It takes care of the urgent requirements—the injustices resulting from the fall in the purchasing power of the dollar; and it matches House bill 6000 in correcting certain eligibility inequities.

I know that many Members of Congress promised their constituents to provide more liberally for the aged by broadening social security.

This stopgap measure of mine goes as far as does House bill 6000 in providing immediate relief. My proposal for a universal-eligibility pay-as-you-go system provides more protection for more Americans on a more equitable, more democratic basis.

A vote for House bill 6000 would be a vote to multiply and perpetuate the injustices of our present system, for after the windfalls are once increased it would be many years before it would be possible to make constructive changes. A vote for House bill 6000 would also be a vote against the 9,500,000 old folks of today and the fifteen to twenty million of the gainfully employed who will never be eligible for benefits under this bill.

A vote for my stopgap measure is a way to make good on our promises—to offer hope to 25,000,000 more Americans.

Mr. President, I offer my full-eligibility, pay-as-you-go social-security program as an indication of the way to reach the American road, and I ask support from my colleagues on both sides of the aisle for my stopgap measure to give us the time necessary to reach that road.

Mr. President, in conclusion, I should like to insert in the RECORD at this point in my remarks a comparison of costs of the Butler proposal with those of House bill 6000.

There being no objection, the comparison of costs was ordered to be printed in the RECORD, as follows:

A COMPARISON OF COSTS OF THE BUTLER PROPOSAL WITH THOSE OF H. R. 6000

The proposal to pay a general benefit of $50 a month to all persons over 65 without a needs test, the benefit amount to be reduced or eliminated for persons who (according to their income tax returns) are in the higher income brackets (and to be made subject to offset for various other Federal pensions) has a distinctly higher cost than H. R. 6000 in the immediate years but results in an ultimate cost saving. The following table shows the estimated benefit costs of the proposal as compared with those of H. R. 6000, using for both the intermediate-cost assumptions used in the committee report on H. R. 6000. Use was also made of data re income of the aged, released by the Census Bureau, and appropriately adjusted to fit in with the conditions of the proposal. In the table, the proposal is extended to provide $35 benefits for orphan children.

[Money figures in billions]

Year	Gross benefit costs under Butler proposal			Corresponding benefit costs under H. R. 6000		
	Old age	Children	Total	Old age	All other	Total
1951	$4.6	$0.5	$5.1	$1.6	$0.5	$2.1
1955	5.1	.5	5.6	2.1	.6	2.7
1960	5.7	.5	6.2	3.0	.7	3.7
1980	7.2	.5	7.7	6.9	.8	7.7
2000	8.4	.5	8.9	10.0	.9	10.9

The above comparison is only partial, as it fails to take account of the Federal cost savings resulting from the elimination of Federal grants for OAA (old-age assistance) and ADC (aid to dependent children) and also of the fact that the administrative costs under H. R. 6000 would be largely eliminated under the proposal. The following table shows the net change in Federal costs when allowance is made for these factors.

[Money figures in billions]

Year	Increase of cost due to benefit payments only	Decrease in cost due to saving in administrative expenses	Decrease in Federal cost due to elimination of OAA and ADC	Net change in Federal cost
1951	$3.0	(1)	$1.1	+$1.9
1955	2.9	(1)	1.3	+1.6
1960	2.5	$0.1	1.4	+1.0
1980	----------	.1	1.2	−1.3
2000	−2.0	.2	1.0	−3.2

[1] Less than $50,000,000.

But even this latter table does not tell the full story. It fails to show the various Federal tax gains under this proposal, such as that resulting from the taxability of benefits and the denial of the double exemption to those older people who accept the benefits. It fails to show the savings to the States, whose assistance costs, though not eliminated like those of the Federal Government, will be at least reduced. Most important of all, it does not take account of the large savings that will result from the avoidance of overliberalization of Federal benefits far beyond the level of H. R. 6000, an overliberalization which is inevitable when we operate under a deferred-benefit system like that of H. R. 6000, with which it is so easy to yield to political pressures for benefit liberalization, since the structure of the system conceals its real costs.

When allowance is made for these further savings, it seems conservative to state that the adoption of this proposal in lieu of H. R. 6000 would produce an ultimate saving of $5,000,000,000 a year.

GEORGE E. IMMERWAHR,
Former Chief Actuary for Old-Age and Survivors' Insurance, Social Security Administration.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors' insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

Mr. SMITH of New Jersey obtained the floor.

Mr. KNOWLAND. Mr. President, will the Senator yield to permit me to make insertions in the RECORD, inasmuch as I have to leave the Chamber in a few minutes to attend a meeting of the Appropriations Committee?

The PRESIDING OFFICER (Mr. HILL in the chair). Does the Senator from New Jersey yield to the Senator from California?

Mr. SMITH of New Jersey. I am glad to yield.

Mr. KNOWLAND. Mr. President, I ask unanimous consent to have printed in the body of the RECORD, as a part of my remarks, a statement I have prepared in explanation of House bill 6000; and, immediately following it, in the body of the RECORD, I ask unanimous consent to have printed a communication I have received from the president of the Interstate Conference of Employment Security Agencies; a telegram from the vice chairman of the Iowa Employment Security Commission; a telegram from the secretary of labor and industry of Pennsylvania; a telegram from Mr. Ben T. Huiet, commissioner of labor of the State of Georgia; a copy of a telegram addressed to the Senator from North Dakota [Mr. YOUNG] from Governor Aandahl, of North Dakota; a telegram from W. O. Hake, former administrator of the unemployment-compensation program for Tennessee; a letter from the chairman of the Industrial Commission of Wisconsin; a telegram from the chairman of the Maine Employment Security Commission; telegrams addressed to the two Senators from Mississippi by Mr. C. B. Cameron, executive director of the Mississippi Employment Security Commission; telegrams addressed to the Senators from Wyoming by the executive director of the Wyoming Employment Security Commission; a letter from Mr. Frank J. Collopy, administrator of the State of Ohio Bureau of Unemployment Compensation, together with telegrams addressed to the Senators from Ohio: a letter from Mr. Donald P. Miller, commissioner of labor of the State of Nebraska, together with a copy of a letter he has written to the Senator from Nebraska [Mr. WHERRY]; a copy of a letter from the Department of Economic Security of the State of Kentucky, together with telegrams and letters sent to the Senators from the State of Kentucky; and a letter and copies of telegrams addressed to the Senators from West Virginia by the director of the West Virginia Department of Employment Security. I ask unanimous consent that all of them be made a part of my remarks in the body of the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The statement, letters, and telegrams are as follows:

STATEMENT BY SENATOR KNOWLAND

SCOPE AND PURPOSE OF UNEMPLOYMENT-COMPENSATION AMENDMENT TO H. R. 6000 SUBMITTED BY SENATOR KNOWLAND

The scope of this amendment is very limited, and the changes it makes in existing law are more of a clarifying and procedural than of a substantive nature.

The unemployment-compensation provisions of the Social Security Act were deliberately designed to insure State, not Federal, unemployment-compensation systems. So as to encourage the enactment of State laws to this end, the Social Security Act provided—

First, that States having approved State laws would be entitled to grants of Federal funds for the administration of those laws; and Second, that employers in States having approved State laws would be entitled to a credit against a Federal unemployment-compensation tax of 90 percent of that tax.

The Federal law required only that the State law contain a series of specified provisions. The provisions required for tax credit are set out in note (1) at the end of this statement, and those required for administrative grants are set out in note (2) at the end of this statement. States that enacted laws containing these provisions had to be approved by the Federal agency having jurisdiction. This function of approval of State laws is in no way affected by the proposed amendment.

In addition to the function of initially approving State laws as containing the federally-required provisions, there is an additional function specified in the Federal law (sec. 1603 (c) of the Internal Revenue Code) which is to be exercised annually. This additional function is the function of annually certifying to the Secretary of the Treasury (for the purposes of the employer credit against the Federal tax) States whose laws have been previously approved provided they currently meet two standards—

First, the State must not have changed its law so that it no longer contains the federally required provisions.

Second, the State must not have failed to comply substantially with any such federally required provision.

Both the initial function of approving State laws, and the annual function of certifying State laws for the purpose of the credit against the Federal tax, are now vested in the Secretary of Labor. For the purposes of

State eligibility for administrative grants, the Secretary of Labor also has the function of determining from time to time whether the State has denied unemployment compensation in a substantial number of cases to persons entitled thereto under the State law (sec. 303 (b) of the Social Security Act).

The effects of the proposed amendment on these various provisions can be simply stated.

The amendment first would make the phrase "changed its law" appearing in section 1603 (c) of the Internal Revenue Code read "amended its law." This change would clarify the meaning of the phrase and reaffirm the intention of Congress that only State legislative action shall be deemed to change the State law. This amendment is important in view of the fact that the Secretary of Labor has recently expressed the viewpoint that a mere administrative determination that can be appealed under the State law is a change in State law.

In performing his annual function of determining whether the State is "complying substantially" with the Federally-required provisions of the State law, the Secretary has likewise made plain that he now intends to hold that mere administrative actions that can be appealed under the State law may constitute a substantial failure on the part of the State to comply with a Federally-required provision, even though the final authority of the State has not spoken, nor even been given by the Secretary an opportunity to speak. Thus the Secretary now proposes, before the State as such has finally spoken, to make a day-to-day review of mere administrative determinations and to use a Federal club as a substitute for the normal, orderly review under the State law of administrative actions of State administrative officials.

The appealable State administrative actions which can involve a Federally-required provision of State law are for all practical purposes limited to claims actions within the scope of the provision set out in paragraph (5) of section 1603 (a) of the Internal Revenue Code. In order to preserve the integrity of the State administrative processes in this regard by requiring that there be an exhaustion of the State remedies, the proposed amendment contains the following provision:

"No finding of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State."

This language applies solely to paragraph (5) of section 1603 (a) of the Internal Revenue Code and does not extend to the other five paragraphs in subsection (a), since those paragraphs can seldom if ever give rise to appealable claims. Furthermore, even as to paragraph (5), the Secretary retains all his present authority to review State actions which have gone through the review process provided in State law. The effect of this part of the amendment is merely to insure that the Secretary will not charge the State itself with a failure to comply with the Federally-required provisions in the State law because of an administrative interpretation or application of such provisions by State administrative officials unless and until the correctness or incorrectness of the administrative action has been decided by the highest State court having jurisdiction.

The amendment also proposes to insert a similar proviso in section 303 (b) of the Social Security Act (relating to State eligibility for administrative grants), since clause (1) of that section relates to appealable claims actions and involves the same principle as that involved in paragraph (5) of section 1603 (a) of the Internal Revenue Code. The amendment to section 303 (b) provides:

"*Provided*, That there shall be no finding under clause (1) until the question of entitlement shall have been decided by the highest judicial authority given jurisdiction under such State law: *Provided further*, That any costs may be paid with respect to any claimant by a State and included as costs of administration of its law."

It will be noted that this amendment includes the specific authority for the State to pay appeals costs of claimants and charge these as administrative expenses. This would relieve the contestant of any costs incident to pursuing a doubtful claim. This provision is more generous than is normally found in labor laws such as workmen's compensation, but I believe it to be desirable.

These changes do not deprive the Secretary of his authority to hold a State out of conformity with Federal requirements. They merely insure that the State appeal procedure will be completed and the State as such through its final authority would have spoken before the Secretary acts. Without these changes, a State, under the Secretary's interpretation of his existing authority, can be deprived of administrative grants and employers in the State be penalized by millions of dollars of additional Federal taxes, merely because of administrative mistakes. Such mistakes can and should, under State law, be reviewed by the State courts and remedied in the States themselves. The Secretary would merely be required to permit such State court review before he holds a hearing and penalizes the State and State employers.

Under the amendment the Secretary could not charge the State with failure to conform by virtue of actions which may be reversed on appeal, except where such appeal is taken and the State court thus afforded an opportunity to perform its statutory duty to correct the initial action.

The only other provision of the amendment is a proposed change in section 1603 (c) of the Internal Revenue Code so as to give a State 90 days to correct its law or its interpretation of its law after the Secretary of Labor holds the State out of conformity with the Federal requirements.

Subsection (c) of section 1603 of the Code, with this proposed change in black brackets would read as follows:

"(c) Certification: On December 31 of each taxable year the Administrator shall certify to the Secretary each State whose law he has previously approved, except that he shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Administrator finds has [amended] its law so that it no longer contains the provisions specified in subsection (a) or has with respect to such taxable year failed to comply substantially with any such provision [and such finding has become effective. Such finding shall become effective on the 90th day after the governor of the State has been notified thereof unless the State has before such 90th day so amended its law that it will comply substantially with the Secretary's interpretation of the provision of subsection (a), in which event such finding shall not become effective.] No finding of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State."

Under existing law, if the Secretary holds a hearing and takes action near the December 31 deadline, it is impossible for the State to assemble its legislature and amend its law in time to escape the penalty imposed on it and the employers in the State for the State's being out of conformity. The amendment insures that a State will have 90 days in which to do this.

NOTE 1.—Provisions required by section 1603 (a) of the Internal Revenue Code to be in the State unemployment compensation laws for the 90 percent tax credit to be given against the Federal unemployment compensation tax to employers covered by the State system:

"SEC. 1603. Approval of State laws.

"(a) Requirements: The Administrator shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that—

"(1) All compensation is to be paid through public employment offices or such other agencies as the Administrator may approve;

"(2) No compensation shall be payable with respect to any day of unemployment occurring within 2 years after the first day of the first period with respect to which contributions are required;

"(3) All money received in the unemployment fund shall (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 1606 (b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act;

"(4) All money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b): *Provided*, That an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration;

"(5) Compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions: (A) If the position offered is vacant due directly to a strike, lock-out, or other labor dispute; (B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

"(6) All the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time."

NOTE 2.—Provisions required by section 303 (a) of the Social Security Act to be in the State unemployment compensation laws for the State to receive Federal grants covering administrative expenses:

"'SEC. 303. (a) The Administrator shall make no certification for payment to any State unless he finds that the law of such State, approved by him under the Federal Unemployment Tax Act, includes provision for—

"(1) Such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compansation of any individual employed in accordance with such methods) as are found by the Administrator to be reasonably calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices or such other agencies as the Administrator may approve; and

"(3) Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and

"(4) The payment of all money received in the unemployment fund of such State

(except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act), immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and

"(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act: *Provided*, That an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration; and

"(6) The making of such reports, in such form and containing such information, as the Administrator may from time to time require, and compliance with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such report; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works, or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law; and

"(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely for the purposes and in the amounts found necessary by the Administrator for the proper and efficient administration of such State law; and

"(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Administrator for the proper administration of such State law."

INTERSTATE CONFERENCE OF
EMPLOYMENT SECURITY AGENCIES,
Denver, Colo., June 13, 1950.

Hon. WILLIAM F. KNOWLAND,
Senator from California,
Senate Office Building,
Washington, D. C.

DEAR SENATOR KNOWLAND: I have asked Mr. John Q. Rhodes, Jr., who is chairman of the legislative committee of the Interstate Conference of Employment Security Agencies to hand you this letter in reference to our proposed amendment to H. R. 6000 which you have so kindly consented to sponsor.

This matter was high lighted by the action of the Secretary of Labor in relation to the States of California and Washington in December 1949. Disregarding the merits of the contentions that administrative authorities in the two States had or had not given a correct interpretation to provisions in the State laws required by Federal statutes, State unemployment compensation administrators are of the opinion that the Secretary's action imposes a serious threat to the orderly administration of State laws. State officials do not believe that a question of conformance of State laws to Federal standards can properly be raised in circumstances in which judicial review of administrative determinations are afforded by State laws until the ultimate judicial authorities of the States have given their interpretation of State laws.

May I say that basically your amendment is designed to give the States only those privileges and rights they considered they were privileged to enjoy prior to the transfer of the Bureau of Employment Security to the Department of Labor. Prior to this transfer there was no instance in which a question of conformity with Federal standards was raised until after the State courts had given an interpretation of State laws—in those instances in which judicial review was provided by State laws. Likewise under circumstances where Federal-State relations did not involve interpretations by State courts the practice prior to the transfer had been to secure a ruling by State attorneys general as to the significance of provisions of State laws before any intercession by Federal officials. We believe this procedure to have been eminently reasonable, and your amendment simply seeks to give congressional confirmation to this orderly procedure.

On behalf of the Interstate Conference and myself personally may I extend deep appreciation for your interest and your efforts to protect the integrity of State unemployment compensation systems, and for the cooperation you have given our Mr. Rhodes.

With high esteem, I remain,
Sincerely yours,

BERNARD E. TEETS.

DES MOINES, IOWA, *June 16, 1950.*

Senator W. F. KNOWLAND,
Senate Office Building,
Washington, D. C.:

With reference to your amendment to H. R. 6000, we believe that a ruling of the Secretary of Labor that a State is out of conformity should be subject to review by Federal courts.

IOWA EMPLOYMENT SECURITY
COMMISSION,
CARL B. STIGER,
Vice Chairman.

HARRISBURG, PA., *June 16, 1950.*

Senator W. F. KNOWLAND,
Senate Post Office, Washington, D. C.:

Urge your support of amendment to H. R. 6000, introduced by Senator W. F. KNOWLAND, of California, which provides, in effect, that the Secretary of Labor is restricted from holding States out of conformity until State courts have passed on disputed item.

WILLIAM H. CHESTNUT,
State Secretary of Labor and Industry.

ATLANTA, GA., *June 16, 1950.*

Senator W. F. KNOWLAND,
Senate Office Building:

Amendment of H. R. 6000, providing no State job insurance law shall be held out of conformity by virtue of an appealable action until the State court has passed on disputed items. State administrators consider this not only desirable but most just and proper.

BEN T. HUIET,
Commission of Labor of Georgia.

JUNE 16, 1950.

Senator MILTON R. YOUNG,
Senate Office Building,
Washington, D. C.:

Information at hand indicates Knowland amendment to H. R. 6000 desirable. Most effective administration of unemployment compensation comes with a maximum of local control.

FRED G. AANDAHL,
Governor of North Dakota.

NASHVILLE, TENN., *June 18, 1950.*

Senator WILLIAM F. KNOWLAND,
Senate Office Building,
Washington, D. C.:

As former administrator of the unemployment-compensation program for Tennessee and vitally interested in preserving the present State programs, I urge you to support the present State programs, I urge you to support the George loan fund as contained in H. R. 6000 rather than the reinsurance provision of H. R. 8059; also strongly urge support of Senator KNOWLAND'S amendment to H. R. 6000, which would prevent unwarranted interference by Secretary of Labor in State administrative and judicial procedures.

W. O. HAKE.

THE STATE OF WISCONSIN,
INDUSTRIAL COMMISSION,
Madison, June 16, 1950.

Senator W. F. KNOWLAND,
Senate Office Building,
Washington, D. C.

DEAR SENATOR KNOWLAND: We understand that you are submitting an amendment to H. R. 6000 designed to assure due process before any Federal official can hold a State unemployment compensation law to be out of conformity with Federal requirements.

We strongly favor the enactment of the safeguards you propose.

Finding a State law out of conformity is mighty serious business.

It usually involves many thousands of employers, by denying them millions in Federal tax credits. It could also suspend benefit payments to thousands of jobless workers, by cutting off the funds needed to operate the State unemployment law.

Such a serious step should not be taken lightly. It should be adequately safeguarded, in line with our American tradition of due process of law.

We therefore hope that your amendment will be enacted.

Sincerely,
INDUSTRIAL COMMISSION OF WISCONSIN,
VOYTA WRABETZ, *Chairman.*

JUNE 16, 1950.

Senator OWEN BREWSTER,
Senate Office Building,
Washington, D. C.:

This agency is in accord with amendment to H. R. 6000 by Senator KNOWLAND and will appreciate your voting for same.

MAINE EMPLOYMENT SECURITY
COMMISSION,
L. C. FORTIER, *Chairman.*

JACKSON, MISS., *June 16, 1950.*

Senator JAMES O. EASTLAND,
Senate Office Building,
Washington, D. C.:

Am informed that Senator W. F. KNOWLAND, of California, will introduce amendment to H. R. 6000 providing in effect that Secretary of Labor is restricted from holding States out of conformity under Social Security and Wagner-Peyser Acts until State courts have passed on disputed items. Respectfully urge that you support Senator KNOWLAND'S amendment.

C. B. CAMERON,
Executive Director, Mississippi Employment Security Commission.

JUNE 16, 1950.

Hon. LESTER C. HUNT,
Senator, Senate Office Building,
Washington, D. C.:

I have been informed that Senator KNOWLAND, of California, will introduce an amendment to H. R. 6000 providing in effect that the Secretary of Labor is restricted from holding a State out of conformity with the Federal act until the State courts have passed on the disputed items. The employment security commission approved a resolution on this subject at a recent meeting and we urge you to support this amendment.

CHESTER P. SORENSEN,
Executive Director, Employment Security Commission of Wyoming.

STATE OF OHIO,
BUREAU OF UNEMPLOYMENT COMPENSATION,
Columbus, Ohio, June 16, 1950.

The Honorable W. F. KNOWLAND,
Member, United States Senate,
Senate Office Building,
Washington, D. C.

DEAR SENATOR KNOWLAND: Enclosed are copies of telegrams which I sent today to Senators TAFT and BRICKER, of Ohio, in regard to the amendment you are introducing in connection with H. R. 6000.

I hope the Senate concurs in your amendment.

With every good wish, I am
Sincerely yours,

FRANK J. COLLOPY,
Administrator.

JUNE 16, 1950.

The Honorable ROBERT A. TAFT,
Member, United States Senate,
Senate Office Building,
Washington, D. C.:

Senator W. F. KNOWLAND, of California, will introduce amendment to House Resolution 6000 providing in effect that Secretary of Labor is restricted from holding States out of conformity until State courts have passed on disputed items. Urge your support for this amendment.

FRANK J. COLLOPY,
Administrator, Ohio Bureau of Unemployment Compensation.

STATE OF NEBRASKA,
DIVISION OF EMPLOYMENT SECURITY,
Lincoln, June 16, 1950.

Hon. W. F. KNOWLAND,
United States Senate, Washington, D. C.

DEAR SENATOR KNOWLAND: I am enclosing a copy of a letter I have written to Senator BUTLER and Senator WHERRY.

I appreciate very much the fact that you have introduced the amendment. It would have been wise if such a law had been passed years ago.

Very truly yours,

DONALD P. MILLER,
Commissioner of Labor.

JUNE 16, 1950.

Senator KENNETH S. WHERRY,
United States Senate, Washington, D. C.

DEAR SENATOR WHERRY: When the Secretary of Labor finds that a State unemployment insurance law is being interpreted or administered in such a manner that he feels that it does not conform to Federal standards he can, in effect, virtually suspend the operation of the State law until his objections are met.

Senator W. F. KNOWLAND has introduced an amendment to H. R. 6000 providing in effect that the Secretary of Labor is restricted from holding States out of conformity in the interpretation or administration of their unemployment insurance laws until the State courts have passed on the disputed items.

In case a State is found to be out of conformity, benefits might be suspended and the employers' tax would be greatly increased. The possible penalties for nonconformity are so great that I think it wise that our court should pass on these matters.

I understand that the Knowland amendment will be voted upon next Tuesday, June 20. Your support of this amendment will be appreciated.

Yours very truly,

DONALD P. MILLER,
Commissioner of Labor.

COMMONWEALTH OF KENTUCKY,
DEPARTMENT OF ECONOMIC SECURITY,
Frankfort, June 16, 1950.

Hon. W. F. KNOWLAND,
Senate Office Building,
Washington, D. C.

DEAR SENATOR KNOWLAND: I am enclosing a copy of the telegram I sent to both of Kentucky's Senators, together with a copy of the letter that followed.

A carbon copy of the letter was sent to each of Kentucky's Members of Congress with the hope that they may be able to contribute, in some way, to the passage of this much-needed legislation.

Very truly yours,

V. E. BARNES,
Commissioner.

FRANKFORT, *June 16, 1950.*

Senator VIRGIL CHAPMAN,
Senator GARRETT WITHERS,
Senate Office Building,
Washington, D. C.:

Senator W. F. KNOWLAND, of California, will introduce amendment to H. R. 6000 providing in effect that Secretary of Labor is restricted from holding States out of conformity until State courts have passed on disputed items. Urge that you support this amendment. Letter follows.

V. E. BARNES,
Commissioner, Department of Economic Security.

JUNE 16, 1950.

Hon. GARRETT L. WITHERS,
Senate Office Building,
Washington, D. C.

DEAR GARRETT: In order to protect State administrative and judicial processes in the unemployment-insurance program, I want to urge your support of the Knowland amendment to H. R. 6000. Senator KNOWLAND will present his amendment from the floor, and in brief it is designed to do the following:

Make clear that—

1. A change in a State law can be accomplished only by legislative action;

2. That a State's failure to comply with its law (as interpreted by the Secretary of Labor) or its action in substantially denying benefits when due under the law of a State can be the concern of the Secretary only after affected parties have pursued the full remedies (administrative and judicial) provided in the law of the State; and

3. That a State be given a reasonable opportunity (90 days) to conform its law or interpretations relating thereto to the Secretary's ruling after he had ruled its law or interpretations out of conformity with Federal standards.

I want to also urge reenactment of the so-called George loan fund as recommended by the Senate Finance Committee, and defeat of any effort to substitute in lieu thereof the Federal reinsurance provision in H. R. 8059. Other features of H. R. 8059 will prove detrimental to a sound program of unemployment insurance.

I know that it is not necessary for me to enter into a lengthy explanation of the importance of the State's protection in the administration of a program so vital to our economic stability, and I feel certain that you will unhesitatingly give your support to the Knowland amendment and the reenactment of the George loan fund.

With kindest personal regards, I am,
Sincerely yours.

V. E. BARNES,
Commissioner.

STATE OF WEST VIRGINIA,
DEPARTMENT OF EMPLOYMENT SECURITY,
Charleston, W. Va., June 16, 1950.

Hon. W. F. KNOWLAND,
United States Senate,
Washington, D. C.

DEAR SENATOR KNOWLAND: We take the liberty of enclosing herewith copies of telegrams which we have today sent to Hon. MATTHEW M. NEELY and Hon. HARLEY M. KILGORE, United States Senate, relative to amendment to H. R. 6000 which we are advised you will introduce in the Senate, providing in effect that the Secretary of Labor be precluded from holding States out of conformity with the Social Securit Act until the courts have passed on propriety of such action.

Yours very truly,

C. S. DAVIS,
Director.

CHARLESTON, W. VA., *June 16, 1950.*

Hon. MATTHEW M. NEELY,
United States Senate,
Washington, D. C.:

Am advised that amendment will be introduced by Senator W. F. KNOWLAND, California, to H. R. 6000, providing in effect that Secretary of Labor be precluded from holding States out of conformity with Social Security Act until courts have passed on propriety of such action. Am fully in sympathy with purpose of proposed amendment and urge your active support thereof in fairness to State employment security agencies.

C. S. DAVIS,
Director, Department of Employment Security.

Mr. SMITH of New Jersey. Mr. President, I desire to consider some aspects of the pending bill, H. R. 6000, which has been so ably discussed during the past few days. The Senate Finance Committee and its staff deserve great praise for the thorough and intelligent manner with which they have dealt with the complex problems involved in overcoming the deficiencies of our present social-security program. I should like to pay especial tribute to the able and distinguished Senators from Georgia [Mr. GEORGE] and Colorado [Mr. MILLIKIN], whose explanatory statements of the revisions recommended by the committee have made such a significant contribution to our understanding of this problem. I agree with them that we should continue the study and investigation of social security problems, and I give my fullest support to Senate Resolution No. 300, which they have submitted for that purpose.

The amendments recommended by the committee are, in my judgment, generally sound and clearly directed to the three major faults in the social-security program. Benefits are materially increased, eligibility requirements are liberalized, and coverage is considerably widened. While there may be points on which I would take issue with the committee's recommendation, on the whole I feel that the committee has dealt with a most difficult problem in a most convincing manner. It is my purpose to support the legislation recommended, subject to one or two variations which I shall cover in my remarks.

Mr. President, in light of the very full and convincing manner in which this whole matter has been presented and the

months of study that have gone into the development of the committee's recommendations, I would hesitate even to attempt to make comments on my own account, especially when I feel so much less qualified to speak than those who have spoken before me. But, Mr. President, the philosophy on which our social-security program is based goes to the very heart of one of the most significant issues facing us today. How can we make sure that programs designed primarily to protect the security of our people will also give adequate attention to the traditional freedoms and individual incentives that have been such a vital and essential part of our national heritage? It is because I feel that this is an issue of such tremendous importance that I desire to comment briefly on the over-all objectives of a sound social-security program. Let me state at the beginning that what I fear most would be a tendency to take the line of least resistance and to slide almost unconsciously into a pay-as-you-go, flat rate, universal pension plan.

Unfortunately, but inevitably, our social-security problems have become complex and highly specialized. It is most difficult for one who cannot give concentrated and continuing study to these problems to wade through the maze of formulae, conversion tables, eligibility requirements, and actuarial estimates, and at the same time to keep clearly in mind the basic objectives of the legislation. In an understandable search for an easier, simpler approach to the problem, a system of universal, flat pensions appears as an attractive alternative.

Mr. President, this might indeed appear to be a better solution on the surface, but I am convinced that it is a dangerous solution—one that would violate the basic and truly American principles upon which our social-security program must rest.

In trying to appraise my thinking on social-security problems, I have attempted to get the advice of those who have specialized in this field. I have found especially helpful the reports of the advisory councils appointed by the Senate Finance Committee in 1937 and 1947. I have been impressed with the objective manner in which these councils have approached the subject and with the varied background and superlative qualifications of the members of the councils, which were stressed by the able Senator from Colorado [Mr. MILLIKIN] last Tuesday. I think it would be well to take especial note of the fact that representatives of organized labor, together with representatives of management and the public, played an important role in these councils. We should encourage the constructive participation of our great labor unions in our quest for solutions to our social and economic problems. I have the privilege of a personal acquaintance with many of the members of the 1947 council.

I am especially indebted, Mr. President, to J. Douglas Brown, dean of the faculty and director of the industrial relations section of Princeton University. Dean Brown has been a close friend of mine for many years, and I have discussed our social-security program with him on many occasions. I have the greatest respect for his opinions on this subject, both because he has given it concentrated study for a number of years and because I know that his conclusions are based on a deep conviction that a sound social-security program must rest on fundamental American principles. He served with distinction as a member of the Committee on Economic Security in 1934 and 1935, as chairman of the first advisory council on social Security in 1937 and 1938, and as a public member of the most recent advisory council in 1947 and 1948.

Mr. President, on December 9, 1949, in New York City, at the fiftieth anniversary dinner of the National Consumers League, Dean Brown made an outstanding address on the underlying principles of a sound social-security program entitled "Cooperation Versus Paternalism." In this address the speaker brought out so clearly the main point I am now insisting on that I ask unanimous consent that the address in question be published in full in the RECORD at the conclusion of my remarks. Let me quote in full the past paragraph of that important address which highlights the choice that is facing the American people in the pending legislation:

> The critical question is: Will the American people take the right road in the choice between the cooperative as opposed to the paternalistic welfare state? Will they through ignorance or a softening of our moral fibers take the primrose path to state paternalism? A decade or a century from now men may look back and say that the decision was made in the year 1950. The America of that time will be a vastly different Nation according to the decision we make in the months immediately ahead.

The PRESIDING OFFICER. Without objection, the address referred to by the Senator from New Jersey will be printed in the RECORD.

(See exhibit A.)

Mr. SMITH of New Jersey. Mr. President, we are faced today with the necessity of devising a social-security program that will lead to the cooperative rather than to the paternalistic welfare state. What kind of social-security measures, we must ask ourselves, best fit the American way of life? Dean Brown describes in a most succinct and constructive fashion the foundation stones upon which our social-security system should rest. He says:

> Accumulating experience indicates that the survival of democratic capitalism depends upon the genius of man in combining three essential ingredients:
>
> 1. Individual incentive.
> 2. Mutual responsibility.
> 3. An effective framework against the corroding fear of insecurity.

Mr. President, I am not an economist a statistician, or an actuary. I do not pretend to be an expert on all the details of the legislation we are now considering. But because I think it is essential that we base our thinking on the type of objectives suggested by Dean Brown, I would like to analyze the major principles of our social-security legislation and the proposed amendments in the light of these objectives. Are we designing our social-security program so as to combine the three "essential ingredients" of "individual incentive, mutual responsibility and an effective framework against the corroding fear of insecurity?" Let me take up these ingredients in order.

1. INDIVIDUAL INCENTIVE

Mr. President, in the presentations on the floor of the Senate since this debate began, I have, perhaps erroneously, gotten the impression that some of us are thinking along the lines of least resistance because of the complexity of this problem. There seem to be suggestions that we should change our admittedly complicated system into a pay-as-you-go, flat rate, universal pension plan for everybody over age 65.

We have heard much in recent years about so-called free pensions of the Townsendite variety. Of course they are not free in the sense that social security can be achieved by some magic formula without cost. Any program that provides benefits for our aged must be paid for by the taxes of those who are working and producing, and its economic soundness is and must be dependent upon the economic soundness of the country.

However, one of the distinguishing and dangerous characteristics of all of the flat-rate, paternalistic pension plans is their failure to relate the pension benefits in any way to the past productivity of the beneficiary—measured, for instance, in terms of previous earnings. In such arrangements it is clear that the essential ingredient of individual incentive plays no part. Fifty or a hundred—or perhaps even two hundred—dollars a month for everyone over 65. It sounds enticing. It can be political dynamite to the American way of life. It would definitely mean a long step toward the paternalistic welfare state which Dean Brown and others warn us against.

How does our present social-security program differ in this respect from these flat-rate pension plans? Stated very simply, it does so primarily by relating benefits to past earnings and thus to the contribution the beneficiary has made to the economic system that must pay for his benefits. We pay a price, to be sure, for this characteristic, just as we pay a price for the essential freedoms of a democracy. We must keep detailed records of earnings; we must devise complicated administrative systems to handle these records and to determine eligibility; in the early years of the system we must make practical compromises in this principle to assure adequate protection to older workers who are newly covered. But I believe this price is well worth paying and that a truly American social-security program must retain the basic principle of relating benefits in some fashion to past earnings.

In this connection, I am concerned about the failure of our Finance Committee to recommend an increase in the wage base from $3,000. An overwhelming majority of the Advisory Council recommended an increase to $4,200 to

maintain reasonable differentials in benefits in light of the greatly increased wage level. I understand that under the proposal of the committee almost half of the regularly employed male workers would receive practically the same dollar benefit. Although a wage base of $4,200 would not allow large differentials, I believe it would give sufficient recognition to the higher paid worker to prevent the ultimate destruction of the principle of maintaining a minimum relationship between the contribution the beneficiary has made to the society of which he is a part and the benefit he receives. I feel that relationship is vital for us to preserve.

Let me emphasize at this point, Mr. President, that we are attempting here to strike a practical balance between essential and, to some extent, superficially conflicting principles. We want to provide a minimum security base without destroying the individual's incentive. If we move in the direction of flat benefits I fear we may also be inevitably faced with a powerful demand in future years for a level of benefits far above this minimum base.

I now come to Dean Brown's second essential ingredient:

2. MUTUAL RESPONSIBILITY

One of our greatest strengths in this country has been our determination that each of us must bear a major part of the burden of taking care of ourselves and our families while, at the same time, we are willing to cooperate with others so that we can lighten the total burden where practical. Thus, American citizens recognize that their responsibility extends beyond their own narrow, short-term self-interest, and encompasses the welfare of all citizens.

Our social-security program embodies this doctrine of mutual responsibility in at least two ways. In the first place, the benefit formula is weighted to allow a larger return for the lower-income worker in relation to his contribution to the whole system. In the second place, social-security costs are shared by the individual by means of significant and direct contributions made by him on the basis of a recognized percentage pay-roll deduction.

Here again we find the free paternalistic pension plans are in fundamental conflict with an American social-security system. Paternalistic pension plans could actually be set up and made to depend on an unidentified and indirect levy on the taxpayers, and allow the country to be bled white before their true cost was appreciated. Under such conditions the contributory principle would be completely thrown out of the window, and there would be no immediate and tangible charge on the income of the participants to sustain the program.

The contributory principle, which I consider essential to a sound, American social-security program, is probably the most difficult one to apply successfully on a national basis. The reason for this is that we have not yet found a way to preserve this principle and to put the plan immediately on a reasonably pay-as-you-go basis, which, of course, I should like to see happen. I believe we must move toward a pay-as-you-go basis, but I would not want to lose the contributory system.

According to the "intermediate" estimates of the committee, under the amendments they propose, the so-called trust fund would increase to about $72,000,000,000 by 1990 and then would start down. I am hopeful that the commission proposed in Senate Resolution 300, introduced by the Senator from Colorado [Mr. MILLIKIN] and the Senator from Georgia [Mr. GEORGE], will discover a practical way to approach a more nearly pay-as-you-go plan than is contemplated in the committee amendments. It would appear to me that some modification in the tax schedule proposed by the committee will help to achieve this result. I am frank to admit, however, that I have not thought of a satisfactory solution to this perplexing problem.

That is another indication of why the plan which the Senator from Georgia [Mr. GEORGE] and the Senator from Colorado [Mr. MILLIKIN] have suggested should be followed through on this subject.

Let me now turn to Dean Brown's third "essential ingredient":

3. EFFECTIVE FRAMEWORK AGAINST FEAR OF INSECURITY

In a real sense, of course, our over-all social-security program, by its very name, indicates that its major objective is to provide minimum safeguards for the security of individuals in a complex and highly interdependent economy. I have pointed out previously that this objective must be balanced against other objectives which are fundamental to our American way of life.

The question I should like to raise at this point, then, is whether or not a worker who is totally and permanently disabled should be included within the framework of our contributory program. I do not think that there is any doubt about the need for protection against this major economic hazard. The only question is whether it should be handled through a decentralized State-administered program or as an integral part of our Federal contributory program.

Mr. President, in the limited time available to me to analyze this problem, I have reached the tentative conclusion that the evidence supporting the inclusion of permanent and total disability protection in our contributory program is not yet sufficient to overbalance the tremendous administrative and political problems that such inclusion would raise. Let me stress, Mr. President, that this is only a tentative conclusion, and that I think the commission proposed in Senate Resolution 300 should give a high priority to the consideration of the question of whether at some future time we should include total disability in our contributory plan.

I am aware of the fact that a majority of the Advisory Council recommended that the time has come to take this step. I find the memorandum of dissent by two members of the Council most convincing, however.

I am especially concerned about the difficulty of evaluating permanent and total disability and about the possibility of political pressure tending to weaken the safeguards that have been proposed to prevent the abuse of the plan. My concern should not be interpreted necessarily as indicating a lack of faith in the honesty and conscientiousness of those who would administer the program or in the power of our elected officials to resist unjustified political pressure. I am simply attempting to be realistic and to face squarely the probability that there would be many border-line cases that would inevitably be subject to conflicting opinions.

There are, to be sure, serious social disadvantages in the administration of aid to disabled persons on an assistance basis. I have always favored the replacement of the public assistance portions of our social-security program where practical with systematic protection based on the contributory principle. It is true, moreover, that the forced retirement of the permanently and totally disabled individual is closely related to retirement due to old age. In fact, the economic impact of income loss due to disability is far more serious than is normally the case with regular retirement. In spite of these points, I think that the arguments for meeting the problem at the State level are more compelling.

I feel very strongly that before we embark on a program of Federal contributory disability protection, every effort should be made to encourage the States to establish an effective decentralized system for disability assistance. Only if such efforts are actively pursued, and if future experience proves that State programs are not doing an effective job in this area, would the conclusion be justified that the Federal Government should step in as has been proposed.

Mr. President, I have purposely avoided the use of the words "social insurance" in this discussion. I have done so because I think these words tend to cause confusion and misinterpretation. A national social-security system cannot operate on the same basis as a private insurance program. The contributions of today's workers cannot be successfully held in reserve to be used in paying benefits to these same workers in future years. But it is possible, I believe, for the contributions of today's workers to be directly identified with a system of old-age benefits in such a way that this identification will serve as a constant reminder that contributions and benefits are interdependent. Furthermore, by maintaining the essential relationship between previous earnings and ultimate benefits, we can avoid the enticing but dangerous alternative of a universal equalization of benefits and preserve the truly American character of our social-security system. We can, Mr. President, avoid the paternalistic welfare state and, instead, work for a cooperative welfare state that is consistent with democratic capitalism.

It is not an easy task to find solutions to our social-security problems, and, as I said above, I am far from qualified to discuss the detailed factual questions that are raised by those who have studied and specialized in this field. But as I have analyzed the basic objectives that

an American social-security program must have, I have become convinced that we must steer away from a universal, noncontributory pension system in which the benefits bear no relation to the past contribution made by the beneficiaries to the society.

It is usually true that the safest and wisest course is the least convenient and the most challenging. I hope that the complexity of our social and economic problems will never hide from us the fundamental American principles on which their solution must be based. In our search for sound social security we must devise a system worthy of a free and responsible people.

EXHIBIT A

COOPERATION VERSUS PATERNALISM—ADDRESS DELIVERED DECEMBER 9, 1949, BY J. DOUGLAS BROWN, DEAN OF FACULTY, PRINCETON UNIVERSITY

I would like to take my text tonight from the political bible of the United States of America, the first verse.

"We the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America."

It is interesting to note the words in the text which are capitalized in the quaint old manner of 1787. They are Union, Justice, Tranquility, Welfare and Liberty. It appears, therefore, that the concept that our national state should, among other endeavors, concern itself in the welfare of its citizens, was deep in the minds and hearts of its founders.

In recent months, the designation "welfare state" has come to be used with a note of censure. There has been an attempt to put the term across the tracks. But the critics of the welfare state have not been exact in their indictment. Do they mean (a) that the general welfare is not a goal in democratic government? I don't think so. (b) Do they mean that welfare for some has been assured through the impairment of justice to others? Perhaps. Or (c), do they mean that welfare has been promoted at the price of liberty? Perhaps.

The criticism of the so-called welfare state is then not properly aimed at the purpose of welfare. It is and should be aimed at the manner in which welfare is attained and assured.

The criticism against the welfare state is leveled most often by people who have not taken the trouble to study and support the ways under democratic capitalism by which welfare can be assured the great majority—without the impairment of justice to others or the loss of liberty by those whose welfare is assured.

The criticism is really against the paternalistic welfare state—made paternalistic by political pressure arising because of unwillingness on the part of many to promote the progress of a cooperative welfare state.

The paternalistic welfare state is not consistent with the American form of democratic capitalism. It would, in time, break down individual incentive and mutual responsibility. Its end is either stagnation or dictatorship. The Santa Claus state may become the Stalin state.

The cooperative welfare state is consistent with democratic capitalism. It supports mutual self-help, taxation with representation; it sustains justice among our people, and avoids a loss of freedom by the person whose way of life is assured. It seeks to prevent dependency before it occurs, and where dependency does occur, to deal with it constructively. It is my firm conviction that the American people want to sustain democratic capitalism under a cooperative welfare state.

It is the challenge to statesmen, administrators, and social scientists to learn how to implement this common desire of the American people. The answer is action, not charges and countercharges about welfare. We need the finest arts of policy development and administrative planning. We need courage for dynamic experimentation and progress in the development of the contributory social insurances, for example, just as we need courage for experimentation with nuclear energy. We need the one for sustaining justice, welfare, and liberty, just as we need the other to provide for the common defense.

The cooperative welfare state must be concerned with many other endeavors—the self-financing aid of housing, power development, irrigation, highways, hospitals, adult educational services, etc. It is the effort of a free people, through the organization of the state, to help each other in areas where private enterprise alone is insufficient.

There is no question but that private enterprise is the most efficient framework of activity in the vast, major areas of economic life. It assures incentive, flexibility, and progress in providing the means for general welfare. But where private enterprise is not enough, and where public action is necessary in the area of general welfare, it is important to the survival of democratic capitalism that as much as possible be accomplished by cooperative action rather than ex parte paternalistic action. States, like individuals, are tempted to become paternalistic. The higher calling is to use our intelligence and our energies to help people help themselves. That mission, successfully accomplished, will promote justice, welfare, and liberty, under democratic capitalism in a cooperative welfare state.

What kind of social security measures best fit the American way of life? Accumulating experience indicates that the survival of democratic capitalism depends upon the genius of man in combining three essential ingredients:

1. Individual incentive.
2. Mutual responsibility.
3. An effective framework against the corroding fear of insecurity.

In the agricultural period in the development of America, individual incentive was the most important of these three ingredients. The farmer and the shopkeeper of colonial days thrived because of individual incentive, and the simple economy thrived with them. The factory system and the coming of the railroads and other public utilities introduced new and intricate relationships of mutual responsibility. And now vast aggregations of interdependent activities by their very size and the impact of impersonal forces upon individuals necessitate greatly enhanced safeguards against arbitrary and overwhelming contingencies.

But no social security system is safe or conducive to the survival of democratic capitalism that does not sustain the other two ingredients essential to survival—individual incentive and mutual responsibility.

The American system of social security must, therefore, be built around social insurance and not dependency relief or free benefits such as sought by those who favor Townsendism. To preserve incentive, social-insurance benefits must be related to past productivity—employment and earnings with real differentials according to the degree to which the individual has contributed to the society to which he is a part. To preserve mutual responsbility, social-insurance costs must be shared by the individual insured through a direct, immediate, and tangible charge upon his income. So far as is possible, protection must be an earned and individual right, a specific protection against dependency, not a sugar-coated form of paternalistic relief, whether provided on a retail or a wholesale basis. Dependency relief will still be needed in many cases, but we must build on an effective structure of contributory social insurances to reduce constantly the scope of dependency relief.

In summary, then, an urban, industrial society demands a framework against the corroding fear of insecurity. A democratic, capitalistic society demands a social-security system in which individual incentive and mutual responsibility are preserved. The only mechanism yet invented to meet these two pressing demands is contributory social insurance with benefits varying with the earnings of the insured. That is the mechanism of a cooperative welfare state and a bulwark against the growing pressure toward a paternalistic state.

The critical question is: Will the American people take the right road in the choice between the cooperative as opposed to the paternalistic welfare state? Will they through ignorance or a softening of our moral fibers take the primrose path to state paternalism? A decade or a century from now men may look back and say that the decision was made in the year 1950. The America of that time will be a vastly different nation according to the decision we make in the months immediately ahead.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000), to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

Mr. LEHMAN. Mr. President, I send to the desk amendments intended to be proposed by myself, the Senator from Connecticut [Mr. BENTON], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Montana [Mr. MURRAY], the Senator from West Virginia [Mr. KILGORE], and the Senator from Utah [Mr. THOMAS], which would provide a wage base of $4,800 for the old-age and survivors insurance program, and amendments intended to be proposed by myself, the Senator from Minnesota [Mr. HUMPHREY], the Senator from Florida [Mr. PEPPER], the Senator from Oregon [Mr. MORSE], and the Senator from Montana [Mr. MURRAY] providing for the establishment of a program of Federal grants for medical assistance payments to the needy, to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

The PRESIDING OFFICER. The amendments will be received, printed, and lie on the table.

Mr. LEHMAN. Mr. President, I have prepared a statement on amendments to the pending social-security measure, including explanatory statements on each of the amendments I have introduced, have joined in introducing, or which I support. Because of the time limitations, I ask unanimous consent to introduce my covering statement and my explanatory statements on these amendments into the body of the RECORD.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR LEHMAN ON CERTAIN AMENDMENTS TO H. R. 6000, THE SOCIAL SECURITY BILL; AND STATEMENTS ON INDIVIDUAL AMENDMENTS

Mr. President, I have joined with some of my colleagues in sponsoring liberalizing amendments to the pending social-security bill, H. R. 6000. I hope that the Senate will see fit to adopt all these amendments, and thus give to H. R. 6000 a broader scope and more liberal application than is provided under the terms of the pending measure.

Having undertaken, in H. R. 6000, to extend the coverage of old-age insurance to additional millions of our people, we should not fail to include all those who are in need of this essential protection and who can practicably be covered.

We should include as employees under this legislation all those individuals who work for wages, commissions, or payments, regardless of the legalistic form given to the contractual relationship between them and their employers. Such categories would include wholesale salesmen, homeworkers, and agent-drivers.

Nor should we overlook this opportunity, this occasion, for strengthening social security at its most vulnerable point, by including provision for disability insurance, to meet the needs of those already covered but who become, because of total and permanent

physical disability, unable to continue to earn their livelihood before they reach the age of 65.

We must not lose sight of our objective—which is to provide social security for the greatest possible number of our citizens, and to extend as widely as possible the system to which we are committed, namely, a system of sound reserves, based on contributions by both employer and employee, which will provide protection for the greatest possible number of our people against insecurity in old age, and, I hope, in disability.

In improving and extending the insurance system, we must also make that system as attractive as possible, and provide recognition for the number of years spent in gainful employment. This is the reason for the pending amendment on increments. It would be un-American, in my judgment, to provide the same old-age benefit payment for the man who has contributed for 20 years and for the man who has contributed for 4 years.

On the same basis and for the same reasons, I appeal for the approval of the pending amendment to increase the wage base on which the taxes are to be computed, and on which the benefits are to be based. We must recognize the difference in wage levels today as against 10 years ago. The levels provided in the present law and in the committee measure are unrealistic. A ceiling of $4,800 would be perfectly sound and would recognize the increase in monetary wage levels in America today.

I also strongly urge an amendment I have submitted to include Puerto Rico and the Virgin Islands under all the provisions of the Social Security Act, those now in effect and those under consideration. I believe that these citizens of ours, living in these two Territories, need social security as much, if not more, than citizens on the mainland. I do not believe that we should discriminate against these people in this legislation. I believe that the public-assistance grants provided in the pending legislation should certainly be made available to these two Territories on the same basis as it is made available to Hawaii, Alaska, or the States of the Union.

I recognize that time for debate on these great questions is limited and will be even more severely limited tomorrow. That is well because this legislation must be disposed of, in favor of other legislation which awaits our attention.

Hence I have prepared separate statements bearing on some of the amendments whose approval I urge, and regarding which I may not have an opportunity to speak at any length at a later time.

The first series of these statements is addressed to those amendments of which I am the principal sponsor. They include:

1. Amendment to include tips as wages in computing social-security benefits.
2. Amendment to include wholesale outside salesmen as "employees" for the purposes of the old-age and survivors insurance program.
3. Amendment to include certain groups of agent-drivers as "employees" for the purposes of the old-age and survivors insurance program.
4. Amendment to include "homeworkers" under the provisions of old-age and survivors insurance program.
5. Amendment to include under old-age and survivors insurance program domestics who work a minimum of 6 days in any one quarter for a single employer who receive as wages from that employer a minimum of $50 during that quarter.
6. Amendment to include Puerto Rico and the Virgin Islands under public-assistance provisions including aid to the blind, the needy aged, the disabled, and the dependent children.
7. Amendment to provide Federal grants for medical care to the needy, on the basis recommended by the Senate advisory council on social security.

The second series of statements deals with amendments of which I am a cosponsor. These amendments are:

1. Amendment to increase the wage base for old-age and survivors insurance.
2. Amendment to provide for an increase in old-age and survivors insurance benefits, based on years of participation and contribution to the old-age and survivors insurance fund.
3. Amendment to authorize old-age and survivors insurance benefits to be paid to eligible participants in the program before reaching the age of 65, in the event of permanent and total disability incurred before that age.
4. Amendment to include under the old-age and survivors insurance program employees of transit systems which have been taken over by municipal or State governments, even if such employees may be blanketed into a State or municipal retirement system.
5. Amendment to authorize an increase from $50 to $65 monthly in State old-age-assistance payments, with the Federal Government paying one-third of such increase.
6. Amendment to authorize increase from $50 to $65 monthly in State assistance payments to the blind, with the Federal Government paying one-third of such increase.
7. Amendment to extend coverage under the old-age and survivors insurance program to certain public employees already covered by a retirement system, when that system provides for integration with the Federal system. (Applies specifically to public employees covered by the Wisconsin retirement system.)
8. Amendment to extend OASI coverage to additional farm workers by revising definition of regularly employed worker to one who has worked 60 days in the calendar quarter rather than 40 days. This would extend coverage to an additional 775,000 farm workers.

The third series of statements is addressed to those amendments sponsored by one or another of my colleagues which I support and for whose approval I appeal, although I am not a sponsor:

1. Amendment to provide Federal matching of assistance payments to adult relatives caring for dependent children.
2. Amendment to give credit for past contributions to old-age and survivors insurance program by individuals employed by farm cooperatives.
3. Amendment to make child welfare service grants available on July 1, 1950, instead of July 1, 1951.

AMENDMENT TO INCLUDE TIPS AS WAGES

This amendment is designed to assure to workers, part of whose compensation customarily consists of tips, that their entire compensation will be included in the computation of their social security old-age benefits.

This amendment is supported by the labor unions representing employees who work for wages plus tips. These workers are perfectly willing to report their tips and to pay taxes on them for social-security purposes. The fact is that many employees in the service trades receive a major part of their compensation in tips. To exclude this compensation from wages in computing social-security payments and benefits would be to deprive these employees of most of the old-age benefits available under social security. In some service trades tips represent as much as 75 percent of compensation for these workers.

The strange argument is made against this amendment that workers do not wish to report their tips because then they would be required to pay income taxes on them. But the law says that tips must be included in income for income-tax purposes. The workers involved are apparently willing to report their tips. The argument against the pending amendment is pure casuistry.

In any event, the pending amendment places the responsibility squarely on the employee. He need not report his tips for social-security purposes if he does not wish to. The employer pays tax, just as the employee does, only on the amount of tips reported.

There are no absolute figures on the number of employees who customarily receive tips, nor on the exact amount of income they receive in this form. However, it is estimated that waiters and waitresses alone number about three million, and average about $2.75 per day in tips. In addition, of course, there are bellhops, taxi drivers, barbers, beauty parlor operators, messengers, and many other types of workers who receive a substantial part of their earnings in tips.

In order to facilitate the reporting of tips as earnings, my amendment provides that tips would be counted only if the employee reported the amount of such remuneration to his employer within 10 days after the end of the quarter in which it was received. This provision was included in the House bill.

The amendment contains also a provision which was not in the House bill. The bill as passed by the House was objected to on the ground that although the employer would be liable for both his own and the employee's tax on the amount of tips received, he might have no opportunity to deduct the employee tax from the worker's wages. This objection has been met by a provision in my amendment that the tips could not be counted unless the employer had in his possession wages of the employee from which he could deduct the amount of the tax, or unless the employee transmitted with his report of tips a sum of money equal to the employee tax.

OUTSIDE SALESMEN

The purpose of this amendment is to define clearly in the law the status of wholesale outside commission salesmen as employees for the purpose of the Social Security Act.

These people are employees. The courts have found that they are employees. The Gearhart resolution, passed by the Eightieth Congress, declared that they were not employees, but I firmly believe that they should be so regarded and should be covered by the old-age and survivors insurance program on the same basis as any other employee.

Under the present law the employer decides whether these people are to be considered as employees for social-security purposes. This is wholly inequitable.

The House agreed that these wholesale salesmen should be considered as employees. The wholesale salesmen themselves are overwhelmingly in favor of being considered as employees for social-security purposes.

The definition as given in the House-approved version of H. R. 6000 was "outside salesmen in the manufacturing or wholesale trade." My amendment covers the same group, but specifically excludes salesmen of petroleum products who apparently do not wish to be covered. House-to-house salesmen are also excluded.

There is no reason for the exclusion of the wholesale outside salesmen from the old-age and survivors insurance program. Those of you who have seen the fine stage play, Death of a Salesman may know something of the emotional and other problems of this group.

Security is a vital need of these people. They should be included as employees, and not as self-employed. They are not self-employed, regardless of the commission basis and the contractual relationship. There are no administrative difficulties in the way of making payments and deductions from the compensation paid them by the

wholesale companies for whom these salesmen work.

The situation is now loose and untidy, as a result of the Gearhart resolution and of the prevailing practice of letting the employer decide whether the salesman is an employee or self-employed.

This situation can and should be remedied by the insertion of language which will eliminate any doubt that commission salesmen selling at wholesale to retailers for resale are employees for purposes of social-security taxation and benefits.

AMENDMENT ON AGENT-DRIVERS

The purpose of this amendment is as simple as the amendment, itself, is desirable. This amendment would include as an employee for social-security purposes agent-drivers or commission drivers engaged in distributing products not covered in the specific enumeration in the committee version of H. R. 6000.

The committee bill includes as employees agent-drivers who distribute meat products, bakery products, or laundry or dry-cleaning services.

The reason given by the committee for covering such individuals as employees is that, although they may not be considered to be employees under the usual common-law rules for determining the employer-employee relationship, nevertheless, they occupy a status substantially the same as those who are employees under such rules. This provision, if adopted, would result in extending coverage, as employees under the program, to an estimated 75,000 individuals.

There are a substantial number of agent-drivers and commission-drivers who are engaged in distributing other products or other services in a manner and under relationships indistinguishable from those listed by the committee.

Approximately 18,000 agent or commission-drivers distribute beverages to wholesalers, retailers, or consumers. Some 15,000 are engaged in the retail distribution of fuel and ice; about 10,000 are engaged in the retail sale of ice cream to consumers; some 1,500 distribute canned and preserved fruits, vegetables, and sea food; about 500 are distributors of confectionary products; and about 3,000 handle miscellaneous food products.

The total number who would be covered as employees under the proposed amendment to the language recommended by the committee would approximate 48,000 individuals. This number would be in addition to the estimated 75,000 intended to be covered by the committee.

There are, in addition, approximately 14,000 agents, or commission-drivers engaged in distributing manufactured or processed dairy products, such as cheese, butter, and cream. The proposed amendment to the definition of employee would not include these individuals as employees. The reason for this exclusion is to avoid the difficulty involved in the relationship between these commission drivers and individual farmers and farm cooperatives.

I urge the approval of this amendment including as employees all these agent-drivers other than dairy drivers.

AMENDMENT INCLUDING HOMEWORKERS AS EMPLOYEES

This amendment is designed to extend coverage under the old-age and survivors insurance program to approximately 40,000 individuals who work on a piece-work basis, in their own homes, primarily in needlework of one kind or another. They make artificial flowers, embroidery, gloves, or lingerie.

Under existing law, homeworkers (and their dependents generally) have been denied the benefits and protection of the old-age and survivors insurance program because Federal court decisions which have ruled that those so employed are not employees under an application of the common-law rules for determining the employer and employee relationship. The pertinent legal citations are: *Glenn* v. *Beard* (141 F. 2d 376); *Kentucky Cottage Industries, Inc.* v. *Glenn* (39 F. Supp. 642).

These court decisions are based on the judicial finding that homeworkers are not subject to a sufficient degree of control to constitute them as employees. Specifically, the courts have found that with respect to the performance of the work involved, these workers are not controlled in fact as to how, when, and where they shall perform their work.

But for unemployment compensation purposes, homeworkers have been held to be employees and to be eligible for unemployment compensation in the States of Illinois and New York. The pertinent legal citations are: *Peasley* v. *Murphy* (44 N. E. 2d 876 (Ill.)); *Andrews* v. *Commodore Knitting Mills, Inc.* (13 N. Y. S. (2d) 577). Under workmen's compensation laws, homeworkers have also been held to be employees. (*DeJong* v. *Allied Mutual Liability Insurance Co.* (205 N. Y. S. 165); *Jasnig* v. *Winter* (150 N. J. L. 320, affm'd. 116 N. J. L. 191.).

Similarly, under the Federal Fair Labor Standards Act, homeworkers have been uniformly held to be employees. *McComb* v. *Homeworkers' Handicraft Cooperative* (176 F. 2d 633); *Walling* v. *American Needle Crafts, Inc.* (139 F. 2d 60); *Fleming* v. *G. & C. Novelty Shoppe* (35 F. Supp. 829).

In 22 jurisdictions today, homework is regulated by law.[1] In some instances these laws define homeworkers as employees.[2] In other instances they prescribe minimum rates of pay to be paid homeworkers and the maximum hours they may work.[3] They provide for the licensing of homeworkers and the issuance of work certificates, and require employers of homeworkers to maintain records and to report to State agencies regarding the amount of work performed by homeworkers.[4] The requirements of the State of New York are fairly typical in this regard. These regulations include the following:

1. The homeworker is permitted to work for only one employer.

2. The employer is required to furnish all materials and articles directly to the homeworker.

3. The homeworker is covered by workmen's compensation insurance.

4. A homeworker shall be paid at least the same rate as is paid to shop workers in the same operations.

5. The employer and the homeworker are required to keep records of the date the work is issued, the amount of work given out, the operations performed, the rate of pay, the date of return of the work, the amount of work returned, and the total payment made to the homeworker.

Hence, there can be no logical basis for excluding these homeworkers from the application of old-age and survivors insurance.

[1] California, Colorado, Connecticut, District of Columbia, Hawaii, Illinois, Indiana, Maine, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, West Virginia, Wisconsin.

[2] California, Maine, New York, Rhode Island.

[3] California, Colorado (in retail trades only), Connecticut, District of Columbia, Hawaii, Illinois, Massachusetts, New Jersey, New York, Oregon (in connection with the processing of nuts only), Pennsylvania, Rhode Island, Wisconsin.

[4] Missouri, Ohio, and Tennessee do not require the furnishing of reports.

AMENDMENT TO EXTEND COVERAGE TO DOMESTICS WHO WORK 1 DAY PER WEEK FOR THE SAME EMPLOYER

There are approximately 2,500,000 individuals employed as domestics in the United States.

The Senate committee version of H. R. 6000 would extend coverage under the old-age and survivors insurance program to approximately 1,000,000 of these by including all those regularly employed who receive a minimum of $50 in a calendar quarter (13 weeks) from the same employer. The definition of regularly employed under the committee bill would be employment for at least 24 days in a calendar quarter.

My amendment would reduce this requirement of days employed to 6 days in a calendar quarter, but would retain the $50 minimum of compensation received from any single employer in a calendar quarter. I estimate that my amendment would extend coverage to approximately 900,000 additional domestics.

The Senate committee bill is a real forward step toward providing social-security coverage for domestics. Here is a group of our working population who need social security more than any other single occupational group. But the Senate bill does not go far enough.

More than half of the domestics employed in the country do not work as many as 24 days in a calendar quarter for the same employer. This requirement means that these domestics must work at least 2 days a week for the same employer. My amendment would cut this requirement down to 1 day a week. Among the domestics, those who need social security most, are those who work for different employers on different days of the week, but who work regularly for the same employer.

My amendment does set a very conservative standard for the minimum wage that must be earned before coverage is extended. They must earn at least $50 per calendar quarter. If they worked only 6 days in a calendar quarter, they would have to receive compensation at the rate of about $9 per day. Few domestics receive such a wage. In my own State, the average rate is about $6 per day, which would mean that domestics would really be required to work a minimum of 10 days in any calendar quarter.

If Members of the Senate feel it desirable to reduce the wage requirement to $25 per calendar quarter, I would accept such an amendment.

These people are just as regularly employed as those covered by the committee bill. They could be covered with little administrative difficulty and little trouble or inconvenience to their employers. There is no sound reason for leaving them out.

The chief argument against covering these people is the allegation that making the necessary reports would be an impossible burden on housewives and other household employers. In my opinion this argument is not sound. I am advised that the Social Security Administration has worked out some very simple procedures for administering the coverage of domestic workers.

Two alternative methods have been developed for securing wage reports for these domestic workers. Under the first, the simplified payroll reporting plan, the housewife would fill out a simple form showing the name of her employee, the social-security account number of the employee, the total wages paid, and the amount of the tax contributions payable. Moreover, the housewife would be required to do this only once in every calendar quarter—only four times a year.

Under the second alternative, the stamp plan, the housewife would simply buy stamps at the post office and paste one in the do-

mestic's book weekly. The worker would obtain the book and turn it in to the Government at the end of each reporting period. I am especially impressed with this latter plan, the stamp plan, which has been widely used in Europe, and makes record keeping an almost automatic process.

I strongly urge the approval of this amendment.

AMENDMENT FOR INCLUSION OF PUERTO RICO AND THE VIRGIN ISLANDS IN PUBLIC-ASSISTANCE PROVISIONS OF H. R. 6000

Puerto Rico and the Virgin Islands are integral parts of the United States, and their peoples are United States citizens. The inhabitant citizens share all the responsibilities of United States citizenship, including the responsibility for military service and should similarly share its benefits.

Two titles of the original Social Security Act already apply in these islands—Title V, Child Welfare Services, and Title VI, Public Health Services. There is no sound reason to continue excluding them from the remaining titles of the act. The House of Representatives, after a long and exhaustive study of the case, included these people in H. R. 6000 in both the social insurance and public assistance titles. Subsequently, a subcommittee of the Ways and Means Committee conducted an on-the-spot survey in the islands. What they found caused them not only to endorse the inclusion of Puerto Rico and the Virgin Islands in all these titles, but also to urge that the basis for their inclusion be liberalized.

H. R. 6000, as reported by the Senate Finance Committee, includes the islands in the social-insurance title, which I heartily endorse, but omits them from the public-assistance provisions, which I greatly deplore. Because of the economic conditions pertaining in these areas, the islands need Federal participation in the Federal public-assistance program as badly or more than any other part of our Nation. With their poor economy, assistance rates average only about 20 cents a day—20 cents a day to feed, clothe and shelter an aged person or a growing child. I urge that Puerto Rico and the Virgin Islands be included in the public-assistance titles of H. R. 6000, on the same basis as the States. There is no sound justification even for the discriminatory treatment provided in the House version, although the House version provides some public assistance to these islands. There should be no discrimination whatsoever in regard to public assistance to these citizens.

It is not, in my opinion, sound policy to continue this discriminatory treatment of United States citizens who live in the islands but who risk their lives for our country and who make the same sacrifices for our Nation as other United States citizens do. It is not, in my opinion, sound policy to say to United States citizens that, if they continue to live in Puerto Rico and the Virgin Islands, they cannot have Federal assistance when in need; to say to them that, if they need assistance, they must leave their homes and come to the mainland.

It is a strange anomaly that we recognize that a Puerto Rican or a Virgin Islander is entitled to Federal assistance if he comes to the States to live, but we say to him that he is not entitled to such assisance as long as he remains in those islands over which the American flag flies. American children, aged and crippled Americans, are suffering want and will continue to suffer hardship until we act favorably on this amendment.

The Territories of Hawaii and Alaska are included under all the titles of the Social Security Act. There is no reason for the exclusion of Puerto Rico and the Virgin Islands.

It is true that Puerto Rico and the Virgin Islands do not pay Federal income taxes into the United States Treasury. But this waiver constitutes recognition of the lower level of the economy of these islands. It is a waiver, a special dispensation. But in many Federal programs, Puerto Rico and the Virgin Islands receive benefits on the same basis as States. I am in favor of that. I am likewise in favor of extending the public-assistance provisions, and all other pertinent provisions of the social-security program, to Puerto Rico and the Virgin Islands.

The extension of the public-assistance provisions to Puerto Rico and the Virgin Islands would cost about ten million dollars annually. This is a small cost compared to the need.

For reasons of international reputation also, it is important to our Nation that this Congress take favorable action on this amendment. We have made strong representations before the world in regard to the treatment of dependent peoples. The world is watching what we do for our dependent peoples.

It is important that our concern for them and our actions in their behalf match our oft-expounded ideals and principles.

Our Latin-American neighbors will note with keen interest whether what we do for the Latin-Americans who are part of our Nation matches what we do for Americans of other racial strains.

To do justice to these United States citizens, and to do justice to our national aims and international reputation, this amendment must be approved.

AMENDMENT TO FINANCE MEDICAL AND HOSPITAL CARE FOR THE NEEDY

This amendment would provide Federal financial aid for meeting the cost of medical, hospital, and other health care furnished to the recipients of State assistance to the needy, the blind, dependent children, etc.

My amendment carries out the specific terms of the recommendation made by the Advisory Council on Social Security to the Senate Finance Committee. These recommendations were to the effect that the Federal Government should provide medical care grants to the States based on the number of individuals receiving public assistance in all forms in each State.

Each State would receive up to $6 monthly per person for each adult on the public-assistance rolls, and $3 monthly for each child on the public-assistance rolls; the State could receive from the Federal Government up to 50 percent of its expenditures for medical care for these individuals. States would be permitted to apply the grants to the cost of medical care for all individuals, without individual limits, as long as the average of $6 monthly per adult and $3 monthly per child was adhered to.

The public-assistance provisions of both the House and the Senate committee versions of H. R. 6000 authorize the use of Federal-public-assistance grants to pay for the cost of medical care to the needy, but retains the limit of $50 per month per individual for public assistance and medical care combined.

This is obviously inadequate to meet the cost of any serious illness and has the additional disadvantage of putting medical care in competition with assistance grants. Those States where old-age assistance payments approach $50 a month would obviously be reluctant to reduce these grants in order to provide medical care, however much needed, and the same would be equally true in the other categories of assistance.

There is widespread agreement on the urgency for meeting the medical and related health needs of destitute persons, not only on a humanitarian basis but also as a sound economy in preventing the heavy cost of dependency owing to medical neglect and chronic illness.

Evidence of this agreement has recently been brought to my attention in the recommendations to the Congress, adopted by the interassociation committee on health and formally confirmed by the governing boards of its six constituent organizations, the American Dental Society, the American Hospital Association, the American Medical Association, the American Nursing Association, the American Public Health Association, and the American Public Welfare Association. This recommendation states:

"It is recognized that public welfare departments are now handicapped in carrying out their existing responsibility to secure medical care, when needed and not otherwise available, to recipients of federally aided public assistance by the inadequate financial provisions of the Social Security Act and its requirement that all aid be extended in the form of cash payments to the recipient. It is therefore recommended that the latter restriction be eliminated and that the agency administering assistance be authorized to finance the purchase of medical care in behalf of assistance recipients. In order to assure the quality of medical care thus purchased for assistance recipients and relate it to their individual needs, it is also recommended that its financing be accomplished through funds earmarked for that purpose rather than charged against the funds available for cash payments to individuals. The further view is expressed that any provision to finance medical care for assistance recipients should permit the administration of the medical aspects of such care by public health departments and that such arrangements should have the support of these six organizations.

"Whenever the term 'medical care' is used in this statement, it is understood to include dental, nursing, hospital, and other health care as well as physicians' services."

Similar recommendations have likewise been made by most of the spokesmen for the State welfare departments testifying or submitting statements on H. R. 6000 to the Senate Finance Committee.

This amendment is intended to provide a practical means of carrying out these recommendations.

AMENDMENT TO INCREASE WAGE BASE OF OLD-AGE AND SURVIVORS INSURANCE PROGRAM

I hope the Senate will approve an amendment increasing the maximum-wage base on which old-age and survivors insurance contributions and benefits are computed.

The social-security bill as reported out by the Senate committee raises benefit amounts substantially. It does not, however, adequately protect that substantial proportion of regularly employed workers—more than one-third of those now covered—who earn more than $3,000 a year.

Prof. Sumner H. Slichter, of Harvard University, a member of the Advisory Council on Social Security to the Committee on Finance, and one of the most eminent economists of our time, has affirmed the necessity for providing adequate protection for skilled workers and supervisory employees who constitute the largest segment of the group of higher paid American workers. Dr. Slichter recently wrote an article which appeared in the Christian Science Monitor of April 29. This article, although directed at the bill as approved by the other House, is very pertinent to the question of wage base.

Dr. Slichter points out that prices have risen by about 70 percent since the benefit provisions of the Social Security Act were last changed, in 1939, and that average weekly earnings have risen about 100 percent. As a result of the rise in prices, the man who has annual earnings of $5,100 today is receiving no more in purchasing power than he did in 1939 if he then earned $3,000.

Although this man's cost of living has risen by 70 percent, the old-age-insurance benefit to which he is entitled under the

present law has not risen. On the contrary, this benefit has decreased by 40 percent in terms of its purchasing power. That is the measure of the loss in protection caused by the fact that prices have gone up and the benefit structure has not changed correspondingly.

Even under the liberalized benefit formula contained in this bill, the man who earns more than $3,000 a year will not have restored to him the same degree of protection as he had under the present law at the wage-price level of 1940. For example, a man who was averaging $3,000 per year in 1940 could anticipate retirement, say, in 20 years, with a primary insurance benefit of $48, under the benefit provisions then in effect. Under the bill now before us, he would receive a benefit of $72.50.

However, the benefit of $72.50 under the pending Senate bill would give this hypothetical worker a purchasing power of only $43 in terms of the 1940 wage-price relationship. Consequently, this bill fails to restore even the 1940 value of the benefits assured to this hypothetical worker in 1939. The wage base should certainly be increased in order to restore the retirement protection given in 1939 to the better-paid workers.

As Dr. Slichter said in the article I have referred to (a digest of which I inserted into the CONGRESSIONAL RECORD on May 15, 1950):

"It is not wise to have a pension law on the books and to let this law become steadily less and less adequate because of the rise in prices. Congress has delayed altogether too long in amending the law to meet present conditions."

It has taken more than 10 years to bring to this stage of the legislative process improvements in the law that were known to be needed almost as soon as the 1939 amendments were enacted. Any deficiencies in the bill we are now considering, if permitted to remain, may be with us for a long time to come.

Wage rates, already double what they were in 1939, are expected to rise even higher in the future. If we retain the $3,000 wage base now in the law, we will be tying the social-security program to a wage limit already inadequate and rapidly becoming obsolete.

As a first step in the direction of bringing the law in line with present-day conditions, the wage base should be increased to $4,800.

AMENDMENT TO PROVIDE AN INCREMENT ON BENEFITS FOR YEARS OF PARTICIPATION IN THE OASI PROGRAM

I ask the Senate to approve the amendment to provide for an increase in the amount of old-age benefits for each year during which the worker has made contributions to the insurance fund.

It is of the utmost importance, it seems to me, that this element be restored to the old-age and survivors-benefit insurance formula. Otherwise the effectiveness of the insurance program will be seriously impaired. Only by retaining this increment in the formula can we assure that individual contributors to the program will be treated fairly, that the program will serve to strengthen our system of incentives, and that it will continue to deserve and win public understanding and support.

The formula for computing benefits which is now included in the Senate bill works a gross injustice on the long-term contributor. Under that formula, the man who contributes to the program for 40 years receives no more than the man who contributes for 5 years. I do not see how it can be argued that that constitutes fair treatment for the long-time contributor.

It is a fundamental principle, in any kind of an insurance program with variable benefits, that the benefits should vary with length of participation in the program as well as with wage levels. Only in this way can the extra contributions of the long-term contributor be recognized.

I know, of course, that the majority of the Senate Finance Committee does not share this view, but I find it difficult to follow their reasoning. The report of the committee indicates that the increment would serve largely to reward younger workers for their greater contributions by paying them higher retirement benefits than those paid to persons who were old when the system started. To us, such an advantage seems undesirable. I cannot agree that such an advantage is undesirable. It seems to me highly desirable that those who will be contributing for the next 40 years receive higher benefits than those who will retire, say, in 1953, after 2 or 3 years of contributions.

I cannot agree, either, that people in present covered employment who have been making contributions to the program for the last 14 years should be placed on exactly the same basis as those who will be contributing next year for the first time. I think it will be very difficult for present contributors to understand why they would receive nothing for these 14 years of contributions despite the fact that they have been led to expect increased benefits for those years. The action proposed by the Senate committee strikes out of the law a semicontractual arrangement with 1,000,000 participants who were pledged an increment for their past years of contributions to the insurance fund.

And I do not think that the workers who will be covered for the first time next year would feel that they are being treated unfairly because they will receive less than those who have been covered and have been contributing for the past 14 years.

The American people do not expect to be treated with absolute uniformity regardless of their contribution to society or to the insurance program, nor would they welcome such uniformity of treatment.

The typical American worker wants to feel that he has built his own standard of living and his own security by his own contribution, and that through extra contributions he can build a higher standard. Moreover, this principle of additional rewards for additional contributions is part and parcel of our whole American system of incentives.

What incentive will there be for a worker to go on contributing to the insurance program for 20 or 30 or 40 years into the future when he knows that those who have retired after only a few years of contributions are receiving as much as he can hope to receive? How can anyone expect him to see any justice or equity in such a program? It is totally inconsistent with everything he understands about the American way of life.

I urge the approval of the amendment on so-called increments.

AMENDMENT TO PROVIDE PERMANENT AND TOTAL DISABILITY INSURANCE

I urge with all the conviction at my command, approval of the amendment for permanent and total disability insurance benefits.

It would be a serious mistake to wait any longer to include such benefits in our social-security program. Many years ago, the Congress established permanent and total disability programs for Federal employees, for railroad workers, and for veterans. These programs are working well with these special groups. Why not extend this same protection to all those who are already covered or who are to be covered by old-age and survivors insurance?

Disability benefits should be added to old-age and survivors insurance immediately. This broadening of the Social Security Act would make the old-age-retirement provisions truly realistic. It would frankly recognize—and do something about—the fact that there are a good many regular workers who become permanently and totally disabled before they reach the age of 65.

Over the years, Congress has authorized a number of studies on the causes of insecurity. The Advisory Council of 1938 agreed unanimously on the desirability of providing social insurance for persons who are permanently and totally disabled. Because of disagreement on the proper time for introducing the program, no action was taken.

In 1947 the Senate created a special Advisory Council on Social Security to study the social-security program and to recommend necessary changes. On that Council—appointed by the junior Senator from Colorado [Mr. MILLIKIN], when he was chairman of the Finance Committee—were leaders in the fields of economics, labor, big and little business, life insurance, and Government. The Council spent a year analyzing every phase of social security. Many of the provisions in the bill before us are those recommended by this Council. Its recommendation for permanent and total disability benefits, however, is missing, although endorsed by 15 of the 17 members of that Advisory Council.

The Council's report recommending permanent and total disability benefits reflected a careful and temperate approach to this very serious problem. I agree 100 percent with the Council when it said:

"Income loss from permanent and total disability is a major economic hazard to which, like old age and death, all gainful workers are exposed. The Advisory Council believes that the time has come to extend the Nation's social-insurance system to afford protection against this loss."

This, too, was the view taken by the majority of the House Ways and Means Committee. The bill which passed the House of Representatives by a vote of 333 to 14, has an excellent permanent and total disability insurance program in it. I urge that we restore this part of the bill which has been eliminated by the Senate Committee on Finance.

We have made surveys on the prevalence of disability in this country since 1935. The most recent, a special census survey made in February 1949, showed that there are well over 2,000,000 persons of working age who are permanently disabled although not institutionalized. If we add those in institutions and homes, mental hospitals, tuberculosis sanatoriums and the like, the total of permanently disabled is about 3,000,000. Nearly 2,500,000 of these people would normally be working and self-supporting but for their disability.

Permanent total disability is a problem which is primarily associated with aging; two-thirds of those disabled under the age of 65 were in the age group between 45 and 65.

The problem is growing more acute every day. In 1900, approximately 13 percent of the population was 50 years old and over; today this proportion has increased to 22 percent; and by 1980 we expect that it will be at least 30 percent.

Along with the rapid aging of the population, there has occurred a sharp rise in the incidence of chronic invalidity. Medical science, public health, and other factors are extending the life expectancy of our people, but this brings with it a high incidence of persons who are partial or total invalids in their latter years. We must make provision for them.

The old-age and survivors insurance program promises to provide a measure of security for our people after they reach the age of 65. But under the present law, and the Senate bill, the benefits are not available under any circumstances until the age of 65 is reached. If the individual is disabled before he reaches 65, he must be an object of charity until he reaches 65.

Private insurance does not offer security against disability to those who need it most.

The selection of risks is too narrow and the premiums far too high to be available to the average or low-paid worker. Individual company or union plans cover only isolated groups of workers. Federal, State, and local retirement and disability programs are likewise limited to the coverage of comparatively few workers. And workmen's compensation covers only work-connected disability—a bare 5 percent of all permanent total disabilities.

The liquid assets of the average family are too small to withstand the steady heavy drain of the breadwinner's serious disability. With $500 or less in the bank—that's about the national average—a family soon exhausts its resources.

Disability insurance is needed not only to provide continuing income for those workers who become disabled; it is also necessary to correct a very serious inequity under the present law.

At the present time, long periods of disability before the age of 65 may reduce the amount of eventual retirement and survivors benefits. In some instances such benefit rights can be wiped out altogether.

One function of a disability insurance program would be to preserve workers' insurance rights. It would provide that a period of permanent and total disability would not be taken into account in determining insured status or benefit amount for subsequent retirement and survivors benefits. Maintenance of insurance rights during disabilities are common under other Federal and State retirement plans, and under many private insurance policies. In many of these latter policies, premiums otherwise payable are waived when the policyholder becomes disabled. I do not see how we can continue provisions in our Federal law which, in effect, forfeit the rights of disabled workers to retirement benefits and even cut off the rights of their families to survivor protection.

It is a shock to many workers when they learn that the contributions which they have paid and will have paid offer no security if they become disabled before age 65. It is even more bewildering to them when they discover that prolonged disability may actually cause a reduction in their eventual retirement and survivors benefits, or wipe out entirely the benefit rights which they have accumulated.

We are not dealing here with malingerers or hypochondriacs. These are the working men and women of America who have suffered untimely misfortune. They should not be forced, in desperation, to seek charity or undergo the humiliation of the pauper's oath.

As stated by the Advisory Council to the Senate Committee on Finance—

"The Council believes that the permanently and totally disabled worker—as well as the aged worker or the dependent survivors of a deceased worker—should not be required to reduce himself to virtual destitution before he can become eligible for benefits. Certainly there is as great a need to protect the resources, the self-reliance, dignity, and self-respect of disabled workers as of any other group. The protection of the material and spiritual resources of the disabled worker is an important part of preserving his will to work and plays a positive role in his rehabilitation."

Endorsing this view, the House Committee on Ways and Means said in its report on H. R. 6000:

"The worker who has paid social insurance contributions for a number of years—perhaps over much of his working lifetime—has a real stake in the system which deserves to be recognized. He should not be required to show need to become entitled to benefits."

The long-range goal for Federal legislation should be to cut back the assistance programs and let the insurance programs take over the major job of providing economic security.

Both the Advisory Council and the House Ways and Means Committee expressed themselves as firmly opposed to using public assistance as a substitute for insurance. We should not wait until a disabled individual is destitute; our objective should be the prevention of destitution.

Experience under the railroad-retirement program and other disability programs has proved that the rate of long-term disability can be predicted with as much accuracy as the rate of retirement.

I am convinced that if we fail to lay a proper foundation now to meet the need created by permanent total disability, we will shortly be faced with an intolerable situation.

Relief for disabled workers is no real solution to the problem. Ever since we undertook a program of social security in the United States, our objective has been to reduce relief. Public assistance has always been considered as a program to meet emergency needs—and not a program to prevent insecurity on a permanent basis.

A recent Census study showed that in 1948 there were 10 million families with incomes below $2,000. The breadwinner's disability was one of the chief causes for the depressed income and standard of living of many of the urban families in this low-income underprivileged group. This situation led the Subcommittee on Low Income Families of the Joint Committee on the Economic Report to recommend in 1950 "the enactment of legislation to provide social insurance against the hazard of permanent and total disability."

The public relief rolls showed, as of January 1950, that we were supporting 900,000 persons from public funds because of serious disability. In addition we know that there are hundreds of thousands who prefer to live in want or on the fringes of want rather than turn to public or private charity.

Let us not lose sight of the main objectives of the social-insurance program. It was established to eliminate the basic causes of economic insecurity—destitution and the fear of destitution. Disability causes destitution; and workers whose only income is from current earnings have few fears greater than the fear of becoming disabled.

It should have been no great surprise to learn, from a 1947 survey of workers in the automobile industry, that the average worker's greatest worry is not insecurity in terms of unemployment or old age; the most crushing fear is what might happen to the worker's family if he became too disabled to work.

The worker with low or average earnings realizes only too well what disability can mean; for his family's sake, he would be better off dead than seriously disabled. If he dies, then, at least, his family may get survivors benefits. But if he becomes disabled, he is even more than a total loss to his family; he is an added expense to a family deprived of income and doubly burdened by the medical costs of his disability over and above the continuing costs of food, housing, clothing, and the other necessities of life. This sense of insecurity weighs heavily on young workers and those no longer young, those with heavy responsibilities—with small children growing up, going to school, and completely dependent on the breadwinner.

For workers who become seriously disabled, there is no social security. Disability eats away savings that have been built up over many years of hard work and sacrifice; it brings foreclosures on homes, and multiplies the number of lapsed life insurance policies.

We commiserate with these unfortunate people but we continue to dump them on to over-burdened public and private relief agencies or upon self-sacrificing relatives and friends.

The disabled are with us—and insecurity and poverty will always follow in their wake, unless we take the problem in hand and solve it in an orderly and organized fashion by adding protection against this risk to our social insurance system.

AMENDMENT TO INCLUDE TRANSIT WORKERS EMPLOYED BY MUNICIPAL AND STATE AGENCIES IN THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM

This amendment is designed to meet the peculiar situation of workers employed by transit lines, formerly owned by private companies, but now owned by municipalities or other Government agencies.

These transit workers, on subways, streetcars, bus lines, and other public conveyances, were formerly covered by Federal social security when their companies were privately owned and operated. But when municipal governments or other agencies took these lines over, the workers became ineligible for Federal social security. Most of these employees were taken into municipal and State retirement systems.

The present bill, as reported by the Senate committee, permits State and municipal employees to be covered by Federal old age and survivors insurance program. But the committee bill excludes from that coverage municipal and State employees already covered by retirement systems.

I support that general exclusion. I introduced an amendment for such exclusion and that amendment was substantially adopted by the Senate Finance Committee and included in the pending bill. I proposed that amendment because municipal and State employees already covered by retirement systems in New York and other States indicated a unanimous desire to be excluded.

The transit workers constitute a special case. They want to be covered. They do not wish to be excluded, even though they are members of the municipal and State retirement systems.

Their desire is based on the fact that a majority of them entered the retirement systems only recently, after having been covered by Federal social security for many years—in some cases for more than 10 years.

On retirement these individuals would receive considerably less from the State and municipal retirement systems than other municipal and State employees who have been in the retirement system for a longer period. The transit employees, many of them with equally long periods of employment with the transit companies, feel that this is an inequity. Likewise they do not want to lose the benefits of the past contributions they have made to the Federal old age and survivors insurance fund.

I have been approached and urged to support this amendment by the A. F. of L. union representing transit employees on lines owned by local government units in Binghamton, Staten Island, and other places in New York. I have also been urged to support this proposal by the CIO transit workers union.

I have received a communication to this effect from Mr. Michael Quill, president of the CIO Transit Workers Union. The overwhelming majority of the transit workers in New York City belong to this union. The letter referred to is as follows:

TRANSPORT WORKERS OF AMERICA,
New York, N. Y., June 2, 1950.

Hon. HERBERT H. LEHMAN,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR: In regard to the position of our union on the Senate Finance Committee's reported version of the H. R. 6000 bill, please be advised as follows: We are, of course, interested in and wholeheartedly support the various amendments proposed by national CIO, as these, if enacted,

really liberalize and modify the social security law.

Nevertheless, we support the more restricted version of the bill as reported out of the Finance Committee because it contains definite improvements over the existing law. We would have preferred to see remain in this bill the optional language of the House version contained in section 106 to cover public employees who elect to joint the Federal system. Since this was stricken from the bill (and we understand public employees are expressly excluded by language in the modified bill now before the Senate), we urge most seriously that an amendment be included to cover the peculiar situation of the transit workers all over the United States. We understand Senator DOUGLAS has such an amendment under consideration. We favor an amendment which would mandatorily include transit workers of a private line taken over by a municipality even where the men as city employees now belong to a city retirement system. They should get the benefits of the Federal law for the periods during which they were under private operation. In this amendment, there should be a provision protecting the benefits they would otherwise receive from the city system which, of course, covers only the period since the city took over operation.

As to new transit employees who come into city service, we would favor a provision either mandatory or at least optional to them, to have them get the coverage of the Federal law should they elect to do so. This option would give those city transit employees who now have no retirement system or a very poor one, a chance to get the benefits of the Federal system.

We trust you will give these recommendations your most serious consideration. I am looking forward to seeing you personally.

Very truly yours,

MICHAEL J. QUILL,
International President, Transport Workers Union of America, CIO.

I therefore urge the approval of this amendment, which would include these transit workers in the OASI program.

AMENDMENT TO INCREASE PUBLIC ASSISTANCE LIMIT FOR NEEDY AGED TO $65 MONTHLY

I urge approval of this amendment to provide grants to permit States to increase public assistance pensions to the needy aged to $65 monthly.

The present limit is $50 monthly, of which the Federal Government pays something over 50 percent. In States where the cost of living is high and the States are disposed to pay more than $50 monthly, the proposed amendment would ease the burden of the States and permit a higher pension.

Of the proposed $15 increase in the maximum pension, the Federal Government would pay one-third, and the State would pay two-thirds.

AMENDMENT TO INCREASE PUBLIC ASSISTANCE LIMIT FOR THE NEEDY BLIND TO $65 MONTHLY

I urge approval of this amendment on the same basis as the preceding amendment. It provides the same kind of a formula for the needy blind as for the needy aged. On a humanitarian, as well as a practical fiscal basis, both this and the preceding amendment should be approved.

AMENDMENT TO INCLUDE UNDER OASI CERTAIN PUBLIC EMPLOYEES ALREADY COVERED BY A RETIREMENT SYSTEM (WISCONSIN RETIREMENT SYSTEM)

I have joined with Senator WILEY, of Wisconsin, in sponsoring and urging approval of this amendment, which permits the extension of coverage by the old-age and survivors insurance program for certain public employees already covered by a retirement system in which specific provision is made for the integration of that system with the Federal OASI system.

I take this position because I believe strongly that all workers who desire to be covered by Federal social security should be covered. The members of the Wisconsin retirement system desire to be covered. They have a special provision in their retirement system charter for integration with the Federal system.

Despite the fact that I sponsored and urged, and was glad to see adopted, a provision in the pending social-security bill for the exclusion from OASI of all public employees covered by State or municipal retirement systems, I am strongly in favor of this amendment to include these Wisconsin employees, and any other such groups which desire coverage.

AMENDMENT ON EXTENSION OF OLD-AGE AND SURVIVORS INSURANCE TO FARM WORKERS EMPLOYED FOR 40 DAYS IN A CALENDAR QUARTER

I urge approval of this amendment which would include 750,000 additional farm workers under the old-age and survivors insurance program.

The bill as reported out by the Senate Finance Committee would extend OASI coverage to farm workers who are regularly employed. The definition of "regular employment" contained in the Senate bill is employment for 60 days in a calendar quarter. I consider this definition to be far too restrictive.

Considering the employment pattern of farm labor in many States of the Union where weather and harvest conditions must be taken into account, I would judge that employment for 40 days in a calendar quarter is regular employment.

I therefore urge approval of this amendment which will bring under the coverage of old-age and survivors insurance these hundreds of thousands of farm workers.

I believe it to be very much in the national interest as well as in the interests of the stability of our national agriculture to include these workers under the social-security program.

AMENDMENT TO AUTHORIZE FEDERAL GRANTS FOR PAYMENTS TO ADULT RELATIVES CARING FOR DEPENDENT CHILDREN

I wholeheartedly support and urge approval of an amendment to the Senate committee bill to restore the House-approved provision for assistance payments to adult relatives caring for dependent children.

This is a long-overdue amendment to title IV of the Social Security Act, making it possible to include grants for State assistance payments to the mother or other relative responsible for dependent children already receiving federally aided assistance. The Senate Finance Committee eliminated this provision from its recommended version of H. R. 6000.

The amendment would permit the Federal Security Agency to reimburse the States for a proportionate share of payments made to mothers or other responsible relatives of children receiving aid to dependent children on the same basis and up to the same maximum of $30 a month which the bill provides for the first child in such families.

This proposal is a simple matter of humanity, common sense, and justice. It is obviously neither humane nor sensible to make provision for children who are needy because of the death, disability, or desertion of the family breadwinner and fail to make provision for the mother of such children. This is particularly true in view of the pitiful inadequacy of the Federal funds now made available for such children, especially as compared to the Federal funds available for the needy aged and blind under titles I and V of the Social Security Act.

Under the present law, the Federal Government will reimburse States for payments made to the first child in such a family only up to a maximum of $27 a month, the maximum Federal share being $16.50. The Senate Finance Committee has recommended a small increase in this ceiling up to $30 a month, with an increase in the maximum Federal contribution to $18.

But since in the Senate committee version of the bill this must also cover the expenses of the mother, it amounts in fact to $9 a person, as compared to the $30 per individual in Federal funds available for a needy old or blind person. Reimbursement for other children in such families would be limited to a maximum $18 monthly payment, with a maximum Federal share of $12.

There seems no reasonable basis for such inequitable treatment by the Federal Government toward these needy mothers and children. It is surely no less important to make this investment in our future citizens than it is to provide decently for those who have retired. It is certainly neither equitable nor sound economy to provide for these children less than a third in Federal aid of what we provide for the older group.

The American Legion, which has long championed the needs of children through the splendid work of its child-welfare committee, has been particularly active in advocating this change in the Social Security Act. The American Public Welfare Association, the American Parents' Committee, many church, welfare, union, and women's groups have joined in pressing for this reform.

This plea for fair and equitable treatment toward children who, through no fault of their own, are dependent on their Government for the means to grow into healthy, useful citizenship deserves the support of every Senator.

AMENDMENT TO GIVE EMPLOYEES OF FARM COOPERATIVES CREDIT FOR PAST CONTRIBUTIONS TO THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE SYSTEM

This amendment would grant relief and clarity to the status of employees of farm cooperatives whose eligibility for participation in the old-age and survivors insurance program has been somewhat clouded in the past.

Under the present bill, in both the House and Senate versions, these employees appear to be definitely covered by the OASI program. Thus their future status seems to be clarified.

The purpose of the pending amendment is to give proper credit for the past contributions of those farm co-op employees who felt they were covered in the past and hence made contributions to the system.

In some cases, it has been ruled that these employees were not eligible and hence their past contributions might be considered forfeited. This amendment would provide that these past contributions are to be counted. Thus the coverage would be made retroactive in all cases in which employees made contributions and considered themselves to be members of the system.

This amendment will remove all legal doubt as to the past status of those employees who have contributed, and clarify their status for the future.

AMENDMENT TO MAKE CHILD-WELFARE-SERVICE GRANTS AVAILABLE ON JULY 1, 1950

The purpose of this amendment is to advance from July 1, 1951, to July 1, 1950, the availability of Federal grants for child-welfare services.

The Senate committee provided that these funds would be made available on July 1, 1951, in the belief that the governmental machinery would not be established until that time to handle these funds.

The fact of the matter is that in many States, this machinery has already been set up. The program can go ahead in these States, as soon as the funds are available. Indeed, in some cases, the States are prepared to go ahead with this program, in anticipation of these funds.

Hence there is every reason to make this authorization effective as of July 1 this year, instead of next year. Indeed it would greatly handicap the program to delay the effective date until July 1 next year.

Mr. KERR. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HENDRICKSON. Mr. President, I ask unanimous consent that the order for a call of the roll be rescinded, and that further proceedings under the call be suspended.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LUCAS. Mr. President, the Senator from Washington [Mr. MAGNUSON], who is absent by leave of the Senate, has requested me to submit for him an amendment intended to be proposed by him to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes. He will be here tomorrow when his amendment comes up for discussion. The amendment is supported by the Washington Federation of State Employees and the Washington State Federation of Labor.

At the request of the Senator from Washington, I ask unanimous consent that the amendment, together with correspondence, a telegram, and a memorandum of the legislative counsel explaining the amendment, be printed in the RECORD at this point.

The PRESIDING OFFICER. The amendment will be received and printed, and without objection, the amendment, correspondence, telegram, and memorandum, will be printed in the RECORD. The Chair hears no objection.

The amendment submitted by Mr. LUCAS (for Mr. MAGNUSON) is as follows:

On page 292, line 17, before the period, insert a comma and the following: "unless such agreement contains such provisions as the Administrator may determine to be appropriate to assure, so far as it is practicable and feasible to do so, that such retirement system will not be abolished or more inapplicable to members of such coverage group or that the benefits provided under such retirement system will not be reduced."

The correspondence, telegram, and memorandum are as follows:

WASHINGTON FEDERATION OF STATE EMPLOYEES,
Olympia, Wash., May 19, 1950.

Hon. WARREN G. MAGNUSON,
United States Senator,
Senate Office Building,
Washington, D. C.

DEAR SENATOR MAGNUSON: In previous correspondence with you, you are acquainted with the position of our organization with regard to extension of the survivors insurance plan of social security to public employees. We are unalterably opposed to the provision in H. R. 2893 passed by the House in the Eightieth Congress, that completely excluded public employees already in an existing local retirement system. Largely through the efforts of our international, the current social-security measure as it was passed by the House (H. R. 6000) contained a provision (section 218 (d)) which would require a referendum vote among members of an existing retirement system, and a two-thirds favorable vote in such a referendum before such members could be accepted into social security. Our organization highly favored this provision.

However, considerable opposition developed from other States, and from groups that are not truly representative of public employees to this provision, with the result that the Senate Finance Committee eliminated the provision and substituted the same obnoxious provision of total exclusion contained in H. R. 2893. Our international was in session in its biennial convention at Omaha, Nebr., at the time, and called for a public hearing of all State delegations from States that have existing retirement systems. From this hearing came a new proposed amendment, that completely satisfied the entire membership of our international and was adopted unanimously by the convention. Our proposed amendment is: That as a substitute for the House proposal in section 218 (b) and the Senate Finance Committee's provision, that section 218 (b) be amended to read substantially as follows:

"Public employees who now have pension and/or retirement plans shall be excluded except in cases where the governing bodies will agree to supplement such plans with H. R. 6000 benefits with no reduction in the benefits already existing in such pension and/or retirement systems."

This will have to come as a Senate amendment and our organization is very anxious that you not only support such an amendment, but in fact if possible introduce it, which would be the official stand of the largest public employee international union in the American Federation of Labor and the AFL stand on this question. We are supported by the American Federation of Teachers, and the International Association of Technical Engineers in this State, both of which unions are vitally concerned with local retirement systems.

For your information, there is probably no State in the Union, whose public employees are now more thoroughly covered by existing local retirement plans. The Washington State employees retirement system is the seventh largest local retirement system in the Nation. This includes as of this date, all State employees except those covered by other systems such as teachers, and State patrol; the employees of 37 out of 39 counties in this State, about half of the operating PUD's, most of the port districts, 80 percent of the noncertificated employees of school districts, and many other political subdivisions—altogether about 24,000 members. Then there is the large teachers' retirement system, the firemen's pension system, the city-wide system with about a dozen municipalities and eight of the larger cities with their own retirement plans.

All of us who have worked through employee unions for these retirement plans realize that the benefits are wholly inadequate, but must be limited by available local tax revenue, so that our only chance of ever securing an adequate retirement program for the public employees, of this State will be through an eventual supplementation of our plans with Federal social security. Our legislature in 1936 made provision for social security coverage whenever available, so at all times we have looked forward to combining our systems with social security. The amendment placed on H. R. 6000 by the Senate Finance Committtee sounds the death knell to all hopes of ever securing adequate retirement benefits for public employees of this State. Therefore I personally urge you to give this matter your most careful consideration, as I am sure every public employee in this State will be grateful to you. * * * Our proposed amendment so completely protects existing retirement systems that any opposition to this amendment can only come from those who are opposed to any increase in retirement benefits for our public servants.

With kindest personal wishes, I am,
Respectfully yours,
MARK WIENAND,
Chairman of Retirement Committee Washington Federation of State Employees, also Assistant Secretary Washington State Employees Retirement System.

JUNE 5, 1950.

Mr. MARK WIENAND,
Chairman of Retirement Committee,
Washington Federation of State Employees,
Olympia, Wash.

DEAR MR. WIENAND: In my response to your letter of May 19 I stated that I was exploring further the possibility and desirability of such an amendment to H. R. 6000 as you proposed. I have discussed the matter at considerable length with our legislative counsel. That discussion was supplemented by subsequent conversations between the counsel and my assistant, Mr. Hoff. The attached memorandum contains the gist of these conversations.

I should like to have you study the memorandum and the amendment Mr. Simms has drawn, then give me your best judgment as to whether you wish me to proceed—also your reactions to the questions Simms poses.

Best personal regards,
Sincerely,
WARREN G. MAGNUSON,
United States Senator.

OLYMPIA, WASH., *June 14, 1950.*

Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D. C.:

H. R. 6000 amendment drawn by Simms very excellent. Strongly urge you to sponsor. Air-mail letter answering questions in Simms memorandum following.

MARK WIENAND.

MEMORANDUM FOR SENATOR MAGNUSON

This memorandum is to confirm my telephonic conversation relative to the amendment to H. R. 6000 suggested in the letter to you dated May 19, 1950, from the Washington Federation of State Employees.

Under H. R. 6000, as reported by the Senate Committee on Finance, an agreement between the Federal Security Administrator and a State for the coverage under social security of State and local employees cannot be made applicable to any of such employees who are covered by a retirement system established by the State or any political subdivision thereof. The Washington Federation of State Employees apparently desires an amendment to H. R. 6000 which would enable such an agreement to be extended to State and local employees who are covered by such a retirement system but only if the governing body with respect to such retirement system agrees that the benefits provided by that system will not be reduced as a result of the coverage of the employees by social security. The sponsors of the amendment apparently contemplate that the agreement between the Federal Security Administrator and the State will contain a provision obligating the governing body with respect to the State or local retirement system not to reduce the benefits provided under that system. In the case of a State retirement system, presumably the governing body is the State legislature, while in the case of a local retirement system, presumably the governing body will be the group exercising ordinance-making or other legislative powers with respect to the political subdivision. The big difficulty in connection with the proposal of the Washington Federation of State Employees is that whatever State official may be making the agreement with the

Federal Administrator for coverage of State and local employees (presumably the governor under the authority of a State enabling act) would not be in a position to agree that future legislatures of the State or legislative bodies of a political subdivision of that State would refrain from taking action to reduce benefits under the State or local retirement system. This follows from the fact that, generally speaking, one legislative body cannot bind its successors to take or not to take certain action in the future.

Assuming, however, that notwithstanding the consideration referred to in the preceding paragraph, an agreement should be entered into between the Federal Security Administrator and the State to provide for coverage of certain State and local employees covered by a State or local retirement system and the State or local political subdivision should, contrary to the agreement, reduce the benefits payable under that system, a question arises as to what action should be taken by the Federal Government. The Federal statute could, of course, provide for terminating the social-security coverage of the State and local employees. That would, however, be a rather harsh penalty to impose upon the employees themselves who, notwithstanding the fact that they may have paid the equivalent of social-security taxes for several years, would eventually lose their coverage under the social-security system.

A further consideration that should be kept in mind in connection with the proposed amendment is that if the States and local political subdivisions are prohibited from reducing the benefits payable under the State or local retirement systems, the cost of covering State and local employees under the social-security system must be either borne completely by the employees themselves or met by additional expenditures for retirement purposes by the State or the local political subdivision involved. In other words, the State or local political subdivision will not be able to use for the purpose of social-security coverage of its employees the same money which it now contributes to the State or local retirement system applicable to such employees.

The amendment submitted with this memorandum provides that the agreement between the State and the Federal Security Administrator may not be made applicable to State or local employees covered by a State or local retirement system unless the agreement contains such provisions as the Administrator may determine to be appropriate to assure, as far as it is practicable and feasible to do so, that such retirement system will not be abolished or be made inapplicable to such employees or that the benefits provided under such retirement system will not be reduced. In view of the considerations discussed in the foregoing paragraphs of this memorandum, the Administrator may have difficulty in determining what those provisions shall be. The amendment would, however, enable the Administrator to demand that the agreement contain any provisions which he might consider appropriate to assure the accomplishment of the desired objective of having H. R. 6000 benefits supplement rather than replace the benefits provided under the State or local retirement system.

Respectfully,

JOHN H. SIMMS,
Assistant Counsel.

JUNE 2, 1950.

Mr. WILEY. Mr. President, I send to the desk an amendment designed to permit the integration of the Wisconsin retirement fund with the broadened Federal social-security system, intended to be proposed by me to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

WHY WISCONSIN RETIREMENT FUND AMENDMENT MUST BE PASSED

I have commented on several previous occasions on the floor of the Senate on the need for this amendment. I think that we can spell out very clearly and briefly the case for it.

THIRTY THOUSAND EMPLOYEES ARE AFFECTED

First. The net effect of this amendment is to enable the some 30,000 individuals covered under the unique Wisconsin retirement fund to have their modest coverage on a State basis supplemented by Federal coverage. These 30,000 individuals are the employees of some 76 Wisconsin cities, 15 villages, 37 counties, and 33 other local governments in my State.

WISCONSIN IS ONLY STATE WHICH PLANNED FOR INTEGRATION

Second. Wisconsin is the only State in the Nation which especially wrote into its State statute a provision whereby employees covered under the State retirement fund would also be enabled to be covered under the broadened Federal system, once Uncle Sam so decided. I repeat, Wisconsin is the only State in the Union which has made provision for such integration from the very start.

AMENDMENT IS DRAFTED TO AFFECT ONLY WISCONSIN

Third. In view of that fact, this amendment which I have in my hands has been drafted so that the integration would only cover the employees of Wisconsin. They are the only individuals whose State statute, as of January 1, 1950, permitted integration. None of the other 47 States is thus affected in the slightest way.

FINANCE COMMITTEE EXCLUDED FOLKS NOW COVERED

Fourth. The Senate Finance Committee decided not to cover any individual now covered under a State retirement system, but to allow those individuals who might in the future come into such a system to be covered.

I personally feel that there is no reason under the sun why the 30,000 individuals now covered under the Wisconsin statute should be denied this opportunity. If they were so denied, the various States and county governments in my State would have a terrific problem trying to compete for employees with Uncle Sam.

FORD, GENERAL MOTORS, AND SO FORTH, SUPPLEMENT FEDERAL WITH PRIVATE PENSION

Fifth. To allow these individuals to have their meager State coverage supplemented by social-security coverage is similar to allowing the employees of private industry to have their Ford Motor Co. pensions or their General Motors' pension, or other pensions, supplemented by Federal coverage. What is good for a private-industry employee is also good and fair for a Government employee.

WE SHOULD NOT LOWER STATE EMPLOYEES' MORALE

Sixth. It seems to me that one of our major aims is to give force and vitality to State, county, and local governments, rather than to take any action which would impair them or lower the morale of their employees.

NO OPPOSITION IN WISCONSIN

Seventh. There is no opposition to this amendment from any quarter in my State. The teachers, policemen, and firemen are not effected, so the organized teachers, policemen, and firemen groups definitely do not oppose this amendment. The county employees' association definitely supports it. Many mayors of municipalities and other officials have written to me in support of the amendment. The League of Wisconsin Municipalities supports it. Various Government unions support it. I have previously placed in the RECORD the texts of many of these various supporting resolutions.

Nor have I heard from opposition from other States of the Union. There is, in summary, no need for any opposition because this amendment merely protects the unique Wisconsin system without harming or affecting anyone else.

I HOPE SENATOR GEORGE WILL ACCEPT AMENDMENT

It is my earnest hope that the distinguished chairman of the Senate Finance Committee [Mr. GEORGE] will see his way clear to accepting this amendment and taking it to conference.

Eighth. Let me point out that two out of every three employees covered by the Wisconsin Retirement Fund past the age of 65 has not retired. Why? Because the State pension is so pitifully small it would be practically impossible to survive on it.

COMPARISON OF SENATE AND HOUSE VERSIONS

Ninth. As further clarification, let me compare the Senate and House versions of H. R. 6000 on this point.

(a) Under the version approved by the Senate, provision is made to cover State and local government employees on a voluntary basis by means of a Federal-State agreement. However, no employees could be covered if they were covered by a retirement system at the time the agreement is made applicable to the coverage group. In other words, the State of Wisconsin's employees are penalized because Wisconsin happens to have been farsighted enough to cover its employees by a retirement system.

The purpose of this amendment is, therefore, to make sure that Wisconsin is not penalized for its farsightedness. Thus, the amendment would enable Wisconsin to cover its employees.

(b) Under the House version, on the other hand, State and local employees now covered under a retirement system could have been covered provided two-thirds of a majority participating in a written referendum had so decided. We are perfectly willing to have this two-thirds optional election feature. However, since the Senate Finance Committee knocked out that povision, the only way we can achieve our goal is by tacking on an amendment such as I have proposed.

CONCLUSION

May I state in summary:

(a) This is a unique amendment for a unique situation.

(b) No one will be hurt by this amendment.

(c) Thirty thousand people will be helped by it.

(d) The Social Security Administration has no objection to it, nor has any organized group which has contacted me.

The PRESIDING OFFICER. The amendment offered by the Senator from Wisconsin will be received, printed, and lie on the table.

Mr. MURRAY. Mr. President, I send to the desk amendments intended to be proposed by myself, the Senator from Florida [Mr. PEPPER], and the Senator from New York [Mr. LEHMAN], and amendments intended to be proposed by myself and the Senator from Florida [Mr. PEPPER] to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child-welfare provisions of the Social Security Act, and for other purposes. The amendments would extend the coverage of the old-age and survivors insurance law to farmers and farm workers.

I ask unanimous consent that the amendments, together with a statement I have prepared to explain the purpose of the amendments, be printed in the RECORD.

The PRESIDING OFFICER. The amendments will be received, printed, and lie on the table, and, without objection, the amendments and statement will be printed in the RECORD.

The amendments submitted by Mr. MURRAY (for himself, Mr. PEPPER, and Mr. LEHMAN) are as follows:

On page 241, lines 1 and 2, delete "on each of some 60 days during such quarter" and insert in lieu thereof the words "on each of some 40 days during such quarter."

On page 322, line 24, delete "on each of some 60 days during such quarter" and insert in lieu thereof the words "on each of some 40 days during such quarter."

The amendments submitted by Mr. MURRAY (for himself and Mr. PEPPER) are as follows:

On page 257, strike out lines 6 through 17, and renumber the succeeding paragraphs, and change cross-references accordingly.

On page 322, strike out lines 15 through 25; on page 323, strike out lines 1 through 9; strike out "(2)" on line 10 and insert in lieu thereof "(1)"; and renumber the succeeding paragraph, and change cross-references accordingly.

On page 333, strike out lines 8 through 25; on page 334, strike out lines 1 through 25; on page 335, strike out lines 1 through 13; and redesignate the succeeding subsections, and change cross-references accordingly.

On line 14, page 289, strike out "agricultural"; on line 15, page 289, strike out "labor."

On line 1, page 292, strike out "agricultural"; on line 2, page 292, strike out "labor."

On page 322, strike out lines 15 through 25; on page 323, strike out lines 1 through 9; on line 10, strike out "(2)" and insert in lieu thereof "(1)"; and renumber the succeeding paragraphs, and change cross-references accordingly.

On page 333, strike out lines 8 through 25; on page 334, strike out lines 1 through 25; on page 335, strike out lines 1 through 13 and insert in lieu thereof the following:

"(d) Section 1425 (h) of the Internal Revenue Code is hereby repealed."

On line 17, page 335, strike out "(i)" and insert in lieu thereof "(h)."

On page 355, strike out lines 22 through 24; on page 356, strike out lines 1 through 3; and renumber the succeeding paragraphs, and change cross-references accordingly.

On page 228, in line 23; on page 229, in lines 2 and 25; on page 230, in line 5; on page 231, in line 17; on page 233, in line 20; and one page 236, line 20, strike out "seventy-five" and insert in lieu thereof "seventy."

The statement presented by Mr. MURRAY is as follows:

STATEMENT BY SENATOR MURRAY

SOCIAL SECURITY FOR FARM PEOPLE

My first amendment, which I am offering for myself, the Senator from Florida [Mr. PEPPER], and the Senator from New York [Mr. LEHMAN] is a very simple one. It deals only with the coverage of regularly employed hired farm labor. It provides for reducing the 60-day requirement in the Finance Committee's proposal to 40 days as the test for who is a regularly employed hired farm laborer. Under the very splendid amendment reported out by the Finance Committee only those farm workers are covered who work 60 days or more in a calendar quarter for a particular farmer. This committee amendment is in the right direction and I congratulate the committee on its recommendation. However, because many farm laborers work in June and July, which cuts across two calendar quarters, they will not be covered. The amendment which Senator LEHMAN and I have introduced would reduce the 60 days to 40 days and enable 775,000 additional farm laborers to be covered. While it would still exclude many farm workers, it would help to bring into the system those who are regularly employed.

In view of the fine statements made by the Senator from Georgia, the Senator from Colorado, and the Senator from Ohio, in favor of broadening of coverage, I hope they will support our amendment.

My second amendment is a more far-reaching one. It is an amendment to include all farm people under the insurance program—both farmers and farm hands—except self-employed farmers who receive incomes of less than $400 a year.

I seriously regret that the bill reported by the Finance Committee does not extend coverage to farmers and farm labor.

Under the present social insurance law, farmers and farm workers are discriminated against. The people in the agricultural district are paying for part of the cost of social insurance in the prices of the goods that they buy. Yet they have no real social insurance for themselves.

When a farmer buys a tractor, the price of the tractor includes the cost of social insurance for the industrial worker. This is perfectly proper. But at the same time it is not fair that the farmer himself is excluded from having the protection of social insurance. He too becomes old; he too can die prematurely, leaving a widow and dependent children who might have to apply for private charity. Farmers become permanently and totally disabled just like thousands of other people do every year. For these reasons they should have the same protection as industrial workers.

The Senate Advisory Council on Social Security appointed by the junior Senator from Colorado studied this problem at considerable length. All 17 members of this distinguished Council recommended in favor of covering both farmers and farm hands.

H. R. 6000 makes substantial improvements in the old-age and survivors insurance program. It would extend the program to cover between 7 to 11 million additional workers and would greatly improve the benefit structure of the program. However, it does nothing whatever about the problem of social security for farm people.

Why were the farmers and farm workers left out of the improved program provided for in H. R. 6000? Discussions of this subject on the floor of the House by members of the Ways and Means Committee are very illuminating. I am inserting in the RECORD at this point quotations from the debate in the House on this problem.

Let me quote the answer which Congressman DOUGHTON, Chairman of the House Committee gave to this question:

"Whenever a majority of farm people signify their desire to be covered, I think it would be appropriate to cover them. So far we have had no evidence that a majority of them have such a desire. There is little interest or enthusiasm among the farm organizations about it."

Congressman JERE COOPER likewise remarked:

"Farmers were not included under this bill because the committee did not receive sufficient evidence that they wanted to be included."

"EXTENSION OF COVERAGE

"First. The social-security system should be extended to include more people—including farmers, lawyers, engineers, and the domestic servants who have been left out of H. R. 6000. The Committee on Ways and Means is to be commended for extending the coverage to 11,000,000 additional persons, but the program is not yet complete. If extended to another 8,000,000 working people, with a minimum benefit of $50 a month, which I recommend, we would at last have a comprehensive pension system, with payments based upon a right earned through work and contribution—not a humiliating program of dole, with a means test. It would be a system consistent with our American ideas of frugality and enterprise.

"This extended coverage would not be forced on these people. The farmers of my State have asked to be included in the program. A Nation-wide Gallup poll shows that 60 percent of the farmers of the Nation wish to be included. The Grange organization in my State of Washington has asked that its members be brought under the program.

"After all, no one is spared the experience of growing old." (CONGRESSIONAL RECORD, October 5, 1949; excerpt from statement by Hon. HENRY M. JACKSON, Representative from Washington.)

"Of course the most important exclusion from coverage provided in the majority bill is that of farmers and farm labor. You cannot have a truly comprehensive system if you leave out such an important segment of our population. I believe that if those engaged in farming understood the benefits of the system, they would be pleading with their Representatives to admit them." (CONGRESSIONAL RECORD, October 4, 1949; excerpt from statement by Hon ROBERT W. KEAN, Representative from New Jersey.)

"A poll among farmers reveals that 60 percent favor extension of social-security benefits to them. Small-business men, professional workers, and others who comprise the nonfarm self-employed are asking that they themselves also be included. Farm operators number about 6,000,000. Urban self-employed stand at about 7,700,000." (CONGRESSIONAL RECORD, October 4, 1949; excerpt from statement by Hon. THOMAS J. LANE, Representative from Massachusetts.

"Mr. EBERHARTER. I want to say this further. I am delighted that so many Members were present when the gentleman spoke, because I agree heartily with what the gentleman from New Jersey [Mr. KEAN] has said about the gentleman from Arkansas [Mr. MILLS] and what the gentleman from Arkansas has said about the gentleman from New Jersey with respect to the intense interest they took in this measure. I am delighted that the gentleman from New Jersey [Mr. KEAN] indicated that he wanted more extended coverage. That matter, particularly the matter of the inclusion of farmers and farm laborers was certainly not a partisan question in the committee. As far as I am

concerned, I am thoroughly in agreement with the position of the gentleman from New Jersey that the farmers, the doctors, the dentists, and lawyers should be included, and we should not have made those exclusions.

"I further want to state there are other members of the majority who feel the same as I do. I further want to state to the gentleman that I agree with him that it was a mistake when we froze the tax in the first place. I do not, of course, blame the majority for that because during those days the minority party voted almost solidly for that freezing of the tax. But I was against it all the time. This colloquy here, however, between the gentleman from New Jersey and the gentleman from Arkansas will indicate, I believe, to the Members here how confused this subject is and how differences of opinion occur. It is not particularly a partisan question; it is really a very important question to be decided. This bill, as the chairman has said, is not the product of one mind; it is the product of all the members of the committee. I venture to say that the bill contains a suggestion from every member of the committee, both minority and majority. It was not a bill that was pushed out because of votes on one side or the other. So I feel sure that it is a good bill. There may be some differences of opinion. It did not suit me in every respect; I wanted to include farmers and domestics and all self-employed. But it was the best we could get under the circumstances, and I hope it will receive a good heavy supporting vote." (CONGRESSIONAL RECORD, October 4, 1949; excerpt from statement by Hon. HERMAN P. EBERHARTER, Representative from Pennsylvania.)

"Mr. MURRAY of Wisconsin. Mr. Chairman, I should like to get back to this matter of including the rural people in social security. As I understand, the National Grange and the Farmers Union went on record in favor of social security for farmers. May I ask the gentleman from Arkansas [Mr. MILLS] if that is not correct?

"Mr. MILLS. During the course of the hearings both the Farmers Union and the National Grange were represented and recommended that farmers be included under title II, as well as farm labor. In fact, the Farm Bureau adopted a resolution at a national convention recommending coverage for farm laborers when a workable program for this type of labor can be formulated, but did not take action on any recommendation with respect to farmers.

"Mr. MURRAY of Wisconsin. The reason I bring that up is that on yesterday a colleague from New Jersey, from a more or less industrialized region, brought out the fact that the farmer is paying the freight, and I guess he is, because that is an old saying that is heard in the countryside. The farmer buys 40 percent of the manufactured goods of this country. As a matter of fact, he now has to pay a transportation tax on water. He has to pay it on his milk, and that is pretty nearly 90-percent water, so he is even paying a tax on water.

"The thing I wish to have in the record is that this story that the farmers do not want social security just does not stand up. It does not stand up right here, because we have just heard that the National Grange and the Farmers Union both have asked that the farmers be included under the Social Security Act.

"This is the picture, and I say this with no particular criticism of any individual or group. Out of one pocket we are promoting the family-sized farm through the Farm Home Administration, and over the years it has done a splendid piece of work, especially when you realize that in this country we are down to less than 20 percent of the people living on the farms of the United States. Yet out of the other pocket we are putting out funds to promote the commercial type farms that are putting the other type farms out of business. One large wheat grower has had a $250,000 subsidy and one large certain outfit has had over $800,000 in subsidies. If we are going to have $7,000,000 farms such as Clayton & Co. bought out in California within the last few weeks, and if we are going to have million-dollar farms, and expect the family-sized farmer to compete with them, I should like to know how he is going to do it if he is not going to have any minimum wage nor any social security.

"You notice they left the farmers out of that minimum wage bill. To be factual about it, we have a minimum wage in the Sugar Act, and that is fixed at such a low amount that it really does not amount to much. Under the Sugar Act, even though a member of the President's Cabinet has the authority to fix the minimum wage, he fixes it at 25 cents and at 29 cents and at 32 cents in Louisiana and 60 and 65 cents in Colorado and California.

"American agriculture has to face two things. First is the situation where they do not have any minimum wage. A minimum wage in operation for agriculture would protect the man on the family-sized farm, because his time is worth somewhere near what the minimum wage is. Secondly, he is not going to be included under social security. It is just putting one more insult upon another.

"I think the time has come when one class of people that should have been in this bill is the rural people, because not half the people in a lot of those rural districts come under social security. We have many districts like that in the United States. What do they have to look forward to? They can look forward to the time when they get old, and believe me, when you get to be 65 years old you are not going to do too much farming. All they have to look forward to is that they might have someone point a finger at them and call them a reliefer, and yet it all comes out of the same pot, more or less. There is no reason why rural people, not only the farmers, but the rural areas everywhere should not be included under the social-security program.

"Mr. MILLS. Mr. Chairman, will the gentleman yield?

"Mr. MURRAY of Wisconsin. I yield.

"Mr. MILLS. I desire to congratulate the gentleman on the position he has taken. I recognize the gentleman from Wisconsin as being as well informed as anybody in the House of Representatives on the desires of the farm people and what is best for farm people as far as legislation is concerned. I congratulate the gentleman. I trust the gentleman has made some investigation in his district and that he knows the people of his district are for coverage.

"Mr. MURRAY of Wisconsin. I received but one letter that was opposed to social security for farmers. Of course, I do not know the man. I do not understand the circumstances, but I can see why no one wants to pay taxes. You realize that human nature is human nature. A man who has many people working for him probably does not like to put in his share of it. But that has nothing to do with it. I recognize that the rural people should be included and I hope the other body will include them.

"Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

"Mr. MURRAY of Wisconsin. I yield.

"Mr. CRAWFORD. We are faced with what I think is a positively terrible situation, I mean economically speaking. The steel board has come out and unconditionally recommended that the employer pay the total amount for the employee. It says in substance 'You people who have lived simply and exercised thrift and invested your savings in buildings, machinery, and tools, so that the employees might have a job, shall in addition be responsible for the employees' social welfare.'

"Industry is accepting that proposition, as cockeyed as it is, because industrial management knows that it will add that cost to the price of the goods to be sold to the farm people. It is not a simple thing to administer the collection of a tax for social security and make the rules and regulations apply to the farm labor and the farm people. I know that. But here is a group of people on the farms in this country where the top level men in this administration say 'you must not be too much interested in protecting their wage, I mean the farm wage, because if you do you will overload the budget.'

"Everywhere you look the scheme is running contrary to the economic interest and protection of farm wages, the farm workers and the farm operators and the farm hired men. We are not on sound ground when we kick out 25,000,000 to 30,000,000 farm people and leave them hanging on a string which depends strictly on the whims of Congress so far as appropriations are concerned. I think we should assume the responsibility. I certainly would be a great deal friendlier to H. R. 6000 or the other bill if there was something in them which would give the farm people a chance to have a little security.

"Mr. MURRAY of Wisconsin. I thank the gentleman. I am in hopes, I will say to my colleague from Michigan, knowing the interest he has in this problem, that the other body—I know we cannot do it here because this comes to us under a closed rule where we cannot amend the bill—I am in hopes that there will be enough interest there and that farm organizations who have appeared before our committee will also appear before the committee of the other body and will be able to have their position prevail.

"I just believe that the great majority of the people will agree that that should be done in the other body.

"Mr. HAYS of Arkansas. Mr. Chairman, will the gentleman yield?

"Mr. MURRAY of Wisconsin. I yield.

"Mr. HAYS of Arkansas. There is so much good in this bill that I expect to vote for it. But I do want to endorse what the gentleman from Wisconsin has just said about the gap still remains in our social-security program. Unless that gap is ultimately filled a great injustice is going to be done to the farm people of this country.

"Mr. MURRAY of Wisconsin. Before we become a party to furnishing company pensions and Federal old-age security under the social-security laws we should at least be interested enough to put all our American people under the social-security program." (CONGRESSIONAL RECORD, October 5, 1949, excerpts from statements by Hon. REID F. MURRAY, of Wisconsin; Hon. WILBUR D. MILLS, of Arkansas; Hon. BROOKS HAYS, of Arkansas; and Hon. FRED L. CRAWFORD, of Michigan.)

"Mr. DOLLIVER. The gentleman made some remarks earlier in his speech concerning the cost of this program as presently written, both in the gentleman's proposed substitute and the committee bill as it affects the farmer. It evidently is the gentleman's feeling that at this time the farmers cannot be included either in his bill or in the committee bill.

"Mr. KEAN. That is correct.

"Mr. DOLLIVER. Will the gentleman develop that thought a little to explain why it is that this burden is upon the farmer and they are not aware of it?

"Mr. KEAN. The reason is that the cost of the social-security program is added to the cost of the goods that the farmers buy.

"Mr. DOLLIVER. It is indirect, rather than a direct tax?

"Mr. KEAN. It is indirect. Every time the farmer buys a tractor he is paying for the social security of all the workers in the factory that made the tractor. That is one thing.

"Then the second thing is that the burden of old-age assistance is so great in those States where they have a lot of farmers that they are paying an inordinately high tax.

"Mr. DOLLIVER. But that for the most part is going to their own people, is it not?

"Mr. KEAN. It is going to their own people; that is correct.

"Mr. DOLLIVER. In other words, they are paying for old-age assistance by way of taxation to people locally rather than sending it to the Social Security Board by way of a payroll tax.

"Mr. KEAN. That is right.

"Mr. DOLLIVER. Can the gentleman give us any idea how those two figures might compare, that is, the amount they might have to pay in payroll taxes if the agricultural elements of the country were covered, and the relative amount they would have to pay for old-age assistance?

"Mr. KEAN. No; I do not think I can give those figures.

"Mr. DOLLIVER. Are there any figures available with respect to that, or are there any estimates?

"Mr. KEAN. I do not think so. Of course, 45 percent of the farmers have already paid social-security taxes out of which they will never get anything because they have gone to work in the towns, for example, for a short time. Some may have gone to clerk in a store for a little while. Some of them have had war work and worked in a factory for a short time. Some of their sons have gone to the city for a year or so, and then gone back on the farms. As a result 45 percent of the farmers have already had some social-security coverage, but they are never going to get a nickel back in the way of benefit from what they have paid in.

"Mr. DOLLIVER. Why is that?

"Mr. KEAN. Because they have paid so little that they cannot qualify.

"Mr. DOLLIVER. In other words, that coverage has lapsed; is that it?

"Mr. KEAN. Yes; it has lapsed." (CONGRESSIONAL RECORD, October 4, 1949; excerpt from statement by Hon. JAMES I. DOLLIVER, Representative from Iowa.)

"Mr. CAMP. I yield to the gentleman from Michigan.

"Mr. CRAWFORD. The gentleman is from a great farming State and I am also interested in farmers. Would he give us for the purpose of the record the reason why the committee did not cover farmers as such and farm labor?

"Mr. CAMP. We considered that subject perhaps as long as any other question that came before us. There were two or three compelling reasons. One is the fact that there is no demand by the farmers for it.

"Mr. CRAWFORD. In my district I have had every indication that there is greater demand for this social security coverage from people out in the farming districts than in any other part of my district.

"Mr. CAMP. I mean by that, sir, nobody representing the farmers came before our committee during the hearings and expressed their unequivocal desire for compulsory coverage.

"Another reason was the difficulty of collecting the taxes, not only from the farmer himself but from farm labor. The farmer nowadays does not keep such a good record of his business as other businesses. I hope in the future they will. Another reason was that farm labor to a large extent is transient. A man may hire a bunch of fruit pickers or cotton pickers and never see them again, and that was one of the reasons why farmers were left out. I think farmers should be included. I think that the farmers, when they understand this program, will want to be included.

"Mr. CRAWFORD. I join with the gentleman in that, and I think eventually conditions will force them to come in. There will not be a question whether they want to come in; they will have to come in.

"Mr. CAMP. Yes; I think so." (CONGRESSIONAL RECORD, October 5, 1949; excerpts from statements by Hon. A. SIDNEY CAMP, Representative from Georgia, and Hon. FRED L. CRAWFORD, Representative from Michigan.)

"Mr. MICHENER. Did the gentleman's committee give consideration to the administration of the bill if farmers were included? I voted for the original bill and I voted for every amendment. My understanding has always been the only reason farmers were not included was a matter of administration, that administration would be almost impossible.

"Mr. LYNCH. In answer to the inquiry of the gentleman from Michigan my understanding is that the problem of administration in the opinion of the Social Security Administration has been solved. For one, I am thoroughly in accord with the remarks made by the gentleman from Wisconsin [Mr. MURRAY], that farmers and farm labor should be covered. But our information was, and it is my distinct recollection, that originally the Grange came in and advocated coverage only on the theory of voluntary admission on the part of the farmer. Voluntary admission as such is not sound administratively. But if all farmers and farm laborers were brought in or if farm laborers only were brought in, this bill, in my opinion, would still be a better bill than it is today because I am convinced personally that just as the self-employed now are most desirous of being covered by social security so, too, would the farm operators be desirous of being covered by social security once their farm laborers were covered and they understood the benefits of social security perhaps a little better than I am told they understand it at this time.

"The real reason they are not covered in this bill is that there was no grant demand from the farmers, according to our understanding, or from the farm laborers. We had men on the committee who came from rural communities and who are familiar with the situation. We bowed to the better judgment of those Members." (CONGRESSIONAL RECORD, October 5, 1949; excerpt from statement by Hon. WALTER A. LYNCH, Representative from New York.)

"Mr. SECREST. Does the gentleman see a future possibility of farmers voluntarily being included in the social-security program?

"Mr. COOPER. Well, of course, it is difficult to tell now. Farmers were not included under this bill because the committee did not receive sufficient evidence that they wanted to be included, and the further fact as indicated by the contribution made by the gentleman from Pennsylvania. As a matter of practice, many farmers ordinarily do not retire at 65 years of age. If a man owns his farm, although he may not plow and hoe and work as much as he did in his younger days, he still operates his farm, supervises it, and does not want to retire as many other people do." (CONGRESSIONAL RECORD, October 5, 1949; excerpt from statement by Hon. JERE COOPER, Representative from Tennessee.)

"Mr. MURRAY of Wisconsin. I paid my share of social security so he could build up his social security standing.

"How about the farmers, then? They do not come under it at all?

"Mr. DOUGHTON. Whenever a majority of them signify their desire to be covered, I think it would be appropriate to cover them. So far we have had no evidence that a majority of them have such a desire. There is little interest or enthusiasm among the farm organizations about it." (CONGRESSIONAL RECORD, October 4, 1949; excerpts from statement by Hon. ROBERT L. DOUGHTON, Representative from North Carolina.)

"Mr. YOUNG. Mr. Chairman, I assert the people's Representatives can provide reasonable social security for the less fortunate among us without in any way sacrificing that liberty which we know as the American way of life. An adequate old-age insurance program, reasonable aid to the unfortunate and extension of retirement benefits is not statism nor is it socialism. Your Congress is determined that aid for the aged shall be based on an insurance system instead of a mere pension system. We have broadened coverage, benefits have been greatly increased. A worker who would now retire at $31 monthly, which is the present average payment, will, under the new bill, get approximately $56 monthly.

"Personally, I consider it but a matter of time before farmers and farm laborers will ask Congress to include them within the social-security program. When they fully understand the benefits of the Federal social security system, they will plead with their Representatives to admit them. Farmers not only pay for the benefits which industrial workers receive because certainly a part of the pay-roll tax is added to the cost of products they buy, but they are also paying State taxes to meet local old-age assistance and relief burdens. I am convinced that all gainfully employed men and women, except public employees such as teachers who have their own pension systems, should be included under our social-security program." (CONGRESSIONAL RECORD, October 5, 1949; excerpt from statement by Hon. STEPHEN M. YOUNG, Representative from Ohio.)

"FARM GROUPS SHOULD BE INCLUDED IN SOCIAL SECURITY BENEFITS

"(Extension of remarks of Hon. BROOKS HAYS, of Arkansas, in the House of Representatives, Monday October 17, 1949)

"Mr. HAYS of Arkansas. Mr. Speaker, H. R. 6000, already adopted by the House, provides vast improvements in the Social Security Act and is one of the most constructive measures of the present session. I earnestly hope it will be enacted into law. Unfortunately, it does not include provisions for farm workers and others within the farm group. I realize that the difficulties in connection with coverage for farmers are substantial but they are not insuperable. In support of the general proposition that it is inequitable not to provide such benefits for millions of Americans so classified I include the following editorial from the Christian Science Monitor, October 10, 1949:

"'*Farm social security*

"'It is decidedly time for farmers to know more about the old-age and survivors insurance of the social-security system. Congress will doubtless raise, probably next year, the now inadequate benefits for retired workers. The bill recently passed by the House boosts the payment on an average of 70 percent. When substantial monthly sums are given the elderly, many in the rural regions will doubtless question whether it is fair for the farm people not to share the advantages the same as workers in business and industry.

"'The 8,000,000 or more people on the farm eligible for this social insurance comprise the largest group to be omitted for the past 12 years from its coverage. The principal reason that Congress is still making no effort to bring them in is that they don't yet understand the social-security provisions for retirement, according to Washington farm observers.

"'The farm folks who most need the old-age insurance are the 700,000 migratory farm workers. These farm laborers who follow the harvest from one area to another have an unusual handicap in providing for their later years, and many of them also lack the necessary responsibility. The 750,000 sharecroppers of the South form another large section which would be greatly helped.

"'The most important and influential farm group, however, consists of the 4,000,000 farm

owners. Many are uninterested, some opposed, while a minority favor. Just what the old-age insurance is hasn't yet been made clear to the mass of farm operators. Doubtless, the old-age benefits would prove a welcome resource to many of them.

" 'As the Government insurance is eventually broadened to take in almost everybody else, it seems doubtful if they and the rest of the agricultural world will permanently stay out. Education about this social insurance must someday come to the farm, particularly to the farm operators. If then the farmers don't want it, it is certainly their right to reject it. But if they do, the quicker the old-age protection of the social-security system is made available, the better it will be for a host of farm people.' " (Appendix of the CONGRESSIONAL RECORD, Volume 95, part 16, page A6396.)

Congressman CAMP, of Georgia, also indicated that "nobody representing the farmers came before our committee during the hearings and expressed their unequivocal desire for compulsory coverage." He further stated, "I think farmers should be included. I think that the farmers, when they understand this program, will want to be included."

Congressman KEAN, of New Jersey, one of the Republican committee members, indicated his feeling on the subject as follows:

"Of course the most important exclusion * * * is that of farmers and farm labor. You cannot have a truly comprehensive system if you leave out such an important segment of our population. I believe that if those engaged in farming understood the benefits of the system, they would be pleading with their Representatives to admit them."

I quote Congressman LYNCH, of New York:

"I am thoroughly in accord * * * that farmers and farm labor should be covered. * * * If all farmers and farm laborers were brought in or if farm laborers only were brought in, this bill, in my opinion, would still be a better bill than it is today, because I am convinced personally that just as the self-employed now are most desirous of being covered by social security so, too, would the farm operators be desirous of being covered by social security once their farm laborers were covered and they understood the benefits of social security a little better than I am told they understand it at this time.

"The real reason they are not covered in this bill is that there was no great demand from the farmers, according to our understanding, or from the farm laborers."

These are only a few of the many similar statements made on the floor of the House by members of the Ways and Means Committee and by other Congressmen. It is clear, then, that the consensus in the House was that farm people ought to be covered by social security, and that they would be given such coverage if they expressed a desire for it.

But is it true that farm people are not interested in social-security protection? Since the Ways and Means Committee considered the social-security bill last year there have been some significant developments. At the recent public hearings on social security before the Senate Finance Committee, the three major farm organizations testified on this question. Let me read to you what the representative of the National Grange said at that time:

"I appear before you to express the desire of Grange members to have H. R. 6000 amended so as to extend old-age and survivors insurance to farm people. * * * The executive committee has examined the methods proposed for coverage of farm people and has found them workable. Our position, therefore, is for immediate mandatory coverage of both farm workers and farm operators on the same basis as other groups."

And now let me quote from the statement of the National Farmers Union:

"The National Farmers Union has for many years supported the extension of old-age and survivors' benefits to farm people. * * * Information received from members and officials of the National Farmers Union indicates that at least as far as the farmers belonging to our organizations are concerned they need and want social security. * * * Farmers as a whole, particularly aged and destitute ones, are inarticulate. They do not have the means of making their desires and needs known. Therefore, I sincerely hope that the members of this committee, even though they may not have heard directly from farmers, will give serious consideration to a provision which will extend survivors and old-age benefits to farmers and farm workers."

Finally, I quote from the statement of the American Farm Bureau Federation:

"The Federal old-age and survivors insurance program under the Social Security Act provides a type of assistance which has become accepted as an integral part of our economic system. * * * Employees of general agricultural organizations should be covered. Farm labor should also be covered. If the extension is provided by law to include self-employed other than farmers, and is proved feasible and administratively practical, then careful consideration should be given by State and county farm bureaus to the question of the coverage of farm operators under the old-age and survivors insurance program."

All three of the major farm organizations, then, have indicated that farm workers want social security, and two of the three have indicated that the self-employed farm operators want social security. In view of these facts I submit that there can be no further justification for continuing the exclusion of farm people from the old-age and survivors insurance program.

Doubtless it will surprise many people that the traditionally independent and self-reliant farmer has come to feel a need for governmental provision for security. Many people think of farming as a way of life which provides its own security, and there is some basis in tradition for this view. In the days when the self-sufficient family farm was predominant, farming did to a considerable degree provide security against want, though even then farm people were subject to insecurities as a result of droughts, floods, and the other natural uncertainties inherent in their occupation.

Today the character of agriculture is changing. The self-sustaining, one-family farm producing products for home use is no longer the normal situation; more and more the Nation's farms are coming to be commercial enterprises—large, one-crop establishments, factories in the fields, big business. In 1945, for example, only 22 percent of all the farms in the country were producing products primarily for home use. Farms are increasing in size; in the two decades from 1920 to 1940, the percentage of all farm land which was held in farms of 1,000 acres and over increased from 23 percent to 34 percent. In my own home State of Montana, in 1945, one-third of all the farms in the State consisted of 1,000 acres or over, and another one-third were between 260 and 500 acres. With the increasing size of farms and the increasing mechanization of agriculture, it has become harder and harder for farm families to become owners of the land they cultivate. The farm worker or tenant farmer can no longer look forward with any confidence to acquiring a farm of his own, and the farm owner cannot be certain that his land will provide a living for himself or his family when his capacity for productive work is cut off or diminished by old age, disability, or death.

A further reason why farm people want to be covered by social security is that they realize they are bearing a substantial part of the cost of social security. This comes about in two ways. First, public-assistance costs are heavier in rural areas, because farm people are not eligible for insurance benefits, and these costs are met to a substantial extent out of real-estate and other taxes of which the farmer pays a heavy share. Second, farm people, directly and indirectly, bear a part of the cost of the insurance program, although they cannot qualify for benefits under that program. Indirectly, they share in the cost of insurance program to the extent that the contribution of the program are passed on in higher prices for the industrial products that farm people buy. So far as direct payments are concerned, 35 percent of all farm operators, and 45 percent of all farm workers, have paid contributions to the program while temporarily in industrial employment, but only 10.5 percent of all farm operations, and 13.5 percent of all farm workers, are insured for benefits under the program. In the words of the National Farmers Union representative, "we believe strongly that farmers should receive social security because they help pay for the social-security system at present in operation and because we feel that they should receive social-security benefits as a right and not as charity." Yet, unless the insurance program is extended to cover farm people, they will be compelled to look for help to public assistance, with its attendant means test and personal investigations.

There is still a further reason why social security should be extended to farm people. As long as substantial numbers of people remain excluded from old-age and survivors insurance, it is necessary to have fairly strict eligibility requirements in order to protect the system from the heavy financial drain of paying benefits to individuals who have paid contributions for very short periods of time. If farm people were included, the eligibility requirements could safely be made more liberal so that more people could qualify for benefits under the system. Accordingly, I have included in my proposed amendment a provision to make it easier for workers to qualify for benefits by providing for the payment of benefits at age 70 regardless of whether the individual continues to work. This will enable the farmer who is able to continue working on his farm after age 70 to receive retirement benefits at that age.

Mr. President, my proposal would cover all farm people under old-age and survivors insurance except self-employed farmers who receive income of less than $400 a year. In the agricultural regions with which I am familiar this proposal will be a sound and workable one. I realize that in other agricultural regions there may be problems with which I am not acquainted and which might suggest the desirability of certain modifications in my proposal. Nevertheless, I think we can all agree that the objective of the proposed amendment is sound and that immediate steps should be taken to cover farm people under the insurance program.

Mr. MURRAY. Mr. President, I am very glad to have this opportunity to say a few words about the pending social-security bill, H. R. 6000. Members of the Senate know that I have long been interested in social security and that some 7 years ago I introduced, with Senator Wagner and Representative DINGELL, the first comprehensive social-security bill, parts of which are now embodied in the bill reported out by the Finance Committee.

I should like to refresh the minds of the Members of the Senate on some of the recent history connected with the social-security bills I have introduced—not in order to take credit for some of the fine things which are in H. R. 6000, or to point out some of the important items included in the House version but omitted by the Finance Committee, but to make some observations about trends in political science which might otherwise go unnoticed.

The first social-security bill I introduced with Senator Wagner and Representative DINGELL was in 1943. We reintroduced our proposals in 1945, 1947, and 1948.

When we first introduced our bill the opposition called it the American Beveridge plan. This was the first step in an attempt to defeat the proposal. It was given a foreign name so as to make it seem that we were just copying a foreign proposal. But since our plan was an American plan this attempt to stop interest in our proposal was not successful, and when the Tory government in Great Britain supported the Beveridge plan the conservatives in the United States dropped their criticism of the Beveridge plan as a device for criticizing our proposals.

In our 1945 bill we included provisions for Federal grants for hospital construction. This proposal was later passed by the Congress in the form of the Hill-Burton bill. Our bill also contained a provision increasing Federal grants in all the States for local public health units. This program has already passed the Senate. Our 1945 bill also provided for increased Federal grants for maternal and child health, crippled children, and child-welfare services. Increased grants for all three of these programs are included in H. R. 6000 as reported by the Finance Committee.

When we introduced our original bill, and on each successive occasion when we introduced a new bill in a new Congress, we expressed the hope that the bill would provide a basis for constructive thinking and legislation in a field where it was sorely needed. During 1943 and 1944 our proposals were the target of a most widespread campaign of opposition, almost unprecedented in volume and in character. I have often witnessed the use of false and misleading propaganda for political purposes and the use of extravagant charges in order to defeat legislation, but I never knew an opposition quite so unprincipled as the campaign which was conducted against the legislation which we introduced.

We recognized, however, that every important proposal to advance the public welfare has always met opposition at first from groups who care only about their own selfish interests. Usually they are satisfied with the status quo, and are opposed to any change whatsoever. Free public education, child-labor legislation, bank-deposit insurance, universal suffrage, the Federal income tax, and other measures to safeguard the general welfare of the public were all bitterly opposed when they were first suggested. The opposition which we faced when we first introduced our social-security bill never shook our faith in the need for social security or in the fundamental soundness of our proposals. I believe that we have been vindicated. The pending social-security bill contains many things which we advocated several years ago.

Practically all Members of the Senate today are supporting the provisions for improvement of the Federal old-age and survivors insurance program, for the extension of its coverage and liberalization of its benefits. I am delighted that the distinguished chairman of the Finance Committee has reported a bill which extends the coverage and liberalizes the benefits and that the minority members of the Senate Finance Committee have indicated that they will support the bill as reported by the committee. But I should like to recall to the attention of the Senate that in 1935, when the question of old-age insurance first came before the Senate, a Republican-sponsored amendment offered by Senator HASTINGS, of Delaware, sought to eliminate the old-age insurance program from the bill. His amendment was defeated, 15 to 63.

When the social-security bill was reported out of the Ways and Means Committee of the House of Representatives in 1935, seven of the Republican members of the committee signed a minority report in which they opposed the establishment of the old-age insurance system. Speaking of the insurance program they said as follows:

> These titles impose a crushing burden upon industry and upon labor.
>
> They establish a bureaucracy in the field of insurance in competition with private business.
>
> They destroy old-age retirement systems set up by private industries, which in most instances provide more liberal benefits than are contemplated under title II. (Conference Committee Report on H. R. 7260, 74th Cong., 1st sess., Rept. 615, pp. 43–44.)

Not a single one of these fears expressed by the Republican opposition has come to pass. The philosophy of fear is frequently used to try to defeat progressive legislation, but after the legislation has been put into effect and has been made workable by a Democratic administration, the Republicans come around and support it as if they were the original friends of the program who had gotten it enacted into law.

This is what Representative TABER said in 1935:

> Never in the history of the world has any measure been brought in here so insidiously designed to prevent business recovery, to enslave workers, and to prevent any possibility of the employers providing work for the people. (CONGRESSIONAL RECORD, April 19, 1935, p. 6054.)

This is what Senator Hastings said on the floor of the Senate:

> I am not prepared at this time to say that I should vote for any of these plans, because I have not made up my mind that the Congress has any authority to force upon anybody an annuity system of any kind. As I say, I am in general sympathy with the scheme. I think of all things that can be done for a young person, the most important is to have him begin to pay into some kind of a fund that will take care of him in his old age, but to have the Congress of the United States force him to make such payments is so entirely new, and so different from my philosophy of what the Congress has a right to do, that I am not for the moment prepared to approve any plan of that character. (CONGRESSIONAL RECORD, June 17, 1935, p. 9424.)

I am very happy that some members of the minority have now changed their minds and agree that it is important to support amendments expanding and liberalizing the program. If we had had their support during these last 15 years we could have improved the program much farther and much faster.

The Republican minority has consistently opposed our proposals by crying that they tended toward the welfare state. Finally that issue was thrashed out in a New York senatorial campaign last year, when the distinguished Senator from New York [Mr. LEHMAN] defeated the Republican candidate, Mr. Dulles, on the issue of whether the social legislation being advocated by the Democratic administration should be continued and improved. Subsequent to that time, Governor Dewey capitulated and announced that there was nothing wrong with the welfare state. This was reported in the New York Times as follows:

> Governor Dewey, of New York, declared in his second lecture tonight at the Woodrow Wilson High School of Public and International Affairs that it must have been some very clumsy Republicans who tried to pin the label "welfare state" on the Truman administration. Mr. Dewey said he did not know the origin of the phrase or who perpetrated it. It has generally been associated with Senator ROBERT A. TAFT, of Ohio, Mr. Dewey's opponent for the Republican presidential nomination of 1948 and 1940. It also was used exclusively by John Foster Dulles, Republican senatorial candidate in the last New York State election.
>
> "Anyone who thinks that an attack on the fundamental idea of security and welfare appeals to the people generally is living in the Middle Ages," Mr. Dewey declared. "Everybody wants welfare and security in one form or another. I have never met anybody who did not want welfare and security. The man who first used the phrase against our present government did his cause no good, to put it mildly" (New York Times, February 10, 1950).

Repeatedly, Republicans have criticized the compulsory coverage features of the social security and health proposals which I have introduced. I am glad to note that the Senator from Ohio and the Senator from Colorado now not only defend the compulsory coverage features of the bill, but have indicated that they wish to compel more people to contribute to the system. That horrible word "compulsion," which the Republicans and the American Medical Association have used to try to crucify those of us who are in favor of social legislation, can now be placed equally on the heads of the Senators from Ohio and Colorado and the other members of their party. I am glad to welcome them into our corner, where they may now admit the error of their ways and a belated conversion to their new faith.

I do not want my remarks to indicate criticism of anyone. I am just trying to bring out the facts. Every time we on the Democratic side have advanced progressive social legislation, it has been

repeatedly criticized—in the beginning, by conservative groups and representatives of the Republican Party; but later on the Republicans see the light and begin to defend what we have done and to take credit for trying to do the job bigger and better than we have.

Of course I recognize that this is an inevitable human tendency. I believe those of us who are in favor of social legislation must recognize the fact that we are going to get a lot of criticism when we first advance proposals, but that as time goes on we shall get more and more support; and finally, after our proposals are enacted, those who first opposed them will begin to see their merit.

One of the very fine provisions in House bill 6000 is the one which for the first time includes small-business men under the insurance program. In 1943 I was chairman of a special committee to study problems of American small business. Among the members of that committee were the following persons who are Members of the Senate at the present time: The senior Senator from Louisiana [Mr. ELLENDER], the senior Senator from Florida [Mr. PEPPER], the senior Senator from Ohio [Mr. TAFT], and the junior Senator from Nebraska [Mr. WHERRY]. Former Senator Capper, of Kansas, was the chairman of a Subcommittee on Research and Education. In conjunction with Senator Capper, our committee published a study called Small Business Wants Old-Age Security.

That was the first time there had been any real study of the problem of covering small-business men under the Federal OASI program. I am very proud of that study. I am proud of the fact that the committee of which I was chairman recognized the problem and indicated, over 7 years ago, how social-security protection could be extended to persons in business for themselves.

One reason why I have long been in favor of national social legislation such as old-age and survivors insurance is that it helps small business. Contrary to the false statements, that are sometimes made, that national social legislation hurts small business, I am convinced that workmen's compensation, accident and health insurance, old-age insurance, and unemployment insurance help small business to retain its employees against the competition from big business, and also help small business by maintaining purchasing power for families, so that they can buy merchandise at their local grocery, drug store, and hardware store, can pay for tickets to their local movie, and can pay their doctor and hospital bills.

In the bill which former Senator Wagner and I introduced on June 30, 1943, we included a provision for the coverage of all self-employed businessmen, and that provision has been repeated in every insurance bill that we have introduced since that time. We did not get very much support in 1943, 1945, or 1947 from any of the Republican Members of the Congress for our proposal, but I am deeply gratified that now the Members of the minority have come around to seeing that we had a sound idea.

In the bill we introduced in 1943, we included a provision for giving wage credits to individuals while they were in military service. We repeated this provision in our succeeding bills. Although the Congress did not see fit, for 7 years, to go along with this provision, both the House-approved version of H. R. 6000 and the bill as reported by the Senate Finance Committee include wage credits for persons who served in the military service during World War II. We are very gratified by the acceptance by the committee of this important provision, which we introduced 7 years ago.

Our bill also included provisions for covering farm labor and farmers under the insurance program. The bill reported by the Senate Finance Committee does include some farm labor. I have submitted to H. R. 6000 an amendment which would include additional farm labor, and I sincerely hope that the Senators who have been saying they are in favor of universal coverage will vote for my amendment.

I am, of course, in favor of extending the program to all farm people, including self-employed farmers, and I have had prepared an amendment which would do so. Senators on both sides of the aisle have said they favor, in principle, extending the program to cover farmers. I should be glad to offer my amendment to cover farmers if the leadership feels that an expression of views on this amendment would be helpful in obtaining early inclusion of farmers under the program. In order that the matter can be properly explored, I should be glad to have my amendment printed and laid on the table, so that any Senator who wishes to express his support of this amendment can do so. I should be glad to add to the amendment the name of any Senator who wishes to join me as a cosponsor.

I should like to point out that the coverage of farmers would not be effective until January 1, 1952, so that there would be ample opportunity to prepare the necessary administrative machinery to bring them under the program. Moreover, it would give the administrative agency a year of experience in covering nonfarm self-employed before bringing in the self-employed farmer. I agree with the Republican leaders that it will not be long before farmers are covered under the insurance program, and I see no reason why we should not now include in the bill a provision which will bring them into the program at an early date.

In the bill we introduced in 1943 we provided for liberalizing the insurance benefits. I am glad the Finance Committee has included provisions to liberalize the insurance benefits; but I feel, as many other Senators do, that the committee has not liberalized the benefits enough. Under the bill reported by the committee, the maximum insurance benefit payable is $72.50 a month, based upon maximum wages of $3,000. It is my understanding that various members of the committee will support an amendment to increase the maximum wage base to $3,600, which will permit a maximum insurance benefit of $80 a month. Naturally, I shall support any proposal to increase the insurance benefits, but I must say quite frankly that I do not think a maximum of $80 is sufficient. I believe the insurance benefits should be raised to about $100 a month for a person earning $400 a month who has been covered under the insurance program for 5 years. I strongly believe that the maximum wage base should be increased to $4,800, or in any event to not less than $4,200. I also believe it is most important to include in the insurance program an increase for each year for which an individual has contributed. I shall certainly support the amendments submitted by the senior Senator from Pennsylvania to increase the maximum wage base and to put back into the program the so-called increment for years of contributions to the insurance system.

There is one very grave omission from the bill; I refer to the action of the Finance Committee in striking out the disability insurance provisions approved by the House. I deeply regret that the Finance Committee took this action. Their action is diametrically in opposition to the recommendation made to them by their own advisory council. That distinguished council, composed of 17 members picked by the Senator from Colorado [Mr. MILLIKIN], voted 15 to 2 to include disability insurance in the social-security program. Yet the Finance Committee has disregarded this advice and has eliminated this most valuable and essential protection.

It is clear that this action of the Finance Committee was taken because of the tremendous campaign that has been waged by the private insurance companies, the American Medical Association, and the employer organizations such as the chamber of commerce and the National Association of Manufacturers—all of whom are opposed to this amendment, which is so very badly needed by disabled persons throughout the country. I am well aware of the fact that the members of the Finance Committee were strongly urged by representatives of the insurance companies and these other groups to eliminate the disability insurance provisions of the House bill. I deeply regret that they accepted the unsound arguments of the insurance companies and the other groups, in preference to the recommendation of their own advisory council, the needs of the disabled people, and the welfare of thousands of families in the Nation.

Under laws already passed by Congress we have provided disability insurance protection for railroad workers, for civil service employees, and even for Representatives and Senators. Experience with the disability provisions of the Railroad Retirement Act and the Civil Service Retirement Act has been excellent. But now we are asked to deny this same type of protection to the rest of the workers and small-business men of this country. I do not see how, in good conscience, any Senator can vote to withhold this protection from millions of persons who work for a living, when he himself, and all of these other groups, have protection against disability.

I know that many of the Senators here voted to provide disability insurance protection for railroad workers. Why, then, should they oppose the same sort of protection for the rest of the people

who work for a living in this country? As a matter of fact, the amendment proposed for payment of disability benefits is much more restricted, much more conservative, much more limited than what is now authorized under the Railroad Retirement Act, the Civil Service Retirement Act, and the other Federal programs providing for disability benefits.

The arguments made by the insurance companies and the American Medical Association can easily be refuted. They were refuted in the House of Representatives, before the House Ways and Means Committee reported the provision. They have been refuted time and time again.

In the first place, most of the insurance companies sell very little disability insurance through private policies. As a matter of fact, under many of the collective-bargaining contracts which provide for disability benefits, the insurance companies will not insure this protection, but they make the employer self-insure the disability benefits. So the amendment, if passed, would not in any way adversely affect insurance companies.

Nor would the amendment adversely affect the welfare of doctors or hospitals. As a matter of fact, if this amendment passes, it would put money into the hands of disabled people, which would make them better able to pay their doctor and hospital bills. Yet the doctors are opposed to this provision, despite the fact that it will help them and help their patients. They are taking a dog-in-the-manger attitude, because they are unwilling to support any progressive legislation whatsoever.

As a matter of fact, the official position of the American Medical Association in favor of permanent and total disability insurance, taken in 1938, is still in effect. It is the board of trustees of the American Medical Association which has taken the position against the proposal, not the house of delegates. Thus the action of the house of delegates in 1938 still remains the official action of the American Medical Association. Twelve years ago they admitted the validity of the argument that disability insurance would help the patients and help the doctors. But today, because they are opposing various health bills, they take the position that they must oppose everything, good, bad, or indifferent. This is a reckless and unprincipled policy.

I am sure that disability insurance is going to be the law of the land, sooner or later. Yet the doctors of this country, through their official organization, are putting themselves on record as preventing progress and as refusing to promote a decent and humanitarian program.

I should like to point out that the American Hospital Association, the American Public Health Association, and the American Legion have endorsed the principle of disability insurance—Senate hearings, pages 578 and 2368.

I have consistently supported social-security and full-employment legislation, because I believe that such legislation will help us to preserve our free-enterprise system. I believe that if we are to have a dynamic economy people must have an opportunity to work at rates of pay that will sustain a rising standard of living, and that there must be common protection against the causes of insecurity which face people who work for a living.

The program of full employment and social security under a free-enterprise system, which I have advocated during these past years is not going to come in the United States of its own accord. If we want that kind of program and want to put it in operation we must plan for it, we must work for it, and we must fight for it, against the opposition of those who are constantly trying to defeat our proposals.

Last year there was much criticism of the proposals for social security on the ground that they would cost a great deal of money. Members of the minority party inserted into the RECORD material showing the tremendous cost of social security through the year 2000. The only trouble with all these terribly high cost estimates was that the members of the minority party assumed that there would be no progress made in wages, employment, and living standards for the next 50 years. That might have been a correct assumption to make, had the Republican Party gotten into control of our Government. I believe Republicans must recognize that under the policies advocated by the Republican Party there would be very little progress made in improving wages or living standards.

I cannot accept this lack of faith in our country and in its future, which the Republicans have accepted. I believe that we are going to go forward to improve our wages, increase our employment, and raise our standard of living. As we do this, we can provide social security for our people without impairing incentives or placing too great a burden upon the productive members of our society. If we are to act as a humanitarian, intelligent, democratic Nation, we must make adequate provision for those in our country who become sick, disabled, aged, or unemployed, or who die prematurely. We must continue to improve our social-security program.

Recently, the Senator from Nebraska [Mr. BUTLER] wrote me asking my opinion on the flat-pension proposal he has advocated as a substitute for improving the insurance program. I am opposed to any such proposal, and I ask unanimous consent to insert in the RECORD a copy of my reply to the Senator from Nebraska, giving my reasons for my position.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

UNITED STATES SENATE,
COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS,
June 19, 1950.

Hon. HUGH BUTLER,
United States Senate,
Washington, D. C.

DEAR SENATOR BUTLER: This is in reply to your letter of June 13 in which you request that I support a plan for a 2-year stop-gap social-security measure pending consideration of a flat-pension substitute for the present old-age and survivors insurance program.

As you know, for many years I have been greatly interested in social security and have given careful study and consideration to proposals of the sort you advocate. As a result of this study I am convinced that the flat-pension system which you are advocating would be completely unsound and that it is unsuited to the American economy and inconsistent with our system of free enterprise, thrift, and incentives.

In a country such as ours, with wide variations in wage levels and living costs from State to State, and even within States, it seems to me that it would be utterly impossible to select any uniform pension level which would be suitable in all parts of the country. Moreover, not only are there wide geographical differences in costs of living and wage levels, but even within the same area the needs and standards of living of individuals may differ widely; here again, an amount which would be barely adequate for one person might actually, in another case, provide a standard of living exceeding that which the individual was able to attain for himself during his working years.

Moreover, I believe it is of the utmost importance for the continuing productivity and prosperity of the Nation that our system of incentives and rewards for superior accomplishment and contribution to the economy be strengthened in every possible way. Just as we must have a variable wage structure to encourage individuals to make their maximum contribution to national productivity, we must have also a variable benefit structure in our social insurance programs. I believe that the individual's knowledge that he can improve his future security, as well as his current standard of living, by his own effort, will encourage him to put forth maximum effort.

In this connection I would like to recall to you the splendid statement made during the hearings on H. R. 6000 before the Senate Finance Committee by Prof. J. Douglas Brown, of Princeton: "I would especially like * * * to emphasize the great importance of maintaining a full spread of differentials in an old-age and survivors structure. A contributory social-insurance system should strengthen, rather than weaken, the incentives so necessary in a free-enterprise system. In our efforts to support our least fortunate citizens it is easy to break down incentives by lessening the differential rewards for steady employment, higher earnings, and self-improvement. It is far harder to reestablish incentives once they are lost. Even America, with its great resources of materials and manpower, cannot afford to weaken the incentives of its people to produce more for a better standard of life * * *

"'This country is on the brink of a long and steady descent into a condition of flattened differentials and comfortable averages. To make things easy and to avoid the trouble of differentiating talent, effort, or character, we are tempted to concede flat-insurance benefits, flat-assistance grants, flat rates of pay, flat levels of education, and a tragic averaging toward a single norm in scores of aspects of life. This is one of America's greatest dangers. It is a symptom of a declining conviction in the value of competition, incentive, free enterprise, and free opportunity to prove one's self a more productive and an economically more valuable person than one's neighbor."

I feel, therefore, that I cannot support any proposal which would substitute a flat-benefit program for our present one. In addition, though, there are specific aspects of your proposal which I feel are most unwise.

I do not believe that the method of financing the proposal would be at all sound or satisfactory. First, I could not agree with any method of financing which would relieve the employer from some responsibility for contributing directly toward the security

of his employees. It has become a well-established principle that the cost of providing security for aged workers is as much a part of the expense of doing business as is the cost of replacing obsolete or worn-out machinery. Employers and industry generally have accepted this principle, and I believe we would be taking a backward step to relieve them of all responsibility for their employees' security.

Second, apart from the source of the funds for financing the program, I find the financing proposal quite vague, indefinite, and uncertain. I do not see how anyone could feel certain of any security at all with the tax rate to support the program being redetermined from time to time, as you indicate it would be, nor do I see how the tax rate, or indeed the whole system, could fail to develop into a political football subject to varying pressures from all directions. I feel that the end result would be complete confusion and chaos.

In my opinion your statement that H. R. 6000 will be so costly as to bankrupt the economy is completely without foundation. It is impossible for me to conceive that our Nation, with its tremendous productive capacity, will ever be unable to provide the necessary goods and services to support its aged, its widows and orphans, and its disabled at a decent and respectable standard of living. The only correct way to judge the cost of a social-security program is in terms of its effect on the Nation's production of goods and services. The payment of a decent level of benefits under our social-security system does not reduce the amount of goods and services produced; on the contrary, by maintaining the purchasing power of the beneficiaries and by improving the morale of the working population, it increases the Naton's productivity.

You state that the number of Federal employees required to administer the social-security system you propose would be no more than one-half of the number now required. There is absolutely no reason to expect such a reduction. On the contrary, under your proposal the number of Federal employees required would probably be substantially increased.

Many of those who now work on the maintenance of old-age and survivors insurance wage records would still be needed in order, under your proposal, to operate an identification and record system to insure against the payment of more than one benefit to each qualified individual. The employees now engaged in the collection of the payroll taxes also work on the collection of income taxes; the elimination of payroll taxes would not mean that all those employees of the Bureau of Internal Revenue whose work is charged for accounting purposes to the collection of the payroll tax could be dismissed. Actually, the Bureau of Internal Revenue, under your proposal, would have to add to its staff in order to handle the additional millions of income-tax returns that would be filed by individuals who do not now pay income taxes. These returns would be greater in number and would require more complex administrative steps to process than are required for the processing of the relatively simple tax returns filed by employers under the present social-security systems. Furthermore, the Federal Government would have to hire additional thousands of personnel to administer the phase of your proposal which requires that benefit amounts be fixed in relation to the amount of taxable income. The benefit amount would vary from year to year and even within the year, and the mechanics of determining the amount to be paid and maintaining the necessary accounting controls would actually be a great deal more expensive than the mechanics of benefit payment under the present program.

I particularly note that your plan does not provide for payment of benefits to disabled persons. I believe that this is a great deficiency in your proposal.

Finally, I could not support any system which penalized individual thrift, as it seems to me your proposal would do. I feel that the worker ought to be able to look forward to receiving his retirement benefits despite the fact that he may have been able to provide additional income for his old age through savings and self-denial in his working years. It seems to me that reducing the benefits where the individual has been able to provide such additional security would be utterly discouraging to all efforts to supplement the basic insurance benefit.

As I am sure you know, I am thoroughly aware of the deficiencies and inadequacies in our present social-security program. I believe, though, that the basis of the program is entirely sound, and that we can improve and expand the program both as regards persons protected and benefits provided so that it will do a really effective job of providing social security in a way consistent with our American beliefs, traditions, and circumstances. Accordingly, I intend to vote for H. R. 6000 and to work for further improvements in the program.

Thank you for sending me your proposal. I am very glad to have had the opportunity to study and comment on it, and I regret that I cannot in good conscience give it my support.

Sincerely yours,

JAMES E. MURRAY.

Mr. MURRAY. I have noted that several of the criticisms of the old-age and survivors insurance system made by the junior Senator from Washington bear a striking resemblance to the criticisms made by Mrs. Marjorie Shearon in her news letter called Challenge to Socialism. For that reason I ask unanimous consent to insert in the RECORD the entire editorial from the national Catholic weekly review, America, of May 27. The final paragraph of this editorial points out that:

"Dope sheets" like Challenge to Socialism—and there are many of them—are wrecking the attempt to build up a constructive conservatism in the United States. In their own way, to our mind, they are just as dangerous as the Daily Worker. They smear competent and conscientious Americans whose concern for American security and genuine democratic well-being are unquestioned. And they distract us from facing the real threat confronting our way of life, the threat of Marxism all over the world. Nothing could be more myopic, misguided, or menacing to social progress.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

HOW TO WRECK CONSERVATISM

Among the countless "dope sheets" purporting to furnish busy (and well-heeled) American citizens with what-you-should-know information about national politics is Challenge to Socialism, edited in Washington by Marjorie Shearon, Ph. D. It comes out not less than 35 times a year—allowing ample respite from the ardous research that goes into these invaluable contributions to American culture—and costs $12.50 annually. For some reason, single copies are modestly priced at 10 cents, which comes much closer to the real value of the publication. Its slogan, "Resist unwarranted regulative interference by government," was first aimed at medical legislation, but it now covers the whole waterfront.

In the May 11, 1950, issue of Challenge to Socialism, Dr. Shearon undertakes to do a job on Senator WAYNE L. MORSE, Republican, Oregon. She calls for his defeat in the May 19 Republican primaries, urging Oregonians to reject Senator MORSE as Floridans rejected Senator CLAUDE PEPPER on May 2 (America, May 13, p. 159). "Senator PEPPER's pinkness has been more obvious than that of Senator MORSE," warns the easily alarmed editor, "but both have been long immersed in the same waters."

Senator MORSE needs no defense from us. To begin with, he is a very highly educated person. His academic degrees include those of bachelor and master of arts from the University of Wisconsin, bachelor of laws from the University of Minnesota, and doctor of jurisprudence from Columbia University. The University of Oregon, which appointed him professor of law in 1929, made him dean of its law school in 1931, a position he held until he resigned to run successfully for the Senate in 1944 as a progressive Republican.

Comparing a man of such attainments to CLAUDE PEPPER requires some doing. But it gives Dr. Shearon no pause. She accepts, in derogation of Mr. MORSE, the judgment of Representative CLARE E. HOFFMAN, Republican, Michigan, whose account of his own post-law-school career in the Congressional Directory consists exclusively of a glowing enumeration of his pluralities in every congressional election since 1934: "The sketch [of WAYNE MORSE] does not show that he ever earned the degree of C. S.—common sense * * *." No sketch of Mr. HOFFMAN shows it either. Mr. MORSE, in the account he submitted to the Congressional Directory, could mention, in addition to his university teaching, his chairmanship of the President's Railway Emergency Board in 1941 and his membership, representing the public, on the National War Labor Board 1942–44. He has reason to regard other accomplishments as more important than being reelected to public office, with machine-line precision.

The explanation of Dr. Shearon's attempt to purge Senator MORSE is basically very simple. The Senator, who knows a thing or two about labor law, voted against the Taft-Hartley Act. It makes no difference to Dr. Shearon, apparently—she never mentions it—that Mr. HOFFMAN, an arch-conservative, joined Senators PEPPER and GLEN TAYLOR (whom she brackets with WAYNE MORSE) in opposing the Marshall plan and other phases of our anti-Communist foreign policy. Lining up with the Daily Worker seems to be all right with Challenge to Socialism—so long as it is not on the T-H issue. But opposing what even Business Week (December 18, 1948) admitted to be a piece of anti-union legislation is the unpardonable sin.

Dope sheets like Challenge to Socialism—and there are many of them—are wrecking the attempt to build up a constructive conservatism in the United States. In their own way, to our mind, they are just as dangerous as the Daily Worker. They smear competent and conscientious Americans whose concern for American security and genuine democratic well-being are unquestioned. And they distract us from facing the real threat confronting our way of life, the threat of Marxism all over the world. Nothing could be more myopic, misguided, or menacing to social progress.

Mr. MURRAY. Mr. President, we must not wait another 11 years to improve the program. The last time there was a major revision of the social-security program was in 1939. We all recognize, of course, that because the war intervened there were a lot of things we wanted to do that we were unable to do; but 11 years is too long. I want to say that I shall introduce another bill shortly, providing for the complete extension of coverage, liberalization of the benefits, and other improvements. I hope that the Congress will consider and pass such

a bill next year, so that we shall at last have a comprehensive and universal program covering all the major causes of insecurity.

Mr. President, I also ask to have inserted in the RECORD in connection with my remarks an editorial from the Washington Post of this morning.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

SOCIAL SECURITY

With party leaders on both sides in favor of liberalizing the social-security system, Senate passage of a bill extending coverage and increasing the scale of benefits is virtually assured. In a series of editorials the Washington Post has discussed the chief provisions of the House bill which was passed at the last session and the proposed Senate revisions. In both cases the proposals for extension of coverage are inadequate, but they are a step in the right direction. Moreover, it is encouraging to discover that influential Senators of both parties favor wider coverage leading eventually to all-in coverage.

Under either bill the proposed increases in the scale of payments would provide fairly adequate subsistence benefits for the great majority of workers. But in view of the sharp rise in wages and the 70-percent increase in living costs during the past decade as well as the extremely low level of benefits under the present law, we favor the higher scale of benefits of the Senate bill which increases average payments for retired workers from 85 to 90 percent.

Under the Senate bill the maximum wage on which benefits may be computed would remain at the present $3,000 level. That is much too low, since it prevents workers in higher income categories from qualifying for higher pensions affording more protection against wage losses. Ten years ago all but a negligible fraction of wage earners in covered employment earned less than $3,000, so that benefits were at that time based on the total earnings of the insured, barring minor exceptions. Today the wage base would have to be raised to $4,800 to cover all the wages of 95 percent of insured workers. Consequently, there is strong support in the Senate for an amendment to the pending bill that would raise the maximum wage on which benefits can be computed to $3,600—the figure set by the House bill. That would still be too low a base, providing too little protection against wage loss for workers in the higher wage brackets. But it, too, would be a step in the right direction. Together with the more liberal Senate formula for computing benefits, it would further increase the scale of benefits for higher paid workers, who would, of course, be called on to contribute more to the insurance fund.

The Senate proposal to freeze payroll taxes at existing levels until 1956 instead of raising the rates next January, as under the House bill, is debatable. But in view of the controversy over methods of financing the system as well as the strong political opposition to tax increases at this time, it is perhaps wise to postpone action on tax increases for the time being, especially as the proposed increases in coverage would bring new taxpayers into the system. Moreover, if the tax base were to be increased, a good many workers already covered and their employers would have to pay higher taxes. Finally, at present levels Senator GEORGE estimates that the receipts from payroll taxes will produce sufficient revenue to meet all benefit obligations for the next 5 years. As a result, the tax freeze would not have an inflationary effect on the economy.

The Senate bill omits a provision included in the House bill for pensioning workers who become permanently and totally disabled before reaching retirement age. We hope that this provision will be restored in justice to disabled workers who have made substantial contributions to the insurance system and in the great majority of cases have no other form of protection against a loss of earning power that compels them to rely on public or private charity until they reach the age of 65, if they ever do. Unfortunately, strong pressure has been brought to bear on the Senate to reject disability insurance under the mistaken impression that it would be an entering wedge for compulsory health insurance. It is unlikely, therefore, that this controversial provision of the House bill will be acceptable to the Senate.

On the other hand, there is widespread support for an amendment to the Senate bill calling for an expert study of the social-security system. As the country moves toward universal coverage, the question whether to retain the present trust fund method of financing or to substitute a pay-as-you-go system assumes increasing importance. Although the Washington Post believes that the present contributory system is preferable, there is room for honest difference of opinion on that score. However, action cannot be deferred until a solution has been found for all unsettled problems. Amendatory legislation is needed at once to shore up the present weak structure and lay the foundation for a comprehensive system that will be both adequate and nondiscriminatory.

Mr. SCHOEPPEL. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. HUNT in the chair). The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Green	McKellar
Anderson	Gurney	Malone
Benton	Hayden	Maybank
Brewster	Hendrickson	Millikin
Bricker	Hickenlooper	Mundt
Bridges	Hill	Murray
Butler	Hoey	Myers
Byrd	Humphrey	O'Mahoney
Cain	Hunt	Pepper
Capehart	Ives	Robertson
Chapman	Jenner	Russell
Chavez	Johnson, Colo.	Saltonstall
Connally	Johnson, Tex.	Schoeppel
Cordon	Kefauver	Smith, Maine
Darby	Kem	Smith, N. J.
Donnell	Kerr	Sparkman
Dworshak	Knowland	Stennis
Eastland	Leahy	Thomas, Utah
Ecton	Lehman	Thye
Ellender	Lodge	Tydings
Ferguson	Long	Watkins
Flanders	Lucas	Wherry
Frear	McCarran	Wiley
Fulbright	McCarthy	Williams
George	McClellan	Withers
Gillette	McFarland	

The PRESIDING OFFICER. A quorum is present.

Mr. LUCAS. Mr. President, under the unanimous-consent agreement entered into last week for the taking of a vote tomorrow at 4 o'clock on the social-security bill, which is the unfinished business, the time was to be equally divided between the proponents and opponents of the legislation. I merely mention this because those who desire to speak on the social-security bill had better speak today if they have speeches of any length, because tomorrow I presume the Senator from Georgia [Mr. GEORGE] and other members of the committee will desire to consume most of the 2 hours which will be divided between the Senator from Georgia and other Senators who favor the bill.

Mr. LONG. Mr. President, will the Senator yield?

Mr. LUCAS. I yield to the Senator from Louisiana.

Mr. LONG. Does the Senator from Illinois plan to move a recess at this time, or is he going to leave the floor open for further speeches?

Mr. LUCAS. I shall leave the floor open for further speeches or debate on the pending question, or any other question, but if no Senator is prepared to speak, the Senator from Illinois is ready to move that the Senate take a recess until tomorrow.

Mr. WHERRY. Mr. President, the observation made by the majority leader is correct insofar as the time under the unanimous-consent agreement is concerned. I should like to point out to him, however, that there is no provision for control of the time between the proponents and opponents.

I am sure the majority leader will see that that is absent from the agreement, the reason being that there was no one to take charge of the time for the opponents. The time was simply divided, and the time is under the control of the Senator from Georgia and the Senator from Colorado, who I am sure will take care of any Senator, insofar as time for speaking is concerned.

Mr. LUCAS. Perhaps I was technically wrong, but there will be someone opposing the bill. The senior Senator from Nebraska [Mr. BUTLER], the colleague of the minority leader, is opposed to the bill, and has made a speech on it, and I suppose he might have time on the bill, which could be given him by the Senator from Colorado, or even by the Senator from Georgia. That is not the important consideration. What I am trying to do is to advise Senators, on this side of the aisle, especially, that unless they speak this afternoon, they run a chance of not being able to get the floor tomorrow.

I understand the Senator from Louisiana desires to speak, and under those circumstances, I yield the floor.

Mr. CAIN. Mr. President, before the Senator yields the floor, will he not yield to me?

Mr. LUCAS. I yield to the Senator from Washington.

Mr. CAIN. The Senator from Washington would like to raise a question concerning the status of the selective-service bill. It had been my understanding that probably if there were a lag this afternoon, that bill would be brought before the Senate, because of the termination date being next Saturday.

Mr. LUCAS. The Senator correctly understood the situation, but it is now 15 minutes after 3 o'clock. I had thought that perhaps if there were no speeches earlier in the day on the social security bill or other measures, I would move to take up the bill for the continuation of the Selective Service Act. But after conferring with the Senator from Maryland [Mr. TYDINGS], the Senator from Georgia [Mr. RUSSELL], and other Senators who are interested, I was prevailed upon the wait until Wednesday before finally moving to take up the bill for the continuation of the Selective Service Act.

I now yield the floor.

Mr. LONG. Mr. President, I find one of the greatest shortcomings of the bill

reported to the Senate by the Senate committee to be that all provisions for aid to disabled persons other than blind persons have been stricken from the bill. In view of the fact that the Senate committee has taken the better part of one year to study this matter, I find it extremely difficult to discover any justification for the Senate committee striking the very worthy provision which was included by the House of Representatives, calling upon the Federal Government to aid in providing assistance for the disabled.

The bill as it passed the House provided for assistance to those totally and permanently disabled. I am thinking in terms of welfare cases. There are persons who have lost their arms, there are persons who have lost their legs, persons who have TB, cancer or have heart disease, who will never be able to work again in their lives. I see some of them in my home State of Louisiana in wheel chairs. I have occasion to visit some of them now and then at their homes, some who may live for 6 months, some who may live for 2 or 3 years, some who may live for 5 or 6 years. Those are certainly cases of more crying need than is the case of the ordinary aged person.

In the State of Louisiana we have tried to do something for such people. Louisiana probably leads the Nation in its attempt to provide for unfortunate disabled people who, by reason of sickness, or by reason of loss of arms, or legs, or other physical impairment, are unable to earn a living in any manner whatsoever.

Mr. President, I should think that anyone who would ponder on his Bible teaching would realize that we should not deny such people a little charitable help from the Federal Government. Yet we see the Federal Government ignoring them but ready to match the States under very liberal programs for aid in the cases of aged people. In my State we are able to work out a program for persons over 65 years of age, even though they may be able to do something for themselves.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. LONG. I yield to the Senator from Illinois.

Mr. LUCAS. The Senator has been unavoidably absent, and I should like to call his attention to the fact that the senior Senator from Pennsylvania [Mr. MYERS] and the senior Senator from Illinois have offered an amendment which would take care of the very situation the Senator is now discussing. While we agreed that the Finance Committee should report the pending bill, we also reserved the right to offer certain liberalizing amendments from the floor of the Senate.

The subject matter the Senator from Louisiana is now discussing is contained in an amendment offered by the Senator from Pennsylvania and myself. I am very happy that the Senator is discussing the subject, and I hope he will cover it fully, because the question involved is a very important one.

Mr. LONG. Mr. President, I am very pleased to have that information brought to my attention. I wonder if the amendment offered by the Senator from Illinois and the Senator from Pennsylvania includes in the public-welfare provision, as well as in the Federal old-age and survivors' insurance system, aid to the disabled?

Mr. LUCAS. I should have to examine the amendment more carefully to determine that point, but I believe it does. However, I shall make a determination of that question a little later.

Mr. LONG. From only a brief glimpse at the amendment offered by the Senator from Illinois and the Senator from Pennsylvania, not having had an opportunity to study it, I gain the impression that the amendment deals only with those who are covered by the Federal old-age and survivors' insurance system. I feel that once again we would be left with a blind spot for disabled persons who are not covered by the Federal old-age and survivors' insurance system, and, because they are not covered by social security, they would not have the benefits similar to those provided for the disabled in the State of Louisiana.

Mr. LUCAS. I hope the Senator from Louisiana will look into that phase of the matter, and if the amendment does not cover the point, I should like to have him, for the RECORD, elaborate upon the subject to which he is now referring.

Mr. LONG. I shall be pleased to do so. I hope the Senator will join me in supporting such an amendment as I have in mind in the event it is necessary to have such an amendment placed in the bill

Mr. President, in the State of Louisiana approximately 25,000 persons are classified as disabled. Most of those persons are disabled by reason of sickness of one sort or another. Some of those cases of disability have resulted from sicknesses suffered in early life; some by reason of cancer, tuberculosis, or heart disease. Many of the persons so disabled are bedridden; many of them are in wheel chairs; many of them, for one reason or another, are unable to provide for themselves.

The junior Senator from Louisiana felt that the House committee was somewhat overstrict in providing that in order to receive any sort of aid a disabled person would have to be totally and permanently disabled. It seemed to me that it should not be necessary to go that far if the State wanted to work out a State and Federal plan to help a disabled person. After all, why should it be necessary that a person be permanently disabled, if he is needy and totally disabled from earning a living? Suppose, for example, a man is in such a condition that, by virtue of some disabling injury, he will not be able to work for a living for 6 or 9 months, or possibly 1 or 2 years, even though at some time in the future it is possible he may be able to work again. If that person is needy, would it not seem that the Federal Government should be able to help him with the program now proposed, even though he is not permanently disabled, but certainly is totally disabled for a substantial period of time.

On the other hand, it seems to me that we should be able to help persons who are disabled even though they are not totally disabled. In this great Nation, we should eliminate this thing of having beggars on the streets trying to sell pencils, or the kind of cases I see in my home town occasionally—and I know every Senator sees such cases in their own States—of a man who has lost both legs, pushing himself along with two weights along the street, playing on some sort of an instrument, or inciting sympathy in some fashion to encourage people to buy pencils for two-bits, trying to get them to help him to exist, because no provision is made by our welfare program, to help such people.

We have done great things in this Nation to reduce poverty and to help those in need. Yet we leave this blind spot. Persons who are disabled I would assume represent, throughout the entire United States of America somewhere between one-half and 1 percent of our population. We leave those miserable, disabled people dependent entirely upon their relatives or dependent upon private charity entirely. That is the blind spot in our program.

Today if a man is 65 years old and needy, we will give him an old-age pension, even though he may be able to work in some fashion for a living. Yet to another man who is 64 years old, totally disabled, not able to lift his hand to provide himself any sort of employment or any sort of earning whatsoever, we say "No, you cannot have any sort of aid at all from your Federal Government."

In my State we have been obliged to have discussions as to how we can best use our State welfare money. In our program for the disabled we receive no Federal matching whatsoever. Naturally there is always a temptation to divert to the aged, money that could go to the disabled, because in aiding the aged, we are able to secure Federal matching and make our money go much further.

Some time ago the question was raised, If we had to economize on our State expenditures how should we go about cutting down on them? Many persons suggested that the wisest thing to do would be to cut back on the part of our program affecting disabled persons, because there the money would not go so far and would not reach so many persons. The director of our public welfare system wisely pointed out that that phase of our program was the one we could least afford to cut back, because they represented cases of the most crying need. We might be able to give an old person $50, by virtue of Federal aid, yet, because we had no aid for disabled persons under our Federal program, a disabled person would have to settle for maybe $20 or $25, when that person, if he were 65 years old would be able to receive $50 by virtue of the State and Federal programs.

Mr. President, I have heard that the Republican Party has, through its policy committee, established a policy that the Republican Party will oppose any sort of aid to disabled persons. I certainly hope that that is not the case. If that should be the case, I certainly hope that the Republican Policy Committee will reconsider their decision.

Mr. THYE. Mr. President, will the Senator yield?

Mr. LONG. I yield for a question.

Mr. THYE. I must say to the very able Senator from Louisiana that I am a Republican, and if the Republican Party has adopted such a policy I am not aware of it. I have never heard of it. I do not know that we have had such a policy under discussion. I am only sorry that Members who serve on the Policy Committee are absent from the floor, because I believe that such a charge should be answered by a member of the Republican Policy Committee. At least, I have not heard that the Republican Party has adopted any such policy as that to which the Senator from Louisiana has referred.

Mr. LONG. The junior Senator from Louisiana is certainly heartened to hear that statement from the senior Senator from Minnesota. I say that I have heard that such a decision was made. Not being a member of the Policy Committee nor a member of the Republican Party, I would be unable to know whether that statement is correct or not. I hope the statement made by the Senator from Minnesota is entirely correct, and that the Republican Party has not taken a stand in opposition to aid to disabled persons.

Mr. THYE. Mr. President, will the Senator yield further?

Mr. LONG. I yield for a question.

Mr. THYE. All I can say is that if I had such a thought in mind, and if I were going to make mention of what the policy committee of a certain political party had decided, I would try to ascertain what the facts were before I made reference to that matter on the Senate floor.

Mr. LONG. I say to the Senator from Minnesota that I was informed by a person in whom I have some confidence, that such was the case. I will say, however, that my knowledge is entirely hearsay, and I stated it as being hearsay when I made that particular statement. I believe we will know how the Republican Party feels about this particular matter when we actually have a vote on the amendment dealing with this subject.

Mr. President, I certainly feel that the time is long past when we should cover this blind spot in our social-security program. In my opinion a Federal program to aid the disabled is more needed than any other provision in the pending social-security bill. We find in the bill a liberalization of benefits that individuals are presently drawing under social security. In many respects this bill contains a gratuity, because certainly in the sense of actuarial soundness, if the bill be looked upon in that sense, those persons who will receive greater social-security benefits did not pay enough money into the social-security program to pay for the benefits they will receive. Yet when it comes to the question of actual need we find that in the great category of disabled persons, who are not able to help themselves, the Federal Government is doing nothing to relieve the most dire cases of suffering and distress in America today.

Mr. President, I certainly hope that an amendment of this sort will be adopted to enable the Federal Government to help the States provide for their disabled persons. I propose to offer such an amendment myself. I hope that such an amendment will be adopted on the floor of the Senate when the voting takes place tomorrow.

I hope I shall have the support of the distinguished Senators from Illinois, the distinguished Senator from Pennsylvania, and Senators from other States who, as I understand, have offered amendments to include the disabled in that phase of our old-age and survivors insurance program. It certainly seems to me that, after all the study which was made by the House committee and after the House of Representatives agreed to aid those who are permanently and totally disabled, it comes with ill grace for the Senate committee now to say that we should strike from the bill this worthy provision, which was inserted by the House of Representatives in order to see to it that we would be able to care for those who are disabled, even though they may not be old enough to receive benefits under our old-age-assistance program.

So, Mr. President, I hope the committee will reconsider, and will go along with us in regard to some sort of reasonable proposal to help those who are disabled. I hope we shall be able to have the Senate adopt to this bill an amendment by means of which we shall see to it that some provision is made in the Social Security Act for the cases of the most crying need in America, the persons who are disabled and are unable to earn a living for themselves, and who would be left out of coverage under the act if the bill recommended by the Senate committee, as that bill presently stands, were enacted into law.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

Mr. BENTON. Mr. President, a moment ago I asked and obtained consent to have printed in the Appendix of the CONGRESSIONAL RECORD a report entitled "How To Raise Real Wages," released on June 14, 1950, by the Committee for Economic Development. In that connection, I stated that the report is an extraordinary one, outlining a 10-point plan to double the real income of the average citizen, over the next 30 years, through the steady growth of our private business system. The conclusion of that report on national policy that real wages can be doubled in the next 30 years is sponsored by such a distinguished group of industrialists and business leaders; and their conclusion is germane to the measure now before us, which is the culmination of a decade of study by the Finance Committee to improve and strengthen the base of social security being developed for every member of our free society.

Mr. President, the goals of an expanding economy under free enterprise go hand in hand with the objectives of social security for all the American people. There is no conflict between those two things. Thus, I wish to say that I shall vote for many liberalizing amendments which I understand are to be submitted tomorrow in order to cover more persons and to bring the benefit levels more in line with present-day living standards.

Mr. President, I rise now in particular to associate myself on the RECORD with the amendment submitted on June 14 by the distinguished majority leader, the Senator from Illinois [Mr. LUCAS], for himself and the Senator from Pennsylvania [Mr. MYERS]. That amendment deals with aid to dependent children. This is a subject in which Mrs. Benton and I have long been interested.

Mr. President, on Whitsunday, May 28, 500,000 children marched in Berlin, under Soviet banners, organized in the so-called Free German Youth movement. I may say that often when I read in the newspapers the phrase "Free German Youth," I wish the newspapers

would print in parentheses, immediately afterward, the word "Communist," because the phrase "Free German Youth" is a classic example of the way the Communists distort our words for their own propaganda ends.

On that occasion, Mr. President, there marched in Berlin one-half million children from every part of the eastern zone of Germany—boys and girls from 6 to 16 years of age. They marched with the same sickening rhythm, the same set faces, the same sense of self-importance that were manifested by the Hitler Youth of late and tragic memory.

As those children of the eastern zone of Germany marched in military array under their new Soviet drill masters, they sang, as they had been taught and told to sing, We Are the Children of the New Era.

Mr. President, the distinguished journalist, Mr. Hanson W. Baldwin, commented in the New York Times of June 1 that the impressionable minds and spirits of these children "are the blank paper upon which the Politburo hopes to write the history of tomorrow. Marxism knows no date or deadline for its conquest of the spirits of men; it is proselytizing the young, knowing that if it wins the battle for the minds of youth, it has won—in the long-term view—the battle for the world."

On Decoration Day I personally was privileged to review a parade of school children in my town of Fairfield, Conn. The children moved along waving their American flags and smiling to their parents on the side lines. None of the children was in step. None of the lines was maintained in anything resembling military array. In speaking to the group after the parade I complimented the marchers and the parents and those responsible for the arrangements. I said, "Thank God, they cannot keep step. It was a great parade." Of course, Mr. President, it was a typical parade of free American children, and it was a wonderful sight, contrasting particularly with the scene which had unfolded a few days before in the unhappy city of Berlin.

Who will dispute that the welfare of our children and the support and maintenance of the homes in which they are reared have first claim upon our democratic society? Even the most casual observer of family life recognizes that poverty and emotional insecurity are the breeding grounds of emotional and physical maladjustment and disease, of antisocial attitudes, and even of cynicism or resistance toward the fundamentals of our free institutions and our economic system. Any constructive measure we can take in this area of our national life will be, in my opinion, the soundest financial investment that can possibly be made by the United States today in our country's future.

In order to appreciate fully the amendment about which I am speaking, let us go back for a moment to the beginning of the national effort to provide a measure of social security for dependent children. Even before the enactment of the Social Security Act in 1935, most States had established what was then known as mother's aid or mother's assistance or mother's pensions, in aid of children—any child whose father had died, was incapacitated, or was absent from the home for other reasons. In 1929, about 44 States had such mother's aid laws, involving an aggregate expenditure of $30,000,000 per annum. So this goes back a long time. Even in that remote period of rugged individualism, the States were striving to insure to dependent children the kind of home and family life that was so necessary to healthful growth and full development. Most of the mothers thus aided would otherwise have attempted to support their children by striving to be both breadwinner and homemaker, under conditions of stress and poverty.

These State laws of the 1920's had many inadequacies, and they largely broke down during the depression years. Thousands of mothers went on the relief rolls. National attention was thus focused on this identifiable group in our society, this group which required long-range assistance and support, not merely at the State level but through the instrumentality of the Federal Government; working, of course, in cooperation with the States and localities. Title IV of the Social Security Act of 1935 was born on this self-evident need.

At the present time, under the 1935 law, more than 1,580,000 children in 622,000 families are receiving public assistance. The Federal share of this aid is based on a matching formula, under which the maximum Federal share is $16.50 monthly for the first child and $12 monthly for each additional child. Nothing whatever is contributed toward the support, however needy, of the mother who is caring for the child. The parent or other caretaker, therefore, has to divide this money and take money from it in order to live out of the subsistence payment calculated only to meet the child's need. Of course, in many instances the States supplement these payments out of their own funds, but in many other instances the States have all they can do financially to provide the matching of funds required by Federal law, so that the $27 maximum toward which the Federal Government contributes its $16.50 becomes the maximum, the total the State can pay.

Even counting the State and local contribution, the national average per recipient—that is, the child plus the mother—is only $20.44 a month. This is the total aid per recipient from all sources. The totals per recipient paid in the various States, of course, vary greatly. They range from $38.51 monthly in the State of Washington to only $7.13 monthly per recipient in the State of Mississippi, or $1.75 a week per recipient.

The purpose of this entire aid-to-dependent-children program is, of course, the maintenance of the home. Certainly a home without a father needs a mother to take care of children. After all, the Federal Government undertook this program because in 1935 the Government realized that the States could not carry the burden of their mothers' aid programs. But since then, and even at that time, the Government failed to follow through in this vital respect. The great majority of these dependent children live with their mother only. If these were large families, perhaps it could be reasoned that one more mouth to feed might not make much difference, though, as the father of four children, I have my doubts about the validity of that reasoning, particularly in the face of the low payments which are all many States can afford.

But these families are not large. They have been cut off in midlife. In this category the national average is only 2.5 children per family. It is easy to see what it will mean in such a small family group to have to feed and clothe an additional person. It is even easier to see what it must mean in the many instances of a mother with an only child, when the already scanty subsistence allowance for the child must be divided between the mother and the child.

The Senate Finance Committee has recommended a small increase in the matching ceiling, from $27 up to $30 a month, with a corresponding small increase in the maximum Federal contribution, up to $18 for the first child. But the committee has rejected the sound provision in the House-approved bill authorizing Federal assistance for the mother or other responsible parent on the same level as that for the first child; namely, the $30 maximum, monthly, with maximum Federal contribution of $18. This should apply, Mr. President, for the mother as well as for the child.

The amendment in behalf of which I am speaking would, in effect, restore this sound provision in the House bill.

I, of course, heartily agree with the committee's objective to make insurance the primary program in order to reduce the need for public assistance. But this admirable objective, Mr. President, can become effective only as the new law operates over a period of years. The present needs of today's mothers and today's children cannot be neglected over the next few years on that account.

Let me emphasize that this amendment is not a family-allowance provision regardless of need. The very modest sum which represents the maximum Federal contribution, for the mother, as well as for the child, would be paid only in cases of need, as certified by the responsible State agencies, and only in the amount needed, up to the modest limits of $18 for the mother and $18 for the first child.

I repeat, Mr. President, that existing law makes no provision for needy mothers as such; and under existing law, and under the Senate committee bill, the maximum Federal contribution toward aid to dependent children is, in fact, $9 per person, including the mother and the child in the essential family unit, as compared to $30 of maximum Federal contribution per individual authorized for a needy old or blind person under the very same law. Here we have $9 for a mother and $9 for a child, in contrast with $30 under this bill for a needy old or blind person.

There seems no reasonable basis for such inequitable treatment of mothers and of children by the Federal Government.

All of us with children know that it costs as much if not more to rear children in health, decency, and self-respect

than to maintain an adult. It is surely no less important to make this investment in our future citizens than it is to provide decently for those who have retired. It is certainly neither equitable nor sound economy to provide for these children less than a third in Federal aid of what we provide for the aged or the blind.

The American Legion, which has long championed the needs of children through the splendid work of its child welfare committee, has been particularly active in advocating this change in the Social Security Act. The American Public Welfare Association, the American Parents Committee, many church, welfare, labor, and women's groups have joined in pressing for this surely compelling reform.

The amendment about which I am speaking calls for considerably less than the $50 ceiling for the mother as well as for the first child, recommended by the Advisory Council on Social Security, appointed in the Eightieth Congress by the Senate Finance Committee. Senators will recall that this council was headed by the late Edward R. Stettinius and included in its membership outstanding experts representing the general public, such as Sumner H. Slichter, of Harvard University; J. Douglas Brown, dean of the faculty of Princeton University; Marion D. Folsom, treasurer of the Eastman Kodak Co. and more recently chairman of the Committee for Economic Development, and N. Albert Linton, president of the Provident Mutual Life Insurance Co.

These distinguished citizens recommended and voted for funds far in excess of funds proposed in this amendment.

For 15 years, largely through inadvertence in drafting the original Social Security Act, this condition of inequality has existed. For 15 years the most precious family bonds were in effect discriminated against and resulted in a burden and a cause of privation.

The Senate Finance Committee has been realistic in authorizing increased appropriations to strengthen the services for children in other provisions of the bill. I am now pleading that the Senate vote to bring the aid to dependent children into closer harmony with the purpose for which it was established, namely, safeguarding the home in which the children are to be reared, by including authorization of aid for the needy mother who takes care of the dependent child in their home.

This is the year of the midcentury White House conference on children and youth in a democracy. It is a good year, a happy moment, to adopt this amendment which embodies so well our democracy's objectives for its citizens of tomorrow.

Mr. President, I earnestly hope the Senate will act favorably on the amendment when it comes to a vote tomorrow.

Mr. LONG. Mr. President, will the Senator yield for one question?

Mr. BENTON. I yield.

Mr. LONG. I should like to advise the Senator that there are many of us who certainly hope the Senator's amendment meets with success, because it has been found, particularly in our experience in the State of Louisiana, that there is a need to help the mother to stay in the home and care for her children, and we have found the necessity of carrying such a burden, without Federal aid in some cases, and we know that such an amendment is necessary.

Mr. BENTON. I appreciate the comments of the Senator from Louisiana. I should like to claim the amendment as my own. It is the amendment of the distinguished majority leader [Mr. LUCAS] and the Senator from Pennsylvania [Mr. MYERS]. The truth is that had I not been in Italy, had I not been attending the UNESCO conference in Florence as one of the two congressional representatives of the President, I would have offered the amendment myself. Now I hope I may associate myself with those Senators on the amendment when it is placed before the Senate for a vote tomorrow.

I yield the floor, Mr. President.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. KERR in the chair). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KERR. Mr. President, I ask unanimous consent that the order for a quorum call be rescinded, and that further proceedings under the call be suspended.

The PRESIDING OFFICER (Mr. HUMPHREY in the chair). Without objection, it is so ordered.

Mr. PEPPER. Mr. President, a great deal of progress has been made since 1935 in reaching the goal of adequate security for the senior citizenry of the United States. All those who had a part in pioneering this great program and in carrying it forward are entitled to the thanks not only of their beneficiaries but of the entire country as well. Another signal step forward is evidenced by what the House of Representatives has done in H. R. 6000 and in the amendments to H. R. 6000 which have been reported to the Senate by the Committee on Finance and are now under consideration. Undoubtedly this measure will go far beyond what has been done in the past both in the extension of the coverage and in increasing the benefits to those who are the direct beneficiaries of this program.

Mr. President, all that is very good. We all commend it, as well as those who had a part in bringing about the progress. However, we still face the question, Mr. President, of whether what is even now proposed will adequately meet the problem of the aged and permanent and totally disabled. It is evident that our senior citizens have annual incomes lower than those of all our people. The per capita income in 1948 in the United States was $1,410 and in my State of Florida it was $1,137. Whereas the median income of aged persons with incomes in 1948 was only $308. If we include the 3,500,000 persons 65 and over with no incomes, the average of these older people would be far less than $808, which is pitifully low as it is.

I have spoken of the 11,270,000 aged. First I said that three and one-half million of them had no income at all. Then I said that seven and one-half million who had any income had an average income of $808 a year. Then I said that of the 11,000,000, 1,270,000 over 65 years were beneficiaries of the old-age and survivors insurance fund. But, including the benefit which they got under the old-age and survivors insurance fund, 470,000 had total annual incomes under $500, and 470,000 had total annual incomes between $500 and $1,000.

We face not only the economic but the moral problem of whether or not we are providing adequately for those senior citizens, who have not only been the fathers and mothers of this generation but also have borne in their own peculiar way the burden of this generation's work and progress and have contributed so much in the past toward the creating of our present national prosperity. And look how they are faring.

Mr. President, an analysis of the number of aged persons in the United States confirms the fact that there are several million of our honored older citizens who have no visible means of support. In June 1949, 1,800,000 were on old-age and survivors insurance rolls; 3,600,000 were on other kinds of public-assistance benefit rolls; 2,780,000 were employed—aged wives of these employed totaled 890,000; 2,200,000 were neither on benefit rolls of any sort nor employed.

Of the 11,270,000 persons 65 years and over, 6,015,000 were single, widowed, or divorced; 3,302,000 were married with a spouse 65 or over. In other words, there were a little over a million and one-half couples both of whom were 65 and over; 1,800,000 men or women over 65 had a spouse under 65. There again, Mr. President, we see something of the problem we have to face.

Let me show how utterly inadequate are the payments which are now being made under the old-age assistance and aid to the blind programs. In March 1950, under old-age assistance, the payments on an average were $43.94; in Florida they were $40.47.

For the blind the benefits in the United States on an average were $47.70; in Florida they were $42.93.

The number of beneficiaries in March 1950, under the old-age assistance program, was 2,760,379; in Florida the number was 68,121.

The blind, who were the recipients of benefits under the present program, numbered 94,065; there were 3,259 in Florida. In other words, there were about 2,950,000 aged and blind persons living on $50 or less a month in the United States and 71,500 in Florida—when the cost of living is at the highest it has been in over a quarter of a century and when our national prosperity is at the peak of all times.

If we think that the aged and the blind fared badly, the recipients of old-age benefits under the present Social Security Act are not even doing as well

as they are. The old-age and survivors insurance benefits in Florida in June 1949, were as follows:

Primary benefit	$25.25
Wife's benefit	13.60
Aged widow	19.62
Widow with dependent children	18.98

A dependent child got $11.76, an aged parent $12.84.

The average benefit under old-age and survivors' insurance has increased 19 percent since 1939, whereas consumer prices, representing the increase in cost of living, have increased about 70 percent. In the same period the per capita income has increased 145 percent. We see, therefore, Mr. President, the grossly inadequate benefits we have provided so far to meet the needs of this segment of our citizens.

Under the Senate committee bill retired workers now on the rolls would get an increase of $20 to $72.50, as contrasted with the present minimum of $10 to $46.50 a month, under the present law. The average benefits for these would be $48, compared with $26 under the present law. Those who retire in the next few years would get about $55 a month.

Mr. President, these are the possible benefits, even under the amendments before us, and I commend the Committee on Finance for having gone beyond the House of Representatives in the pending measure. But we see the limited figures of what would be available to the beneficiaries, even under the bill recommended to us by our distinguished Committee on Finance, whereas the budget for aged couples, on even a modest scale, is, according to every reputable inquiry which has been made, from $120 to $150 a month.

It will be remembered that in the Senate hearings it has also been pointed out that there is a great discrepancy in the percentage of those who are receiving old-age assistance in the several States in relation to the age 65 and over; 10 percent in some States to 80 percent in other States, with an average of 23 percent for the Nation.

I see the distinguished junior Senator from Colorado [Mr. MILLIKIN] is on the floor. I understand the percentage in his State getting old-age assistance runs up to 80 percent of those who are 65 and over.

Dr. Slichter, the famous Harvard economist who has served so ably on the Advisory Council on Social Security in the Eightieth Congress, says that assistance through the means test places greater reward to the less thrifty, whereas old-age insurance which has no means test, upholds the dignity and self-respect of workers, and encourages self-reliance and thrift through a contributory plan. I concur in these views and believe that we should now once and for all root out of our social-security system, that degrading and humiliating test.

Mr. MILLIKIN. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. LEHMAN in the chair). Does the Senator from Florida yield to the Senator from Colorado?

Mr. PEPPER. I yield.

Mr. MILLIKIN. I was talking with another Senator when the distinguished Senator from Florida mentioned Colorado. As I understood him he suggested that perhaps 80 percent of those over 65 years of age in the State of Colorado were on public assistance. It is roughly 50 percent.

Mr. PEPPER. Fifty percent?

Mr. MILLIKIN. Yes.

Mr. PEPPER. There were some States in which the figure ran as high as 80 percent. I thought Colorado was in that category. I know Colorado pays a very high amount, one of the highest in the country.

Mr. MILLIKIN. Colorado pays a very high amount. We pay as high as perhaps $73. The difference between that and what we receive from the Federal Government, of course, is paid for by Colorado, which is quite a tribute to the State's own resourcefulness.

Mr. PEPPER. I commend the able Senator from Colorado for his forward look, and for what his State has done in this field.

In June 1948, 10 percent of all the aged old age and survivors insurance recipients, were receiving old-age assistance. In Florida almost 18 percent. The highest was in Louisiana, where 35.4 percent were receiving it. The lowest was in Delaware, where only 2 percent were receiving it.

Mr. President, it is very clear that if the benefits were adequate under old age and survivors' insurance, it would not be necessary to resort at all to the supplementary contribution of old-age assistance.

Despite 13 years of experience, the proportion of persons becoming eligible for insurance benefits has not increased. The percentage of insured persons to the 80,700,000 living persons with wage credits has remained approximately static for the past 10 years, at about 55 percent, some 45,000,000.

The total gainfully employed, including the armed services, is approximately 64,000,000. The average number in covered employment in the average week is about 35,000,000. Thus only about 58 percent of the civilian labor force in an average week is covered by the present act. What is even more discouraging is the fact that only a little over one-half of those covered become eligible for benefits. This means that only a little over one-fourth of our civilian labor force will be entitled to some insurance benefits under the present law. It has become apparent, therefore, Mr. President, that obviously a more adequate system will have to be devised if we are to achieve anything like full coverage.

The estimated number added to present coverage by the Senate bill is about 9,900,000 persons.

Certain exemptions are still allowed in the bill. Some 19,000,000 farmers, farm workers, and domestic workers not regularly employed by one employer, Federal, State, and local employees covered by other retirement systems, members of the Armed Forces, railroad employees, and self-employed professional persons, are not covered even by the Senate bill.

Despite the great contribution which the agricultural segment of our population has made and is making to our national wealth and prosperity, they are the ones among those exempted who need coverage under the old insurance provisions the most. In 1945 the census showed that one-third of all the farmers were tenants, who owned no land or buildings. Of the landowner farmers, more than 50 percent had land and buildings valued at $5,000 or less. In 1947 57 percent of all farmers had no savings bonds, and 83 percent had no savings accounts. Thirty-three percent save nothing out of current annual income.

The evidence shows that more of our farm people are seeking old-age assistance, and, as expected, fewer of them get old-age insurance benefits.

Of old-age assistance recipients in June 1946, 52 percent resided in the rural areas. Of old-age and survivors' insurance recipients in the same month, only 24 percent resided in rural areas.

Those figures, Mr. President, sum up pretty well the fact that a great percentage of the farm segment of our citizenship has no property, and no appreciable income, and yet only a negligible part of the farm population is covered by even the amended bill that comes to us from the distinguished Committee on Finance. That goes directly also to a measurement of the adequacy of this measure to meet the needs of the country.

Of 6,600,000 farm operators only 36 percent have contributed to old-age and survivors insurance, and only 10½ percent are insured.

Of 4,600,000 hired farm workers, 45 percent have contributed to old-age and survivors insurance, and only 13.5 percent are insured. Here again is a great discrepancy between even the number in both the farm-operator and the hired farm-labor category that has contributed anything at all at some period of their working lives, and those who are insured so as to be eligible to receive anything.

Mr. President, that is why I am joining with the distinguished senior Senator from Montana in sponsoring two amendments to provide for these farmers and laborers.

Mr. President, there is another problem which the Senate bill has not solved. The bill retains the $3,000 base for taxes and benefits; yet, we know that millions of individuals above that base should fare better than they do. Nineteen percent of those with incomes between $3,000 and $5,000 a year had no liquid assets in 1948. Thirty-five percent had assets under $3,500, and 25 percent had assets between $500 and $2,000. I am talking about savings represented by United States savings bonds, savings accounts, loans, checking accounts, and the like.

A new wage-base limit of $4,200 was recommended by the Advisory Council in its 1948 report to the Senate Finance Committee, although Dr. Slichter of Harvard believes even the $4,200 base to be too low. I am happy to be one of

those joining with the distinguished Senator from Pennsylvania [Mr. MYERS], as I believe the distinguished occupant of the Chair, the junior Senator from New York [Mr. LEHMAN] is also urging upon the Senate that, if we are to forge ahead with this form of social security, we ought to at least raise the wage base from $3,000 a year, which it is in the Senate bill, to $4,200 a year, or $600 a year more than it is in the House of Representatives' bill. This would favorably affect some 24 percent of those who earned wages in 1948.

Mr. President, I should like to see the tax base raised even higher, for it is obvious that what we do at the present time is to make the persons receiving, through remuneration for employment, $3,000 a year or less, provide much of their own care and sustenance in the period of retirement from gainful employment after they have reached the age of 65 years.

I concede that a part of the cost of this program is borne by the public, because, obviously, a part of the contribution the employer makes is passed on to the public by the employer. But, by and large, Mr. President, the citizen who has an income in excess of $3,000 a year is not, in my opinion, making a just contribution to the care of the great mass of the citizenry of the Nation who have been the fathers and mothers of this generation and have borne the burden of the Nation's salvation and progress. If we limit the tax base to $3,000 a year, and the person making $100,000 a year contributes no more to that program than does the man receiving $3,000 a year, the citizen in the higher income-tax brackets is not making a contribution comparable to the contribution on which the person making $3,000 a year makes to the citizen receiving less than $1,000 a year, for example. So, I see no reason why an arbitrary limit of $3,000 a year has been taken as the maximum of the tax base.

It would seem that, if we are to have anything like adequate social security, we must not only broaden the coverage, but we must also raise the tax base and approach more closely the just principle of taxation, of payment according to ability to pay. If everyone receives in return according to his contribution, then let the $3,000 taxpayer or income recipient pay according to his ability, and the $4,000 a year man get back according to what he has paid in; let the $5,000 a year worker get back, in the long run, according to what he has paid in. But we do not do that. We say we have to provide for those at the bottom of the economic ladder, and if the man who made only $500 a year got back, after he reached the age of 65, on the basis of what he paid in, with $500 a year as his tax base, there would not be enough to give him succor when he reached old age. So we say we have to include the man who makes $500 a year, the one who makes $1,000, the one who makes $2,000, the one who makes $2,500, and the one who makes $3,000 a year, so that the man at the bottom of the ladder will have something more nearly adequate when he reaches the age of 65 years and retires from gainful employment and becomes a beneficiary under the program.

If the man receiving $3,000 a year should help the man receiving less than $3,000, the man receiving $5,000 should do the same thing on the basis of his entire income.

I think the tax base should go still higher. As a matter of fact, Mr. President, approximately 10 percent of all persons having incomes receive in excess $4,200 a year. So I raise the question that if we are going to have anything like adequate coverage, if we are going to meet squarely our public duty, if we are going to observe our obligation toward these unfortunate citizens, we must do whatever is necessary in order to have extended coverage and more adequate benefits. I do not see how we can do that unless we raise the tax base above what it is at the present time.

Mr. President, it seems to me that we may as well frankly face the fact that this is social insurance. It is not private insurance. The people who pay in do not get back in return in direct relationship to what they pay. There is a minimum fixed which does not exist in the field of private insurance. It is fixed because we recognize the necessity of minimum receipts by any citizen in order to approximate a decent level of living. Once we have accepted that principle—and it is a sound principle—why do we stop with a figure that yields, on the average, $26 to the retired single recipient of benefits under the present law, or something more than that under the bill which comes to us from the Senate Finance Committee? Why do we stop, Mr. President, at anything less than what the recipient should have and what the economy is able to support? It would seem to me that those factors should be the criteria.

What are they entitled to have when they become totally and permanently disabled, or when the worker dies and his survivors are left without support, or when the worker himself retires from gainful employment after having reached the age of 65 years? What he should have, Mr. President, is something which can reasonably be ascertained by inquiry. Certainly we can have reasonable agreement upon how much an individual must have in order to maintain even approximately a decent standard of American life. How much should a couple have? Let us see, Mr. President, how much we can afford to pay, how much the economy will stand, and then let us go as far in the direction of meeting the needs as the economy will allow us to go without doing more harm to the public interest than we do good.

Those, Mr. President, seem to me to be sound criteria for legislation of this character. I must say that the steps, while they have been forward steps, have been only what a great American, Mr. Bernard Baruch, at one time called faltering steps forward, when he referred to a certain proposal made by the Government. Let us take a great step forward now and not do, as it was said we did before World War I, "Too little too late." Having had 15 years' experience with this program and having gone no further than we have today, the time is now at hand for us to approach the problem upon those criteria and to do justice by these persons who have a right to claim justice at the hands of the Congress and of the country.

Experts in the field claim that benefits should be tied to employment and wages, because a major purpose of old-age insurance is to try to make up as much as possible for the loss of income upon retirement.

Although the Advisory Council in 1948 recommended unanimously that the monthly benefit equal to 50 percent of the first $75 of the average monthly wage and 15 percent of the next $275, I believe that the provisions in the Senate bill, 50 percent of the first $100 and 15 percent of the next $150 is more desirable because the persons in the low-income group need more at retirement than others.

I am cosponsoring an amendment with Senator MYERS, of Pennsylvania, and others a provision already in the present law and another in the House bill to provide a 1-percent increment in the monthly benefit amount for each year of wage credit prior to 1951 and one-half of 1 percent for each year thereafter. The Senate bill does not contain this, but the House bill provides a one-half of 1 percent increment. The purpose of the increment is to provide a relatively higher benefit for the person with a longer record of steady employment.

Respecting eligibility, the new "start" provision in the Senate bill, which I must say is to be commended, would bring under the benefits of this program about 550,000 more aged persons, and about 150,000 dependents.

Only 39 percent of males 65 and over covered by the act are now eligible under the present law, under the Senate bill only 43 to 50 percent of 5,300,000 males 65 years of age and over, and 7 to 9 percent of the 5,900,000 females 65 and over would be eligible in 1951.

That presents a very challenging problem. We assume that approximately 5,300,000 males 65 years of age or over today live in this country as our citizens. Only from 43 to 50 percent of those 5,300,000 males 65 years of age or over would become eligible for benefits, even in 1951. In other words, less than half who might hope, even under this extended bill, to receive any benefits, would receive any benefits whatever in the next year.

The situation is vastly worse with respect to the female portion of our population, 65 years of age and over, for in that case only from 7 to 9 percent of the 5,900,000 women would be eligible to receive any benefits whatever, under this bill, in 1951.

Even if we wait 50 years, until the year 2000, 81 percent to 90 percent of the males estimated then to be 65 years of age or over would be covered, and only 39 percent to 47 percent of the females estimated to be in our population at that time and then 65 years of age or over would be eligible to receive benefits. In other words, Mr. President, we face the shocking fact that even if we wait half a century, less than 90 percent of the

male portion of our population over 65 years of age would be covered, and less than 47 percent of the female portion of our population over 65 years of age would be covered. So not only does the Senate bill fail to give adequate coverage to our senior citizens, those above 65 years of age; but if we go on with this bill for half a century, we shall not even substantially or with anything like complete treatment have adequately met the problem of those of our senior citizens who are over 65 years of age.

Mr. President, I should like to cite two cases in the State of Florida which happened to come to my personal knowledge. I present these to show the inadequacy of the two systems we have at the present time. One of them relates to the old-age and survivors insurance system; the other relates to both the old-age insurance and the old-age assistance systems.

Let me refer first to the case relating solely to old-age assistance. This case came to my attention from a little city called Intercession City, south of Orlando, Fla. A gentleman living in that city wrote me a letter in which he says, in substance, that he is just past 70 years of age and his wife is past 65. He had formerly resided in Indiana, but had moved to Intercession City, Fla., and obtained his own home, out of his savings of the past. His wife was threatened with the loss of her eyesight, and he spent all his savings for an operation in the hope that his wife's eyesight could be saved. However, the operation was not successful, and his wife went blind.

Mr. President, what is the situation then? We then find a husband over 70 years of age, who has exhausted all his savings, but owns his own home, in which he lives with his blind wife, who is over 65 years of age. He applied to the State of Florida for old-age-assistance benefits. The State of Florida has a statute—I am not critical of that enactment, Mr. President—which provides that no one can obtain old-age assistance benefits in the State of Florida unless he has resided in that State 5 years. So the State of Florida turned down his application, and said, in effect, "You will have to apply to Indiana."

He then applied to his former State of Indiana; but Indiana advised him that inasmuch as he had left Indiana, and was no longer a citizen of that State, he would have to apply to the State of Florida. However, Florida had said to him, in effect, "You have not been in this State for 5 years as a citizen; therefore, we cannot give you anything." On the other hand, Indiana said, "You are no longer a citizen of Indiana; therefore, we cannot give you anything."

Of course, the United States says, under its rule, "We pay only a part of what the State pays." Therefore, under the circumstances, he cannot obtain anything from the Federal Government.

Yet, Mr. President, he says, "I have been a taxpayer almost all my adult life. I have been a good citizen. I own my own home. I have no job; I have no savings. I cannot get a job, because I cannot find anyone to stay with my blind wife. That is my predicament."

In his letter he asked me whether there is anything like providing fairly for cases like that of his wife and himself, by the laws of our country.

Mr. President, in good conscience I would have to answer him, "No." He and his wife are not adequately provided for under the law we have at the present time. I mention that case with respect to the matter of eligibility. We know that in some States the amount received by a recipient of old-age assistance is greater than the amount received by such persons in other States. My State has been one of the rather forward-looking States in the South on this subject; and the average is approximately $40 a month for the recipients in Florida. The maximum is $50 a month. However, of course, that means that many persons receive far less than $40 a month.

The question arises, How can any citizen decently live in any part of this country for less than $40 a month, or for $40 a month, or for the maximum of $50 a month? Indeed, how could such persons live decently if the maximum were increased to twice $50 a month, because all those who have made a study of the subject have found that from $120 to $150 a month is required for any family in this country to live with anything like a proper regard for a decent standard of American life.

In addition, Mr. President, the recipient has to go through the humiliation of meeting the means test. That means that he practically must sign a pauper's oath, and must subject himself to the scrutiny of those who come to make inquiry not only of his assets but also of his income, however negligible it may be.

The result has been to discourage people from part-time work, because during the course of their employment they might get cut off from the old-age assistance rolls; and it would take a long time for them to get back on the rolls, and during the interval they probably would have no succor at all, beyond their own effort.

So the old-age assistance program, with the present unfair method of determining eligibility, with the means test to which the recipient must subject himself or herself, and with the grossly inadequate amounts that are available, has been a failure; and therefore it should be reexamined, and we must find some solution which will be more adequate and satisfactory than that.

Mr. President, the other case which came to my attention also comes from Florida, and it is in respect to the inadequacy of the old-age and survivors' insurance benefits and old-age assistance. I received an original memorandum from a couple living in Jacksonville, Fla., showing a budget which had been approved by the welfare authorities of the State for a couple over 65 years of age. Certainly I do not in any sense disparage the social workers. They were only doing their duty. However, Mr. President, certainly I denounce the system under which this result occurred.

The budget was the budget approved in the last year for this aged couple, both of them being over 65 years of age, in a great city like the city of Jacksonville, Fla. The total amount allowed for that couple was $58.80 a month. That was the approved budget for both of them; that amount was approved by the welfare authorities.

Let me state the way that budget was broken down:

For rent, for the two of them, for a month, $19.50.

I do not know what sort of quarters they were expected to live in at that price, what sort of quarters they could get for $19.50. However, I wonder whether anyone would say that people like that have no right to the enjoyment or the protection of rent control. Certainly their position will not be improved any by the removal of rent control.

For food for the two of them, for a month, $22.45. Mr. President, that is $11.22½ a person a month. That, divided in terms of 30 days in the month and three meals a day, allows the recipient, in this great national city, 11 cents a meal, 33 cents a day for food to nourish the body of a citizen above 65 years of age. I wonder, Mr. President, whether that is not shocking to the conscience of the country.

The allowance for lights is 50 cents for the couple for a month; for fuel, 53 cents; and for clothing, $3.62. All this is for the couple for a month. For recreation, the allowance is $1. At least there is insurance against their kicking up their heels too much in pleasure, when there is a limit of $1 for recreation for the couple for 1 month.

The amount for personal incidentals is $2; for routine medicine, 75 cents. Let the amount for medicine be noted by those who say we do not need to progress in the field of providing more and better medical care for more people. I should like to know what the doctors are going to do when that couple calls and says, "There is illness in this family, will you come to us?" I should like to know what the hospital is going to do when they apply to the hospital for admission. What is the druggist going to do when they ask for drugs? What is the nurse going to do when her services are required and are called for? For routine medicine they have an allowance of 75 cents a month for the two; for laundry, $2; for household incidentals, 75 cents; for insurance, $3.72; total allowed budget, $58.80 for the month, for these two people.

Mr. President, that kind of thing is going on all over the country. As a matter of fact, that represents a combination of both old age and survivors insurance and old-age assistance, because the couple received $19.80, I believe it was, under old-age and survivors insurance, and, in order to get the $58.80, the remainder had to be supplied through old-age assistance. One member of this family—I presume the husband—had been a contributor for at least 27 quarters, and what they received was $19.80 as a reward for that contribution to old-age and survivors insurance, for their care and succor under old-age and survivors insurance, and the remainder, $40, was made up by old-age assistance. So, Mr. President, in respect to that couple,

that is as far as this great, rich, charitable, and generous America has gone since 1935; and that is a period of 15 years.

I am glad we are going to do somewhat better in this bill, if it becomes law, though it will be somewhat better, we are not going to approximate completeness of coverage or adequacy of amount.

We now face the problem also of those in our population who are totally and permanently disabled. What are we going to do with them? The Advisory Council recommended that these benefits be paid to those between the ages of 55 and 65, with necessary objective tests as to disability.

In the hearings on the bill, H. R. 6000, before the Senate Finance Committee, Dr. Slichter is joined by Dr. Brown, of Princeton, in believing that these benefits are just as necessary as those for the aged. I heartily concur in that view. After all, the purpose of this program is to meet need; and where is the need greater than of the one who is unable to work at all by reason of total and permanent disability? How is his case to be distinguished from the one who is unable to work because of age, who is a recipient under this bill? Dr. Slichter points out that only 1 of every 20 cases of total and permanent disability results from industrial accidents. Sufficient protection can be placed in the bill to enable such cases to receive only old-age benefits or workmen's compensation, but not both.

Under workmen's compensation, the public, as it were, bears the burden of the human wreckage in industry, and I see no reason why, if the public bears the cost through workmen's compensation of human wreckage in industry, the country should not also pay the cost of human wreckage outside industry, or in respect to enterprises and activities not covered by workmen's compensation.

Dr. Slichter also says that in April 1940, 14.3 percent of males 60 to 64 were unable to work. Now, what is going to happen to those people who cannot work? They may have worked in the past and become disabled through no fault of their own. If they are not taken care of by private sources of assistance, then what is their problem, and how is it to be met?

In February 1949, excluding persons in institutions, there were 2,059,000 persons 14 to 64 years of age, with disabilities lasting 6 months or more. I emphasize that statement, Mr. President. With these in institutions included, the total would be almost 3,000,000.

The incidence of total and permanent disability per 1,000 workers, by age groups, was about as follows: In the 20-year-old group, about 2 out of the 1,000 are totally and permanently disabled; in the 30-year-age group, about 2 out of 1,000 are totally and permanently disabled; in the 40-year-age group, about 3 out of 1,000 are totally and permanently disabled; in the 50-year-age group, about 7 out of 1,000 are totally and permanently disabled; and those at 60, about 28. So we see that the number rises as the age increases. But even in the group as low as 20 years of age, 2 out of 1,000 are totally and permanently disabled.

Mr. President, the plight of those people presents an economic, moral, and social problem to the people of the United States. Today the Federal Government is doing very little to meet the problem faced by those people. Surely, whatever religion we may happen to have, there is no religion which could countenance casting aside those people and totally neglecting them. The result is, they simply have to subsist upon the meager private or public care which is provided for them at the present time.

Mr. President, there is also an amendment that is to be offered to the pending bill, restoring substantially the House provision, which provides benefits for those who are totally and permanently disabled, who are in covered occupations. I heartily support that amendment and very earnestly hope that it will be adopted. Several years ago I offered such an amendment in the Senate, and I have advocated such an amendment to our social-security laws ever since. I am glad that we have at least come to the point where the House of Representatives has adopted the amendment. I certainly hope the Senate will take the same step when we come to the consideration of that part of the program.

In respect to private pension plans, Mr. Folsom, treasurer of the Eastman Kodak Co. and an expert on old-age insurance, to whom I have previously adverted, believes that the bill would help private pension plans. It certainly has been our experience that social security and veterans' insurance, instead of hurting the private insurance industry, has aided it. I believe that is common knowledge.

Dr. Slichter, of Harvard, believes that Congress should not regulate the private plans or try to tie them into the bill. Private plans should adjust themselves to the general plan. The country, according to Dr. Slichter, needs a mobile labor force to assure increases in national production, whereas private plans have a tendency to freeze labor to a single employer.

As of December 31, 1949, 13,000 plans, covering 7,200,000 workers, were in effect. Of these, not more than one-third develop any benefit rights.

As of December 31, 1949, almost 2,000,000 workers were under private plans which deduct in whole or in part old-age and survivors' insurance benefits from the private-plan benefit. All of us have noted with satisfaction the progress which the labor unions have made through collective bargaining in improving the social-security status of their members who are employed in many of the important industries of this country. That effort will certainly go on, and it should go on. I favor public progress and private progress in this field, so that we may approach as rapidly as possible the happy day when every citizen of this country, when he or she is totally and permanently disabled, or when he or she reaches the age of retirement from gainful employment, shall be able to rely upon remuneration which will be adequate for their decent care and sustenance.

Mr. President, I realize the difficulty of solving these problems adequately. I realize the administrative responsibilities involved, and the cost that would be incurred, the shock which the economy would experience if we should meet adequately the needs of these deserving people. I commend the able chairman of the Finance Committee [Mr. GEORGE] and the distinguished former chairman of that committee [Mr. MILLIKIN] upon having been the authors of a resolution which contemplates a continuing study of the problem. I have been gratified to hear the utterances upon the floor in the debate in which the chairman of the Finance Commitee, the able Senator from Colorado, and many other Senators have said we must come to the time when there shall be universal coverage.

Mr. President, the old-age and survivors insurance program, if it is enacted in the form it comes to us from the Committee on Finance, will still insure in 1951 less than 9 percent of the women of America. What is to happen to them, Mr. President, when they pass 65 years of age, or become totally and permanently disabled? If the bill is enacted, its provisions will reach in 1951 less than 50 percent of the men 65 years of age and over. Who is to take care of the others, Mr. President? How adequately are they to be taken care of? So I say that we are challenged by the inadequacy of the measure to see if, while we are about it, something better, even in this haste, cannot be devised.

Mr. President, there is a measure which has been before the country for many years. It was initiated and advocated by a great American. I refer to what is called the Townsend plan, advocated by Dr. Francis E. Townsend. I am one of those who on many public occasions have paid their dutiful respects to Dr. Francis E. Townsend as an American citizen. Here is a gentleman who gave up a lucrative medical practice to devote himself to the public interest. For many years no name, other than the name of Franklin Delano Roosevelt, in respect to social security has meant more to the senior citizenry of America than the illustrious name of Dr. Francis E. Townsend. He has suffered all manner of ridicule and scorn. However, he has borne it with the dignity and confidence which come from an awareness of the righteousness of the cause which he supports and so nobly advocates. Millions of senior citizens all over this land still honor and follow the name of Dr. Francis E. Townsend toward a better day for those who reach the age of retirement from gainful employment at 65 years of age.

Dr. Townsend recommends, and I agree, that the age of retirement should be 60. I agree that a person should begin to receive the benefits of the program at 60 years of age. Dr. Townsend's plan contemplates that there shall be no means test. It would seem to me that a plan might well be worked out under which recipients could accept some kind of part-time employment. Dr. Townsend's plan contemplates that a recipient shall retire from gainful employment and plow back monthly into the

economy what he or she would derive under the plan.

Mr. President, on behalf of the Senator from California [Mr. DOWNEY], the Senator from Oklahoma [Mr. THOMAS], the Senator from Idaho [Mr. TAYLOR], and the Senator from North Dakota [Mr. LANGER], on June 13, 1949, I introduced a revised Townsend bill, which was known as S. 2181. That plan has been revised, since it was first initiated by Dr. Townsend. At that time it was generally regarded as a measure of guaranteed payment out of the public treasury of $200 a month to everyone. There were many persons who were skeptical as to whether our economy could afford the payment of such a sum of money without suffering undue shock. However, the plan has been revised, and I think wisely and soundly so.

The Senate Committee on Finance allowed Dr. Townsend and several Members of the Senate, as well as other advocates of the measure, to come before it. The members of the committee were most courteous and gracious in the consideration they showed to this splendid gentleman, and to those who came with him to advocate consideration of the measure. Many questions were asked by members of the committee during the hearing, which indicated the committee's genuine interest in the proposal. Among those were the Senator from Colorado [Mr. MILLIKIN], the Senator from Maine [Mr. BREWSTER], other Senators who were present, and the chairman of the committee.

What does the so-called Townsend plan purpose? It proposes a 3-percent gross income tax upon those who have a monthly income in excess of $250. It is estimated, Mr. President, that such a tax would yield a return of something like $3,000,000,000 a month, and that it would represent a turn-over of $100,000,000,000 a month in our economy.

Mr. President, there are those who say that would be a shocking amount, and that our economy could not stand the shock. What is overlooked is that from a number of different sources we are already paying for general pension purposes about half that amount. If we add up what is being paid out in one form or another, we see that substantially half of that estimated amount is being paid out at the present time. The economy has been standing the shock. It should be remembered that not all the money which is being paid out is required to be immediately plowed back into the economy itself. In other words, it would not be taking money and sending it off somewhere so that it would not come back into the economy. It does not contemplate burying the money. It contemplates plowing back into the economy every 30 days what the recipient receives. It would be going into the same till and distributed again. It is rather like the seed which is taken from the harvest and planted in the ground, from which comes another bountiful harvest through which we achieve a continuity of production and abundance.

What it would do, as I have said, would be to levy a 3 percent gross income tax on all incomes in excess of $250 a month. Those making less than $250 would pay nothing directly. Obviously, even today the public pays a large part of the 1½ percent which the employer must contribute under the old-age and survivors insurance. Just as those persons who make less than $250 a month constitute the majority of the public, so those who make less than $250 a month would not under this plan escape the duty of making a just contribution. We know that those making less than that a month spend practically all of their income anyway. Every time a person spent money it would become a part of some other person's income, and that income would become taxable if it was in excess of $250 a month. Therefore, it is not very different in principle from old-age and survivors insurance, for it is both a gross income tax and an indirect tax, which is required to be paid by the public to whom a part of the levied tax is passed. In the case of old-age and survivors insurance the employer pays it directly but passes on a very large portion of it to the public.

Someone may say, "I did not realize that under old-age and survivors insurance there is a gross income tax imposed." Anyone who says that certainly overlooks the fact that a worker now pays 1½ percent of his total income if he receives less than $3,000 a year. Most workers have little or no income outside of what they receive from their gainful employment. Therefore, at the present time under old-age and survivors insurance the worker is being subjected to a gross income tax. He has no deduction for the cost of getting to work. He has no deduction for the cost of maintaining his body, which goes to the place of employment. He has no deductible item of any character. He pays 1½ percent of his gross income under old-age and survivors insurance.

All that the Townsend plan proposes to do is to switch the group that pays on gross income. The gross income tax would be paid by those earning above $250 a month in income, instead of being borne by those who make less than $250 a month in income. So that substantially the same principle is employed in both systems, except that in the Townsend plan the amount of the tax is 3 percent, whereas under the old-age and survivors insurance plan it is a gross of 3 percent divided between the employee and employer. But 3 percent of incomes under $3,000 is the base of the tax under old-age and survivors insurance, and 3 percent of gross income in the hands of those making more than $250 a month is the tax base in the Townsend plan.

Mr. President, while there may be details about which there would be differences, and no doubt there are, nevertheless it is no more wrong in principle, I venture to say, than are the provisions of old-age and survivors insurance to which we continue to remain wedded in the bill which is recommended to us by the Committee on Finance.

So much for the method of the tax.

Secondly, the principal objective of the Townsend plan is that it is universal in coverage. Every citizen in the United States, man or woman, who reaches, according to the Townsend plan, 60 years of age and retires from gainful employment, becomes immediately eligible to receive the benefits of the program.

Mr. President, that means that all those persons, under the present law and the committee bill who will not get anything in 1951, would immediately become eligible for their share of the benefits available under the Townsend plan, if that bill were the law of the land. I am going to speak about the size of the benefits in a moment.

Mr. President, that means that the other half of our male population over 65 years of age who received nothing and will receive nothing under the new bill in the next year would immediately become eligible for the benefits under the Townsend plan, if that were the law of the land. In other words, the Townsend plan, which has been before the Congress altogether for 16 years, offers all of the features now freely admitted to be necessary to a successful social-security system.

It is a strictly pay-as-you-go financial program; and I interpolate that I agree with what has been better said upon this floor by other Senators—that any program should be fairly close to a pay-as-you-go program.

We have to revise the program anyway after a few years if we adopt the present system. Experience has shown we have had to do it. I dare say we will have to do it again. It is not possible to anticipate what are to be the conditions in this country in the year 2000—50 years from now. Yet the pending bill is predicated upon the continuation of a policy for 50 years—up to the year 2000.

Mr. President, no one can look half a century ahead and see what conditions will be then. So it is obvious that we are going to have to revise the system every few years, and that the funds we build up as a total reserve will be modified or reduced or will disappear or will be augmented as if probably they did not exist. In other words, we will have to make provision to pay the annuities when they become due in the future, out of revenues that then become available, because, as has been pointed out, the money is not lying in a safety-deposit box. We do not have it in currency. It is simply a credit on the books of the Treasury to this fund. They pay out currently what is due currently, out of what comes in currently, I believe, and it goes into this fund, or is a credit on the books of the Government of the United States. It is immediately availed of by the Government of the United States, and in its place are put obligations of the Government. They are bonds of the United States Government. But they can be paid only out of tax revenue. So the people have to put up the money if anything in excess of current revenues is to be paid to the recipients of the plan. The money is to be put up out of current taxation.

Mr. MILLIKIN. Mr. President, will the Senator from Florida yield?

Mr. PEPPER. I yield to the Senator from Colorado.

Mr. MILLIKIN. As we widen the coverage, through whatever the system may be, the contributors to the system, such

as we have now, and the general taxpayers, who will ultimately be called upon to make good the reserve fund, come together in identity, which is another way of saying they pay twice for the same thing.

Mr. PEPPER. Certainly, and obviously we have to collect from those who have the ability to pay.

So, first, the Townsend plan is a pay-as-you-go plan.

Further, Mr. President, the benefits under the program to the recipients of old-age and survivors' insurance have increased 19 percent since 1939. The cost of living has increased about 70 percent in that time. What does that mean? It means that the real value of the benefits has been diminished; in other words, the recipient will get less in terms of buying power than he would have gotten had he become 65 years of age at an earlier date, after this program went into effect.

So long as we are going to have to levy a definite tax and figure the amount of the benefits the beneficiary is entitled to receive under the present law, we will always have that changing relationship between the amount of dollars a recipient may get under a more or less rigid program, and the cost of living a recipient has to bear. Generally, since the cost of living goes up, the change is to the detriment of the recipient under the program.

Mr. President, if the Townsend bill were the law, that discrepancy would not exist, because the way the Townsend revenues are divided is this: The eligible class are simply the distributees of the amount of money the plan provides, in other words, the amount of money that comes in under the tax levied under the Townsend bill. If a certain amount, let us say $1,000,000,000, comes in every month under the Townsend plan, obviously whether we have the figure at 3 percent or 1½ percent or 1 percent or 2 percent, or whether we vary the form of tax, would be determined as a result of experience; but there is nothing new in that. We are merely suggesting that the tax be a gross income tax, but what we are talking about is a current tax.

Suppose that tax, under the Townsend bill, yields a billion dollars a month. That $1,000,000,000 would be divided up among the distributees who are classified and named and made eligible by act of Congress, and each one would get his or her share; but everyone would get something.

Under that plan, it becomes apparent, if we have inflation, so that the dollar is worth less, more dollars would be taken in under the program and more dollars would be distributed as more money was in circulation. But if more money is in circulation and dollars become less valuable, under the law we now have, the recipients would get a fixed number of dollars. Therefore the amount would not fluctuate. If we have a rising cost of living, they do not get more, or if a falling cost of living, there is not an adjustment.

Mr. BREWSTER. Mr. President, will the Senator from Florida yield?

Mr. PEPPER. I yield to the Senator from Maine.

Mr. BREWSTER. I am happy to express my gratification that the Senator is praising so forcefully, and with his customary eloquence, the consideration of this plan, a subject on which he and I have been in agreement for a long time.

Mr. PEPPER. I am most grateful for the Senator's words. Coming from the source from which they emanate, they are praise indeed.

Mr. BREWSTER. I wonder if the Senator has pointed out, in view of what he has been saying about the wisdom of having a fluctuating scale in order to meet the changing values of the dollar, that the one thing we are certain of is that the value of the dollar will not remain the same, that it will go up and down. But this plan is adjusted to that, and allows to the old people their proportionate share of whatever is the national income and whatever is the national productivity, in terms of food, rather than in terms of dollars, which latter is, as we now find, utterly inadequate.

But, in addition, there is the other consideration, namely, that it eliminates the possibility of political shenanigans, such as are an inevitable part of the administration of the means test. If it were possible to have people without human fallacies it would perhaps be possible for them to do justice to all the gradations of income groups. But since it is administered by very human beings of one or another political persuasion, I presume it is a little more easy perhaps in Florida for a Democrat to receive benefits by way of old-age assistance, and I presume in the State of Maine, it would be more easy for a Republican to receive such benefits. That is the result of the inevitable operations of human nature.

I believe we shall arrive at an equitable solution of the problem and of the fundamental principles involved by the universal application of a pay-as-you-go plan, of a widely distributed tax which will be subject to study, and the elimination of a means test. Those fundamental principles I believe must eventually evolve.

As I said the other day, it is profoundly gratifying to me to note the submission of a resolution, which has very substantial support on both sides of the aisle, and which for the first time will bring about careful study and evaluation of the general principles which are at the very foundation of the Townsend plan, and recognize the great service that has been rendered the country by the development of this idea.

Mr. PEPPER. I thank the Senator from Maine very much for his contribution.

Mr. President, I conclude with this summation. The system we now have has been in effect since 1935. It still leaves more than half of the male members of our population above 65 years of age not taken care of at all, even in 1951. In 1951 it would provide nothing for more than 90 percent of the female population of our country above 65 years of age.

I have already pointed out that of that group there are about 11,200,000 of our citizens; that three and one-half million of them have no income at all, and the average income of those with any income, including what they are now receiving from old-age and survivors' insurance, and from all sources is only $808 a year.

Mr. HUMPHREY. Mr. President, before the Senator concludes I should like to say that the remarks of the Senator from Florida pertaining to the old-age insurance and old-age-pension program are entirely fitting and appropriate as we discuss House bill 6000.

I was very much interested in the comments of the Senator from Maine [Mr. BREWSTER] who associated himself with the Senator from Florida, to see this bipartisan effort of working toward the development of program and the acceptance of fundamental principles that pertain to old-age pensions.

I think all of us recognize a debt of gratitude to the Townsend movement for what it has done in terms of making vivid, clear, and meaningful to the American people the dire need of an adequate old-age pension system. I think without that movement that much of this legislation we are considering today would have died on the vine. The Townsend movement has worked tirelessly in behalf of the senior citizens of the Nation.

I am quite confident that as the years pass and as the committee makes further study, that the principle of a universal pension will be accepted. I believe that principle is practically accepted now on the floor of the United States Senate. I have heard several comments from Senators who have stated their belief in the principle of a universal pension.

Surely, the Senator from Florida and the Senator from Maine are entirely correct when they say that the means test is an unfair and unfortunate test for the application of a deserved pension.

Also I think it is important that we consider the fact that the age of 65 for the receiving of a pension is an age limit that will have to be lowered. We ought to be striving toward that particular goal. We do not need to take precipitous action, but indeed it ought to come down to at least age 62, and eventually down to 60 years of age.

Mr. President, I wish to make one further comment. A pension ought not to be looked upon as a gratuity. It ought not to be looked upon as a gift. Actually it is earned income. It is what we call in private employment severance pay, or it is what is termed in Federal employment annual leave.

The vast majority of the American people, the ordinary wage earners, farmers, tradesmen, small businessmen, teachers, professional people, do not have annual leave such as Federal or State and municipal employees are given. Many of them never know what it means to have a severance pay at the time of their retirement, whether enforced retirement or voluntary retirement. I believe we are coming to the point in American economic and political life when we are going to look upon a pension as earned income, annual leave, accumulated leave, or a severance pay that will be worthy of the people upon whom it is bestowed and the people who have justly earned it.

The program we are working upon now surely needs to be expanded and improved. It is but a beginning. It is quite obvious that much has not been done about it in a period of 15 years. In the meantime, great economic changes have taken place in our country.

So I want to pay my tribute to those who have led the fight. The principles of a universal pension, of a lowering of the age, and the elimination of a means test, and of a tax which will provide the necessary revenues to adjust to the value of the dollar or the cost of living, are worthy and sound principles. Sooner or later, these principles will be accepted in the fundamental law of the land.

Mr. President, I thank the Senator from Florida for the time he has yielded me, but more than that I thank him for the courageous and forthright statement he has made in behalf of the pension program as not only a reality, but as a long-range objective for social and economic progress.

Mr. PEPPER. Mr. President, I thank the Senator from Minnesota, who always illuminates any subject to which he turns his keen mind and social conscience.

I was saying that now 15 years' experience with the program has shown its inadequacy, because in 1951 more than 90 percent of the females of the country above 65 years of age will receive nothing, and more than 50 percent of the males more than 65 years of age will be eligible for nothing.

Then if we project this program 50 years into the future, a half a century, in this miraculous millennium, in the year 2000 there would still be more than 10 percent of our men above 65 years of age, and more than 50 percent of our females above 65 years of age who would not be covered. So not only is it grossly inadequate in 1951. It will still be grievously inadequate 50 years from now if we continue to go ahead.

It would seem, therefore, Mr. President, that at least in that respect it is time for the change to be made by the Congress and the country.

Mr. BREWSTER. Mr. President, will the Senator yield at this point?

Mr. PEPPER. I yield.

Mr. BREWSTER. In discussing the implications of the Townsend plan, the one point about which I have always had the greatest question is the one requiring the recipients to give up all active work. I myself am not, even as yet, persuaded that that is wise. I base my view of that point particularly on the amazing example of Dr. Francis E. Townsend, because if he had ceased his labors 15 or 20 years ago, I shudder to think where this movement might have been. I think he is a most outstanding example of the value of carrying on labor following the so-called age of retirement. I think that in many instances the older people themselves still desire to engage in work. That is why I favor a universal plan which will not forbid them to continue active work if they desire, but will, in the course of time, permit that matter to be adjusted through, let us say, a balance wheel on the economy of the country.

Let me inquire whether the Senator has discussed that phase of the program at all.

Mr. PEPPER. I only adverted to it a moment ago. I rather share the view, as I indicated then, of the Senator from Maine. I think there are a great many details of the plan which experience would show should be altered or changed. I myself, think there are many of our senior citizens who would like to find part-time employment. It seems to me we should let them work as much as they want to and as much as they can. Certainly I would not be shocked at having them do what might be called hard work which they might be able and willing to do. I think many of them would be happier to do that, rather than to sit in complete idleness; and I think they would be glad to make some worthwhile contribution to their country.

Mr. BREWSTER. And should not provision be made that they would not be penalized for doing so?

Mr. PEPPER. Yes; that could be arranged.

Mr. President, let me call attention to the inadequacy of the present plan. A certain lady in Biddeford, Maine, was notified on April 4, 1950, that she was entitled to primary benefits, under title II of the Social Security Act, payable monthly, in the amount of $24.33. However, she was advised that since she was still working, no benefits could be paid at this time.

She was also advised as follows:

It has also been determined that you are entitled to widow's insurance benefits of 7 cents a month, beginning January 1950 based on your husband's wage record under account No. ———. However, since you are now working, no benefits can be paid at this time. When you have terminated your employment and are eligible to receive payment, we will combine the benefits you are entitled to receive. This will be done in order to eliminate the necessity of sending you two checks, one of which is in an amount less than $1. A monthly benefit check will be sent to you in the amount of $24.40, representing payment of your combined benefits. If you remarry, you will no longer be entitled to your widow's insurance benefit.

Mr. President, in other words, she is being advised that if she remarries, she will lose the 7 cents a month which she would otherwise be entitled to receive. Therefore, I suppose she is able to appraise the agency's value of her late husband's labors, on the basis of that notification to her.

She was further advised:

Notice of remarriage should be sent to the Social Security Administration immediately. However, you will still be entitled to $24.33 a month, based on your own wage record.

Mr. President, that lady would have been entitled to a good many dollars a month as the beneficiary of a husband who probably had paid into this fund for more than 27 quarters; but due to the rule that if she had any benefits of her own under the system, because she had worked, she could not receive benefits based on what her husband had really earned, for his survivor, his widow, but could only receive the difference between what she had won with her own work and what she was entitled to receive as the widow of her husband, who had made his own payment for a considerable period of time, instead of receiving what she should have been entitled to receive as the widow of a husband who had made his own contribution, she was entitled to receive only the difference, which was 7 cents a month. Mr. President, I say the system is not adequate and the problem is not being adequately solved.

I commend the committee for its resolution to go ahead with its study. I particularly commend to the committee, to the Senate, and to the Congress in the future, a specific study of the principles of the Townsend plan. They are basically sound in at least four respects: They are universal coverage; they provide for a pay-as-you-go system; and they will provide a fund that will fluctuate according to the cost of living and the money in circulation in the economy. Mr. President, the amount contemplated by that plan is a far more adequate amount for the recipients than anything which is even foreseeable under the plan we now have in existence.

Mr. President, it is obvious that we are not providing better than that for this honored segment of our citizenship. The Bible tells us in the fifth commandment, "Honor thy father and mother that thy days be long upon the land which the Lord thy God giveth thee." We are not honoring the fathers and mothers of the people of this country as we should. Adoption of the Townsend bill by Congress will give them the food, shelter, clothes, and other comforts to which a lifetime of work entitles them. It will give them the dignity and responsibility they deserve. Only then, when they have all these things, shall we truly have honored our mothers and fathers.

Therefore, Mr. President, I propound a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. PEPPER. It is still permissible to send amendments to the desk; is it not?

The VICE PRESIDENT. It is, to be printed and lie on the table.

Mr. PEPPER. And to come up for consideration when amendments lying on the table are to be considered, I understand.

Therefore, Mr. President, I send to the desk, to be printed, an amendment in the nature of a substitute for the pending measure. The amendment was previously introduced as Senate bill 2181, but I now offer it as an amendment in the nature of a substitute for the pending bill.

The VICE PRESIDENT. The amendment will be received, printed, and lie on the table.

Mr. PEPPER. Mr. President, I ask unanimous consent to have printed in the body of the RECORD, immediately following my remarks, a statement prepared by a representative of the Railway Labor Executives, showing the relation of the benefits which the Railroad Retirement Act, to those under the old-age and survivors' insurance program. This statement was given to me by Mr. Lyons, executive secretary of the Railway Labor Executives.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The general old-age and survivors system derives a very substantial financial benefit from the maintenance of the separate railroad retirement system. This gives rise to an obligation which should be recognized and which should be met at such time and in such manner as will be to the best interests of the railroad retirement system.

The reason why the general system derives this financial benefit from the maintenance of the separate railroad retirement system is that the railroad employees are a relatively higher cost group for whom to maintain an old-age retirement and survivors system than the general working population covered by the social-security system. The extent of this financial advantage at the time the two systems began in their original form in 1937 was estimated to aggregate over a billion dollars and perhaps to exceed two billion. As benefits are revised and liberalized the effect is to increase the financial benefit which the general system derives from the separate maintenance of the railroad retirement system. Upon the enactment of the pending legislation this benefit would come to approximately the equivalent of 2 percent of the railroad taxable pay roll. In other words if there were paid from the old-age and survivors trust fund into the railroad retirement account each year an amount equivalent to a 2 percent tax on the railroad pay roll, the general system would be merely paying for the benefit it derives from the separate maintenance of the railroad retirement system.

There are a number of reasons why the railroad employees constitute a higher cost group than the population covered by the general system:

1. The average age of the railroad employees is about 6 or 7 years higher than that of the insured Social Security population which of course results in a much smaller deferral of future costs.

2. The seniority system is much more elaborately and universally applied in the railroad industry than in industry generally, with the result that there is a heavier concentration of earnings in the older age group than in the general population.

3. The railroad industry is a mature industry that cannot be expected to expand in proportion to the expansion of industry in general. Past experience indicates that as productivity increases, the numbers of employees in the industry will decline even though the volume of work done remains constant or even expands somewhat.

4 Because of the savings in wives' and survivors' benefits through women being fully insured, there is a financial advantage in having a relatively higher proportion of women in the covered group. Women constitute only about 5 percent of the railroad-retirement coverage, whereas they constitute about 30 percent of the present social-security coverage, and will probably make up an even larger proportion under the coverage as expanded by the pending legislation.

Mr. PEPPER. Mr. President, I also ask unanimous consent to have printed in the RECORD immediately following my remarks a letter signed by Dr. Francis E. Townsend, dated June 16, 1950, addressed "Dear Congressman."

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE TOWNSEND PLAN FOR
NATIONAL INSURANCE,
Cleveland, Ohio, June 16, 1950.

DEAR CONGRESSMAN: Here's the chance of a lifetime for Congressmen and Senators to pick up an easy $5,000.

W. D. Dobbins, of the W. D. Dobbins & Sons Development Co., Birmingham, Ala., is the man who is putting up the money.

All you have to do to win is to prove to Mr. Dobbins that the Townsend Plan in operation would cost the taxpayers of this Nation as much as $1.

The argument behind the Townsend plan is that the new business it would create through the additional purchasing power enjoyed by millions of retired elders would far offset the revenue it would require to pension the aged.

Just prove that this is not true and the money is yours.

Here are excerpts from Dobbins' letter to Townsend National Headquarters:

"I will offer $5,000 in cash to any Senator or Congressman who can prove that the Townsend plan would cost the taxpayers $1. It will not only not cost a dollar, but will give us such a tremendous market * * * that we will be able to balance our Federal Budget.

"If you can use this offer in any way to help promote the Townsend plan, I will back it up with the cash or a security bond.

"Let's hit the nail on the head while this is hot in the Senate."

There you are, Congressmen and Senators. There's $5,000 in good American cash waiting for the fellows who have been saying the Townsend plan won't work. If you think it won't work, tell it to Dobbins. Convince him and the money is yours.

Cordially yours,

Dr. F. E. TOWNSEND,
President.

P. S.—The above quote is from Mr. Dobbins' letter dated June 14, 1950, which is on file at Townsend National Headquarters.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

Mr. CAIN. Mr. President, in the unanimous-consent agreement reached on June 14 to vote on the pending bill, H. R. 6000, it was provided that there should be included a vote on a resolution sanctioned by the Senate Finance Committee and to be offered by the Senator from Georgia [Mr. GEORGE] and the Senator from Colorado [Mr. MILLIKIN], authorizing and directing that said Finance Committee, or any duly authorized subcommittee thereof, should continue the study and investigation of social-security problems in the United States.

My position on H. R. 6000 has been that the time is long since past due for a thorough investigation and over-hauling of our present social-security system.

I have urged, as earnestly as I could, that the investigation be conducted in such a way as to give the public complete confidence that the inquiry was completely independent and free from any possible suggestion of influence by the Social Security Administration. It is a matter of great gratification to me that the Senator from Georgia and the Senator from Colorado have brought in this resolution providing for further study.

The resolution—Senate Resolution 300 provides that the Finance Committee or authorized subcommittee is authorized to "employ such technical, clerical, and other assistants as it deems advisable and to designate and appoint advisers."

The Senator from Washington is advised that if, in the process of this study, the Senate Finance Committee should deem it advisable to employ actuaries, experts from the insurance departments of our universities or other highly qualified assistance, they might possibly find themselves in a position of violating sections 281, 282, or 284 of title 18 of the United States Code, or perhaps, some other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding or matter involving the United States.

The Senator from Washington is wholeheartedly in favor of what the Senate Finance Committee proposes to do, and since it would be unfortunate, disastrous even, if at this late date the

committee might inadvertently find itself in a position where it was debarred by law from giving full-time employment to experts badly needed, I offer at this time a resolution providing for the suspension of the laws mentioned with respect to persons employed by the Senate Committee on Finance in connection with the social-security investigation ordered by Senate Resolution 300, of the Eighty-first Congress.

Mr. President, if the parliamentary situation tomorrow permits, the Senator from Washington would like at that time to be in position to call up and ask unanimous consent to have the joint resolution which he now sends to the desk acted upon.

Mr. MILLIKIN. Mr. President, will the Senator yield?

Mr. CAIN. I am pleased to yield.

Mr. MILLIKIN. I should merely like to say that those same provisions of the law came to the attention of the junior Senator from Colorado before the resolution was drawn. The legislative counsel adviced that the committee would have more leeway without including the clauses to which the distinguished Senator from Washington referred, than if they were included. But I am very glad that he has introduced the joint resolution, because I shall ask the legislative counsel to take another look at it during the night.

Mr. CAIN. May the junior Senator from Washington then say to his friend from Colorado that he recognizes the serious determination of the Senator from Colorado and his colleagues to conduct a very thorough-going investigation. The Senator from Washington has only tried to be helpful. Should it continue to be the opinion of the Senator from Colorado that his resolution is a better instrument without having included within it the terms of the joint resolution I have just sent to the desk, I should most happily yield to his views.

Mr. MILLIKIN. Mr. President, will the Senator yield for a further statement?

Mr. CAIN. Certainly.

Mr. MILLIKIN. I put the phraseology the Senator suggests in one of the early drafts of Senate Resolution 300, and it was then deleted on the suggestion of the legislative counsel that we would have more elbow room if it were out. But, as I say, I shall ask for further advice on it.

Mr. CAIN. Mr. President, if the Senator will permit one further question, would the Senator from Colorado be disposed, now that the Senator from Washington has introduced this joint resolution, to call it to the attention of the legislative counsel between now and tomorrow, at which time the whole problem will be before us, in the hope that we may dispose of it in a very positive and clear-cut way?

Mr. MILLIKIN. I did so, 30 seconds ago.

Mr. CAIN. I appreciate the Senator's willingness to cooperate.

There being no objection the joint resolution (S. J. Res. 187) to suspend the application of certain Federal laws with respect to persons employed by the Senate Committee on Finance in connection with the investigation ordered by Senate Resolution 300, Eighty-first Congress, introduced by Mr. CAIN, was received, read twice by its title, and ordered to lie on the table.

Mr. HUMPHREY. The Senate of the United States now has the bill to amend the Social Security Act on the floor. It will vote Tuesday, June 20, on this bill. We can be certain that the bill as it passes the Senate will be a decided improvement over the present social-security law.

It will add a minimum of 9,000,000 people to social-security coverage. For the first time self-employed people will be included under the old-age provisions of the social-security program.

I wish to discuss briefly some of the amendments which I plan to submit, of which I have the privilege of being cosponsor, and which I shall support, which would further liberalize the social-security bill.

One of the most important of those amendments, of which I am a cosponsor, would increase the amount of annual wages which may be credited toward final old-age and survivors' insurance benefits. The present law provides a maximum wage base of $3,000. This version was kept in the bill as it is now on the Senate floor in spite of the fact that the House recommended an increase to $3,600, which would permit maximum benefits of $80 per month.

An attempt will be made to raise that maximum benefit even beyond $3,600 to $4 200, which will permit benefits of $87.50, and also to $4,800, which will permit maximum benefits of $95. I am supporting these liberalized efforts. I feel certain that we can pass the $3,600 wage-base amendment in the Senate and I hope we can go further. These amendments are significant because a Senate advisory council some months ago, after a thorough study of the whole program, recommended a base of $4,200.

The next amendment of which I am a cosponsor will provide insurance benefits to individuals who are permanently unable to engage in any gainful activity by reason of any medically proven physical or mental illness. This is called a disability-insurance amendment. It was included in the House bill. It was recommended by the Senate advisory council. I believe it to be regrettable that the Senate Finance Committee decided not to include this provision in the bill as reported to the Senate.

By the way, Mr. President, I want to commend the junior Senator from Louisiana for his very comprehensive and able address this afternoon in reference to disability assistance. I understand the Senator from Louisiana will submit an amendment on disability assistance, and it is my intention to support him, because his case is convincing and is grounded upon sound fact.

The third crucial amendment which we will face on the floor of the Senate and which I will support, is designed to provide some kind of an incentive in the old-age and survivors insurance program. It will do so by increasing basic benefits for each year of contribution. The bill as it is reported by the Senate Finance Committee would give an equal benefit payment to a worker who has contributed to the program for 2 years or for 20 years. Our amendment will add a percentage increment to the benefits received for each year in which a contribution to the social-security fund is made.

It is also my plan to support amendments which would consider salesmen and agent drivers, distributing beverages, fuel, ice, ice cream, and fruit produce, as well as meat and bakery produce, laundry or dry cleaning services, as employees to be covered by the social-security law. This would add about 300,000 persons to the coverage of the Social Security Act.

I also plan to support an amendment which would give protection to about 40,000 home workers and certain domestic servants.

It is my intention to support another amendment which would include tips as wages in computing social-security benefits.

An amendment will also be introduced, which I shall support, extending social-security benefits to about 775,000 additional farm workers.

I now want to bring to the attention of the Senate an amendment which the Senator from New York [Mr. LEHMAN] and I have submitted, designed to increase the old-age pension provisions of the social-security law. I recently commented briefly upon this amendment, at the time of its submission. This amendment is for those older folks who are not under the insurance program. This amendment would raise the maximum pension from $50 to $65 per month, which means that the Federal Government would make a contribution to any pension up to $65 by paying one-third of any amount over $50. The present law provides a maximum of $50, and that maximum is maintained by both the Senate and the House versions. The House version does differ, however, from the Senate bill in that it gives more assistance to those States which are of the lower economic income.

My amendment, and the amendment cosponsored by the Senator from New York, will also increase benefits to the blind and to dependent children.

One of the most pressing problems which many local governments face with the public-assistance program is the fact that under the present law it is difficult to provide for medical care for the aged. I am joining with other colleagues in an amendment which will provide Federal grants for medical care to the needy aged, the needy blind, and to dependent children.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

The VICE PRESIDENT. The question is on the amendment submitted by the Senator from Illinois [Mr. LUCAS] for himself and other Senators.

Mr. GEORGE. Mr. President, I yield 20 minutes to the Senator from Pennsylvania [Mr. MARTIN].

The VICE PRESIDENT. The Senator from Pennsylvania is recognized for 20 minutes.

Mr. MARTIN. Mr. President, we are indeed deeply indebted to the able and distinguished chairman of the Finance Committee, the senior Senator from Georgia [Mr. GEORGE], and the equally able and distinguished junior Senator from Colorado [Mr. MILLIKIN] for the enormous amount of intense study and the laborious effort represented in the bill which is now before the Senate.

The task to which they devoted themselves so zealously was one of vast magnitude and extreme complexity. The problem of social security is not one that can be brought to perfection by any quick or easy method. It is not con-

cerned exclusively with charts or statistics. It has to do with the lives and the welfare of people throughout their lifetime. In its many-sided aspects it involves the plans and hopes of men and women to acquire a measure of peace of mind and comfort in their later years.

Mr. President, social security is of more interest to the people today than any other subject, except taxation, which has been discussed in this Chamber.

I know I am joined by all my colleagues in deep appreciation of the fair and impartial manner in which H. R. 6000, as amended by the Senate Finance Committee, was discussed by the leadership of the committee. Very carefully and very thoroughly they presented the features which remedy some of the existing defects in the present system. At the same time they placed emphasis upon the inadequacies which still remain to be worked out before the purposes we are trying to achieve can be attained.

Certainly we have before us a substantial improvement upon the present law. We are widening the coverage and offering a much more realistic schedule of old-age and survivor benefits in the light of present-day prices. These are valuable adjustments.

But there is another side. Like the original 1935 measure, the pending bill continues to be a stopgap—something to fill in until, somewhere along the line, there is created a basically sounder and firmer system of doing the job that must be done.

I refer, of course, to the kind of law which will stand on the three firm foundation pins of universal coverage, pay-as-you-go, and something reasonably close to genuine actuarial standards.

I shall vote for this bill in the clear recognition that it is still a stopgap—certainly a much improved stopgap—but yet a challenge for us to find something better.

Wholeheartedly I endorse the resolution offered jointly by the senior Senator from Georgia and the junior Senator from Colorado, for a continuing study of social-security problems to determine the best way to make the present system over into the fundamentally sounder one which all of us are determined the country must have.

As we all know, the bill which is now before the Senate, and which is an improvement over existing law, largely grew from the resolution adopted by the Senate on July 23, 1947, during the Eightieth Congress—a resolution jointly sponsored by the then chairman of the Finance Committee [Mr. MILLIKIN] and the ranking minority member [Mr. GEORGE]—for an investigation into the social-security system. The experts appointed in accordance with that resolution assembled for the Congress basic new information which provided the stepping stones to this bill.

The new resolution (S. Res. 300), which is to be voted on this afternoon, calls for something much more important. It should enlist the support of all seeking to provide the best possible safeguards for our growing population of older citizens.

And, Mr. President, important as is the problem of our aging and aged today, tomorrow it will be infinitely more important. Today our population of men and women over 65 years of age is about eleven and one-half million. By 1975 there are expected to be about 19,000,000 in that category, and by the year 2000 even more.

These older people are men and women who have made their full contribution to the upbuilding and support of the Republic. They have given the country a new generation, have fought its wars, have raised its food, erected its homes, schools, and churches, taught its youth, and produced an infinite variety of our manufactured products. They have kept burning brightly the torch of our form of government and our way of life.

They are an indispensable link in the continuity of America.

For them, there must not—there shall not ever be—any "over the hill to the poorhouse" at the end of the road.

Nor must we be content with any stopgap, second-best system of social security. We must work constantly at the job of improving it. Most important, we must make the country behind it fully solvent and able to live within its means, for no system that we or anyone else can devise will be any stronger or safer than the soundness of the dollar and the solvency of the country back of it.

That is why the George-Millikin resolution is so important.

Everyone knows that the relief or public-assistance feature of social security was to be a temporary expedient. The idea was that as soon as the old-age and survivors insurance system was well established Uncle Sam would withdraw from the business of providing local assistance. That, it was felt, was a job entirely for the States and local communities. But things have not worked out that way under the stopgap law. Old-age and survivors insurance has been in existence for 15 years, and today more than 35,000,000 persons are under its coverage.

But, despite this, old-age assistance and other direct-relief programs—with matching Federal contributions—have continued to grow at such a rate that its beneficiaries over 65 years of age far outnumber those of the insurance system; and far more money is being spent to benefit persons under such relief than is received by those who made regular payments under the insurance system.

Public assistance is essentially a local function. It should be taken care of by the local community, with financial assistance from the State. The Federal Government should step in only in times of great emergency. We must remember that the stronger the old-age and survivors insurance program becomes the less burden there will be upon the States and local communities for relief.

What have we in the handling of the money today, Mr. President? A worker and his employer pay into the social-security insurance fund year in and year out. The money goes into the Federal Treasury. Uncle Sam dips his hand into the till, takes the money out, and spends it for the high-priced business of running the Government. He leaves an I O U in the till. It is a bond paying 2½ percent annually. At present, in the neighborhood of $12,000,000,000 has been removed, and the 2½ percent I O U's left instead.

That sounds good. The fund gets 2½ percent on its money in the safest investment in the world—United States Government bonds. But where does Uncle Sam get the 2½ percent interest? The same place he gets all of his money—by taxing the workers who paid the money into the social-security fund, in the first place, and also the workers who are not covered.

Where does the Government get the money to pay benefits as more and more persons reach the age of 65? Naturally, by taxing the same workers who are taxed to pay the interest on the bonds. So the man who goes on social security pays twice, plus interest, for his benefits. He pays in the original wage deductions. Then he is taxed to pay interest on the money the Government has borrowed from the fund. Then he is taxed to provide the money to pay him and others their social-security benefits. And, of course, the worker who is not covered by social security is taxed to provide funds to pay old-age insurance for those who are covered.

These inequities still remain in the improved bill now pending before the Senate. At the moment we must accept them until further study produces a sound social-security system.

It has been argued that the bonds of the United States, in which the social-security trust funds are invested, are the safest and soundest gilt-edged securities in the world.

I have no quarrel with that statement. I accept it fully and completely. But I should like to point out this difference: When a private corporation reaches the time when it is necessary to pay off its outstanding bonds, it does so out of earnings. We must remember that the Government has no earnings. When it becomes necessary to redeem the bonds, two courses are open. One is by new borrowing. The other is by additional taxes imposed upon all the people, including those who sacrificed a part of their earnings to establish the social-security fund.

Mr. WHERRY Mr. President, will the Senator yield for a question?

Mr. MARTIN. Yes; if I have the time.

Mr. WHERRY. Then I shall be very brief. In either of the events the Senator has mentioned, the payment has to be made through taxes, regardless of whether it is deficit spending or not. Is that correct?

Mr. MARTIN. Yes; all of it is paid for by taxation.

Mr. WHERRY. So it has to be paid for by taxation; does it not?

Mr. MARTIN. Yes; the Senator is correct.

What I believe in is a plan whereby everyone under 65 years of age supports the system, and then, when past the age of 65, becomes a beneficiary. I want the program to be on a pay-as-you-go basis—actuarially sound—in which a man pays once, not twice, for his benefits.

That is the goal toward which Congress must work. I am confident that

the George-Millikin resolution will bring us a step closer to that goal.

If we do not seek a sound actuarial solution, we have no idea what this system, or any system, will cost us 20 or 30 or 50 years hence.

Today about 35,000,000 active workers pay into the fund; and only about 2,700,000 receive weekly benefits. That makes it easy for the administration's I O U scheme to operate, because a great deal more is paid into the fund than is withdrawn in the form of benefits. But what will happen when the receipts and the disbursements come closer and closer into balance?

What will happen if there should be a serious depression at some future time when fourteen or fifteen million persons are receiving old-age and survivors insurance benefits, and when millions of workers—actively contributing to the fund—are unemployed?

Where will the Government get the money to continue the insurance payments to the over-65-years-of-age beneficiaries? Will it be able to lay heavier taxes upon a depression-ridden people? Will it print inflationary, printing-press money, or will it repudiate its honest obligation to our citizens who are over 65?

Certainly the method used in the existing law, and provided for in the pending bill, does not contain the answer. The answer lies only in a sounder system.

I say we must work toward such a sounder system. In supporting this bill, we must recognize it for just what it is—one more stepping stone on the way to a better law.

The search for a better law should start now—without delay.

It is perfectly obvious to all of us that the sounder, better formula is not easy to find. Certainly, no one has managed to find it in the past 15 years, although many expert minds have been focused upon the problem.

There is one thing I should like to submit to the Senate. One of the principal reasons why the Congress is voting a new social-security law is because the benefits provided under the old law have become insufficient, due to the depreciation of the dollar and its decreased purchasing power. In other words, inflation has hit our dollar, and it is worth only half of what it was worth back in the middle thirties, when the social-security law first went into operation.

As an illustration of what has happened to the dollar consider the fact that a man who purchased a United States saving bond 10 years ago for $18.75 and who cashes the bond today for $25 can buy less with the $25 he receives than he could with $18.75, the amount he invested 10 years ago. That is what has become of the savings of the thrifty.

Mr. President, earlier in my remarks I mentioned that a sound, stable dollar and Government solvency are basically important to any true, long-term social-security system. Our national economy and the financial stability of our Government are being tossed and blown about by winds of inflation.

The person receiving old-age insurance benefits receives a fixed, limited income, and he is but one of many classes who suffer, and suffer greatly, under inflation. It brings hardship to all who must live on the income derived from pensions, rents, annuities, savings accounts, and other small investments.

The principal cause of the inflation we have today is extravagant spending, excessive taxation, debt, and unsound deficit financing by the Federal Government.

One of the most significant comments on the fiscal policies of the National Government was the statement issued last week by the Joint Congressional Committee on the Economic Report. The committee urged an immediate termination of deficit spending in times of prosperity and inflation. Let me quote from the statement of the majority party members, under the chairmanship of the distinguished senior Senator from Wyoming [Mr. O'MAHONEY]. Their comment declared:

> A critical examination of the present level of Government expenditures is imperative. In years of such booming business as currently is causing prices to boil up in inflationary manner throughout the economy, this Government should not be incurring deficits.
>
> It should put its house in order.
>
> Inability to vote against appropriations, or vote for increased taxes needed to foot bills this Government now incurs, is a sign of weakness that enemies of free enterprise are gleefully exploiting throughout the world. It represents the greatest single danger to freedom and national security.

The statement then goes on to urge "top priority" for reducing the debt in prosperous years like these.

Mr. President, that statement is dedicated to protecting our entire economy. For, let me say once more, the sound dollar and the Government's living within its means are the master keys to a stable social-security system, to a firm and expanding national economy, and even to protection from alien ideologies designed to conquer us by making us spend ourselves into a condition of weakness and self-destruction.

Mr. President, let me sound a warning: If we fail to put our house in order, if we do not return to a sound, fiscal policy, the pending bill and the study contemplated by the George-Millikin resolution will be mere scraps of worthless paper.

Finally, Mr. President, I should like to sum up some of our objectives, as follows:

First. We must determine how much social security the Nation can afford. We can afford only the amount we can pay for annually. No family or nation ever went broke on a pay-as-you-go basis.

Second. The plan we adopt must be easy to administer. We cannot entangle the people in too much Government red tape.

Third. As nearly as possible we should have universal coverage. Social security should be a safe and sound investment for the rainy day. It is the result of thrift and sacrifice.

Fourth. Social security and public assistance must be totally separated.

Fifth. Sound programs operated by subdivisions of Government, churches, and other institutions, should not be disturbed.

Sixth. Careful consideration must be given to pension funds set up by large business concerns, so that they may not place too great a burden on the small businesses or put them at too great a disadvantage.

Government solvency is the foundation of a sound social security. If we continue to endanger the solvency of the United States, and persist on a course which means further depreciation of the purchasing power of the American dollar, we shall defeat the ends we are now striving to achieve.

Mr. CAIN. Mr. President——

Mr. GEORGE. Mr. President, I yield to the Senator from Washington. Will the Senator kindly indicate how much time he will need?

Mr. CAIN. Approximately 30 minutes. I shall endeavor to conclude within that time.

Mr. GEORGE. I yield 30 minutes to the Senator from Washington.

The VICE PRESIDENT. The Senator from Washington is recognized for 30 minutes.

Mr. CAIN. Mr. President, the time is now hard upon us when we must vote on whether H. R. 6000 is to become the law of the land.

In the few minutes permitted me I desire to read a remarkable letter which I received this morning. The letter is from Mr. George M. V. Brown, administrator of the Pierce County Welfare Department of my own State of Washington, whose office is in my own home city of Tacoma. Mr. Brown has been, is, and I hope will continue to be, a close personal friend of the junior Senator from Washington.

I should like to read this letter and then to read my reply to Mr. Brown, in which is restated the position which the junior Senator from Washington has tried to present, in a reasonable way, during the entire consideration of the pending bill. Mr. Brown's letter reads as follows:

> DEAR HARRY: I am somewhat shocked and surprised at the reports we are receiving in our local newspapers concerning your attitude toward H. R. 6000 and Senate Report 1669. No legislation is ever perfect, but the changes that are contemplated in H. R. 6000 and Senate Report 1669, or any combination of them, is so much ahead of what we have at the present time that they deserve your fullest support. I believe we discussed this matter in some detail a few years ago when we had lunch together, and I know at that time you understood and agreed to the need for these changes. Without boring you with too much detail, please allow me to refresh your memory.
>
> The State old-age-assistance program (a pauperizing type of assistance) has been growing by leaps and bounds over the last 15 years. When this program was put into effect, it was the intent that it would be only a temporary measure until such time as the Federal Government could put into effect a pension-insurance program which would be directly contributed to by those who received benefits. Due to the lethargy on the part of the Federal Government, the old-age and survivors insurance program has been allowed to remain static to the place where returns to its participants are entirely inadequate, and the coverage has never been increased as was anticipated, and thus a relatively small percentage of the total population is covered by its benefits. As a direct result, the State old-age-assistance program, led by left-wing groups, has flourished in this fertile field of lethargy until

at the present time, as you well know, the financial stability of the State of Washington is seriously jeopardized. Not only are we serving many people on our State old-age-assistance program who should be covered by old-age and survivors insurance, but we are also finding it necessary to subsidize others, due to the fact that the Federal program has not been brought up to date since approximately 1938.

In addition to the financial burden which has unnecessarily been placed on this State by the above-mentioned inadequacies on the part of old-age and survivor's insurance, the resultant increase in State old-age assistance has tended to "drag along" an unnecessary liberalization of State relief programs to persons in other age brackets (aid to dependent children, general assistance, etc.).

There are probably many ways that an old-age and survivor's insurance program could be administered and financed. However, I think it is ill-advised to suggest the cost and confusion, which any new system would create, at this time when you and your colleagues have not as yet given full enough support to our present legislation to know whether or not it is either sufficient or workable.

In the interest of the people of the State of Washington, both those who are directly affected by this program and the taxpayers of this State, I hope that you will reconsider your viewpoint on this legislation and do all in your power to back up and vote for these revisions as suggested by H. R. 6000 and Senate Report 1669.

Those of us in the State of Washington should be the most interested people in the United States in this matter since it is my belief that the whole financial structure of our State is in more or less jeopardy, depending on how much we are able to handle old-age security on a contributory insurance basis rather than on a pauperizing base directly paid for by the already overburdened taxpayers.

Very truly yours,
PIERCE COUNTY WELFARE DEPARTMENT,
GEO. M. V. BROWN, *Administrator*.

He signed it "George" in a personal and affectionate way.

Today, Mr. President, the junior Senator from Washington wishes to respond to Mr. Brown, of Tacoma, Wash., as follows:

Mr. George M. V. Brown, Administrator, Pierce County Welfare Department, 2323 Commerce Street, Tacoma, Wash.

My dear Mr. Brown: Many thanks for your exceedingly frank letter of June 16. Much of the information in it only confirms what I have long suspected and believed.

Other portions of the letter, those urging me to support H. R. 6000, are so startling that I am moved to write you in some detail. In this letter I shall restate briefly the position I have tried to maintain throughout the whole consideration of the bill.

On May 24 last, shortly after H. R. 6000 was reported to the Senate, but before the committee report on the bill was available, I introduced a resolution—Senate Concurrent Resolution 92—calling for a completely independent investigation and overhauling of our social security system. I urged that, pending this investigation, we put aside H. R. 6000, leave the present system where it is, and pause until we had a clearer idea of where we are going.

I said then: "If the Nation is willing to provide for the needs of some of the aged, it ought to be willing to provide for the needs of all of the aged. It is because of this conviction that I shall oppose the passage of H. R. 6000 as amended with every legitimate means at my disposal."

That statement I now reaffirm and on it I still abide.

My earnest appeal for an investigation was not based on any notion that I was an expert in social security questions. I made the appeal because others, who understand these things in far greater detail than I, had been making similar appeals over a period of many months. These appeals had gone unheeded. It was only when it dawned upon me that this battle was liable to go to decision by default that I determined to fight.

You say, "There are probably many ways that an old age and survivors insurance program could be administered and financed. However, I think it ill-advised to suggest the cost and confusion, which any new system would create, at this time when you and your colleagues have not as yet given full enough support to our present legislation to know whether or not it is either sufficient or workable."

I say to you: The United States Congress has supported this legislation for 15 years and has seen the present social security system grow ever more complicated, capricious, cruel and unjust. How long do you think we should support it before looking for a better way?

In the statement which I made on May 24 and in my statements on June 15 and 16 during the debate, I tried to make clear the following points:

First. That the present two-headed system of old age assistance and old age and survivors insurance was complex beyond endurance, inordinately costly to administer, and tended to center bureaucratic control here in Washington. I believe that to be true. Why support a bill that promises to make this phase of the problem worse?

Second. That it was not insurance at all, since the system was riddled with examples of persons getting a dollar in benefits for a nickel put in.

Third. That despite all the talk about expanding social security there were millions of old people shut out and that, H. R. 6000 to the contrary notwithstanding, millions of the aged will still be left out even if the bill passes.

Fourth. I said that it was useless to talk of costs unless the two systems of old-age assistance and of the so-called insurance program are considered simultaneously. In your letter you make this point clear with a vengeance. You say: "The State old-age assistance program—a pauperizing type of assistance—has been growing by leaps and bounds over the past 15 years." That is exactly what I have said on the Senate floor. You say: "When this program was put into effect, it was the intent that it would be only a temporary measure until such time as the Federal Government could put into effect a pension insurance program which would be directly contributed to by those who received benefits." I repeatedly called the Senate's attention to what had happened to that temporary-assistance program, how expectations of its dwindling away had gone with the wind. You say: "As a direct result the State old-age assistance program led by left-wing groups has flourished in this fertile field of lethargy until at the present time, as you well know, the financial stability of the State of Washington is seriously jeopardized." If you say this I do not see how, in all conscience, you can ask me to support H. R. 6000, for the matching formulas for OAA remain the same, save for a minute cut in cases where old people get both OASI benefits and old-age assistance as well. The plain truth is, as I believe, that old-age assistance costs, the very thing you dread, are bound to soar if H. R. 6000 is passed. I note what you say about left-wing pressure. I suggest that you bring this interesting fact to the attention of Mr. Arthur Altmeyer, of the Social Security Administration.

Fifth. I have maintained during the debate that it was a monstrous fraud and cheat to tell young people, now in their early working life, that if, under these wretched covered categories they paid their social-security taxes for the allotted time, they would at retirement age qualify for and receive an annuity. The fraud and the cheat lies in the expansion of present benefits out of current security-tax income, with scarcely a thought of how the enormously increased benefit bill is going to be paid a generation from now. I said it could only be done with savagely increased taxes or with further depreciated dollars. I still say that.

Sixth. I said it was a mistake to pass H. R. 6000 and plan to investigate afterward, since the further entrenchment of the existing system could only make investigation far more difficult and politically hazardous. I still believe that to be true.

Seventh. I was at pains to acknowledge the months of work which the Senate Finance Commitee has given to this bill and made it perfectly clear that my strictures were not directed at them but at the fact that, since the basis of the bill was fissured with grievous faults, so the completed bill could not help but be faulty as well. It is faulty still and members of the Finance Committee during this very debate have pointed out many of these faults. Why perpetuate them?

Eighth. I made no claim to being a social-security expert and I refused to endorse any new system. But I pointed out how, increasingly, over the years criticisms of both the present system and its administrators had been piling up and piling up and how essential it was that an absolutely independent investigation be made. I did not find fault with the advisory council set up during the Eightieth Congress. Indeed, I acknowledged their public spirit. But I did say that no thorough-going overhauling can hope to be done unless it has the steady day-after-day attention of a corps of independent experts. I said: "What we want are independent, competent people of standing, who are prepared to give their full time to the work and who shall receive the compensation due to persons of their experience and prestige." I asked that enough money be granted out

of the contingent fund to see to it that such a corps could be recruited. I still urge it.

Ninth. I said that this investigation should not spend its time trying to shore up and patch the present system. Nor should it be compelled to restrict its labors to a single alternative. The scope of the inquiry should be broad and permit a wide latitude of investigation. The corps should be men competent and able to give their serious attention to whatever qualified persons ask to appear before them. And I would judge that it would not be too difficult to define the word "qualified." Former President Hoover urged that the investigating body be given a year for their labors. I believe that he was right. Is there not intelligent reason for halting at this point? It is possible to let the country know in the most explicit terms that this halt is not a stall. As I said in my statement: "Why pass a bill that we know is bad, when, with the expenditure of a little more time, we might have legislation that is good?"

Tenth. I called attention to the seriousness of the charges brought against officials of the Social Security Administration. I quoted the Hoover task force. I quoted charges made by persons who had had direct experience with the Social Security Administration. I enumerated instances of manipulated statistics, of calculations distorted and wrenched out of shape. I asked how, if these things should be proved true, it would be possible to trust the Social Security Administration. I still ask those questions. Those charges should be investigated, and by independent people. Do not you yourself think that this should be done?

In the process of considering this bill, I wrote to several hundred persons throughout the country, persons who have had years of experience with social-security problems. Some are actuaries. Some are in other branches of insurance. Some had been officials of the Social Security Administration itself. Some are academics. Some are in business. I asked these persons to write me frankly about their views on the pending bill and how they thought an investigation should be conducted.

Their response has been one of the most extraordinary experiences of my life. As evidence of the care and thought which these people gave to my request, I inserted in the CONGRESSIONAL RECORD for June 16, 1950, a group of their replies. I enclose a copy of this issue of the RECORD and commend these letters to your attention.

In sum, my position is this: If we are to have a social-security system at all, let us have one that freemen can accept with self-respect. Let us accept and act upon this bald truth:

That our old people, who have done their life's work and have quit, must be helped by those of us who still work. In due time, our children must look after us. Not in the old way of the old folks on the farm, but in the same spirit adapted to the institutions of our day—through taxation. Let us have done with this nonsense of a contributory system, this playing house and calling it insurance.

I accept wholeheartedly this proposition of having us who work help the old folks who have quit. I stand ready to pay as high a tax as my fellow citizens are willing to pay to put such an honest social-security system into operation.

I have refused to support H. R. 6000, not to evade a responsibility, but rather to accept one.

No kid stenographer in her first job in Tacoma will ever be able to accuse me of being an accessory to her defraudation when her retirement age finally comes. No down-and-out logger on the skidroad at the foot of Yesler Way in Seattle will be able to accuse me of forgetting his plight. No part-time apple picker in the Yakima and Wenatchee Valleys will be able to say that I did not recognize and seek to admit and save his rights.

I repeat, I believe that this bill is a truly disastrous mistake and that if we pass it, we will surely and bitterly live to regret it.

I say once more: If we are to look after some of our old people, we must look after them all. And, if we do this, let us find a way to do the whole job up year by year, starting every January 1 with a clean slate. If our Nation's economy gets pinched, the old folks will be pinched also. If we prosper, the aged will share in the Nation's prosperity. This is as it ought to be.

But let us have done with the jobbery that for 15 years we have had the crust to call social security.

With warm personal regards and in hope that you will share my views with the many citizens at home who are concerned and interested, I am, most sincerely and cordially, HARRY P. CAIN, the junior Senator from Washington.

P. S.—Should you wish any future letter to be held in confidence by me, it will only be necessary for you to mark it personal. I am happy that you permitted me to make your present one available to my colleagues and the Nation.

Mr. MILLIKIN. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MILLIKIN. Mr. President, I ask unanimous consent that the order for a quorum call be rescinded, and that further proceedings under the call be suspended.

Mr. MYERS. Mr. President——

The VICE PRESIDENT. Either of the Senators in control of the time must yield to the Senator if he desires to address the Senate.

Mr. MILLIKIN. How much time does the Senator from Pennsylvania desire?

Mr. MYERS. About 20 minutes.

Mr. MILLIKIN. I yield 30 minutes to the Senator from Pennsylvania.

Mr. MYERS. Mr. President, we stand on the threshold of completing a legislative achievement of the first order of magnitude. It is probably idle to argue whether our accomplishment in enacting, as we will enact shortly, the pending social-security bill, is the most important social reform of the past decade. But few would doubt the observation that no other domestic program exceeds social security in importance.

Eleven years have passed since Congress made the last substantial revisions of our social-security law. Thus, it is clear that we have at least the task on our hands of bringing the 1939 provisions up to date. Living costs in that 11-year period have jumped nearly 70 percent and the insurance benefits payable under the prewar, preinflation standards are hopelessly out of line with what we should regard as a minimum income sufficient to keep body and soul together.

Naturally, then, our first requirement for the changes we now propose to make is the requirement that benefits be brought back to a level of buying power at least equivalent to the 1939 standard. I feel, however, that the Congress would be remiss in its duty if we were to accomplish no more than to rewrite the law to match today's dollar.

I am proud to say that Congress has shown no intention whatsoever of limiting its action to the social gains achieved 11 years ago. We can look at H. R. 6000 in the form in which it was reported by the House Ways and Means Committee last year; we can look at H. R. 6000 as adopted by the House of Representatives; and we can look at H. R. 6000 as recommended by the Senate Finance Committee, and without exception we will see that far more has been undertaken than merely to bring the law up to the standards of 1939.

Coverage—that is, the number of persons eligible to participate in the Federal retirement insurance program—has been enlarged. The long-recognized goal of universal social security coverage is brought considerably closer by the enlightened action of the House and of the Senate Finance Committee.

Retirement benefit payments, which under existing law average but a pitiful $26 a month, will be raised to an average of $49 monthly if the Senate committee bill is adopted. If some of the amendments to be offered to the pending bill are enacted, the average social security benefits may be increased to as much as $55 a month. Particularly for those of us who live in large urban areas, where living costs are highest, it is difficult to see how an average payment of $50 or so a month can do more than provide the barest kind of subsistence for a single person. Yet, by contrast, $50 is a tremendous stride forward from the present average of $26 monthly.

In addition to increasing the benefit payments, and opening participation in the social security program to another eight or ten million people, the recommendations of the Senate Finance Committee do a great deal to liberalize the eligibility requirements under which a person may become entitled to retirement benefits. The Senate committee has also recommended a much more liberal alternative method for calculating the average wage upon which the ultimate retirement benefits are based.

After having sat for some months as a member of the Senate Finance Committee, listening to the hearings, participating in the long discussions during executive sessions, I have come to appreciate keenly the studious and conscientious

manner in which the committee undertook its job of recommending changes in our all-important social security program. Almost without exception, the members of the entire committee were in accord as to the basic machinery of the social security program, agreeing that it was a tested and proven means of providing a bulwark against poverty for those who face a complete loss of income upon retirement.

The arguments of yesteryear that social security would lead to regimentation of our people and plunge us into socialism had no force in the committee's discussion. The experience of 15 years of operation has so thoroughly discredited such arguments that we heard almost none of them among the committee members.

Instead, Mr. President, the disagreements which came up during the Finance Committee's consideration of the social security bill were confined to questions of what we could afford to do at this time to make the social security program more adequate to meet the evident needs of the American people. I might add in this connection that there was no substantial disagreement among committee members as to what the basic needs of our people were. It was agreed that Federal machinery did provide the only practical means whereby our people could plan ahead for their ultimate retirement. It was agreed that the social security program should be made self-supporting through the equal contributions of employee and employer alike. It was agreed that the principle of self-supporting social insurance is much to be preferred over public relief which is supported out of general tax revenues. There was agreement, too, among the committee members that the problem of the disabled worker forced into premature retirement by accident or disease was a most critical one which is not being met now through the limited scope of workmen's compensation laws and private disability insurance.

In short, there was no real disagreement on the part of the committee as to the major needs of our people in terms of income loss. As I say, the vehicle of social security was recognized as the suitable means of meeting these problems, and the question of cost was the only major deterrent to extending the welfare benefits that were considered.

I should like here to say something about this question of cost. As I indicated earlier, it was the intent of the committee to make the social-security program completely self-supporting through the mechanism of wage-tax contributions. The committee estimated in reporting H. R. 6000 that the level premium rate for the insurance benefits proposed in the bill would, some years hence, amount to 6.15 percent of the payroll of those covered by social security. In other words, this would mean that the wage-tax deduction for the employer would finally reach a level somewhat in excess of 3 percent and a similar contribution would be made by the employee.

It is significant here to point out, I believe, the assumption on which the committee based its estimate of a level premium cost amounting to more than 6 percent of payroll. The committee assumed the present levels of economic activity would continue into the future. It assumed that the program would some day cost 6 percent of the 1950 payroll of employees in covered occupations.

But, Mr. President, I do not agree that our present economic levels represent the high tide of American wealth. I have faith, great faith, in the capacity of America to continue its economic growth. I believe the committee in assuming that payrolls would not continue to rise in the future closed its eyes to the history of this country. In the past century, for example, the productive output per worker has increased 600 percent. In the past 60 years there has been an increase in payroll which has averaged 3 percent annually. I believe, Mr. President, that we will continue to see such an expansion here in America. Perhaps our economy has matured, but it has certainly not lost its vitality.

I believe we should assume that payrolls will be greatly larger in the future. If we take even the modest assumption that payrolls will increase 2 percent annually, instead of the 3 percent yearly rise which we have experienced for more than half a century, the level premium rate for the insurance benefits recommended in the Senate bill will not, in fact, amount to 6.15 percent of payroll, by the time all these benefits vest. Instead of 6.15 percent, they would cost only 4.9 percent of payroll, assuming that our economy does expand to the extent of 2 percent yearly in the future.

I think an understanding of this is essential in considering how far we should go at this time in liberalizing the social-security program.

If it is true, in fact, that the benefits proposed by the committee will ultimately cost less than 80 percent as much as the committee thought they would cost in terms of our future buying power, then I say, Mr. President, that we should consider seriously the question of liberalizing the present law still further.

In terms of the insurance program, there are three amendments of major importance which should be adopted at this time. In all three of these instances, the House itself took a more liberal position than did the Senate Finance Committee, though I want to make it clear that the Senate bill was, in many respects, more liberal than the House bill, but in other particulars.

I want to address myself first to the question of disability insurance. I will not develop this in great detail because on Friday of last week I placed in the RECORD a lengthy statement describing the disability-insurance amendment at the time I submitted it for myself and for nine other Senators. Briefly, however, the question of disability is closely related to that of retirement as a result of old age. Disability is simply a premature retirement; a sudden aging, long before it is ordinarily expected, which forces a worker to leave his job and which makes it impossible for him to support himself and his family by any sort of gainful employment. I believe I am correct in saying that the possibility of income loss as a result of a permanent, total disability is one of the most terrifying prospects that lurks uncertainly in the future of anyone. The House adopted a disability-insurance program when it passed H. R. 6000, and the amendment which I submitted on Friday merely seeks to restore, with a few improvements which I outlined at the time, the disability feature set forth in the House bill.

Two other amendments of prime importance deal with the formula used to calculate retirement benefit payments. The House and the Senate Finance Committee have both recommended major changes in the benefit formula which is now the law, and in either instance, the average retirement benefits will be about doubled over what they are now. However, the present requirement established in 1939, of a $3,000 wage and tax base, means that an employee who earns more than $250 a month contributes to the insurance fund only on the basis of $250 of his monthly earnings—and correspondingly, the benefits which he will receive upon retirement are thus limited to a maximum average monthly earning of $250, regardless of what his average earnings had been. At the time this $3,000 limitation was placed in the law in 1939, 95 percent of those whom the law covered had yearly earnings less than that amount. The Senate Advisory Council on Social Security, speaking through 15 of its 17 members, recommended that the wage and tax base be advanced to $4,200 to bring it in line with the present high level of wages. The Senate Finance Committee, however, recommended that the present wage base of $3,000 be retained and the House agreed to the figure of $3,600. I believe it imperative that the wage base be increased to $4,200 in order that we may continue to make effective the policy established by Congress in the 1939 social security revisions.

The second major amendment to the more liberal benefit formula of the Senate bill deals with the so-called increment—that is, the means by which the benefits available upon retirement are increased in proportion to the number of years an employee has contributed to the pension fund. Under the present law the basic benefit as calculated in the formula is increased by 1 percent for each year the person has worked in covered employment. Under the House bill this increment was reduced to one-half of 1 percent for each year of insurance coverage.

The increment amendment which I submitted for myself and 12 other Senators takes a compromise position between the present law and the House bill. The Senate bill has no increment factor whatsoever. Under our proposal, benefits would be increased by 1 percent for each year an insured person contributed to the system prior to 1951, and for the years following 1950, the increment would be reduced to one-half of 1 percent. In short, the compromise recognizes the rights of those who contributed to the system during the period the increment was 1 percent, and then reduces the increment in the future.

To me it is only reasonable that the benefits available on retirement should

reflect the number of years that an employee contributed to the pension fund. Yet, under the Senate bill, a retired person receives a benefit calculated only on his average wages, and it makes no difference whether he has contributed to the system for 3 years, or 40 years, prior to retirement.

At least until we arrive at the point that social security covers every working person, I believe we should recognize the principle that a worker should receive a greater benefit according to the years he has contributed to the system. This has the psychological advantage of encouraging him to remain in covered employment, and it is in line with the sound practices of private industrial pensions where, as a general rule, benefits vary according to the years of service for the company.

Taken together, the three amendments—disability insurance, the increase of the wage and tax base from the present level of $3,000 to $4,200, and the restoration of the increment to the Senate committee recommendations—will add, according to the assumptions of the committee as to future costs, about 1¾ percent of payroll. In other words, the level premium rate of 6.15 percent of payroll estimated by the committee for its own bill would, with these three amendments, come to about 8 percent of payroll.

As I indicated earlier, however, I believe the economy of America will continue to expand in the future, and if we use the conservative estimate of a 2 percent average annual increase in payroll, the Senate bill, plus the three amendments I have just discussed, will have a level premium rate of about 6.3 percent, instead of the 8 percent as estimated by the committee's assumption of a static economy in the future.

Since the committee agreed to a level premium rate of 6.15 percent as a reasonable cost for the social-security system, the figure of 6.3 percent is in line with this thinking, and I strongly urge the Senate to put its stamp of approval on the amendments providing disability insurance, the $4,200 wage base, and the increment factor.

I wish to refer generally to other amendments that are pending, which would, in my opinion, further strengthen the many improvements recommended by the Senate committee bill. I have submitted two amendments relating to blind persons—one of which deals with the Federal grants to States for blind pensions; and since I have already issued a statement describing that amendment, I shall not go further into it at this time. My second amendment for the blind restores a provision of the House bill which would cut off Federal grants to States which require blind persons to have more than 1 year of residence to become eligible for blind pensions. In view of the fact that a majority of our States have residence requirements of a year or less, this seems only fair; and the Senate Advisory Council took the position that there should be no time-of-residence requirement at all for the blind.

I endorse in principle the extension of public assistance grants to Puerto Rico and the Virgin Islands. I support the caretaker amendment for dependent children, and believe it to be of utmost importance. I support generally the amendments to liberalize the insurance coverage provisions for salesmen, agent drivers, and so forth.

Insofar as the portions of the bill dealing with unemployment compensation are concerned, I strongly support the amendment submitted by the Senator from Illinois [Mr. LUCAS], and the Senator from Rhode Island [Mr. GREEN], to provide reinsurance grants to States to enable them to expand their existing unemployment compensation programs. This is not a matter of collecting new taxes for this purpose, but it is simply a question of making full and good use of the entire amount of the Federal unemployment tax, instead of allowing a part of the tax money to be drafted off for other purposes.

The junior Senator from California [Mr. KNOWLAND], has submitted to the pending bill an amendment which is, according to his explanation, designed to restore to States the right to operate their unemployment compensation programs without Federal intervention. This amendment, I believe, goes much further in its effect than its supporters contend. Furthermore, the amendment was not considered by the Senate Finance Committee; there have been no hearings upon it; and where a proposal so important as this is brought up more or less at the last minute, I firmly believe we should reject it at this time, and should refer the matter to the Senate Finance Committee for hearings and study, before acting upon it.

In closing, Mr. President, I wish to state once more my belief that in passing the pending social-security bill, we are undertaking one of the most important domestic reforms of recent years. The bill as it passed the House was a good bill. The bill reported by the Senate Finance Committee after the most careful study was a good bill.

There are, as I have indicated in a general way, some improvements which can be made without materially increasing the costs of our retirement insurance and public-assistance programs.

The over-all value in terms of our economy and in terms of the health and livelihood of our people, is immense. No longer do we hear social security attacked as socialistic, and no longer is it referred to as regimentation. It has proven itself. We here, by improving the good which the program is capable of accomplishing, are doing more to promote the economic health of our country and the material security of our people than we can readily imagine.

Our ultimate goal, of course, is universal coverage under social security by use of the self-supporting contributory pension system. The proposals before us, and which we will enact, are a major stride toward that goal—which is, in the final analysis, a prosperous and secure America under an ever-expanding free-enterprise system.

Mr. MILLIKIN obtained the floor.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

Mr. SCHOEPPEL. Mr. President, will the Senator from Colorado yield to me for a moment?

Mr. MILLIKIN. Mr. President, I yield 2 minutes to the Senator from Kansas.

Mr. SCHOEPPEL. Mr. President, I sent to the desk an amendment to House bill 6000 which I intend to call up and offer at the appropriate time.

The PRESIDING OFFICER (Mr. CHAPMAN in the chair). The amendment offered by the Senator from Kansas will be received and lie on the table.

Mr. MILLIKIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MILLIKIN. Mr. President, I ask unanimous consent that the order for a quorum call be rescinded and that further proceedings under the call be suspended.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WATKINS. Mr. President, I send to the desk an amendment which I intend to call up later.

The PRESIDING OFFICER. The amendment will be received and lie on the table.

SOCIAL SECURITY ACT AMENDMENTS OF 1950

The Senate resumed the consideration of the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

The VICE PRESIDENT. Under the agreement, the Senate is to begin voting at 4 o'clock. Does the Senator from Georgia wish to be recognized?

Mr. GEORGE. Mr. President, I shall yield to the majority leader, but, first of all, I yield 1 minute to the Senator from Montana.

DISABILITY INSURANCE BENEFITS IN PRIVATE RETIREMENT PLANS AND UNDER A FEDERAL PROGRAM

Mr. MURRAY. Mr. President, I ask unanimous consent to insert in the RECORD at this point a statement which I have had prepared on Disability Insurance Benefits in Private Retirement Plans and Under a Federal Program.

As chairman of the Subcommittee on Labor-Management Relations of the Committee on Labor and Public Welfare, I am deeply interested in the various provisions of collective-bargaining contracts and private plans providing for old-age, disability, and other welfare benefits. In view of the fact that we are going to vote this afternoon on a proposal to include disability insurance benefits under the Social Security Act, the analysis which I have had prepared shows that it would be of great value to management and labor if permanent total disability insurance were included under the Social Security program.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MURRAY

In considering the need to restore permanent total disability insurance provisions to H. R. 6000 I have explored the experience of private retirement plans for the light it sheds on the problem we have before us. I can think of no better support for the amendment for permanent and total disability insurance than to point out the most salient facts which emerge from this experience. In brief, we find that the need for economic protection against the risk of permanent total disability has long been recognized in private plans; that many employers have initiated and administered programs in an attempt to cover this risk; that this experience has extended over many years; but that inherent limitations generally prevent private plans from meeting this problem completely and satisfactorily.

No reasonable employer has ever failed to be moved by the plight of an old and faithful employee disabled after spending the best part of his working life in the employer's service. It is no wonder, then, to find that the first retirement plan established by industry in the United States was designed to protect disabled workmen. To the American Express Co. goes the distinction for having set up a plan, in 1875, to provide company-paid benefits for permanently incapacitated workers over 60 years of age. That first plan required the worker to have served the company continuously for over 20 years and to be deemed worthy of receiving benefits. This first retirement plan is extremely interesting in that it recognized the relationship between incapacity and old age, a basic retirement issue which is still being debated today. The proposed amendment, which would add disability benefits to the old-age and survivors insurance program, offers a national solution for the interrelated problem of old-age and permanent and total disability.

The problem of retirement for disability has recently attracted widespread attention with the renewal of the drive for pensions on the part of the unions. Some time ago, Fortune magazine carried the results of a poll made in the spring of 1948 by sociologist C. Wright Mills of Columbia University for the United Auto Workers. The poll revealed that the chief cause of insecurity among auto workers today is not job problems or old-age security—since a basic measure of protection already exists for these. The most common cause of worry for this group of workers was how to support themselves and their families in case of serious incapacitating accident or prolonged sickness, for which adequate protection is still lacking. Most of the newer retirement plans negotiated under collective-bargaining agreements are attempting to remedy this gap in protection, by allowing disabled workers to retire before age 65.

Let us now examine the extent and effectiveness of existing insurance protection under private retirement plans. There has been just completed a study of over 200 retirement plans, established or revised in the last 10 years, which provide for the payment of disability insurance benefits. These plans cover establishments employing 3,000,000 workers. Estimates show that this is about one-fourth of the number employed in all the establishments in the country which have retirement plans.

A number of important facts were brought out by this study. First, very few retirement plans are established exclusively for disability retirement. Most retirement plans are essentially designed for old age and allow retirement for disability only incidentally. Some of these retirement plans may have a specific disability clause. The others, and they are in the majority, contain an early retirement option or a vested rights provision under which any covered employee may retire before normal retirement age, provided he meets certain conditions. An employee who becomes disabled may avail himself of these opportunities for early retirement if he meets these conditions.

In the second place, the conditions governing coverage for disability in most plans are such that they exclude a large number of workers employed in the establishments which have such plans. Coverage may be limited to those in certain types of employment, or may be based on amount of earnings, or length of service with the company, or age, or a combination of the latter two—as you will see if you glance at the study prepared by the Social Security Administration.

Thirdly, even if an employee should meet all the requirements for coverage, he may face a new set of hurdles to qualify for benefits when he becomes disabled. Long and continuous service—often of 15 or more years—is usually a required condition for receiving disability benefits. Also, the definition of compensable disability varies from plan to plan. Some may require an employee to be permanently and totally disabled and to have his incapacity certified by a physician. In other plans, the question of what is disability may be left to the discretion of the employer or his pension board. The disadvantages of such indefinite stipulations are many and obvious. For one thing, the employee has no clear idea in advance of whether he can expect anything from the plan if he should become disabled, or even if his disability is recognized, what benefits he may receive. Even if a disabled employee may wish to take advantage of the early retirement option or of the vested rights provided by some of the plans, the condition of a minimum age—usually 55 for the early retirement option—restricts opportunities for disability retirement to the older workers only.

Fourth, the net result of setting requirements for coverage and for eligibility to benefits is that they disqualify many disabled workers from receiving benefits. For instance, the study showed that in a group of retirement plans having specific disability clauses, 55 percent would pay no benefits to a disabled employee with as much as 10 years' service and monthly average earnings of $200 or even $250. Where benefits are payable, the usual retirement benefit formula applied to employees who retire prematurely on account of disability results in such low benefits that they can hardly be regarded as replacement of former earnings. In another group of plans, with early retirement or vested rights provisions, it was found that in over two-thirds of these plans an employee with 10 years of service and monthly average earnings of $200 or $250 would receive a benefit not exceeding $15 a month.

However, the most important disadvantage of retirement plans with disability provisions is not that most retirement plans cover the risk of disability only in a roundabout way, or that they restrict coverage, or that they pay small benefits. It is that they have inherent limitations which are found in all private pension plans.

One of these inherent limitations is that private retirement plans cannot adjust themselves to the normal movement of labor. Workers naturally move about from place to place and from employer to employer in search of work or of better employment conditions. Requirements of long periods of

continuous service to qualify for disability benefits tend to tie down labor. In our dynamic industrial economy, such requirements are unrealistic. No individual employer and no single industry can reasonably be expected to provide continuous employment to the same workers for many years. In fact, the history of the industrial development of our country is full of incidents of old industries replaced by new industries and of the movement of industries in search of more favorable conditions for production. Everyone is familiar with the exodus of the textile industry from New England to the South, with ghost towns left in its wake. Today the rise of the television industry is a real threat to the radio industry. As new industries develop or new enterprises are established in old industries, labor must be able to move about to meet the shifting demands of production. Yet an employee covered by a private retirement plan can seldom carry his rights from employer to employer. Dr. Clark Kerr, director of the Institute of Industrial Relations at the University of California, in an address before the National Industrial Conference Board on November 22, 1949, describes what he calls the "unfortunate social consequences" of pension plans:

"Private pension plans, except where they provide full and immediate vesting of both the employee's and firm's contribution, and a few of them do, retard such movement. They tend to tie the worker to the company while employed; and hold him in a company-attached labor pool when unemployed. Even with full vesting, since plans vary, workers can be confused and even harassed. By retirement age, if all his employment had been covered by private plans with vesting, he would be drawing income according to the provisions of several different plans. Any one who has moved from one plan to another knows how exasperating this can be."

Although the inflexibility of private plans has been generally recognized, no one as yet has come forward with a workable solution.

The other inherent limitation of private retirement plans is that they cannot be relied upon to assure protection for a risk which may extend over the whole span of an individual's working lifetime. Here we put our finger on what is probably the most serious weakness of private plans. Their continued existence may be very precarious. They may be discontinued at any time by their sponsors, or because of economic conditions. Full funding of a pension plan is the only way to assure employee security if the company fails. But this is beyond the means of many firms, particularly small firms. Today, 95 percent of our business firms, or over 3,000,000 establishments, have less than 20 employees. These firms are most sensitive to economic stresses, and business failures among them is as high as 5 to 10 percent annually even in the most prosperous years. With the best of intentions, therefore, private retirement plans can be no more stable than the life of the sponsoring firm.

If we try to discover why private retirement plans place restrictions on coverage and eligibility for benefits for disability retirement, we find that costs bulk largely behind these restrictions. To assure responsibility for payment of disability benefits to a disabled employee for the rest of his life, however small the payments may be, is a financial burden which few employers can bear individually—just as in the case of old age. For this reason, employers cushion their disability retirement plans with all kinds of restrictions. These are justifiable safeguards for the employer's plan. In no other field of industrial relations must management assume a financial burden at all comparable with the liabilities of a retirement plan. That is why retirement plans with disability benefits are usually found among the larger and the older companies. For the 3,000,000 small firms which are the majority of all business firms, private disability retirement plans—establishing them, financing them, funding them—are simply prohibitive. Furthermore, spreading the risk of disability or, for that matter, any other similar risk, over their small labor force is actuarially unsound.

There are seven risks which require social action, either compulsory or voluntary. Three of these social security risks—old age, dependent survivorship, permanent total disability—may be considered long-range risks; they are one-time occurrences in the life of a worker. The remaining four—industrial injuries, unemployment, temporary sickness disability, and medical care—are short-term or current risks. Mr. J. W. Myers, manager of the insurance and social security department of the Standard Oil Co. (New Jersey), who has been administering plans for employee pensions and other types of benefits for over 30 years, has recently commented on the nature of these risks:

"The long-range category comprises nonrepetitive risks which involve accumulating liabilities beyond the resources of average individuals and which transcend State lines. Thus, they lend themselves to uniform treatment by Federal legislation based on a long-term record of wages or contributions. The short-range risks involve repeated occurrences and, to a larger extent, danger of malingering. These lend themselves more readily to State, community, or voluntary procedures, particularly direct dealings between employer and employee." (J. W. Myers, Governmental and Voluntary Programs for Security, Harvard Business Review, March 1950.)

The problem of retirement for long-range risks must be handled on a broader basis. The Federal Government is best adapted to meet the long-range needs of the population that necessarily involve long-range commitments. This is the opinion of most thoughtful students of workers' security, whether they come from the ranks of management, labor, government, or academic life. Dr. Clark Kerr sums up succinctly the reasons why government can best assume these risks:

"The advantages of the Federal insurance system are that it is fully contributory and universal in coverage; it treats like situated individuals alike; it permits full mobility of workers, and it has adequate financial backing."

The same opinion was recently expressed by Mr. Charles E. Wilson, the president of General Motors, who said: "Adequate Federal pensions operated on a sound basis would seem to be the real answer to the pension problem." And still upon another occasion, he said that Federal pensions "would greatly reduce the pension problem for businessmen, unions, and employees." Essentially the same position was taken by the Advisory Council on Social Security appointed in 1947 by the Finance Committee of the Senate, and just recently by the House of Representatives' Ways and Means Committee, which provided for disability benefits in H. R. 6000. This is also the opinion of most forward-looking labor leaders. Mr. Harry Becker, director of the United Auto Workers social security department has said, "The basic solution to the problem of retirement security for the aged and incapacitated is through a Federal system of social insurance assuring an adequate level of benefits for all people."

You may ask, then, why labor, which is aware of the inherent limitations of private retirement plans, has so insistently bargained for them, even for the long-range risks. The answer is not hard to find. The unions have attempted to bridge temporarily a long unfilled gap in workers' security. Although unions, particularly those in mass production industries, are actively trying to negotiate retirement, health, and welfare plans through collective bargaining, their major objective continues to be adequate and comprehensive Federal legislation for the long-range risks. The American Federation of Labor, for instance, has stated that negotiated plans "provide, at best, an interim program pending the enactment of comprehensive social insurance legislation."

If the long-term risks are covered by the comprehensive program—and I emphasize the fact that permanent disability is among the long-term risks—current protection against short-term risks, as Mr. Myers points out would remain a very appropriate field for direct dealings between employer and employee. Here, negotiated agreements and other private plans can make invaluable contributions to dispel insecurity resulting from current, temporary hazards.

In summary, it is clear that private retirement plans with disability benefits, whether induced by humanitarian considerations or collective bargaining, or industry's competition for labor, cannot realistically cope with the problem of retirement arising out of permanent disability. Both management and labor recognize that private retirement plans are intrinsically less satisfactory in dealing with long-range risks. Wise statesmanship suggests that we take a conservative, but nevertheless constructive, approach to the problem by providing for permanent total disability benefits under the program already established to safeguard against the other long-range risks of old-age and dependent survivorship. We have had 15 years of experience in administering this program. We have also had considerable experience in handling national disability programs for special groups of the population under laws passed by Congress establishing the railroad-retirement program, the civil-service retirement program, and the veterans programs. Costs which loom so great in private retirement plans would come within manageable bounds in a program of national scope, because the risk of permanent total disability would be spread over the whole population. Administrative savings would follow from integration with old-age and survivors insurance.

I am convinced that the best protection against the risk of permanent total disability would result from an over-all approach by the Federal Government, where all employers and all workers would cooperate in a single program of contributory insurance. That is why I favor restoration of permanent total disability benefits to this bill. The solutions that private retirement plans have offered so far—and there have been honest attempts by private industry, alone or together with labor, to meet the problem of disability retirement—can never be fully satisfactory because of the long-range nature of the risk. The Federal-insurance program is undoubtedly better adapted to assume such risks. Addition of disability benefits to the old-age and survivors insurance program, because it would retain full freedom of movement for labor and would reduce the financial burden on the individual employer, offers the best solution to the problem of disability retirement in our dynamic industrial economy.

The following is a summary of a study entitled "Permanent and Total Disability Benefit Provisions in Industrial Retirement Plans" prepared by the Social Security Administration:

"PART I

"I. SCOPE OF STUDY

"The recent collective-bargaining agreements in the automobile and steel industries have thrown the spotlight on retirement plans that have been set up by industry. A number of these make some provision for immediate benefits to employees who become permanently and totally disabled. In an effort to determine the preva-

lence of such provisions, an examination was made of approximately 275 retirement plans received by the Division of Research and Statistics of the Social Security Administration between January 1, 1948, and November 1, 1949.[1] Only 77 of these plans contained specific provisions for the retirement of employees because of permanent and total disability. In addition, there were three plans designed especially to provide disability benefits.[2] Thus, there was found a total of 80 plans that can truly be considered as making definite provisions for the risk of total and permanent disability.

"In many retirement plans, however, a permanently and totally disabled employee may obtain benefits under one of two other types of provisions: (1) Early retirement and (2) vested rights. Furthermore, in some plans with disability-benefit provisions, an employee who does not qualify for benefits under the disability provision may qualify under the early retirement or vested-rights provision. Under the early-retirement option, any employee may retire prior to normal retirement age under the conditions specified in the plans, usually age and service. A disabled employee who meets these conditions may avail himself of such an option. For the purpose of this study, only plans with an early-retirement option that permit retirement at age 55 or earlier are considered. There were found 129 such plans.

"Under the vested-rights provision, an employee upon termination of his employment prior to normal retirement age may, under the conditions specified, usually age and service, be entitled to part or all of the plan's assets accumulated in his behalf out of funds contributed by the sponsors of the plan.[3] In most plans, vested rights are in the form of deferred annuities beginning at normal retirement age. In a few, immediate annuities are granted under certain conditions. A disabled employee, who meets these conditions, may avail himself of these vested rights. For the purpose of this study, plans in which the disabled employee may avail himself of these vested rights immediately are considered. Ten such plans were found.

"Thus, of the 275 retirement plans examined, 219 were found to make some provision for employees permanently and totally disabled before normal retirement age. The 219 plans fall in the following four categories:

"Special disability plans	3
Old-age retirement plans with provisions for—	
Specific disability benefit	77
Early retirement	129
Vested rights	10

"Practically all of the 219 plans were established or revised since 1940, a large proportion, 67 percent of them, after January 1, 1945. The 80 plans providing disability benefits specifically were generally more recent, nearly 80 percent of them were established or revised since January 1, 1945. They include plans in various industries and in firms or organizations of various sizes, self-insured, insured, contributory and noncontributory plans, and plans sponsored unilaterally by employers, as well as under collective-bargaining agreements. Included are the retirement plans resulting from the recent collective-bargaining agreement between the United Automobile Workers (CIO) and the Ford Motor Co. and that of the Bethlehem Steel Corp. recently revised as a result of its collective-bargaining agreement with the United States Steelworkers of America (CIO).

"While this study is based on a small number of plans that have not been collected especially for the purpose of this study and hence are not necessarily representative, it is estimated that approximately 2,000,000 employees are in establishments in which the 80 plans operate, and approximately 1,000,000 are in establishments in which the other 139 plans are in operation. Tentative estimates indicate that these 3,000,000 employees may represent about one-fourth of the employment in all the establishments having retirement plans.[4]

"The Social Security Administration has been assembling and studying for a long time available information on voluntary retirement plans. It is believed that the characteristics of the plans studied illustrate those generally found in the industrial plans that make some provision for disability benefits. Most of the plans are those of well-known firms or organizations. Many of these plans have received public attention for one reason or another—the inclusion of some special feature, prominence of the employer, importance of the industry in the economy, intensity of collective-bargaining negotiations, etc. The 80 plans, in particular, are those of firms or organizations that have given a great deal of thought to the problem of disability and have made specific provision for this risk.

"II. SUMMARY OF FINDINGS

"Only the three special disability benefit plans and the 77 retirement plans with disability benefit provisions can truly be considered as covering the risk of permanent and total disability. In the other 139 retirement plans, employees must rely on the early retirement or vested rights provisions to claim benefits when they become disabled.

"The provisions for disability benefits present no clear-cut pattern. Except for the recently negotiated plans in the steel industry, few of the retirement plans which contain disability provisions are alike. They are generally tailor-made to fit the financial resources of the sponsors and the composition of the labor force to be covered.

"The 219 plans cover individual firms or establishments, except for the United Mine Workers welfare and retirement fund which is industry-wide. The plans are of varying sizes, ranging from a small establishment with 28 employees to the giant American Telephone & Telegraph Co. with over 650,000 employees.

"Nearly all of the plans are unilateral employer-sponsored plans. That is, they are plans initiated and fully controlled by the employers. Of the 219 plans, only 17 are the result of collective bargaining agreements between employers and trade unions, or plans originally sponsored by employers and later brought within the scope of collective bargaining agreements.[5] These plans are designed essentially to cover production workers and hence include a relatively large number of employees. In plans under collective agreements, the emphasis on specific provisions for disability benefits is quite recent.

"Over 70 percent of the 219 plans are insured plans, that is, they are underwritten by insurance companies; the rest are self-insured by the sponsors. Over 60 percent of the plans are financed jointly by the employers and employees and are, therefore, contributory. The rest are noncontributory, that is, financed entirely by the employer. In retirement plans, there is no need for separate financing arrangement for disability benefits; the contributions are made for the retirement plan as a whole.

"There is considerably greater proportion of contributory and of self-insured plans among the 77 retirement plans with specific disability benefit provisions, than among the other 139 plans as the following table shows:

Distribution of 219 plans, by method of underwriting and of financing

Method of underwriting and of financing	All plans	Special disability benefit plans	Old-age retirement plans with provisions for—		
			Specific disability benefit	Early retirement	Vesting rights
Total	219	3	77	129	10
Insured	156	------	30	[1] 116	10
Contributory	116	------	17	[1] 91	8
Noncontributory	40	------	13	25	2
Self-insured	63	3	[2] 47	13	------
Contributory	18	------	[2] 12	6	------
Noncontributory	45	3	35	7	------

[1] Includes 2 plans with both contributory and noncontributory features.
[2] Includes 1 plan with both contributory and noncontributory features.

"Most plans restrict coverage to certain employees by imposing requirements on the basis of employment classification, earnings, service, and age. The last two are by far the most frequent. In over one-third of the plans age and service combined are the requirement; only a small proportion of the plans do not stipulate either age or service requirements for coverage.

"Having met the requirements for coverage in a plan, an employee who becomes disabled must meet another set of requirements in order to qualify for benefits. First, the disability must be of a type covered under the plan; second, the disabled employee may be required to have served a specified period of time; third, he may have to be a certain age or under a certain age; or fourth, have to meet the double condition of age and service.

"The question of determination of disability is important only with respect to the 80 plans with specific disability benefit provisions. These provisions are designed to make possible retirement on account of disability rather than age. In the other retirement plans, since the disabled employee simply exercises the usual option to retire under the early retirement or vested rights provision that any other employee may exercise, the

[1] For plans negotiated between the end of the cut-off date of this study and December 1949, see appendix B of the full study.

[2] In one of these, the United Mine Workers' welfare and retirement fund, the disability benefit is payable only on the basis of need.

[3] In contributory plans, upon termination of employment, the employee is always entitled to at least the return of his contributions.

[4] Indications are that, as of January 1950, establishments having pension plans employed about 12,000,000 persons, 7,000,000 of whom were covered. This is derived from the Bureau of Internal Revenue which reports that through August 1946, it had processed pension plans in establishments employing about 9,700,000 persons, 3,300,000 of whom were covered at the time of the submission of the information. Annual report of the Commissioner of Internal Revenue, June 1947, p. 127. These figures were adjusted (a) for the incomplete coverage of the Bureau of Internal Revenue for that year, and (b) to bring the data up to date, taking into account the increase in number of retirement plans between 1946 and 1950, and the recent trend in more complete coverage of employees under these plans.

[5] Such plans as those of the Amalgamated Clothing Workers (men's clothing industry) and of the International Ladies Garment Workers Union (cloak and suit industry in New York City) are excluded for the following reasons. The former makes no provision for benefits to disabled workers other than the benefits at normal retirement age or later; the latter does not provide for the retirement of disabled workers before age 60.

question of whether or not he is in fact disabled does not exist.

"In the plans with specific disability benefit provisions a fairly long service requirement is more frequently found because of the unpredictable nature of the risk for which these provisions are designed. The other retirement plans merely give the disabled employee the option to retire at an earlier age. The important factor in these plans is the attainment of a certain age, usually 55, before a disabled employee can avail himself of the early retirement option.

"The benefit formulas found in the plans vary greatly. Generally they provide for a specified percentage of average monthly earnings for each year of service. Since a disabled worker usually retires many years before reaching normal retirement age it follows that, under these formulas, the benefits are low.

"There were also found some plans that provide for a reduction in benefits when the disabled retired worker qualifies for old-age benefits under the Social Security Act.

"Plans with disability-benefit provisions

"In general, the 80 plans with disability-benefit provisions are found in large establishments. The plans of the American Telephone & Telegraph Co. and of the United Mine Workers Welfare and Retirement Fund together account for almost 1,000,000 of the 2,000,000 employees who are in the establishments where these plans are found. Almost 60 percent of the plans are in establishments with 2,500 or more employees.

"Not all of the 2,000,000 employees, however, are covered under these plans. First, 10 percent of the 80 plans restrict coverage to salaried employees only; thus, they exclude the production workers in these establishments. Second, in 65 percent of the plans an employee must reach a certain age, generally age 30 or older; or serve his employer a specified period of time, generally 5 years; or meet both requirements before he can be covered. Service is more frequently specified than age.

"Furthermore, to be entitled to benefits, the disabled employee must also have served his employer for a specified number of years, reached a certain age, or both. Such requirements are found in 67 percent of the plans. The service requirement is found in about two and one-half times as many plans as the age requirement. The length of service with the employer is generally 15 or more years. The age when specified, is often 55 years or older.

"Having met these requirements, the disabled employee does not qualify for benefits unless the disability is of a type covered by the plan. The disability is sometimes defined in great detail and requires the employee to be incapable of earning any income; or the determination may be left entirely to the time when the disabled employee applies for benefits; or some combination of these conditions may be found. Thus, the concept of disability may be (a) very vague, with no apparent criteria and leaving the determination to the discretion of the administrator of the plan; (b) inability to work, without defining the disability; (c) inability to work, defined in terms of performance of regular duties; (d) incapacity, requiring medical certification; or (e) permanent and total disability established after the completion of a waiting period and certified by a physician.

"Many of the plans attempt to offset the reduced benefit which would result from the application of the usual retirement-benefit formula for employees who retire prematurely on account of disability. This is done by using such devices as minimum amounts, flat amounts, waiver of the age of applicant for benefits. Nevertheless, the application of the benefit formula results generally in relatively small payments.

"For 53 of the 80 plans, where it has been possible to estimate benefit amounts, it was found that with 10 years' service and monthly average earnings of $200 or $250, 55 percent of these plans would pay no benefits to a disabled employee, as shown in chart I. Where benefits are paid, the concentration is in plans paying benefits of less than $25 and between $25 and $50 monthly. For the few remaining plans that pay more than $50 monthly the essential difference between the worker who earns an average of $200 monthly and the one who averages $250 is in the maximum benefit payable, which is $55 and $65, respectively.

"Even with 20 years' service and monthly average earnings of $200 or $250, 15 percent of these plans would pay no benefits to a disabled employee. Where benefits are payable, the concentration is in the plans paying from $25 to $50 monthly and from $50 to $75. Maximum benefits in the few remaining plans are $85 for workers with the lesser earnings and $100 for the workers with the higher earnings.

"Some of these benefits, however, are subject to an adjustment to social-security old-age benefits. The full amount or one-half of the primary old-age insurance benefit may be deducted from the benefit under the plan, or the latter may be discontinued entirely when the worker becomes eligible for old-age insurance benefits.

"Other retirement plans

"The 139 plans that have early retirement or vested-rights provisions available to disabled employees are found generally in smaller establishments than the 80 plans making specific provisions for disability benefits. Over 50 percent are in establishments with less than 2,500 employees.

"Here again there are coverage restrictions. On the basis of employment classification and earnings, over one-tenth of the plans are restricted to salaried employees only, or to employees with annual earnings of $3,000 or more. While a minimum period of service of usually 1 or 5 years is required as a condition for coverage in nearly all plans, a minimum age, usually age 30 or older, is required in about 40 percent of the plans.

"As to the requirement for benefits, the typical provision stipulates that a worker may retire within a stated period, usually 10 years preceding normal retirement age. This makes the attainment of a minimum age, usually 55, practically the rule. On the other hand, a minimum period of service, usually 15 years or longer, is required in less than 24 percent of the plans.

"Where a disabled employee must rely on the early retirement or vested rights provisions, the benefits would be very low. In the 131 plans for which data are available, an employee with 10 years of service and who had averaged monthly earnings of $200 or even $250 would receive no benefits in over 20 percent of the plans. This is shown in chart II. Where the benefit would be payable, it would be under $15 monthly in most of the plans. In the remaining plans, the maximum benefit would be $35 for employees with the smaller earnings and $45 for those with the higher earnings.

"While an employee with 20 years' service would fare noticeably better, his benefit would still be very low. In 5 percent of the plans, he would not qualify for benefits, even if his earnings had averaged $200 a month. Where the benefits are payable, the concentration is in the plans paying benefits under $15, and between $15 and $25, even for employees with the higher monthly average earnings of $250. Again, the main difference between the worker with the smaller and the worker with the higher earnings in the remaining plans is in the maximum benefit payable which is $45 and $60, respectively.

Amount of disability benefits payable in retirement plans—Percent of plans paying selected benefit amounts, by years of service and average monthly earnings, 1949

I. 53 PLANS WITH DISABILITY BENEFIT PROVISIONS

Amount of benefit	Average monthly wage for 10 years' service		Average monthly wage for 20 years' service	
	$200	$250	$200	$250
	Percent	Percent	Percent	Percent
0	55	55	15	15
0 to $25	22	21	21	11
$25 to $50	17	15	32	29
$50 to $75	[1] 6	[2] 9	23	30
$75 to $100			[3] 9	15
Total	100	100	100	100

II. 131 PLANS WITH EARLY RETIREMENT OR VESTED RIGHTS PROVISIONS

0	22	21	5	3
0 to $15	70	66	40	20
$15 to $25	5	9	43	56
$25 to $35	3	2	10	13
$35 to $45		2	2	6
$45 to $60				2
Total	100	100	100	100

[1] Maximum benefit is $55.
[2] Maximum benefit is $65.
[3] Maximum benefit is $85.

"III. CONCLUSIONS

"The retirement plans studied indicate that a number of employers have recognized the need for disability protection, and have found it possible to set up and administer plans covering this risk. Although only 80 of the 219 plans included in this study make specific provisions for disability retirement, they tend to be in the establishments with a large labor force. Moreover, since the completion of the study, there has been an increasing emphasis on disability protection in collective bargaining plans. The newer agreements negotiated for old-age retirement plans in three of the mass-production industries, namely, steel, auto, and rubber, and involving over 1,350,000 employees, include provisions designed specifically to allow retirement for disability. This growing emphasis on disability protection is evidence of the concern of unions and employers for making more adequate provision available for this risk than now exists.

"While these recent developments in the private pension field show that the problem of disability retirement is receiving increasing attention, examination of the 80 plans included in this study that make specific provisions for the risk of disability reveals real structural limitations. These plans do not cover all the employees in the establishments in which they are in operation; most plans are designed to cover only the permanent element of the establishment's labor force. For this reason, they often exclude employees with less than a specified period of service, who are under a certain age, who earn less than a specified amount, who are not in the bargaining unit, or who are production workers. The latter exclusion is particularly significant since production workers constitute, by far, the bulk of the labor force in the manufacturing establishments studied. Even if the employee is assured of coverage, the long service requirements for eligibility to benefits in a high proportion of these plans, and age less frequently, tend to disqualify the disabled worker for benefits.

"The concept of disability varies greatly from plan to plan. While some of these plans state explicity the conditions concerning entitlement to disability benefits and size of benefit, others leave these important decisions entirely to the employer, the pension committee, or the board of trustees.

This discretionary power may at times operate to the advantage of the disabled employee, but at other times, it may work to his disadvantage. In other words, even though an employee may be covered he cannot be certain in advance of the extent of the protection available to him in case of disability.

"The cumulative effect of all the above limitations on coverage and on entitlement to benefits, together with the very fluid concept of disability used in these plans is that a large proportion of disabled workers do not receive benefits.

"Another real limitation of these 80 plans is that, when benefits are payable, they do not generally provide any significant replacement of former earnings. For the employee disabled after 10 years of service and with average monthly earnings of $250, only about one-fourth of these plans would pay $25 or more, representing the replacement of 10 percent or more of former earnings. For the employee disabled after 20 years of service and with average earnings of $250 monthly, less than one-half of the plans would pay a benefit of $50 or more, representing the replacement of 20 percent or more of former earnings. These benefit amounts assume stable employment at relatively high earnings, over long periods of service (mostly continuous) with the same employer. Generally, this has not been the experience of wage earners, and certainly earnings have not been consistently high over the past decade or two.[6]

"As to the 139 plans in which the disabled employee must rely entirely on early retirement or vesting rights provisions, they afford an even less adequate replacement of wage loss. Moreover, these are essentially old-age retirement plans and require the attainment of a certain minimum age—usually 55—before a worker can exercise his option to retire prior to normal retirement age. Insofar as these plans do provide an opportunity for early retirement in case of disability, the age requirement limits this protection generally to older workers, and the plans provide no disability protection at the younger ages.

"The responsibility assumed by an employer in paying benefits to a disabled employee for the rest of his life is a costly undertaking just as it is in the case of old-age retirement. The stringent eligibility requirements for disability benefits in the plans that provide specific provisions for disability benefits, as well as in those that permit a covered employee to exercise his option for early retirement, may be justified on the grounds of the long-range nature of the protection required for permanent and total disability.

"These plans, however, have certain disadvantages which stem from more fundamental considerations than the structural limitations mentioned above. These are the inherent limitations which are common to all private pension plans. Mobility of labor between industries and between employers within industries is characteristic of the present day labor force.[7] Private pension plans generally have not been able to devise a satisfactory solution for the normal movement of labor from place to place and from job to job; an employee covered can seldom carry his protection with him from employer to employer. Moreover, the stability of the plans may be uncertain because they can be discontiuued, or they may not survive changing economic and industrial conditions. These plans, therefore, that attempt to cover the risk of disability provide a measure of security only for a minority of workers, but do not assure basic protection to the average worker because he cannot be certain of coverage during the greater part of his working life."

[6] Average weekly earnings in manufacturing industries rose successively from $20.13 in 1935, to $29.58 in 1941 and to $49.25 in 1947 so that earnings over this 12-year period averaged only about $140 a month. See Handbook of Labor Statistics, 1947 ed., U. S. Department of Labor, Washington, D. C. p. 54.

[7] The wage records of the Bureau of Old-Age and Survivors Insurance show that for for the 49,000,000 workers who earned taxable wages in covered employment at some time during 1947, 33 percent worked for more than one employer, and 26 percent were employed in more than one industry. The corresponding figures for the steel industry were 38 and 36 percent, respectively. In the automobile industry, 40 percent of all workers had at least two different employers and 39 percent were employed in at least one industry other than automobile. A recent study of 1,000 heads of family in the Oakland, Calif., labor market shows that the average worker has had a new job every 3½ years, or 10 to 12 times during his total working life. Clark Kerr, Social and Economic Implications of Private Plans, Institute of Industrial Relations, Reprint No. 16, University of California, Berkeley, Calif., 1949, p. 5.

THE GEORGE-MILLIKIN RESOLUTION

Mr. MURRAY. Mr. President, one of the proposals on which we are going to vote this afternoon is the resolution submitted by the Senator from Georgia [Mr. GEORGE] and the Senator from Colorado [Mr. MILLIKIN] providing for a further study of social security. I am supporting this resolution because I believe that there are a number of important improvements which should be made in our social-security program, and which are not contained in H. R. 6000.

I should like to point out, however, that a great deal of propaganda is being spread in opposition to the George-Millikin resolution. I ask unanimous consent to insert in the RECORD at the conclusion of my remarks, a statement issued by Mrs. Marjorie Shearon, in which she opposes the George-Millikin resolution because, as she says, the "Finance Committee is no good." I know that Senators will not place any reliance whatsoever in the unfounded criticisms which Mrs. Shearon is making of the Finance Committee. I believe that the Members of the Finance Committee are to be highly congratulated for the fine job that they have done in improving the social-security program.

Mrs. Shearon also asks Senators to vote against the proposed amendment for permanent and total disability insurance because, as she says, "Senators don't know what it's all about." This attack on Senators on both sides of the aisle is in my opinion unjustified. I know that members of the Finance Committee have given very careful consideration to all proposals, and I know that there are various members of the Finance Committee who are supporting the amendment for permanent and total disability insurance.

I trust that Senators will vote both for the resolution to give further study to social security and also to include permanent and total disability insurance despite the reckless and false charges made in this propaganda sheet.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

WARNING! GREAT EMERGENCY!

The medical profession, the insurance industry, and all other Americans are in imminent danger from H. R. 6000.

Voting on this bill begins at 4 p. m., Tuesday, June 20. Amendments will be considered, 10 minutes being allowed for each amendment. Democrats LUCAS (Illinois) and MYERS (Pennsylvania) will introduce amendment to establish Falk's permanent and total disability insurance program under the Social Security Act. This is one part of national compulsory health insurance. Do not believe anyone who tells you the situation is under control. It is not. This amendment will be passed on June 20 unless you make the fight of your life. The disability provision is in the House-passed version of H. R. 6000. It will become law if the Senate passes it.

Yesterday MILLIKIN introduced a weak resolution for further study of social security by the Senate Finance Committee after not before passage of H. R. 6000.

This is what you should do immediately:

1. Wire or telephone your Senators (too late to write) to bring the George-Millikin resolution for further study into line with Cain resolution. Imperative that a separate commission be set up. Finance Committee is no good and will only say what social security staff tells it to say. There must be independent staff having no connection with social security. There should be bona fide investigation of prior administration; $100,000 should be allotted.

2. Wire or telephone your Senators to vote against permanent and total disability amendment. Some medical experts should see that every Senator has a short statement of reasons for opposition to this proposal. Senators don't know what it's all about.

3. Send medical delegation to Washington Monday and Tuesday to visit every Senator.

4. Get 10 persons to wire or telephone your Senators.

H. R. 6000 will be passed by the Senate this coming week. All you can do is hold the line. Get a decent George-Millikin resolution for future study and investigation. Oppose permanent and total disability insurance. Rally around the Cain resolution.

The Shearons are available around the clock with advice and latest information.

MARJORIE SHEARON.

Mr. GEORGE. Mr. President, I yield the remainder of the time to the Senator from Illinois [Mr. LUCAS].

Mr. LUCAS. Mr. President, 16 years ago, when I first came to Congress as a Representative from the Twentieth District of Illinois, one of the major pieces of legislation with which the Congress was concerned was the Social Security Act of 1935. At that time, the country was suffering from depressed economic conditions caused to some extent by the presence of many older workers, who found it impossible to obtain employment. To cope with this problem, Congress enacted the Social Security Act of 1935.

The principal features of that measure were a contributory old-age insurance program, an authorization for the use of Federal funds to match State assistance expenditures for the aged, the blind, and dependent children, and a State-Federal unemployment compensation program.

The long-range plan to meet the continuing problem of dependency during old age was the contributory old-age insurance system. This program is based upon the theory that the charity approach could be eliminated over the years by giving workers an opportunity to contribute to a system which would in turn pay benefits to the aged who might otherwise be dependent. Under this system, benefit payments are directly related to prior wages and to the individual ability and initiative of the beneficiary. This approach is sound, not only from the viewpoint of meeting the national problem involved but also in recognizing the principles of private initiative basic to our economic system.

At that time, as a freshman Representative from Illinois, I was keenly aware of the suffering and want of millions of our older citizens who could no longer completely support themselves. I realized, as so many other Members of Congress realized, that the poorhouse and the pauper's oath were degrading to the aged and out of place in a country with the resources of America. For these reasons, I voted for the Social Security Act of 1935.

I have been in Congress since that time and have seen this program develop. In 1939 I supported amendments which broadened the protection of the Old-Age Insurance System so that benefits were provided for the surviving wife and children of a covered worker. The old-age and survivors insurance program was amended again in 1946. Survivors' insurance benefits were provided for the survivors of World War II veterans who died within 3 years after their discharge from the Armed Forces. This was an important recognition for the veterans who were denied continued coverage under the social-insurance program because they were temporarily in the Armed Forces.

The bill now before the Senate was carefully prepared to improve the system in line with the recommendations of the Advisory Council of the Eightieth Congress after extensive hearings before the Ways and Means Committee of the House of Representatives in 1949 and the Senate Finance Committee in 1950.

These improvements are concerned primarily with extending the coverage under this contributory system, liberalizing the benefits, and relaxing the requirements for eligibility so that more of the aged may be brought under this system in the near future. I would like to discuss some of these improvements in some detail in order to explain precisely what they mean to millions of the aged in this country as well as to innumerable workers and their families.

So long as we have both an insurance and a charity system operating side by side, we are faced with a basic question of deciding to what extent the coverage under the contributory system may be broadened so that it will provide benefits for more and more of the aged. Both questions of policy and administration have operated to limit extensions of coverage in the past. I recall quite well the arguments of many Representatives and Senators that even the limited coverage provisions enacted in the 1930's created an insurmountable administrative problem.

Through the years, however, administrative techniques have been developed which make the problems of extending coverage less difficult. This extension of coverage is the most essential factor in developing a sound social-security system. If this system is to meet the national problem of dependency in old age, it must be available to everyone faced with the risk of dependence in old age.

The committee bill is designed to make important improvements in this respect. An additional 10,000,000 persons will now be brought under this program. Two of these groups which will now be covered under the old-age and survivors insurance system for the first time are the non-farm self-employed, and certain agricultural workers.

It has long been apparent that the self-employed, as much as any other group, need the protection offered by such an insurance system. This group is comprised of the operators of the bulk of the small business enterprises which are such an important factor in the American economy. These people more than any others take the risks of a free-enterprise system. They risk not only their capital but also their time and labor. It is therefore important that they be given some protection against dependence in old age.

One of the tendencies which has concerned me since the social-security program was first inaugurated is the manner in which the protection has been concentrated in urban areas. Statistics have shown that dependence in old age is a very great problem among rural farm workers. So long as this group of workers is not covered under the old-age and survivors insurance program their dependence in old age can be met only through charity-type assistance payments. Equal treatment for farm groups and city dwellers is just as important in this aspect of Government activity as in any other, and equal treatment can be obtained only by the coverage of farm workers.

A huge administrative problem is immediately presented by any plan intended to cover these workers. For the migratory, seasonal, or part-time farm worker, no easy method of collecting the tax has been devised.

The committee bill, however, makes real progress in giving many farm workers treatment equal to that of urban employees by providing for coverage of regularly employed farm workers. The term "regularly employed farm worker" means one who is employed by a single farmer for at least 60 days in a 3-month calendar quarter and who receives cash wages of at least $50 during that period. This type of provision was favored by representatives of the leading farm organization. Under its terms almost 1,000,000 farm workers will be brought under the old-age and survivors insurance system.

The second major improvement which experience under this system has shown to be necessary is a liberalization of the benefit payments. In 1945 and again in 1948 substantial increases were made in the amount of Federal funds available for the charity-type assistance program. This resulted in the unusual situation of the Government providing higher average payments under the charity-type program than under the contributory insurance system. The person who qualified for charity received an average allotment of $45 a month, while the beneficiary under the old-age and survivors insurance program received an average payment of $26 a month.

The Senate Finance Committee has made real strides toward correcting this unusual inequity. In this bill the benefit formula has ben changed to make substantial increases in the benefits payable to workers who retire in the future as well as increasing the benefits now paid to current beneficiaries.

At the present time there are approximately 3,000,000 persons receiving old-age and survivors insurance benefits. Approximately 180,000 of these live in Illinois. Under the committee bill these current beneficiaries will have their benefit payments increased, on the average, about 85 or 90 percent. For example, a retired worker who receives a primary benefit payment of $25 under existing law will have his benefit amount raised to about $48 after the enactment of this measure.

For workers who will retire in the future, benefits paid to them in the next 10 years will be about 110 percent higher than they would have been under existing law. The minimum benefit payment under this measure will be $25 a month and the maximum payment for families has been increased to $150. The average benefit payment will be in excess of $50 a month for a single retired worker and over $80 a month for a retired worker and his wife.

The third major improvement made by the committee bill is in the sections concerned with eligibility requirements. Under existing law, in order to be eligible for old-age benefits under the insurance program, a person now 65 years of age needs 6½ years of coverage. The difficulty with stringent eligibility requirements, such as this, is that many older workers are never able to qualify.

The committee-approved bill provides a new start in the eligibility requirements. This means that workers who are now 62 years of age or older can qualify for benefits at age 65 with a minimum of six quarters, or a year and a half, of coverage. In order to meet these requirements, years of service and wage credits earned prior to 1950 may be used.

This is an essential feature in the improvement of the contributory system. It means that an additional 700,000 persons will be eligible under this program when the bill is enacted. It also means that many more older workers will be able to find protection under this system within the next few years.

However, in addition to these major improvements which the Senate Finance Committee has made in the social-security program, there are other features of this system which should also be improved. Amendments have been introduced which I consider would add immeasurably to the soundness of this entire system.

I urge the Senate to give serious consideration to some major improvements in the social-security program which were provided in the House-approved bill but omitted by the Senate committee. These include the raising of the maximum-wage base for tax and benefit purposes, the provision for an increment of one-half of 1 percent of the primary benefit amount for each year of coverage, and the principle of benefit payments to cover employees who become totally and permanently disabled.

Under the contributory insurance system, the total wages of all covered employees are not considered for tax or benefit purposes. If they were, a few high-salaried employees would be forced to make large contributions and would receive inordinantly high benefits. Instead, under existing law, only the first $3,000 of annual wages are considered for tax and benefit purposes.

In 1939 this $3,000 wage base meant that the total wages of about 95 percent of the workers covered by the contributory insurance system were included for tax and benefit purposes. Today almost 40 percent of covered workers earn more than $3,000 a year. To me this seems to indicate that some upward adjustment in the wage base is necessary. It is interesting to note that the advisory council of the previous Congress reported that to make a partial adjustment for this change in wage levels the maximum annual wage considered for tax and benefit purposes should be raised to $4,200 a year. It seems to me that the adjustment made in the House bill is the least that should be done.

I have joined in sponsoring an amendment raising the wage base to $4,200 because I am convinced, as were the members of the Advisory Council, that this adjustment is essential to give some recognition to the increase in wage levels during the last 10 years.

When I speak of the Advisory Council I am speaking of the Council which was appointed during the Eightieth Congress under the distinguished chairman of the Finance Committee at that time, Mr. MILLIKIN.

Under the existing law, for each year that a worker is covered by the old-age and survivors insurance system, he receives an increase of 1 percent in his primary benefit amount. This is known as the increment factor. In the House-approved bill the factor was decreased to one-half of 1 percent.

Despite the fact that the increment factor was reduced, it is still an important part of a contributory insurance system in which the benefits are related to wage credits. It seems to me that this gives an important recognition to the fact that the person who contributes more should receive more in benefits. Without an increment the benefits tend to flatten out. Under the committee bill two persons with the same average monthly wage will receive the same benefit amount, even though one has contributed for 5 years and the other for 40 years. Because I believe a reasonable increment factor is essential to preserve individual incentive, I intend actively to support and vote for an amendment to restore this important provision to the social-security system.

The House of Representatives also included provisions for the payment of benefits to covered employees who have become totally and permanently disabled. These provisions were in line with the recommendations of the Advisory Council of the Eightieth Congress. On page 69 of the report of the Advisory Council, it is stated:

> Income loss from permanent and total disability is a major economic hazard to which, like old age and death, all gainful workers are exposed. The Advisory Council believes that the time has come to extend the Nation's social-insurance system to afford protection against this loss. There can be no question concerning the need for such protection.

These are the words of the Advisory Council of the Eightieth Congress appointed by the Finance Committee then under the chairmanship of the Senator from Colorado [Mr. MILLIKIN].

I have been much concerned over these provisions because I realize that administrative problems might be very great. However, I do not believe that those difficulties should be insurmountable. These clauses have been administered in all other Federal retirement plans, in the Railroad Retirement System, and many State and private pension plans. I believe that the principle of total and permanent disability benefits should not be lost.

In addition to these amendments concerned with the old-age and survivors insurance system, there are other parts of the social-security program which should be improved.

Another amendment which I have introduced provides for assistance to the caretaker of dependent children. Under the assistance program, the use of Federal funds is authorized to help finance State-administered charity programs providing benefits for dependent children. These are children who are in need and one or more of whose parents are absent from the home. Under existing law, however, no assistance is provided for the caretaker of those children. To me this does not seem practical or sensible. If assistance is to be provided for dependent children, it should be done in such a way that the home available to them may be kept intact. It seems to me that this can be done only by providing assistance for the mother or relative with whom the children are staying so that a proper home may be provided.

The amendment I have introduced will allow the use of Federal funds to match State funds used for asistance payments for this parent or relative.

I have gone into some detail on many of these provisions; but such detail seems necesary in relating this complex program to the specific interests of the many people vitally concerned with it. I have long had the conviction that the Social Security Act of 1935 was one of the more important measures I have been privileged to support and develop while in Congress. It gives me a great deal of satisfaction to support and vote for this Social Security Act of 1950, together with some liberalizing amendments, because this measure will revitalize the Social Security System so that it will be of real aid to millions of Americans.

The VICE PRESIDENT. The hour of 4 o'clock having arrived, the question is on agreeing to the resolution (S. Res. 300) offered by the Senator from Georgia [Mr. GEORGE] and the Senator from Colorado [Mr. MILLIKIN]. Only 5 minutes' debate is in order.

Mr. MILLIKIN. Mr. President, the Committee on Finance started its hearings on this subject on January 17 and concluded the hearings at the end of March. It then went to work in executive session and employed itself for several weeks in considering various aspects of the social-security question. The further we got into the subject the more we realized that certain areas of study had not been completed and could not be completed in time to pass a social-security bill at this session. Therefore, it was proposed that there be created a continuing study committee, as it might be termed. Under the resolution which has been offered the Senate Committee on Finance is given complete control over the scope and methods of that study. Therefore, there can be no criticism that there will not be sufficient flexibility in the plan to cover those matters which remain uncovered in the studies so far made.

We found, for example, much pressure, demand, and argument for a new approach to the whole subject, as well as for a pay-as-you-go and universal-coverage system of some kind. Many suggestions along this line were made. We did not have sufficient basic data upon which to make decisions. We also found that we did not have sufficient information on the administrative feasibility of wider coverage for agricultural workers. I believe there was a very strong sentiment in the committee that there should be wider coverage. However, the administrative difficulty of covering migrant workers, as well as covering employers who at times work as employees, led us to the conclusion that further study of that subject should be undertaken. We were also aware of the fact that in order to sustain any kind of system we must keep the productivity of the country on the increase, and that perhaps that could not be done if we prematurely retired people who are able and willing to work. Therefore, we found it advisable to give more study to plans under which we could keep elderly people working who are able and willing to work.

We encountered much criticism involving the reserve fund, and received many suggestions of proposals to take the place of the reserve fund. We were not prepared to pass on that question. So we thought that subject should be given further study.

We have been confronted lately with a large number of pension plans, which are adding many thousands of persons to their coverage. There are now about 13,000 private pension plans, all of them having relation to the Government social-security system. How to bring those into coordination, if that is possible, and how to establish the proper

relationship between them were questions which were not studied, and we felt studies should be made of that subject.

Under this resolution the Senate Committee on Finance will be able to assign different subjects for study than those I have mentioned. The committee is given great flexibility and great responsibility in relation to the entire subject. I hope the resolution will be agreed to.

Mr. PEPPER rose.

The VICE PRESIDENT. The opponents of the resolution are entitled to 5 minutes. Is the Senator from Florida opposed to the resolution?

Mr. PEPPER. I am not opposed to it, but I wish to propound an inquiry to the chairman of the Committee on Finance, if I may.

Mr. GEORGE. I shall be glad to yield to the Senator, if I have the time to yield.

Mr. PEPPER. As the able chairman of the committee knows, very many earnest citizens have believed for many years that we would eventually come to the adoption of the universal system of pensions, of adequate means and currently financed, called the Townsend plan. Dr. Townsend, a very distinguished American, has for many years given of himself unstintingly to the advocacy of such a system. The distinguished chairman of the committee and his associates permitted Dr. Townsend and others, including several Senators, of whom I was one, to appear before the committee when the hearings were in progress, and to propound that measure to the committee.

The committee has not seen fit to adopt that alternative approach to the problem of security. I am gratified to know that if the Senate adopts the resolution there will be a continuing study of this vital subject. We all feel that we must come to something like a universal coverage, current in payment and something like adequate in amount, for the senior citizens of the country.

The inquiry I wish to propound to the distinguished chairman of the committee is whether those who are the earnest advocates of the general principle of the so-called Townsend plan may anticipate that the distinguished committee, which will continue its study, will specifically include a study of the merit and proposals and principles of the Townsend plan.

Mr. GEORGE. I think I may answer without qualification in the affirmative that the committee will continue the study of the Townsend plan, along with other related matters.

Mr. PEPPER. Will the particular measure, which is now lying on the table as an amendment, be specifically studied by this distinguished committee?

Mr. GEORGE. I can answer in the affirmative, as I said. I can make that positive statement so far as I am concerned.

Mr. PEPPER. I thank the distinguished chairman of the committee. In view of his assurance, which I am very gratified to have him give, I shall not call up the amendment which is lying on the desk at this time.

The VICE PRESIDENT. The resolution is open to amendment.

Mr. PEPPER. Mr. President, will the Senator from Colorado yield for a simple inquiry?

Mr. MILLIKIN. Yes.

Mr. PEPPER. I wish to make the same inquiry of the Senator, because we all know the interest in this subject of the able Senator from Colorado, who is a co-author of the pending resolution. Can the Senator give the same affirmation which the distinguished chairman of the committee has given with reference to the Townsend plan?

Mr. MILLIKIN. I am glad to give the same affirmation. The pending resolution includes a paragraph which is ample for the purpose, and I am quite sure that all members of the Committee on Finance will give very careful consideration to anything which those favoring the Townsend plan may wish to propose to the committee.

Mr. ROBERTSON. Mr. President, I hope the Senator from Colorado will give me the assurance that he does not intend to take up much time on the Townsend plan.

Mr. MILLIKIN. I shall not give that assurance to the Senator. I think the committee will give whatever time is necessary to thoroughly probe into any proposal which is offered to the committee.

The VICE PRESIDENT. The question is on agreeing to the resolution offered by the Senator from Georgia [Mr. GEORGE] and the Senator from Colorado [Mr. MILLIKIN].

The resolution was agreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Illinois [Mr. LUCAS] for himself and other Senators, to the committee amendment, the committee amendment being a complete substitute for the original text of the bill. Five minutes of debate is available to each side.

Mr. GEORGE. Mr. President, the Committee on Finance this morning considered all pending amendments to H. R. 6000. This particular amendment was considered, and I am authorized by the committee to accept the amendment.

The VICE PRESIDENT. The amendment will be stated.

The LEGISLATIVE CLERK. On page 246, beginning with line 13, it is proposed to strike out all down to and including line 24 and insert in lieu thereof the following:

(8) (A) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions (other than service included under an agreement under section 218 and other than service performed in the employ of a State, political subdivision, or instrumentality in connection with the operation of any public transportation system the whole or any part of which was acquired after 1936);

(B) Service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410 of the Internal Revenue Code (other than service included under an agreement under sec. 218).

On page 328, beginning with line 8, strike out all down to and including line 16 and insert in lieu thereof the following:

(8) (A) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions (other than service performed in the employ of a State, political subdivision, or instrumentality in connection with the operation of any public transportation system the whole or any part of which was acquired after 1936);

(B) Service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410.

Mr. MILLIKIN. Mr. President, may we have a description of the amendment?

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Illinois, which the Senator from Georgia, as chairman of the committee, has said he is authorized to accept.

Mr. MILLIKIN. It has not been described, so we do not know how to place it.

The VICE PRESIDENT. It was stated when offered, and is the pending question. It is lettered "J."

Mr. GEORGE. It is the amendment lettered "J." It was offered by the distinguished Senators from Illinois [Mr. LUCAS and Mr. DOUGLAS], the Senator from Alabama [Mr. HILL], the Senators from New York [Mr. IVES and Mr. LEHMAN], the Senators from Massachusetts [Mr. SALTONSTALL and Mr. LODGE] and the Senator from Ohio [Mr. TAFT].

Mr. FLANDERS. Mr. President, may not the amendment be distributed?

The VICE PRESIDENT. It has been distributed, and has been placed today on every Senator's desk.

Mr. FLANDERS. It has not been placed on all the desks.

Mr. GEORGE. Mr. President, the amendment provides for the compulsory old-age and survivors insurance for all present and future employees of any transportation system any part of which is taken over by a State or local government at any time after 1936. I think it is a subject with which the Senate Finance Committee is quite familiar.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. TAFT. My name is on the amendment, but I should like to call the attention of the Senate to the fact that in my opinion the amendment is broader than is necessary, or is broader than might be agreed to in conference. I quite agree we should cover street railway companies which were formerly under the system and which have been taken over by the States in the meantime. This amendment goes somewhat further, and covers any activity which is subject to taxation, that is, any activity whatever, such as an

electric store, or anything of the kind which has been held, under the Constitution, to be subject to taxation. In that particular it is broader than the House provision.

I merely wish to state to the Senate that if the amendment is taken to conference, I do not believe that the action of the Senate should be taken necessarily as an approval of this wider coverage. It seems to me clear that employees of a street railway when it was a private company who have been under the system, should stay under the system when the railway is taken over by the public, and also that States may include other similar companies. Whether it should apply to every activity of the State which is not strictly governmental, without the State legislature's approval, I think is doubtful.

The VICE PRESIDENT. The time of the Senator from Georgia has expired.

Mr. MILLIKIN. Mr. President, the point raised by the distinguished Senator from Ohio was considered by the Committee on Finance, and it was thought best to keep the matter in conference where it will be given careful consideration.

Mr. THYE and Mr. SALTONSTALL addressed the Chair.

The VICE PRESIDENT. Does the Senator from Colorado yield, and if so, to whom?

Mr. MILLIKIN. I yield first to the Senator from Minnesota.

Mr. THYE. I should like to ask the distinguished Senator from Colorado whether the amendment includes the school teachers' retirement fund.

Mr. MILLIKIN. It would not include the school teachers' retirement fund.

Mr. SALTONSTALL. Mr. President, will the Senator from Colorado yield for a question?

Mr. MILLIKIN. I yield.

Mr. SALTONSTALL. I am one of the sponsors of the amendment, but in the opinion of the Senator from Colorado would the amendment in its present form include a steamship company taken over by a State government, as well as a transit company?

Mr. MILLIKIN. If it is a transportation system, it is included.

Mr. LUCAS. Mr. President, I should like to say just a word about the amendment.

The VICE PRESIDENT. Does the Senator from Colorado yield to the Senator from Illinois?

Mr. MILLIKIN. I yield.

Mr. LUCAS. A great many employees of a transportation system in the city of Chicago are vitally affected by the pending amendment. I appreciate that the amendment is broader than the provision contained in the bill as passed by the House of Representatives. However, I hope that the Senate will insist upon the amendment in its present form, because it seems to me that not only those who have been in the past employed in the transportation systems, but that others as well, should be included in the old-age benefit system at the present time.

Mr. LEHMAN. Mr. President, I hope that the pending amendment offered by the majority leader will be adopted. This amendment vitally affects large numbers of transit workers in my State. A considerable number of public transit lines—subways, motor bus lines and other means of public transportation—have been taken over by city and other governmental authorities in New York.

These employees urgently desire to be covered by Federal social security. I firmly believe that any groups which wish to be covered should be covered.

It would be an injustice for these individuals to be left outside the old-age and survivors insurance program. Some of them have made payments into the OASI fund for 10 years. Their benefits under the municipal retirement systems would be much less than those of other public employees who have been covered by these systems for longer periods of time.

Mr. President, I call the attention of the Senate to the fact that the A. F. of L. unions in my State are asking for this amendment. The CIO transit unions, headed by Mr. Michael Quill, are also asking for the amendment.

Although I advocated and continue to support the exclusion from Federal old-age and survivors insurance of all public employees already covered by retirement systems, because these employees do not wish to be covered, I strongly urge that the pending amendment covering this special group, who urgently wish to be covered, should be approved.

Yesterday I introduced into the RECORD a letter from Mr. Michael Quill to this effect. I do not think it is necessary to make reference to the letter again. I ask for the approval of the amendment.

Mr. LODGE. Mr. President, I ask to have printed at this point in the RECORD a brief statement which I have prepared on the pending amendment.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT ON TRANSIT EMPLOYEES BY SENATOR LODGE

Mr. President, as one of the sponsors of the pending amendment, I wish to say very briefly that adoption of this provision for coverage of transit employees is a matter of great importance for a very large number of citizens of Massachusetts. Last year I filed a bill, S. 1658, the purpose of which was similar to the pending amendment and I believe that approval of this proposal amounts to an act of simple justice.

Principally affected in Massachusetts will be some 6,000 employees of the metropolitan transit authority. Most of these employees were originally employees of the Boston Elevated Railway Co. prior to August 1947. The Boston Elevated was a privately owned company, and its employees were covered by the old-age and survivors insurance provisions of the Social Security Act. In 1947 this company was acquired by the metropolitan transit authority, an instrumentality of the Commonwealth of Massachusetts, which presently operates passenger streetcar, subway, and bus service in Boston and vicinity.

The result of this change in ownership was to deprive these employees of the full benefits of the Social Security Act. These employees should not be discriminated against because their employment ceased to be for a private corporation. The pending amendment meets this problem in a satisfactory way. This fact is confirmed, insofar as Massachusetts is concerned, by the messages of approval which I have received from Local 849, International Union of Operating Engineers, Boston; Massachusetts Federation of Labor, Boston; District Lodge No. 38, International Association of Machinists, Boston; Division 589, Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America, A. F. of L., Boston; Boston Central Labor Union; and several others.

Mr. DOUGLAS. Mr. President, I ask unanimous consent that there be inserted in the RECORD at this point a brief statement which I have prepared on the pending amendment, and I should like to extend my thanks for the cooperation of the officers and representatives of the Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR DOUGLAS

I am very glad that the Senate Finance Committee has accepted the amendment to H. R. 6000, which provides coverage under the law to the employees of public transit systems acquired after 1936.

In the discussions which preceded the drafting and introduction of this amendment I would like to acknowledge the splendid assistance and cooperation extended to us by the officers and representatives of the Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America.

Mr. A. L. Spradling, its president; Mr. O. David Zimring, its chief counsel; and Mr. Joseph F. Fahey, representing its Division 589; all appeared and testified at the hearings. Their representatives also advised with us in numerous conferences to enable us to bring all of the relevant facts to the attention of the Senate and to draft an amendment that would protect the proven equities of the transit employees.

I offer for the RECORD herewith a brief memorandum submitted by representatives of the association in further explanation of the amendment:

"MEMORANDUM ON STATUS OF TRANSIT WORKERS OF TRANSPORTATION SYSTEMS PUBLICLY ACQUIRED AFTER 1936 UNDER PROPOSED AMENDMENTS TO THE SOCIAL SECURITY ACT

"(Submitted by Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America, AFL)

"The Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America, AFL, is the dominant labor organization in the field of mass transportation of passengers by motor bus or streetcar. The membership of that organization is desirous of rectifying certain injustices which have resulted from a loss of coverage under the existing Social Security Act on the part of employees of mass transportation systems transferred from private operations to public operations.

"During the last decade municipal public authorities have acquired and are operating several large transportation systems. Among such systems are San Francisco, Cleveland, Chicago, and Boston. In addition, New York City has since 1936 acquired from private companies a very large portion of its present municipal operations. There are a number of smaller cities, such as Springfield, Mo., which are in the same category. Approximately 50,000 of our members are employed in transportation systems which have already been acquired by municipalities and public authorities. As a result of the change to public operation, such employees have lost all or a large part of their benefits under the Social Security Act.

"Under the existing Social Security Act, fully insured status may be obtained by employees who have been paid $50 or more in covered employment and at least half the number of calendar quarters as there are between January 1, 1937, when the social security program began and the quarter when the employee becomes 65 or dies. The acquisition of 40 quarters of coverage makes a worker fully insured for life. While employees who have had 40 quarters of coverage prior to the transfer of a public operation to public ownership are fully insured and entitled to some benefits at age 65, such benefits will be seriously reduced during the period of public ownership, since the work under public ownership does not count under the existing act. In addition, they will not receive the acquisition of 1 percent a year in primary benefits under the period of public ownership, since wages, in the meaning of section 209 (a) of the act, will no longer be earned by them. Thus even employees who are fully insured under the act will receive greatly reduced benefits.

"The Senate Committee on Finance has eliminated from H. R. 6000 those provisions of the House bill which sought to deal with this problem but which did so inadequately. The objections to H. R. 6000, insofar as it deals with this problem of loss of coverage for transit workers, may be summarized as follows:

"1. No assurance is afforded employees transferred to public ownership that they will receive full protection, since section 210 (a) (8) (B) has an escape clause which permits any political subdivision operating a transit system to exclude its employees from the coverage of the act by the simple process of filing a statement with the Commissioner of Internal Revenue to the effect that coverage is not designed for employees who become such in the acquisition of a public transit system by the political subdivision.

"2. Further inequities are created by the House bill in that while it protects employees of a privately operated system publicly acquired after 1936, if such employees were employed by the transit system at and prior to the transfer of an operation, it fails to protect employees hired after the beginning of public operation. For example, employees of the Chicago Surface Lines who became employees of Chicago Transit Authority when public operation began, would be covered. Employees hired after the Chicago Transit Authority began operation would not be. The result is, therefore, that a constantly increasing number of employees would not be covered by the law, and, ultimately, all the employees would have no protection under the act, since the work force would ultimately consist of employees hired after the date of public operation.

"The Senate Committee on Finance would, in effect, deprive the employees of the groups mentioned above of any protection under the act. The committee proposes to limit the portion of the unsatisfactory and inadequate provisions for voluntary coverage to situations in which no existing pension plan covers the employees. In substantially all the situations in which transit employees are involved, wherein a loss of coverage results from the transfer from private to public operations after 1936, there is in existence a pension plan. The committee's failure to return to such employees the benefits of the act which they have lost is based on a complete misconception as to the nature and origin of the pension plan covering employees on public transportation systems. The public authorities which have taken over transportation systems from private companies are, in a majority of cases, operating in substantially the same fashion as private corporations. In most cases, the statutes which created such public authorities exclude the employees from the coverage of civil service systems, including civil service retirement systems. The Massachusetts statute requires the authority created to take over the pension obligations which existed in connection with the operation of the transit system. The statute further authorizes the authority to bargain collectively with the employees on the subject concerning pensions. Under private operation, the employees were covered by pension plans secured through collective bargaining agreements and by the social security system. When the private operation became a public one, such employees lost the benefits of the social security system, but continued to be included under the pension systems negotiated through annual collective bargaining agreements. The result is that such employees do not have the continuity of protection normally contemplated by statutory enactments, and they have lost the benefits of the contributions made by them through the social security system. In most cases collective bargaining agreements concerning pensions were negotiated in contemplation of the return of coverage under the social security system. Other pension plans are frequently inadequate and serve as no justification for depriving the employees under such plans of the benefits they formerly enjoyed under the Social Security Act, and which the committee has found proper to extend to new groups of employees throughout American industry.

"The amendment which we are sponsoring would remedy a wholly inequitable situation. This amendment presents no conflict with the interests of other groups of public employees who have never been covered by the social-security system, who have made no contributions to that system, and who do not desire coverage thereunder. The committee's proposed social security program would afford to many groups of employees hitherto not covered by the law, the benefits of the social security program. Our amendment does no more than restore coverage to employees who have previously enjoyed protection under the act, and are being deprived of the benefits of their contributions thereto, through no fault of their own.

"Nor is this problem a static one. There has been a growing trend toward public ownership of mass transportation systems in our cities and metropolitan areas. Many employees from private systems may, in the future, become employees of publicly operated systems. Inequities created by loss of coverage under the act in such situations should not be allowed to grow. Our organization is deeply concerned about this problem. We seek protection for all our members under the social security program. We have, therefore, supported an amendment to the act which would provide for coverage of employees of public transportation systems acquired after 1936."

FURTHER COMMENTS BY SENATOR DOUGLAS

I have likewise had numerous appeals not only from Mr. Spradling, president of the association, but also from many other divisions of the organization which have helped to make clear the full facts of the situation.

The following message from Chicago leaders of the association is typical of the feeling of these workers about the amendment the committee has, and I believe wisely, adopted:

CHICAGO, ILL., *May 24, 1950.*

Senator PAUL DOUGLAS,
Senate Office Building:

Well over 20,000 employees of the Chicago Transit Authority represented by divisions 241 and 308 of the Amalgamated Association of Street Electric Railway and Motor Coach Employees of America, A. F. of L., earnestly desire to be covered by the Social Security Act. They had been covered and had made their contributions for 10 years until the transit facilities were bought by the authority in 1947. All or a great part of these contributions will be lost unless our coverage is restored. Our pensions are not provided by the municipality or State through taxation but by a provision in our labor agreement which is on an annual basis and which was entered into when we were covered by social security and in contemplation of it it would be grossly unfair to penalize these employees simply because the municipality has taken over the transit facilities of our predecessor employers. We therefore strongly and urgently plead for your support of the amendment sponsored by Senators LUCAS, DOUGLAS, and LODGE.

PATRICK J. O'CONNOR,
Vice President.
DANIEL J. MCNAMARA,
Recording Secretary, Division 241, Amalgamated Association of Street Electric Railway and Motor Coach Employees of America, AFL.
CARL SELLS,
President, Division 1129.
ROBERT LAMPING,
President, Division 1381.

Mr. MILLIKIN. Mr. President, I hope that the amendment may be agreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Illinois [Mr. LUCAS] for himself and other Senators.

The amendment was agreed to.

Mr. GEORGE. Mr. President, I have certain other amendments which were approved this morning by the Committee on Finance, and I wish now to offer them.

The first one I send to the desk is amendment lettered "B," which merely changes the effective date of the maternal- and child-welfare section of the bill.

The VICE PRESIDENT. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 381, line 6, it is proposed to strike out "1951" and insert "1950."

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. GEORGE. Mr. President, in dealing with the self-employed, generally the professional classes were excluded where they indicated a strong desire to have themselves excluded from the particular provision of the bill dealing with the self-employed.

Among those who appeared after the committee went into executive session were the registered or licensed funeral directors, and the committee has approved an amendment, which I now send to the desk, which will have the effect of excluding them from the self-insured or self-employed.

The VICE PRESIDENT. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 261, line 21, after the word "accountant", it is proposed to insert "funeral director." On page 360, line 12, after the word "accountant", it is proposed to insert "funeral director."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Georgia.

The amendment was agreed to.

Mr. GEORGE. Mr. President, the committee also approved an amendment, lettered "C", which classifies as employees traveling or city salesmen engaged in the selling of merchandise to retailers, or the selling of consumer goods to hotels, restaurants, and other similar establishments. I offer the amendment.

The VICE PRESIDENT. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 255, line 22, it is proposed to strike out the word "or."

On page 255, line 23, after the semicolon, to insert the word "or."

On page 255, between lines 23 and 24, to insert the following:

(C) as a traveling or city salesman engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of (i) orders from retail merchants for merchandise to be delivered subsequently to such merchants for retail sale to their customers, or (ii) orders from hotels, restaurants, and other similar establishments for supplies to be delivered subsequently to such establishments and to be consumed in the operation thereof.

On page 336, line 20, to strike out the word "or."

On page 336, line 21, after the semicolon, to insert the word "or."

On page 336, between lines 21 and 22, to insert the following:

(C) as a traveling or city salesman engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of (i) orders from retail merchants for merchandise to be delivered subsequently to such merchants for retail sale to their customers, or (ii) orders from hotels, restaurants, and other similar establishments for supplies to be delivered subsequently to such establishments and to be consumed in the operation thereof.

The amendment was agreed to.

Mr. LEHMAN. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a statement on the so-called George amendment to include wholesale outside salesmen.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR LEHMAN

Mr. President, I also have an amendment dealing with the subject of wholesale outside salesmen. I am glad to support Senator GEORGE's amendment and if it is accepted, I will not, of course, call up my amendment.

There is no sound reason for the exclusion of wholesale outside salesmen from definition as employees under the old-age and survivors insurance program. This group are employees, whatever the common law or contractual relationship.

The situation today is loose and untidy as a result of the Gearhardt resolution and of the prevailing practice of letting the employer decide whether the salesman is an employee or is self-employed.

This situation should be clarified. These salesmen should be included as employees. I hope this amendment will be approved.

Mr. DOUGLAS. Mr. President, will the Senator yield for a question?

Mr. GEORGE. I will, just as soon as I offer another amendment.

By authority of the Senate Finance Committee I now offer an amendment which raises the wage base from $3,000 to $3,600. I do not believe it is necessary to read it, because it is in technical terms, and I think the entire Senate understands it. In the original bill as reported the wage base was fixed at $3,000, which is the present rate. The amendment raises it to $3,600.

The amendment offered by Mr. GEORGE is as follows:

On page 237, line 18, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 260, line 5, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 263, line 25, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 264, line 6, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 267, line 5, strike out "$150" and insert in lieu thereof "$200."

On page 273, line 21, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 315, line 3, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 316, line 17, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 317, line 7, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 319, between lines 14 and 15, insert the following:

"(b) So much of section 1401 (d) (2) of the Internal Revenue Code as precedes the second sentence thereof is amended to read as follows:

"'(2) Wages received during 1947, 1948, 1949, and 1950: If by reason of an employee receiving wages from more than one employer during the calendar year 1947, 1948, 1949, or 1950 the wages received by him during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,000 of such wages received'."

On page 319, beginning with line 15, strike out all down to and including line 19 and insert in lieu thereof the following:

"(c) Section 1401 (d) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraphs:

"'(3) Wages received after 1950: If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1950, the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,600 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received with respect to which refund of tax is claimed, and (B) such claim is made within two years after the calendar year in which such wages were received. No interest shall be allowed or paid with respect to any such refund.

"'(4) Special rules in the case of Federal and State employees'."

On page 320, line 7, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 339, line 25, strike out "$3,000" and insert in lieu thereof "$3,600."

On page 358, line 18, strike out "$3,000" and insert in lieu thereof "$3,600."

Mr. WHERRY. Mr. President, will the Senator yield for an inquiry?

Mr. GEORGE. I yield.

Mr. WHERRY. What happened to the amendment discussed before this one? I refer to the wholesale outside salesmen amendment.

Mr. GEORGE. That was agreed to. I now yield to the Senator from Illinois [Mr. DOUGLAS].

Mr. WHERRY. Mr. President, I did not hear the announcement that the amendment was agreed to.

The VICE PRESIDENT. The Chair announced as loudly as he could that the amendment had been agreed to.

Mr. WHERRY. The Senator from Nebraska did not hear the announcement. I did not hear the decision of the Chair.

The VICE PRESIDENT. The Senator from Illinois started to ask the Senator from Georgia to yield to him simultaneously with the Chair's announcement that the amendment had been agreed to.

Mr. DOUGLAS. Mr. President, I merely wanted to ask for the sake of the RECORD if I am correct in my understanding that the amendment which was offered by the distinguished Senator from Georgia was designed to include house-to-house salesmen selling directly to consumers?

Mr. GEORGE. It does not include such salesmen.

Mr. DOUGLAS. And therefore excludes them?

Mr. GEORGE. And therefore excludes them so far as this specific definition is concerned.

Mr. President, has the amendment I just offered been acted upon?

The VICE PRESIDENT. The last amendment offered by the Senator from Georgia with reference to the wage base has not been agreed to. It is open to amendment.

Mr. MYERS. Mr. President, I offer an amendment to the amendment offered by the Senator from Georgia by authority of the committee, to strike out the amount "$3,600" wherever it occurs, and substitute therefor "$4,200."

The VICE PRESIDENT. The Secretary will state the amendment.

The LEGISLATIVE CLERK. In the amendment offered by Mr. GEORGE on behalf of the committee it is proposed to strike out "$3,600" wherever that figure occurs, and insert in lieu thereof "$4,200."

The VICE PRESIDENT. The Senator from Pennsylvania is recognized for 5 minutes.

Mr. MYERS. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. MYERS. Is the Senator from Georgia also entitled to 5 minutes? Is the Senator from Georgia entitled in all to 10 minutes on his amendment and my amendment thereto, and am I entitled to 10 minutes on the committee amendment and my amendment thereto?

The VICE PRESIDENT. The proponent of the amendment is entitled to 5 minutes and the opponent of the amendment is entitled to 5 minutes. If the Senator from Georgia opposes the amendment of the Senator from Pennsylvania to the committee amendment, he is entitled to recognition for 5 minutes.

Mr. MYERS. Mr. President, this amendment which is sponsored by myself and 12 other Senators is designed to raise the $3,600 wage and tax base to $4,200. The $3,000 wage base was put

into the law by the 1939 provisions of the Social Security Act. In that period 95 percent of those covered by the law earned less than $3,000 a year. So it was the intention of Congress to permit the overwhelming majority of the covered workers to receive benefits calculated on the basis of their full earnings.

The Senate Advisory Council on Social Security, speaking through 15 of its 17 members, recommended that the tax and wage base be advanced to $4,200 in order to restore the intent of Congress as set forth in the act of 1939. The Senate Finance Committee until today did not recommend any change in the existing $3,000 limitation. Thus, a worker whose earnings exceed $3,000 a year—in other words, $250 a month—pays a tax based on the first $250 of his monthly earnings. Now the committee itself has agreed and offered an amendment that the wage base be increased to $3,600 a year. But I see no reason whatsoever for believing that we should compromise the principle established in 1939 that 90 or 95 percent of the covered employees should be permitted to receive retirement benefits based upon their maximum average monthly earnings. If it was a sound principle in 1939, I think it is sound today, and particularly when 15 of the 17 members of the Senate Advisory Council on Social Security recommended that the wage base be increased to $4,200.

Mr. GEORGE. I shall take half a minute, and the distinguished Senator from Colorado [Mr. MILLIKIN] will allot the remaining time.

Mr. President, we can make the taxes too heavy for the American people to bear, and we can break down and destroy a great program if we follow that course. Now it is perfectly obvious that a tax which begins at 1½ percent upon the worker and the employer each, and which under this bill goes up to more than 6 percent upon payrolls, becomes a very heavy tax, especially if the wage base is raised higher. There is an additional $600 to which this tax will apply in the amendment which the committee itself is offering. It certainly should be approved by the Senate, as I think, and as the committee thinks, and I earnestly hope that the amendment offered by the Senator from Pennsylvania [Mr. MYERS] will not be accepted.

Mr. MILLIKIN. Mr. President——

The VICE PRESIDENT. The Senator from Colorado is recognized for the remainder of the 5 minutes.

Mr. MILLIKIN. It has been thought by most of the members of the Senate Finance Committee that, considering the additional benefits and the other advantages offered by the bill, and taking the whole bill into consideration, we have gone about as far as we can, having in mind the safety of our economy at the present time.

The original purpose of the social-security system was to give the impact of its benefits primarily to lower paid workers. The theory is that as the individual goes up in the wage scale he has a better opportunity to help his own security with his own funds. I believe the $3,600 is a fair adjustment and a fair compromise of the various proposals which have been made for raising the wage base.

I yield a moment to the Senator from Ohio [Mr. TAFT].

Mr. TAFT. Mr. President, I believe that the chief effect of the amendment offered by the Senator from Pennsylvania [Mr. MYERS] upon a worker who receives $4,200 a year, will be to make him pay 15 percent on the additional $600, and I believe he can get more for his money if he goes to a private company to buy insurance than he can under such a proposal. He has to pay 1½ percent on his payroll income, and his employer has to pay the same percent, but he only gets as a benefit 15 percent of the additional $600. Up to $100 a month base wage he gets $50, but over $100 the benefits are based in the Senate bill on only 15 percent. The result is that he would have to pay an additional tax on the extra $600 which would be so high that he would not get his money back for what he pays.

The proposal does not offer any benefit for the $4,200 a year man. True, he receives a greater benefit, but he pays a much higher tax. He pays a tax so much larger and his benefit is so much smaller that the only net effect of an amendment of this kind is to place more money in the fund. It is an effort to secure more taxes. The taxes apply, yes, beginning at 1½ percent, and then rising to 6 percent, but the benefits are only increased by 15 percent of the additional $600. I say the worker can go to a private company and instead of paying this additional money in taxes, buy insurance from the private company and get more for his money than he would receive under the Federal system.

Mr. PEPPER. Mr. President, will the Senator yield for a question?

The VICE PRESIDENT. The Senator from Colorado [Mr. MILLIKIN] has the floor.

Mr. MILLIKIN. How much time have we, Mr. President?

The VICE PRESIDENT. Two minutes.

Mr. MILLIKIN. I yield to the Senator from Florida for a brief question.

Mr. LEHMAN. Mr. President, I shall ask the Senator from Pennsylvania [Mr. MYERS] to yield to me any part of the time he has left. I believe he has 3 minutes left.

The VICE PRESIDENT. The Senator from Colorado has 2 minutes left.

Mr. MILLIKIN. I yield now to the Senator from Florida for a brief question.

Mr. PEPPER. Mr. President, why do we fix an arbitrary limit on the $3,000 man and not extend the principle higher? Why should a man in a higher group not also be required to make his contribution? Why do we freeze the category from zero up to $3,000, and now to $3,600?

Mr. TAFT. Mr. President, I am trying to point out that in this system the benefits are heavily weighted for the low-income man. That is all right; I do not object to it. For the first $1,200 of his wage, he receives benefits of $600 a year; but, after that, over and above the first $1,200, he receives only 15 percent of the next $1,000; for the next $1,000 he receives only $150, as compared to the $600 which he receives for the first $1,200 of his wage.

Consequently, the only result of including the higher-income man is that he pays more taxes in proportion to the benefits he receives, and that is done in order to get more money into the fund. I do not see any reason for getting more money into the fund.

Mr. PEPPER. The same thing applies to the $3,000 man.

Why should a man in a higher-income group not be required also to make his contribution? In other words, what the Senator says about the man with a $4,200 income also applies in principle to a man with a $3,000-a-year income, whom we have been taxing, and whom we have been including heretofore in the tax base.

Mr. LUCAS. Mr. President, I challenge the argument made by the Senator from Ohio; and back in 1948 the Senate Advisory Council challenged that theory. The statement the Senator from Ohio has made applies only when a man has paid in during a great number of years, and only then, perhaps, when he has reached the age of 65 or 70. However, the argument the Senator makes does not apply in any way whatever to a man of 45 or 50 years of age.

Otherwise, why should distinguished men throughout the United States have come before the Finance Committee a few years ago and recommended $4,200 as the wage and tax base which should be established by the Congress? Why would that have been done, if the position the Senator from Ohio takes is correct?

The VICE PRESIDENT. The time of the Senator has expired.

Does the Senator from Pennsylvania wish to be recognized at this time?

Mr. MYERS. Mr. President, I understand that I have 3 minutes remaining; is that correct?

The VICE PRESIDENT. That is correct.

Mr. MYERS. I yield to the Senator from New York.

Mr. LEHMAN. Mr. President, I strongly urge that the amendment be adopted. Any other wage scale would be utterly unrealistic.

It must be borne in mind that monetary wages have doubled since this wage base was established in 1939. The cost of living has also increased by almost the same amount.

Although I would consider the old-age benefits provided under the law as amended in 1939 to be completely inadequate, the fact is that the purchasing power of the benefit provided in 1939 is greater than the purchasing power of the increased benefit provided in the committee bill.

In terms of purchasing power, a $3,000 wage in 1939 is equivalent to a $5,100 wage in 1950. The committee bill takes no cognizance of this circumstance. The committee bill takes no cognizance of the standard of living of American skilled and supervising employees.

I urge the Senate to increase the wage base at least to $4,200, so that the more highly paid workers may look to an old-

age benefit which will provide real security. We should at least raise the wage base to a level commensurate to the wage base established in 1939. To do otherwise would be to rob the worker who was insured in 1939 of the security, in terms of real purchasing power, he was led at that time to expect.

As I have said, I consider the benefits established 10 years ago to be inadequate. Certainly the benefits established in the committee bill, although better than the benefits which were originally proposed, are still completely inadequate.

If this amendment calling for an increase to $4,200 is adopted, and if we also adopt the amendment providing for an increment, the maximum benefit for a man who has contributed for 20 years to this system would be $114, instead of $72.50. The average benefit would be increased to $55, instead of the $49 provided in the Senate committee version of the bill.

Therefore, I strongly urge the adoption of the amendment offered by the distinguished Senator from Pennsylvania to the amendment of the Senator from Georgia.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Pennsylvania [Mr. MYERS] to the amendment of the Senator from Georgia [Mr. GEORGE]. [Putting the question.]

The "noes" seem to have it.

Mr. LUCAS. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. TAFT. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. TAFT. Will the Chair please state what the pending question is?

The VICE PRESIDENT. The pending question is on agreeing to the amendment offered by the Senator from Pennsylvania [Mr. MYERS] to the amendment of the Senator from Georgia [Mr. GEORGE], to increase the basic wage from $3,600 to $4,200.

Those in favor of the amendment of the Senator from Pennsylvania to the amendment of the Senator from Georgia will vote "yea," when their names are called; those opposed will vote "nay."

The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MYERS. I announce that the Senator from New Mexico [Mr. CHAVEZ] is necessarily absent.

The Senator from California [Mr. DOWNEY] is absent because of illness.

The Senator from North Carolina [Mr. GRAHAM] is absent on public business.

The Senator from Florida [Mr. HOLLAND], the Senator from South Carolina [Mr. JOHNSTON], the Senator from Idaho [Mr. TAYLOR], and the Senator from Oklahoma [Mr. THOMAS] are absent by leave of the Senate.

The Senator from Montana [Mr. MURRAY] is detained on official business, and if present would vote "yea."

The Senator from Maryland [Mr. O'CONOR] is absent by leave of the Senate on official business, attending the sessions of the International Labor Organization at Geneva, Switzerland, as a delegate representing the United States.

On this vote the Senator from New Mexico [Mr. CHAVEZ] is paired with the Senator from Florida [Mr. HOLLAND]. If present and voting, the Senator from New Mexico would vote "yea," and the Senator from Florida would vote "nay."

I announce further that if present and voting the Senator from Idaho [Mr. TAYLOR] would vote "yea."

Mr. SALTONSTALL. I announce that the senior Senator from North Dakota [Mr. LANGER], the Senator from Oregon [Mr. MORSE], the Senator from New Hampshire [Mr. TOBEY], the Senator from Michigan [Mr. VANDENBERG], and the junior Senator from North Dakota [Mr. YOUNG] are absent by leave of the Senate. If present and voting, the Senator from North Dakota [Mr. LANGER] and the Senator from Oregon [Mr. MORSE] would each vote "yea."

The Senator from South Dakota [Mr. MUNDT] is unavoidably detained.

The result was announced—yeas 36, nays 45, as follows:

YEAS—36

Aiken	Kefauver	Magnuson
Anderson	Kilgore	Myers
Benton	Leahy	Neely
Douglas	Lehman	O'Mahoney
Green	Lodge	Pepper
Hayden	Long	Saltonstall
Hendrickson	Lucas	Smith, Maine
Hill	McCarran	Smith, N. J.
Humphrey	McCarthy	Sparkman
Hunt	McFarland	Thomas, Utah
Ives	McKellar	Thye
Johnson, Tex.	McMahon	Withers

NAYS—45

Brewster	Ellender	McClellan
Bricker	Ferguson	Malone
Bridges	Flanders	Martin
Butler	Frear	Maybank
Byrd	Fulbright	Millikin
Cain	George	Robertson
Capehart	Gillette	Russell
Chapman	Gurney	Schoeppel
Connally	Hickenlooper	Stennis
Cordon	Hoey	Taft
Darby	Jenner	Tydings
Donnell	Johnson, Colo.	Watkins
Dworshak	Kem	Wherry
Eastland	Kerr	Wiley
Ecton	Knowland	Williams

NOT VOTING—15

Chavez	Langer	Taylor
Downey	Morse	Thomas, Okla.
Graham	Mundt	Tobey
Holland	Murray	Vandenberg
Johnston, S. C.	O'Conor	Young

So Mr. MYERS' amendment to Mr. GEORGE's amendment was rejected.

The VICE PRESIDENT. The question recurs on agreeing to the amendment offered by the Senator from Georgia. [Putting the question.]

Mr. LONG. Mr. President——

The VICE PRESIDENT. For what purpose does the Senator rise?

Mr. LONG. A parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. LONG. What amendment are we voting on? Is it the committee substitute?

The VICE PRESIDENT. The amendment now being voted on is the amendment offered by the Senator from Georgia, raising the base from $3,000 to $3,600. It is open to amendment. If there be no amendment, the question is on agreeing to the amendment offered by the Senator from Georgia.

The amendment was agreed to.

Mr. GEORGE. Mr. President, I send forward another amendment, which does not have the approval of the full Finance Committee, but which has the approval or consent of the distinguished Senator from Illinois, who offered an amendment in the committee classifying certain aged drivers as employees. It is desirable to amend it so as to make clear the meaning of the particular provision.

The VICE PRESIDENT. The Secretary will state the amendment.

The LEGISLATIVE CLERK. On page 255, line 22, after the word "services", it is proposed to insert "for his principal"; and on page 336, line 20, after the word "services", insert "for his principal."

The VICE PRESIDENT. The Senator from Georgia is entitled to 5 minutes.

Mr. GEORGE. Mr. President, the whole purpose of this amendment is to exclude from the employee group the man who buys merchandise and sells it on his own account, not for the account of a principal. It is a clarifying amendment and is intended to leave this whole matter open in conference so that it can be fully considered.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Georgia.

The amendment was agreed to.

The VICE PRESIDENT. Has the Senator from Georgia further amendments?

Mr. GEORGE. Mr. President, there are certain other amendments which the committee has authorized the chairman to accept. Before another amendment is submitted, I desire now to ask unanimous consent to make technical corrections in the bill, and to renumber the sections and subsections in accordance with the final action taken by the Senate.

The VICE PRESIDENT. Without objection, it is so ordered. Are there further amendments?

Mr. KNOWLAND. Mr. President, I send forward my amendment B and ask that it be read.

The VICE PRESIDENT. The Secretary will state the amendment.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to insert the following:

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

SEC. 405. (a) Section 1603 (c) of the Internal Revenue Code is amended (1) by striking out tht phrase "changed its law" and inserting in lieu thereof "amended its law", and (2) by adding before the period at the end thereof the following: "and such finding has become effective. Such finding shall become effective on the ninetieth day after the governor of the State has been notified thereof unless the State has before such ninetieth day so amended its law that it will comply substantially with the Secretary's interpretation of the provision of subsection (a), in which event such finding shall not become effective. No finding of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State."

(b) Section 303 (b) of the Social Security Act is amended by inserting before the period at the end thereof the following: ": *Provided*, That there shall be no finding

under clause (1) until the question of entitlement shall have been decided by the highest judicial authority given jurisdiction under such State law: *Provided further*, That any costs may be paid with respect to any claimant by a State and included as costs of administration of its law."

The VICE PRESIDENT. The Senator from California is recognized for 5 minutes.

Mr. KNOWLAND. Mr. President, I first want to call the attention of every Senator in the Chamber to page 8783 of yesterday's CONGRESSIONAL RECORD, where there will be found messages from States north, east, south, and west, and their official agencies, asking for the support of this amendment. I speak as one of the Representatives of a far-western State which has felt the arbitrary power of the executive branch of the Government infringing on States' rights. I hope that those Senators who in the past have expressed a great interest in the matter of States' rights will particularly view with favor this amendment.

Mr. President, I wish at this time to ask to have printed certain telegrams of support received from the official agencies of the States of Arizona, Utah, South Carolina, North Carolina, Tennessee, Wisconsin, Arkansas, and North Dakota, which are in addition to the others, together with a statement by the Senator from Washington [Mr. CAIN].

There being no objection, the telegrams and statement were ordered to be printed in the RECORD, as follows:

PHOENIX, ARIZ., *June 20, 1950.*
WILLIAM F. KNOWLAND,
United States Senator,
Senate Office Building:
Administration this agency unqualifiedly approves your amendment, H. R. 6000, also George loan fund as originally enacted.
BRUCE PARKINSON,
Employment Security Commission.

SALT LAKE CITY, UTAH, *June 20, 1950.*
Senator KNOWLAND,
United States Senator,
Senate Office Building:
Following wire sent to Utah Senators: "Urge you to support Knowland amendment to H. R. 6000, providing that Secretary of Labor cannot decertify State unemployment compensation law prior to time courts have passed on disputed items relative to payment of benefits. Proposed amendment clarifies and adds needed strength to what we believe law now provides."
OTTO A. WIESLEY,
Commissioner, Industrial Commission of Utah.

WASHINGTON, D. C., *June 20, 1950.*
Senator WILLIAM F. KNOWLAND,
Senate Office Building:
Your amendment to H. R. 6000 represents the views of South Dakota Employment Security Department.
ALAN WILLIAMSON,
Commissioner.

OLYMPIA, WASH., *June 19, 1950.*
Senator W. F. KNOWLAND,
Senate Office Building,
Washington, D. C.:
Original to Senators CAIN and MAGNUSON: "Urge that you give immediate attention to Senator KNOWLAND'S amendment to House Resolution 6000. This amendment restricts Secretary of Labor from holding States out of confirmity until State courts have passed on disputed items. Favorable consideration of this amendment will be appreciated. Understand this amendment is to be voted on Tuesday, June 20."
J. H. ROBERTSON,
Commissioner, Employment Security Department, State of Washington.

COLUMBIA, S. C., *June 19, 1950.*
Senator WILLIAM F. KNOWLAND,
Senate Office Building:
The South Carolina employment security commission strongly supports the George loan-fund provision underwriting the solvency of States unemployment compensation funds as contained in H. R. 6000 and especially your amendment thereto designed to protect the States from Federal interference in administrative and judicial procedures.
B. M. GIBSON,
Chairman.

RALEIGH, N. C., *June 19, 1950.*
Hon. WILLIAM F. KNOWLAND,
Senate Office Building:
Approve your amendment, H. R. 6000. Urge passage for State protection.
EMPLOYMENT SECURITY COMMISSION,
HENRY E. KENDALL, *Chairman*

NASHVILLE, TENN., *June 16, 1950.*
Senator K. D. MCKELLAR,
United States Senate,
Washington, D. C.:
We request your careful consideration and if possible your support of Senator W. F. KNOWLAND'S, of California, amendment to H. R. 6000, providing in effect that Secretary of Labor is restricted from holding States out of conformity until State courts have passed on disputed items.
E. K. WILEY,
Commissioner, Department of Employment Security.

NASHVILLE, TENN., *June 16, 1950.*
Senator ESTES KEFAUVER,
United States Senate,
Washington, D. C.:
We request your careful consideration and if possible your support of Senator W. F. KNOWLAND'S, of California, amendment to H. R. 6000, providing in effect that Secretary of Labor is restricted from holding States out of conformity until State courts have passed on disputed items.
E. K. WILEY,
Commissioner, Department of Employment Security.

MADISON, WIS., *June 20, 1950.*
Senator WILLIAM F. KNOWLAND,
Senate Office Building,
Washington, D. C.:
We strongly favor your amendment to H. R. 6000 designed to assure due process before any Federal official can hold a State unemployment-compensation law out of conformity with Federal requirements. Urge your continuing efforts to secure passage.
VOYTA WRABETZ,
Chairman, Industrial Commission of Wisconsin.

LITTLE ROCK, ARK., *June 20, 1950.*
Hon. W. F. KNOWLAND,
United States Senator,
Washington, D. C.:
We concur wholeheartedly in your amendment to H. R. 6000 to provide that Secretary of Labor be restricted from holding States out of conformity until State courts have passed on disputed items. It is of grave importance to States that they have ample opportunity to correct any controversial items before being held out of conformity.
ROLAND M. SHELTON,
Arkansas Employment Security Division.

BISMARCK, N. DAK., *June 20, 1950.*
Senator KNOWLAND,
Senate Office Building,
Washington, D. C.:
North Dakota agency supports your proposed amendment to H. R. 6000.
NORTH DAKOTA WORKMEN'S COMPENSATION BUREAU,
B. M. RYAN, *Chairman pro tempore.*

STATEMENT BY SENATOR CAIN

The amendment offered by the Senator from California involves a very important matter and it should have the unanimous endorsement of the Senate. The State of Washington along with the State of California has a very special interest in this problem.

Last November the Federal Department of Labor informed the commissioner of unemployment security of the State of Washington that certain decisions of the Washington State Unemployment Security Agency were inconsistent with requirements of the Federal laws relating to unemployment security. A similar case arose at the same time involving the State of California, and both officials of the State of Washington and the State of California were called to Washington, D. C., by the Department of Labor to show cause why their laws should not be held out of conformity with the Federal Unemployment Compensation Act. These officials of the States of Washington and California were then in effect told to administer the laws of their States according to the desire of the United States Department of Labor—or all the employers subject to unemployment compensation laws in the State of Washington and California would be penalized by having to pay a double tax on their 1949 payrolls.

I am not going to trespass on the time of the Senate by going into the ramifications of the particular cases, although I think it would be enlightening to do so. I think the important point is that the Secretary of Labor held that an interpretation of the Washington State statute constituted a change in the Washington statute so as to take it out of conformity with the Federal law. This was not a final interpretation by the highest court of the State but a casual interpretation by the State appeals tribunal which under the law of the State is required to be impartial.

Strangely enough the hearings held at the Department of Labor last December covered not only the law but went into the detailed facts of the particular cases and in effect gave a complete review de novo. Labor Department and labor-union attorneys argued against the facts as found by the impartial appeals tribunals. They claimed that the rulings in these cases had construed the State of Washington law in such a manner as, in effect, to change the law so that it was out of conformity and should be decertified. They argued that the unemployment compensation statute of the State of Washington should not be interpreted by the State of Washington in accordance with its constitution, its other laws, and its own judicial precedents. No, they said, the State of Washington must bow to superior intelligence and accept whatever interpretation some Federal bureaucrat tells the State to accept.

They go even further than this. They say that before making an interpretation in these border-line cases the impartial appeals tribunal of the State, the State director of employment security, the legislature of the State, yes, and even the supreme court of the

State, should telephone the regional representative of the Federal bureaucracy and ask what they should do.

Let me read you a brief excerpt from the transcript of the hearings held last December in the Department of Labor.

Mr. Millard, assistant attorney general of the State of Washington, stated:

"We do not want your answer now, but where could you later establish for us a line of demarcation, and where do we stop with reference to finding those facts?"

Mr. Donahue, Assistant Solicitor of the Department of Labor, replied:

"We can establish a line of demarcation the minute the situation appears to arise."

Mr. Millard then stated:

"The trouble is that under our statute, it might arise too late. There is a limitation on appeals and the matter might be closed."

Mr. Donahue then replied:

"You can get in touch with our regional representative, Mr. Brockway, within an hour. He is situated in California. It would take no more than 24 hours to get in touch with us."

Mr. Ernst, an employers' attorney then asked:

"What if the Supreme Court does not want to call up Mr. Brockway?"

Mr. Donahue made this amazing reply:

"If the Supreme Court does not want to call up Mr. Brockway, that presents not an unusual impasse that arises in this type of system. The legislature might not want to call up Mr. Brockway, but fortunately, very often we are able to give our advice to the legislature, as well as, in many instances, to the courts, with respect to those questions, if the Agency desires our advice on those matters."

In the face of the penalty involved, the State of Washington was compelled to surrender. That particular case is now disposed of. The important question now is whether we may expect from this time forward that the bureaucrats in the Department of Labor are going to control in every detail the administration of the State unemployment-compensation laws in all of the States. If our courts insist on maintaining their judicial integrity and refuse to bow to the Federal bureaucrats in interpreting the laws of the State, will the Federal bureaucrats hold that the State law is out of conformity with the requirements of the Federal statute? Will they penalize the employers of the State to the extent of millions of dollars in double taxes?

The amendment of the Senator from California will go far toward correcting this situation, although it does not go as far as I think it should. It does not provide for appeal from the decisions of the Secretary of Labor in certification cases. There should be such an appeal. However, the amendment of the Senator from California will make it much more difficult for the Secretary of Labor and his assistants to act in an arbitrary manner and it should be adopted.

Mr. KNOWLAND. Mr. President, this amendment is one requested by the Interstate Conference of Unemployment Compensation Administrators as necessary legislation.

In December of last year the Secretary of Labor, through an employee of the Department of Labor, made highly important administrative decisions.

These administrative decisions hit the States of California and Washington, and in the case of the latter State resulted in a formal finding. They were decisions which might have resulted in unemployment-tax taxpayers in California and Washington having to pay into the Federal Treasury more than $200,000,000 which would not have been otherwise due or payable. The Secretary of Labor, under existing law, can make the same kind of decision with respect to any of the 48 States. He alone—not a three-member independent board as under the original act—can impose a Federal unemployment tax on the taxpayers of every State in the Union equal to exactly 10 times the amount of tax now paid. And he can base this penal action on mere unappealed benefit determinations made by a claims examiner or clerk in the employ of a State unemployment compensation agency, or he can do so on an appeals board decision. In December the States of California and Washington, in complete absence of opportunity for their courts to pass on the matters which the Secretary of Labor seized upon as basis for his action, were threatened with this potent penalty action.

Fortunately for California taxpayers and for Washington taxpayers, but unfortunately for the rights of the States, the State administrators were able to capitulate to the Secretary of Labor and satisfy his requirements of State conformity in the California and Washington cases before December 31 of last year. December 31 is the last day on which State laws may be certified to Treasury for tax credit for any year. The Secretary certified these States on the basis of negotiation and promises by the two State administrators. The State administrators had no choice. They could not be parties to the imposition of a $200,000,000 Federal tax penalty upon citizens of their own States.

All of this was done on the basis of reviewable administrative interpretations of State laws. The courts of the States were never afforded an opportunity to interpret the statutes on their own statute books.

This amendment does one principal thing and one only. It says to the Secretary of Labor that he must base his costly—in every sense of the word—decision of nonconformity with Federal statutory requirements only upon interpretations of State law which are made by the courts of the States involved. It tells the Secretary of Labor that he cannot, as he did with California and Washington, seize upon an appealable benefit decision perhaps made by State personnel of the lowest rank—unappealed, not reviewed by State administrator or State courts—as a basis for saying to a State, at the eleventh hour, that it is out of conformity, that it is for every practical purpose out of business. It confirms the rights of States to follow their own orderly review procedures, and permits their State courts to interpret their own State laws. It simply postpones action by the Secretary of Labor until the State judiciary has spoken; it does not deprive him of any power he now has, but merely restricts its premature exercise.

The only other provisions of the amendment are a clarifying change and a provision granting a 90-day period for a State declared out of conformity to amend its law and escape the penalties which would otherwise be imposed.

JUDICIAL REVIEW IN UNEMPLOYMENT COMPENSATION

The argument that individual hardships may result from delays incidental to judicial review is in fact an attack upon our whole system of justice.

Section 303 (a) of the Federal Social Security Act requires that every State unemployment compensation law shall provide "opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied."

In the official Social Security Board publication, "Social Security in America," on page 127, the following guidance was given to States who were then establishing unemployment compensation systems:

> In its unemployment compensation act each State will need to draft provisions consistent with its judicial structure and procedure to specify (a) the type of legal action to be used for judicial review of contested cases; (b) the court or courts to be used; (c) transmission by the administrative agency of the record in the case; (d) assessment of court costs, etc.

Every State law has such judicial review provisions. These are essential. For benefits are payable as a matter of statutory right and it is of fundamental importance that the State courts shall have jurisdiction to interpret and apply the statute in an orderly manner to the various situations arising under the State law.

Only a small fraction of claims cases involve any dispute as to the law. But where a question of law is involved judicial review is essential. For only in this way can precedents be established and certainty and uniform application of the law be achieved.

Obviously some hardship and delay is encountered by any claimant who must go through this review procedure in establishing his claim, whether his claim be for unemployment compensation, old-age and survivors insurance, workmen's compensation, or be based on some tort or contract. In every such case, provision is made for court review, thus affording the claimant "opportunity for a fair hearing." In old-age and survivors' insurance the appeal from the highest administrative tribunal, under section 205 (g) of the Social Security Act, is to the Federal district court, and the judgment of that court, to quote the Federal provision, "shall be subject to review in the same manner as a judgment in other civil actions." Some of these cases have been before the Supreme Court of the United States.

The argument that judicial review works a hardship on the claimant and accordingly should be short-circuited in some way, or abandoned, is in fact an argument against our whole system of law. It assumes that rights can and will be determined and precedents established in some other way.

Any argument that the Secretary of Labor should be permitted to step in at some stage of a State claims procedure and relieve the claimant from further need to seek to establish his rights under State procedure, could be just as validly

urged if he were attempting to establish old-age insurance or other Federal benefits. For the whole idea of such intervention is based on the assumption that because of some individual hardship in establishing a claim, the system of court review is wrong and should be scrapped. If this is in fact the case, we must revise all our concepts of orderly procedure, and amend all our laws governing the determination of disputed claims. We must thus choose between preserving judicial review in State unemployment-compensation systems and permitting intervention by the Secretary of Labor in the State claims procedure.

The fact that the claims procedure of the State must be complied with was consistently recognized throughout the administration of the Federal provisions for more than a decade by the Secretary of Labor's predecessors in functions. They did not once intervene in such procedure. The pending amendment merely requires the Secretary to continue this long-established principle.

Mr. President, I ask support for this amendment. I think it is a practical demonstration of States' rights.

Mr. GEORGE. Mr. President, I yield 2½ minutes to the Senator from Oklahoma [Mr. KERR].

The VICE PRESIDENT. The Senator from Oklahoma is recognized for 2½ minutes.

Mr. KERR. Mr. President, I hope this amendment will not be adopted. It is not an amendment to amend the old-age and survivors' insurance program; it is not an amendment to improve or to amend the old-age assistance program; in reality, it is not an amendment to improve or amend House bill 6000. It is an attempt to amend and, in fact, to repeal certain provisions of the unemployment insurance legislation.

As I understand, it would not seek to create a national program of unemployment insurance, but would establish 51 different programs of unemployment insurance. It would destroy the Federal minimum requirements in the program which has been created by Federal legislation and which is operated by Federal legislation. It would impair State and Federal cooperation with reference to the unemployment insurance program. In fact, it would open the door for the creation of 51 unemployment insurance programs by the States, which would thereby become the controlling factor with reference to the Federal Government, and not otherwise.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. KERR. I yield to the Senator from Ohio.

Mr. TAFT. Is the Senator aware that there are now 51 separate systems and that Federal control relates only to taxes?

Mr. KERR. I am aware of the fact that we have the opportunity for 51 variations of one program; but this amendment would require the Federal Government not to be a part of the overall program, but to meet the variations in the requirements of the 51 programs.

The VICE PRESIDENT. The time of the Senator has expired.

Mr. GEORGE. Mr. President, I yield 2½ minutes to the Senator from Colorado [Mr. MILLIKIN].

Mr. MILLIKIN. I yield a minute to the Senator from Ohio.

Mr. TAFT. Mr. President, this amendment would improve the present situation in which the Federal Government can step in at any time and tell the States how to administer the law.

Mr. KNOWLAND. Mr. President, will the Senator from Colorado yield?

Mr. MILLIKIN. I yield.

Mr. KNOWLAND. Mr. President, I want to underscore what the Senator from Ohio has said. Power is still left in the Secretary of Labor. If, after normal procedures have been gone through, he wants to declare a State out of compliance, he can do so. Ninety days' time is provided within which the legislature can meet and get into compliance. It seems to me that of all cases, it is a case in which a State should be able to follow through with its own procedures. It is an arbitrary use of Federal power to try to invoke that power as was done in the California and Washington cases.

Mr. LEHMAN subsequently said: Mr. President, I ask unanimous consent that the following statement may be printed in the RECORD immediately preceding the vote on this amendment.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR LEHMAN

Mr. President, the distinguished Senator from California [Mr. KNOWLAND] has submitted an amendment to the bill we are now considering which would, in my judgment, have far-reaching effects upon uniform and effective administration of our unemployment-compensation system.

As I understand the amendment, it would make certain procedural changes in connection with the consideration and determination of questions of conformity of State laws with the Federal Social Security Act by the Secretary of Labor. It would also provide that the only type of change in a State law which the Secretary could consider would be an amendment of the law by act of the State legislature.

I am not, and I venture to think that few of us are, able to assess the full meaning and import of the procedural changes in the law that would be made by the Knowland amendment. But, surely, none of us are so naive as not to realize that in large measure a law is what administration makes that law to be. We have heard the argument advanced many times on the floor of this body that various administrative agencies of the Government have, in administering laws enacted by the Congress, changed the intent of Congress when it enacted that law. States are no more immune from this tendency, I submit, than are the agencies of the Federal Government. Under the amendment of the Senator from California, the unemployment-compensation authorities of a State could interpret their unemployment-compensation law in a manner wholly at variance from the clear intent of the language of the law, and the Secretary of Labor would be powerless to raise any question of whether that law continues to conform with the requirements laid down by the Congress. This would result, Mr. President, in a virtual abandonment by the Congress of any effort to assure uniformity and consistency of administration of the Social Security Act through the States insofar as unemployment insurance is concerned.

The other point that I want to make, Mr. President, is that it certainly does not seem to me as one Senator that an amendment of such a far-reaching character should first receive consideration on the floor of this body without our having the benefit of prior hearings and careful study by the committee headed by the very able and distinguished senior Senator from Georgia. I understand that an effort was made to bring this matter before the Committee on Finance during its deliberations on H. R. 6000. The committee, however, refused to take action on this amendment. It is my firm belief, Mr. President, that the Senate should refuse to approve this amendment.

The VICE PRESIDENT. All time on the amendment has expired.

The question is on agreeing to the amendment offered by the Senator from California [Mr. KNOWLAND].

Mr. WHERRY and other Senators requested the yeas and nays.

The yeas and nays were ordered, and the legislative clerk called the roll.

Mr. MYERS. I announce that the Senator from New Mexico [Mr. CHAVEZ] is necessarily absent, and if present would vote "nay." The Senator from California [Mr. DOWNEY] is absent because of illness.

The Senator from North Carolina [Mr. GRAHAM] is absent on public business.

The Senator from Florida [Mr. HOLLAND], the Senator from South Carolina [Mr. JOHNSTON], the Senator from Idaho [Mr. TAYLOR], and the Senator from Oklahoma [Mr. THOMAS] are absent by leave of the Senate.

The Senator from Maryland [Mr. O'CONOR] is absent by leave of the Senate on official business, attending the sessions of the International Labor Organization at Geneva, Switzerland, as a delegate representing the United States.

On this vote the Senator from South Carolina [Mr. JOHNSTON] is paired with the Senator from Idaho [Mr. TAYLOR]. If present and voting, the Senator from South Carolina would vote "yea," and the Senator from Idaho would vote "nay."

Mr. SALTONSTALL. I announce that the senior Senator from North Dakota [Mr. LANGER], the Senator from Oregon [Mr. MORSE], the Senator from New Hampshire [Mr. TOBEY], the Senator from Michigan [Mr. VANDENBERG], and the junior Senator from North Dakota [Mr. YOUNG] are absent by leave of the Senate. If present and voting the Senator from North Dakota [Mr. LANGER] and the Senator from Oregon [Mr. MORSE] would each vote "nay."

The Senator from South Dakota [Mr. MUNDT] is unavoidably detained.

The result was announced—yeas 45, nays 37, as follows:

YEAS—45

Brewster	Frear	Martin
Bricker	Fulbright	Millikin
Bridges	Gurney	Robertson
Butler	Hendrickson	Russell
Byrd	Hickenlooper	Saltonstall
Cain	Hoey	Schoeppel
Capehart	Ives	Smith, N. J.
Chapman	Jenner	Stennis
Cordon	Johnson, Tex.	Taft
Darby	Kem	Thye
Donnell	Knowland	Watkins
Dworshak	Lodge	Wherry
Eastland	McCarthy	Wiley
Ecton	McClellan	Williams
Ferguson	Malone	Withers

NAYS—37

Aiken	Hunt	Magnuson
Anderson	Johnson, Colo.	Maybank
Benton	Kefauver	Murray
Connally	Kerr	Myers
Douglas	Kilgore	Neely
Eilender	Leahy	O'Mahoney
Flanders	Lehman	Pepper
George	Long	Smith, Maine
Gillette	Lucas	Sparkman
Green	McCarran	Thomas, Utah
Hayden	McFarland	Tydings
Hill	McKellar	
Humphrey	McMahon	

NOT VOTING—14

Chavez	Langer	Thomas, Okla.
Downey	Morse	Tobey
Graham	Mundt	Vandenberg
Holland	O'Conor	Young
Johnston, S. C.	Taylor	

So Mr. KNOWLAND's amendment B was agreed to.

Mr. LUCAS. Mr. President, I offer my amendment lettered "I," which I ask to have stated.

The VICE PRESIDENT. The Secretary will state the amendment.

The LEGISLATIVE CLERK. It is proposed on page 378, line 4, after "provide" to insert a comma and "effective July 1, 1951";

On page 378, line 7, to strike out "and";

On page 378, line 11, to strike out the period and insert in lieu thereof a semicolon and the following: "and (11) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this act."

On page 378, strike out lines 18 and 19 and insert in lieu thereof:

(d) The amendment made by subsection (a) shall take effect July 1, 1951; the amendments made by subsection (b) shall take effect October 1, 1950.

On page 378, beginning with line 20, strike out all down to and including line 2 on page 379 and insert in lieu thereof the following:

COMPUTATION OF FEDERAL PORTION OF AID TO DEPENDENT CHILDREN

SEC. 322. (a) Section 403 (a) of the Social Security Act is amended to read as follows:

"SEC. 403. (a) From the sums appropriated therefor the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1950, (1) an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $30, or if there is more than one dependent child in the same home, as exceeds $30 with respect to one such dependent child and $20 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $30—

"(A) three-fourths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $12 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

On page 379, line 10, after the word "children", insert a comma and the following: "and includes money payments, or medical care or any type of remedial care recognized under State law for any month to meet the needs of the relative with whom any dependent child is living if money payments have been made under the State plan with respect to such child for such month;

"(c) The term 'relative with whom any dependent child is living' means the individual who is one of the relatives specified in subsection (a) and with whom such a child is living (within the meaning of such subsection) in a place of residence maintained by such individual (himself or together with any one or more of the other relatives so specified) as his (or their) own home."

On page 381, between lines 14 and 15, insert the following:

(b) Clause (7) of such subsection is amended to read as follows:

"(7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this act or aid to dependent children under the State plan approved under section 402 of this act."

On page 381, line 15, strike out "(b)" and insert in lieu thereof "(c)."

On page 382, line 4, strike out "(c)" and insert in lieu thereof "(d)."

On page 382, line 25, strike out "(d)" and insert in lieu thereof "(e)."

On page 382, line 25, strike out "subsection (c)" and insert in lieu thereof "subsections (b) and (d)."

Mr. LUCAS. The chairman of the Committee on Finance and the members of the committee this morning agreed to accept the amendment. In the past the program has provided aid to dependent children, but it has made no provision for parents or persons with whom such children are staying. This did not seem to be right and proper, and that is why the amendment is offered. It has been accepted by the Committee on Finance.

Mr. GEORGE. The Committee on Finance has no objection to the amendment. The same provision is in the House bill.

Mr. TAFT. Mr. President, if the Senator will yield for a statement, let me say that I shall not oppose the amendment. However, if we were to adopt this amendment, $75,000,000 would be added to the expenses of the Federal Government and to the budget deficit for next year. It represents an increase in Federal aid out of general taxes, and giving the money to States in order to enable them to do a better job in aiding dependent children. I have very serious doubt, not so much about the program, but about the wisdom at this time of what amounts to appropriating money, because the Committee on Appropriations has no further ability to withhold this amount. I think it is an unwise course to follow. However, since the committee has approved the amendment, I shall not object to it.

Mr. GEORGE. The Senator from Ohio is absolutely correct. The amendment does increase the appropriations for the State assistance program. However, the majority of the committee has agreed to accept the amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Illinois [Mr. LUCAS].

The amendment was agreed to.

Mr. LONG. Mr. President, I call up my amendment 6–19–50—D.

The VICE PRESIDENT. The Secretary will state the amendment. Does the Senator wish the amendment to be read in full?

Mr. LONG. Do I understand that if the amendment is read in full the time consumed in reading it will be charged against my time?

The VICE PRESIDENT. No; it will not be charged to the Senator's time.

Mr. LONG. If it is not to be charged to my time, I ask that the amendment be read.

The VICE PRESIDENT. The Secretary will read the amendment.

The legislative clerk proceeded to read the amendment.

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. LONG's amendment entire is as follows:

On page 385, line 6, to strike out "Part 5—Miscellaneous Amendments" and insert in lieu thereof the following:

"PART 5—AID TO THE DISABLED

"SEC. 351. The Social Security Act is further amended by adding after title XIII thereof the following new title:

"'TITLE XIV—GRANTS TO STATES FOR AID TO THE DISABLED

"'APPROPRIATION

"'SEC. 1401. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy disabled individuals who are unable to engage in any substantially gainful activity by reason of medically demonstrable physical or mental impairment, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of $50,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Administrator, State plans for aid to the disabled.

"'STATE PLANS FOR AID TO THE DISABLED

"'SEC. 1402. (a) A State plan for aid to the disabled must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan,

or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the disabled is denied or is not acted upon with reasonable promptness; (5) provide that in cases where doubt exists as to the disability, State plans shall require that a panel of three doctors certified by the State agency must examine the applicant and agree unanimously upon the eligibility of the applicant; (6) provide such methods of administration as are found by the Administrator to be necessary for the proper and efficient operation of the plan, including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods; (7) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such reports; (8) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this act, aid to dependent children under the State plan approved under section 402 of this act, or aid to the blind under the State plan approved under section 1002 of this act; (9) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the disabled; (10) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the disabled; (11) provide that all individuals wishing to make application for aid to the disabled shall have opportunity to do so, and that aid to the disabled shall be furnished with reasonable promptness to all eligible individuals; and (12) effective July 1, 1953, provide, if the plan includes assistance to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.

"'(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for aid to the disabled under the plan—

"'(1) Any residence requirement which excludes any resident of the State who has resided therein continuously for 1 year immediately preceding the application for aid;

"'(2) Any citizenship requirement which excludes any citizen of the United States.

"'PAYMENT TO STATES

"'SEC. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the disabled, for each quarter, beginning with the quarter commencing October 1, 1950, (1) an amount, which shall be used exclusively as aid to the disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"'(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals who received old-age assistance for such month, plus

"'(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the disabled, or both, and for no other purpose.

"'(b) The method of computing and paying such amounts shall be as follows:

"'(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of disabled individuals in the State, and (C) such other investigation as the Administrator may find necessary.

"'(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the disabled furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

"'(3) The Secretary of the Treasury shall thereupon through the fiscal service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

"'OPERATION OF STATE PLANS

"'SEC. 1404. In the case of any State plan for aid to the disabled which has been approved by the Administrator, if the Administrator after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

"'(1) that the plan has been so changed as to impose any residence or citizenship requirement prohibited by section 1402 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

"'(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 1402 (a) to be included in the plan;

the Administrator shall notify such State agency that further payments will not be made to the State until he is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

"'DEFINITION

"'SEC. 1405. For purposes of this title, the term "aid to the disabled" means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are disabled, but does not include money payments to or medical care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) and does not include money payments to or medical care in behalf of any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof.

"'PART 6—MISCELLANEOUS AMENDMENTS'"

On page 385, line 7, strike out "351" and insert in lieu thereof "361".

Mr. LONG. I should like to explain that this amendment is phrased substantially in the language of the provision which the House committee approved and the House of Representatives passed. It provides for the Federal Government to aid indigent persons. This is not an insurance program. I wish Senators to bear that fact in mind. Under this program the Federal Government would match the States in providing for disabled persons who are indigent. Rather than using such terms as "total and permanent disability," or "totally and permanently disabled," I have used the description "who are unable to engage in any substantially gainful activity by reason of medically demonstrable physical or mental impairment." I think that language is much better than the other language.

Furthermore, this amendment provides that before those who are disabled may be aided by a State-Federal program for the needy disabled, a panel of three doctors must examine and unanimously approve any disabled applicant who may apply for aid.

Mr. President, based on my study of this program, in my humble opinion one of the greatest shortcomings of our present system is that no Federal aid whatever is provided for those who are totally disabled from earning a living. I have the great honor to represent in part the State of Louisiana, a State of two and a half million people. I should like Senators to listen to the kind of ailments which are included in total disability. Persons who suffer from these ailments but who have not reached the mature age of 65 years cannot be aided by the Federal Government. In the State of Louisiana 17,900 needy persons suffer from heart disease, such as coronary thrombosis, or high blood pressure. Doctors have advised many of them that if they should attempt to work they would die as a result of straining themselves. I know that the committee feels it would like to see people rehabilitated rather than to be cared for under an aid-to-disabled program, however, two-thirds of the people in my State who are being aided, are suffering from heart diseases, such as coronary thrombosis, and other similar ailments which would kill many of them

if they should try to work. I notice that in my State about two and a half percent of the persons in this category, or 813, have cancer. Certainly they would not be able to take care of themselves. There are 6,000 cases of arthritis and rheumatism, and 4,000 cases of mental and nervous disorders, by reason of which they are not able to earn any type of living.

Today we have no way of helping these people. Many States are unable even to aid their aged persons substantially. For example, when one looks at page 54 of the committee report he will see that many of the poorer States—and some of them are among the Southern States—are able to put up only a small amount of money to match funds of the Federal Government in looking after their aged and blind where there is a Federal matching program. By failure to have any matching or any provision whatsoever for these disabled persons, those States are not able to set up any kind of a program for the aged and indigent.

Mr. President, this is not a social-security insurance program; this is a matching provision which would have in mind the Federal and the State governments working together to match funds to make it possible to help deserving disabled persons.

In my State 3 percent of those who are disabled are bedridden, unable to get up out of bed, by doctor's orders. Eleven percent are partially ambulatory, not able to get around to any considerable extent. I think that anyone who made a study of this matter would find that the cases of crying need going without assistance are cases of those who are disabled. In most cases, I would say in almost 90 percent of the cases, the disability is a result of cancer, heart disease, arthritis, rheumatism, or similar maladies.

So far as we are able to determine, the program would require about $50,000,000 to match the amounts being afforded by the States. I presume States which have a program for their aged would divert some of their funds to help the cases of crying need, which the Federal Government cannot help today. It would then be possible for those States who today cannot do anything for the totally disabled to use their funds to help other people.

Mr. President, I yield the remainder of my time to the junior Senator from Wyoming [Mr. HUNT].

The VICE PRESIDENT. The time of the Senator from Louisiana has expired.

Mr. HUNT. Nevertheless, Mr. President, I thank the Senator from Louisiana.

Mr. GEORGE. Mr. President, I merely wish to say that the committee has given great consideration to the problem raised by the amendment. It has been one which has given the committee great concern. The particular provision referred to will be in conference. It is in the bill as it passed the House, and we will have full opportunity to consider it in conference. It was that reason, among others, which the committee bore in mind in recommending against this particular amendment.

I yield the remainder of my time to the Senator from Colorado [Mr. MILLIKIN].

Mr. MILLIKIN. Mr. President, as the Senator from Georgia has stated, the subject will be in conference. I should like to invite attention also to the fact that one of the specified studies to be undertaken by the Study Committee is the relation of the social-security program to care, income maintenance, and rehabilitation of disabled workers. I believe that the committee could easily, under its general authority, continue the study of this subject if nothing should come out of the conference committee.

Mr. TAFT. Mr. President, will the Senator from Colorado yield?

Mr. MILLIKIN. I yield to the Senator from Ohio.

Mr. TAFT. I wish to call attention to the issue we really have before us. It is, how far shall we increase Federal aid to the States out of general funds? The whole appeal made by the distinguished Senator from Louisiana is based on the fact that the States have no money with which to pay cash benefits. Most of the disabled are taken care of in institutions, in one way or another, but what we are asked to consider now is cash benefits to the disabled, and the Senator says the States have no money with which to pay such benefits.

The Federal Government has no money with which to do it. There is a deficit at the present time, regardless of the merits of the amendment, of $5,000,000,000. To say that we must come to the aid of the States, who are able to pay their own way, who are balancing their budgets at the present time, seems to be a wholly fallacious argument, regardless of the merits of the proposal.

In Louisiana today, of persons over 65 years of age, 791 out of every thousand are on the public payroll, paid with Federal funds—791 out of 1,000. In the State of Ohio there are less than 200 out of 1,000. In many States, such as the State of New Jersey——

Mr. LONG. Mr. President, will the Senator yield?

Mr. TAFT. I have no time to yield. In New Jersey 67 out of 1,000 are on the public payroll. The question of whether cash benefits shall be extended, the payment of cash to persons because they are hard up, is a serious one. We have to consider the whole problem of poverty, of all the people who are unable to make a living, who today are supported by the States. In general, of course, the States have the primary obligation to take care of those who are unable to pay their own way. That is their obligation. How far shall the Federal Government relieve them of it?

I admit that the Federal Government should step in when the need is clearly shown, when we have the money and the States have not the money. At the present time the States have the money and the Federal Government has not the money.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Louisiana [Mr. LONG].

Mr. MILLIKIN. Has the time been exhausted?

The VICE PRESIDENT. There is about half a minute left.

Mr. MILLIKIN. I would merely like to say that the question will be in conference as the bill stands now, because the provision is not in the Senate committee bill, but it is in the bill as it passed the House. Thus the matter is ready for consideration by the conference.

Mr. LONG. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk called the roll.

Mr. MYERS. I announce that the Senator from New Mexico [Mr. CHAVEZ] is necessarily absent.

The Senator from California [Mr. DOWNEY] is absent because of illness.

The Senator from North Carolina [Mr. GRAHAM] is absent on public business.

The Senator from Florida [Mr. HOLLAND], the Senator from South Carolina [Mr. JOHNSTON], the Senator from Idaho [Mr. TAYLOR], and the Senator from Oklahoma [Mr. THOMAS] are absent by leave of the Senate.

The Senator from Maryland [Mr. O'CONOR] is absent by leave of the Senate on official business, attending the sessions of the International Labor Organization at Geneva, Switzerland, as a delegate representing the United States.

I announce further that if present and voting, the Senator from New Mexico [Mr. CHAVEZ], and the Senator from Idaho [Mr. TAYLOR] would vote "yea."

Mr. SALTONSTALL. I announce that the senior Senator from North Dakota [Mr. LANGER], the Senator from Oregon [Mr. MORSE], the Senator from New Hampshire [Mr. TOBEY], the Senator from Michigan [Mr. VANDENBERG], and the junior Senator from North Dakota [Mr. YOUNG] are absent by leave of the Senate.

The Senator from North Dakota [Mr. LANGER] is paired with the Senator from Oregon [Mr. MORSE]. If present and voting the Senator from North Dakota would vote "yea" and the Senator from Oregon would vote "nay."

The result was announced—yeas 41, nays 42, as follows:

YEAS—41

Anderson	Kefauver	Mundt
Benton	Kerr	Murray
Chapman	Kilgore	Myers
Douglas	Leahy	Neely
Eastland	Lehman	O'Mahoney
Ecton	Long	Pepper
Ellender	Lucas	Russell
Frear	McCarran	Smith, N. J.
Green	McCarthy	Sparkman
Hayden	McFarland	Stennis
Hill	McKellar	Thomas, Utah
Humphrey	McMahon	Tydings
Hunt	Magnuson	Withers
Johnson, Tex.	Maybank	

NAYS—42

Aiken	Flanders	McClellan
Brewster	Fulbright	Malone
Bricker	George	Martin
Bridges	Gillette	Millikin
Butler	Gurney	Robertson
Byrd	Hendrickson	Saltonstall
Cain	Hickenlooper	Schoeppel
Capehart	Hoey	Smith, Maine
Connally	Ives	Taft
Cordon	Jenner	Thye
Darby	Johnson, Colo.	Watkins
Donnell	Kem	Wherry
Dworshak	Knowland	Wiley
Ferguson	Lodge	Williams

NOT VOTING—13

Chavez	Langer	Tobey
Downey	Morse	Vandenberg
Graham	O'Conor	Young
Holland	Taylor	
Johnston, S. C.	Thomas, Okla.	

So Mr. LONG's amendment was rejected.

Mr. NEELY. Mr. President, for the distinguished senior Senator from West Virginia [Mr. KILGORE] and myself, I offer an amendment.

The VICE PRESIDENT. The Secretary will state the amendment.

The LEGISLATIVE CLERK. On page 278, line 19, it is proposed to strike out "sixty-five" and insert in lieu thereof "sixty."

The VICE PRESIDENT. The junior Senator from West Virginia is recognized for 5 minutes.

Mr. NEELY. Mr. President, the amendment, if adopted, would reduce the retirement age for both men and women from 65 to 60 years. The present law provides old-age benefits for the retired worker and his wife, for the widow without children, and for the dependent parent of a deceased worker only after the attainment of the age of 65. The committee amendment leaves the present law unaltered.

In the case of women the reasons which warrant a reduction in the retirement age are obvious and persuasive. Such action was urged by the Federal Security Agency and is supported by every profound student of the social-security system. The essential fact is that under peacetime conditions relatively few women over 60 work for wages. The most recently available census data show that more than four out of five women in the 60-to-64 age group do not hold paying positions, whereas only one out of five men in the same age group is not in the labor force. The exact figures are that while only 21 percent of the male population aged 60 to 64 is not in the labor force, the corresponding figure for women is nearly 85 percent.

A reduction in the qualifying age for women would be of enormous assistance to aged couples. Wives are customarily a few years younger than their husbands, so that today, when a man reaches the age of 65, the only benefit available for the couple is likely to be the husband's benefit. At the present time only about one-fifth of the wives are eligible for benefits when the husband attains the age of 65. If the wives' benefits are payable at 60, the proportion is raised to about three-fifths.

There is another point of great significance. A woman widowed at the age of 60, who has not previously been employed, finds it far more difficult than a younger woman to locate paid employment. At present only about one widow in four is eligible for widow's benefits immediately upon the death of her husband. With an age requirement of 60, about 40 percent of such widows would be eligible immediately. The same considerations are applicable in the case of a mother who survives a son or daughter on whom she had been dependent.

If the eligibility age for wives, widows, and dependent mothers is lowered to 60, the retirement age for women primary beneficiaries should also be lowered. Although many women who have been working regularly will doubtless prefer to continue working after the age of 60, working women who become unemployed at the age of 60 should not be required to wait until 65 for benefits if other women receive dependents' or survivor benefits at the lowered age.

The considerations which support a reduction in the retirement age for men are different but equally compelling. Increased mechanization and improved labor processes have brought about an increase in productivity which during recent years has averaged 2½ percent or more annually. The benefits of this increased productivity are reflected in rising living standards, and it is altogether equitable that a higher standard of living be achieved by way of an earlier retirement age no less than in an increased consumption of automobiles, refrigerators, and other similar goods.

More important is the fact that in this age of new and high-speed technology men, no less than machines, wear out at an earlier age. In a simple handicraft economy, age was a far lesser handicap. Today in many industries, complicated, high-speed machines demand younger men for their servicing. In other industries, such as mining, the nature of the work takes a heavier toll in the early years. The need for an earlier retirement age is not universal throughout the economy, but it is sufficiently widespread to require action now. The essential purpose in reducing the retirement age for men from 65 to 60 is to permit those who labor in extra-hazardous occupations or in industries where they have been displaced by younger men to obtain benefits at the age of 60 for their support. Not every worker will accept the invitation to retire—today the average retirement age is 68 or 69—but the possibility will exist for those who have no other alternative.

The total cost of reducing the retirement age from 65 to 60 in the case of both men and women in approximately 2 percent of the Nation's payroll. Social-security experts have estimated that this total of 2 percent is approximately equally divided between men and women. Both parties have pledged an extension of the social-security program to provide additional protection against the hazards of old age, disability, disease, and death. A reduction in the eligibility age from 65 to 60 years is a step in the right direction. It is my sincere hope that the Senators present will provide the opportunity to take that step, and take it now.

Mr. GEORGE. Mr. President, the amendment, of course, in the case of women workers, makes a very strong appeal. I, myself, felt that the retirement age should be reduced from 65 to 60 years. But in looking into the matter, I found that, according to the statistics, women outlive men and that men are now living about 12 years beyond the retirement age of 65. In other words, each year longevity is increasing.

Mr. President, this particular amendment would cost the system or would add to the tax burdens about 2½ percent on all payrolls, or not far from an addition of $3,000,000,000 annually on a level-premium basis. Already this bill, to which your committee has given many long weeks of labor and study, will on a level-premium base, cost the general economy which means the workers and their employers, more than 6 percent of the combined payroll, within a comparatively short period of time. This amendment, if adopted, would increase that cost to 9 percent or very close to 9 percent of the total payroll. If Senators wish to break down the system, they can do so by putting upon it a burden which it cannot carry.

Mr. ROBERTSON. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. ROBERTSON. Is it not a fact that during the past 10 years, before any increase in the benefits, as provided in House bill 6000, every reputable economist who testified on this subject before the Ways and Means Committee of the House and before the Senate Finance Committee stated that we already had a 6-percent program—3 percent on the employer and 3 percent on the employee—before we add the new benefits carried in this bill?

Mr. GEORGE. Mr. President, in addition to what I have already said, when Dr. Altmeyer, of the Federal Security Agency, himself came before the committee on the first or second day of the hearings, as I recall, I asked him the specific question whether we could lower the retirement age limit for women workers to 60 years of age. He said he had been forced to abandon the idea because of the very heavy cost it would add to the system.

Therefore, Mr. President, I ask that the Senate reject the amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from West Virginia [Mr. NEELY] for himself and his colleague [Mr. KILGORE]. [Putting the question.]

Mr. BREWSTER. Mr. President——

The VICE PRESIDENT. The "noes" seem to have it, and the amendment is rejected.

Mr. BREWSTER. Mr. President, has all time on the amendment expired?

The VICE PRESIDENT. For what purpose does the Senator from Maine address the Chair?

Mr. BREWSTER. I rise to inquire whether any time is left for discussion of the amendment.

The VICE PRESIDENT. The Senator from Georgia had several minutes left, but he was not yielding to any other Senator at that time.

Mr. BREWSTER. I was addressing the Chair, to inquire whether the Senator would yield.

The VICE PRESIDENT. Does the Senator from Georgia yield to the Senator from Maine?

Mr. GEORGE. Mr. President, the amendment has already been rejected. Like the lawyer who appeared before the Supreme Court of Georgia, I would not want to lose the case [laughter] in this instance, by listening to an eloquent appeal by my distinguished friend and member of the committee. However, I gladly yield to the Senator from Maine whatever time I have left.

Mr. BREWSTER. Mr. President, I shall conduct myself with the utmost circumspection.

I wish to join with the Senator from Georgia in expressing the hope that the

amendment will be rejected, and at the same time I wish to express my regret that I was not present when the so-called George-Millikin resolution was considered by the Senate. At that time I was called to the telephone.

I wish to associate myself with the Senator from Florida [Mr. PEPPER] in his expression of interest in the study which is to be made of the so-called Townsend plan, as one who has long believed in the wisdom of the fundamental principles upon which that plan is based. I wish to have it made clear that I was associating myself in the earnest hope that the study which will be made during the recess will lead to a far more serious consideration of that program than, in my judgment, it has thus far received.

The VICE PRESIDENT. The Senator's time has expired.

The Chair will put the question again: The question is on agreeing to the amendment offered by the Senator from West Virginia [Mr. NEELY] for himself and his colleague [Mr. KILGORE].

The amendment was rejected.

Mr. LEHMAN. Mr. President, I call up my amendment marked "5-22-50—A," being the amendment to include Puerto Rico and the Virgin Islands along with the States which are to receive assistance.

The VICE PRESIDENT. The amendment will be stated.

The LEGISLATIVE CLERK. On page 387, beginning with line 13, it is proposed to strike out all down to and including line 21, and to insert in lieu thereof the following:

SEC. 403. (a) (1) Paragraph (1) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(1) The term 'State' includes Alaska, Hawaii, and the District of Columbia, and when used in titles I, IV, V, and X includes Puerto Rico and the Virgin Islands."

(2) Paragraph (6) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(6) The term 'Administrator' except when the context otherwise requires, means the Federal Security Administrator."

(3) The amendment made by paragraph (1) of this subsection shall take effect October 1, 1950, and the amendment made by paragraph (2) of this subsection, insofar as it repeals the definition of "employee", shall be effective only with respect to services performed after 1950.

Mr. LEHMAN. Mr. President, no geographic area in the United States more urgently needs the public assistance provisions of House bill 6000 than Puerto Rico and the Virgin Islands.

My amendment is a very simple one, in that it includes Puerto Rico and the Virgin Islands in the definition of States. I believe that all the titles of the Social Security Act should be applicable to Puerto Rico and the Virgin Islands on the same basis on which they are applicable to the States.

All these titles are already applicable to Alaska and Hawaii. It is eminently unfair to exclude Puerto Rico and the Virgin Islands. In Puerto Rico, out of a labor force of 700,000, an average of 100,000 are usually unemployed. I say say "usually" because of the seasonal nature of employment in both Puerto Rico and the Virgin Islands.

It is true that Puerto Rico and the Virgin Islands do not pay taxes into the United States Treasury on the same basis as the States of the Union. But this is not a failure on their part. It is a waiver on the part of the Federal Government in recognition of the Peculiar economic conditions pertaining in those islands.

The cost of the application of the public assistance titles to Puerto Rico and the Virgin Islands would be slightly more than $9,000,000. Of this, $8,213,000 would be for Puerto Rico and $165,000 would be for the Virgin Islands.

We dare not forfeit our obligations to these American citizens.

Mr. TYDINGS. Mr. President, will the Senator yield to permit me to make a simple observation?

Mr. LEHMAN. I yield.

Mr. TYDINGS. There is a great deal of merit in what the Senator from New York says; but I wonder whether he has in mind that Puerto Rico already is permitted to keep in its island treasury its income taxes, taxes which all the States of the United States pay into the Federal Treasury and, in addition, that Puerto Rico is permitted to keep in its island treasury the liquor taxes, tobacco taxes, and so forth. So we already are giving to Puerto Rico more than $50,000,000 of revenue a year coming from taxes which the States are required to pay into the Federal Treasury.

Mr. LEHMAN. I realize that; but those taxes are retained in Puerto Rico for the support of the government there; they are not used for old-age pensions or public assistance.

Mr. President, as I just said, we dare not forfeit our obligations to these American citizens. They are American citizens just as much as are the citizens of San Diego, Chicago, or New York. In fact, when Puerto Ricans or Virgin Islanders come to New York, they are automatically eligible for public-assistance payments. There is no reason for considering them less eligible when they are in Puerto Rico or the Virgin Islands.

The House Ways and Means Committee studied very exhaustively this special problem of Puerto Rico and the Virgin Islands. A subcommittee went to Puerto Rico and the Virgin Islands and studied the conditions there and conferred with the officials of those islands concerning their needs and desires. As a result of those conferences, the local governments of these two Territories made all legislative arrangements required in order for them to receive and to match the Federal grants.

The House approved the inclusion of Puerto Rico and the Virgin Islands in the public-assistance provisions, although the formula was somewhat less generous than that which I propose in my amendment.

I believe that the Senate committee acted unwisely and without giving due consideration to the international implications of excluding Puerto Rico and the Virgin Islands. These two Territories are our dependent Territories. The manner in which we treat the peoples of these two Territories will be, if we discriminate against them, used in propaganda against us.

I urge with all the conviction at my command that we approve the pending amendment and that we make these islands eligible for public-assistance grants on the same basis as any other part of the United States is eligible.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. LEHMAN. I yield the remainder of my time to the Senator from Wyoming.

Mr. O'MAHONEY. Mr. President, if the Senator from New York had not himself offered this amendment, I am sure that I should have done so.

The Committee on Interior and Insular Affairs has immediate concern over the peoples and the government of Puerto Rico and the Virgin Islands. Both these areas were brought into the United States by the action of our Government, not primarily by the action of the people of those islands. The Virgin Islands were purchased by the Government of the United States. Puerto Rico was taken over by the United States as a result of the Spanish-American War.

I think the Government and the people of the United States owe an absolute obligation to the peoples of those islands to treat them in the way that the amendment proposed by the Senator from New York provides. I certainly hope that this amendment will be adopted, so that the Government of the United States may carry out its full responsibility toward the peoples of these islands.

Mr. GEORGE. Mr. President, I desire to make only a brief statement. This matter was given full and due consideration by the committee. The truth is that all the taxes paid in the Virgin Islands are returned to the islands with a greatly increased sum. The truth also is, as the distinguished Senator from Maryland has pointed out, that Puerto Rico retains all of its internal taxes and retains all the income taxes. This is the amendment to increase the assistance to States. Puerto Rico and the Virgin Islands are brought under the old-age and survivors insurance title of this act, and with very greatly improved eligibility requirements in the pending bill; and, in view of a special provision which we inserted largely to take care of the situation in Puerto Rico, the people of those islands will receive great benefit under the bill. But since they keep all their taxes and even more than their taxes, the view of the committee was against bringing them in under the State assistance program or the grants.

I yield whatever time I have to the Senator from Colorado or to anyone else whom he may wish to yield it to.

Mr. MILLIKIN. Since this matter is in the House bill, not in the Senate committee bill, I suggest it can be handled in conference, and that the amendment be rejected.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. MILLIKIN. I yield.

Mr. TAFT. I am opposed to the inclusion of Puerto Rico, but I personally should want to see the Virgin Islands included. The reason for that is, as was said by the distinguished Senator from Georgia, that we permit Puerto Rico to keep all the excise taxes, for

instance, which are levied on the rum which they make, which taxes are in fact paid by the people of the United States. It is just as if we let North Carolina take all the tobacco taxes which come into the United States Treasury, for the State of North Carolina. We give the Puerto Ricans about $10,000,000 off on their income taxes, which they retain. We do not get the income taxes from Puerto Rico, which amount to $20,000,000 more. So that we are in effect making a cash credit to Puerto Rico of $30,000,000, far more than would be the additional aid given in this bill.

I have every sympathy for measures designed to aid Puerto Rico, and I have always supported them, but it seems to me, while they have such an over-all grant from the United States, there is no reason to include Puerto Rico under various State-aid programs. This is about the only thing they do not get. I see no reason for the amendment. The Virgin Islands pay their taxes, and so, so far as I am concerned, if the question should be in conference and I were on the committee I should be in favor of the proposal for the Virgin Islands.

I may say also, as has been suggested, that we have included Puerto Rico in old-age and survivors insurance. They pay the taxes like anyone else, and they will get the benefits.

Mr. LEHMAN. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. LEHMAN. Is it not a fact that there are now certain States of the Union which, while taxes are collected within their borders, receive more from the Federal Government in the form of grants of various kinds and relief and old-age assistance and public assistance than the amount which the Federal Government receives from them in the form of revenue?

Mr. TAFT. It is impossible to tell what the Federal Government gets from them, but I think probably that is so. But there is no State in the Union which is permitted, as Puerto Rico is, to keep the income taxes paid to the Federal Government. The Puerto Rican income tax is entirely retained by Puerto Rico. The revenue taxes paid on rum made there and sold to the people of the United States at $9 a gallon are retained by Puerto Rico. I say it is exactly as though North Carolina kept the tobacco tax. There is no State in the entire United States that is in that situation.

Mr. LEHMAN. Mr. President, will the Senator yield?

Mr. TAFT. Now, I think I am through.

The VICE PRESIDENT. The time of the Senator has expired. All time has expired. The question is on agreeing to the amendment offered by the Senator from New York [Mr. LEHMAN].

The amendment was rejected.

Mr. WATKINS. Mr. President, I call up the amendment which I have already sent to the desk, and ask that it be read.

The VICE PRESIDENT. The Secretary will state the amendment.

The LEGISLATIVE CLERK. On page 312, between lines 13 and 14, it is proposed to insert the following:

SERVICES FOR COOPERATIVES PRIOR TO 1951

SEC. 110. In any case in which—

(1) an individual has been employed at any time prior to 1951 by organization enumerated in the first sentence of section 101 (12) of the Internal Revenue Code,

(2) the service performed by such individual during the time he was so employed constituted agricultural labor as defined in section 209 (i) of the Social Security act and section 1426 (h) of the Internal Revenue Code, as in effect prior to the enactment of this act, and such service would, but for the provisions of such sections, have constituted employment for the purposes of title II of the Social security act and subchapter A of chapter 9 of such Code,

(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code have been paid with respect to any part of the remuneration paid to such individual by such organization for such service and the payment of such taxes by such organization has been made in good faith upon the assumption that such service did not constitute agricultural labor as so defined, and

(4) no refund of such taxes has been obtained, the amount of such remuneration with respect to which such taxes have been paid shall be deemed to constitute remuneration for employment as defined in section 209 (b) of the Social Security act as in effect prior to the enactment of this act (but it shall not constitute wages for purposes of deductions under section 203 of such act for months for which benefits under title II of such act have been certified and paid prior to the enactment of this act).

The VICE PRESIDENT. The Senator from Utah is recognized for 5 minutes.

Mr. GEORGE. Mr. President, will the Senator from Utah yield to me for a half minute?

Mr. WATKINS. I yield.

Mr. GEORGE. Mr. President, I desire to say that the Senate Finance Committee has considered this amendment, and has unanimously approved it. Earlier, in the consideration of the bill—that is, at least after the committee went into executive session—I had conversations with both the distinguished senior Senator and junior Senator from Utah about this matter. Both have been interested in the subject matter. The committee unanimously recommends that the amendment be adopted.

Mr. WATKINS. Mr. President, I ask unanimous consent to have inserted at this point in the RECORD a statement with respect to this amendment.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR WATKINS

This amendment provides retroactive benefits for employees of farmer cooperatives whose status under the existing social-security law is doubtful because of the recent case of Henry R. Azevedo, claimant, social security account No. 545-12-8715. The emendment provides that employees of farmer cooperatives, who together with their employers have contributed to the social-security fund in the past in the belief that they were covered by the law, would be accorded credits to which such payments entitle them, provided no refunds have been paid.

There has been some suggestion that because these amendments accord retroactive coverage benefits they should not be enacted. However, retroactive benefits have been accorded in the past (1946 U. S. C. Cong. Serv. 948). In an amendment, enacted by the Seventy-ninth Congress, veterans of World War II were accorded retroactive coverage benefits for the time served in the armed services. Furthermore, these retroactive benefits were accorded even though no contributions to the fund were made by the veterans or by any employers. It was simply a gratuitous offering on the part of the Government.

If the Azevedo case is carried to its logical conclusion, employers of farmer cooperatives may not receive refunds of taxes paid, except for the last 4 years of the contributing period. Unfortunate as that may be, it is not as unfortunate as the fact that their employees suddenly learn that they have not been in covered employment for many years during which contributions have been made. In other words, the amendment does not request coverage for a class of employees who have made no payments to the social-security fund, as was the case with World War II veterans; the amendment provides only for a correction of an inequity where both employers and employees have made the necessary contributions to obtain such coverage and desire to obtain that coverage.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Utah [Mr. WATKINS].

The amendment was agreed to.

Mr. MYERS. Mr. President, I call up my amendment "I."

The VICE PRESIDENT. The Secretary will state the amendment.

The LEGISLATIVE CLERK. On page 385, it is proposed to strike out lines 3 to 5, inclusive, and insert in lieu thereof the following:

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950.

Mr. MYERS. Mr. President, this amendment corrects a rather peculiar situation which has arisen in Pennsylvania, and, I understand, also in Missouri. I further understand that this amendment had the sanction of the Finance Committee this morning.

Mr. GEORGE. Mr. President, if the Senator will yield to me, I may say that the committee considered this amendment, and the committee has approved it.

Mr. MYERS. Mr. President, if the committee accepts it, I merely ask to have printed in the RECORD at this point a brief statement which I had prepared explaining the amendment.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MYERS

This amendment, Mr. President, has the sanction of the committee majority. It corrects a rather peculiar situation which has arisen in Pennsylvania and, as I understand it, in Missouri.

For 15 years now, Pennsylvania has operated what many regard as the most enlightened program of assistance to the blind that exists anywhere. Since 1938 Pennsylvania has been forced to pay dearly for its liberal program, for, since that time, it has not received a single penny in Federal assistance for its blind pension. The reason, Mr. President, boils down to this:

Under existing law, the Federal Security Agency has felt that it did not have the power to approve funds for any State program which did not conform to the rigid

standards set forth in the law. This provision, which was intended primarily to promote minimum standards among the State programs for the blind, has had the effect of precluding development of State programs more liberal than provided for under existing Federal legislation.

Had Pennsylvania been willing to cut back its program for the blind—knocking out the additional liberal provisions of its own program—Federal funds would have gone to the State. However, the State has chosen, instead, to maintain its program, with the result that it has been forced to pay for it exclusively out of State funds.

The Senate Committee, in reporting H. R. 6000, sought to correct this situation temporarily by permitting the Social Security Administrator to approve Federal grants to Pennsylvania and Missouri for the period of the next 3 years. These funds would be available to the State only for that fraction of the blind population whose incomes met the rigid needs test specified in the Federal law. But, on the other hand, the State would be free to operate out of its own funds its pension program for the other blind persons whose incomes were in excess of the Federal maximum.

All my amendment does, Mr. President, is to make permanent this temporary provision. And this is accomplished by striking from the bill the date of July 1, 1953.

I want to repeat one thought, although I have mentioned it briefly in my preceding remarks. The amendment simply means that Pennsylvania and Missouri will be permitted to continue their present enlightened programs and will only receive such Federal assistance as they would receive were they to cut back to the less liberal standards of the Federal requirement. Insofar as assistance to other blind persons is concerned, that phase of the State program will continue, as it has in the past, to be supported entirely by State funds.

So, Mr. President, I urge that my amendment be adopted.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Pennsylvania [Mr. MYERS].

The amendment was agreed to.

Mr. KILGORE and other Senators addressed the Chair.

The VICE PRESIDENT. The Chair will recognize all Senators when he gets to them, but he can only recognize one at a time. The Senator from West Virginia.

Mr. KILGORE. Mr. President, I desire to call up my amendment F.

The VICE PRESIDENT. Does the Senator want the amendment read in full?

Mr. KILGORE. No.

The amendment offered by Mr. KILGORE is as follows:

On page 290, line 5, change the period to a semicolon and add the following: "and the term 'State-wide retirement system' means a retirement system established by a State which covers any class or classes of its employees and any class or classes of employees of one or more political subdivisions of the State or covers any class or classes of employees of two or more political subdivisions of the State."

On page 290, delete lines 6 through 15 and insert in lieu thereof the following:

"(5) The term 'coverage group' means (A) employees of the State other than those in positions covered by a State-wide retirement system and those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those in positions covered by a State-wide retirement system and those engaged in performing service in connection with a proprietary function; (C) employees of the State and employees of its political subdivisions who are in positions covered by a State-wide retirement system; (D) employees of a State engaged in performing service in connection with a single proprietary function; or (E) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function."

On page 292, delete lines 12 through 17 and insert in lieu thereof the following:

"(d) (1) It is hereby declared to be the policy of the Congress that (A) the total benefit rights and protection afforded individuals employed, at the time of the referendum referred to in paragraph (2) of this subsection, in positions covered under a retirement system in effect on the date the agreement is entered into, or receiving periodic benefits under such retirement system at the time of such referendum, will not be reduced or impaired as a result of such agreement or legislative enactment in anticipation thereof, and (B) the total benefit rights and protection afforded individuals thereafter employed in positions which at the time of such referendum were covered by such retirement system will not be less, as a result of such agreement or legislative enactment in anticipation thereof, than those previously provided under such retirement system.

"(2) No agreement with any State may include services performed in positions covered by a retirement system in effect on the date the agreement is entered into unless the State requests such inclusion and the Governor of the State certifies to the Administrator that the following conditions have been met:

"(A) A written referendum, on the question whether services in positions covered by such retirement system should be excluded from or included under the agreement, was requested in a petition signed by at least one-third of the employees who were in such positions on the date of the petition.

"(B) Such referendum was held by secret ballot within the period prescribed in paragraph (4) of this subsection.

"(C) An opportunity to vote in such referendum was given (and was limited) to the employees who were in such positions at the time the referendum was held.

"(D) Ninety days' notice of such referendum was given to all such employees.

"(E) Such referendum was conducted under the supervision of the Governor, or of an appropriate official of the State or of the retirement system designated by him.

"(F) Not less than three-fourths of the voters, and two-thirds of the individuals eligible to vote, in such referendum voted in favor of including services in such positions under the agreement.

This subsection shall not be construed to require that the Governor of any State initiate or conduct such referendum, nor, if such referendum is conducted and the result is in accordance with the conditions specified in subparagraph (F), that services in positions covered by such retirement system be included in the agreement; and the Governor may, if he deems it appropriate, require a larger majority than that specified in subparagraph (F).

"(3) No modification of an agreement with any State may provide for the inclusion of services performed in positions covered by a retirement system in effect on the date the modification is agreed to unless the State requests such inclusion and the Governor of the State makes a certification which meets the requirements of paragraph (1).

"(4) The period within which a referendum must be held for the purposes of this subsection shall be the period beginning 1 year before the effective date of the agreement and ending on the date such agreement is entered into, except that in the case of a modification of an agreement such period shall begin 1 year before the effective date of the modification and end on the date such modification is agreed to."

Mr. KILGORE. I desire to make a brief explanation of the amendment, in lieu of having it read in full.

The VICE PRESIDENT. The Senator is recognized for 5 minutes.

Mr. KILGORE. Mr. President, my amendment "F" to the Senate committee's version of H. R. 6000 would add to the bill provisions of the House version concerning coverage of State and local government employees who are covered by retirement systems, with the following changes:

First. A declaration of congressional policy is included to indicate that it is not the intent of the Congress that existing retirement systems be impaired.

Second. A referendum concerning coverage could be held only at the written request of one-third of the members of the retirement system, and would have to be conducted and supervised by the governor or by an appropriate official designated by him.

Third. Ninety days' advance notice of the referendum would have to be given.

Fourth. The referendum would have to be by secret ballot.

Fifth. Two-thirds of those eligible to vote, and 75 percent of those actually voting, would have to vote in favor of coverage.

Sixth. Language is included to make it clear that no action at all need be taken to conduct a referendum or to cover retirement systems under the agreement, if the State does not wish to do so.

Mr. President, I have been trying for a number of years to protect State and subordinate group employees. A great number of them are covered by vastly inferior retirement systems at the present time. In most States, under existing Federal law, it is utterly impossible. This would provide a Federal policy which would permit each State to determine what it is going to do, leaving it up to the employees, who, by a two-thirds vote of 75 percent of the entire group, could decide in favor of utilizing the Federal retirement system.

Mr. MAGNUSON. Mr. President, I offer a substitute amendment for the amendment of the Senator from West Virginia. It is my amendment E.

The VICE PRESIDENT. The clerk will state the amendment offered by the Senator from Washington to the amendment of the Senator from West Virginia.

The LEGISLATIVE CLERK. It is proposed, on page 292, line 17, before the period, to insert a comma and the following: "unless such agreement contains such provisions as the Administrator may determine to be appropriate to assure, so far as it is practicable and feasible to do so, that such retirement system will not be abolished or made inapplicable to members of such coverage group or that the benefits provided under such retirement system will not be reduced."

Mr. MAGNUSON. Mr. President, I do not offer this amendment as a substitute for the amendment of the Senator from West Virginia, because I am opposed to his amendment, but I think my amendment is a much better solution of the problem which the Senator from West Virginia and other Senators, including myself, desire to solve.

There are approximately 1,400,000 persons in the United States under municipal and local subdivisions of government having pension systems, and they would not want to come under a Federal pension system if that system would impair their present local system. In many cases, as the Senator from West Virginia has pointed out, the Federal system would be better, but in many other cases it would not be as good. The House bill provides that by a two-thirds vote they may come under the Federal system——

Mr. KILGORE. If 75 percent of them vote in favor of it.

Mr. MAGNUSON. Yes. The Senate version has no provision whatsoever for employees under municipal pension systems coming under the provisions of the bill. My amendment provides that if the Administrator can work out a satisfactory agreement with the local government or the local units of government, employees may be permitted to come under the Federal system. I think that is a sensible way to approach the problem.

I have been in contact with most of the units of municipal and State employees in my State, and they are pretty much in agreement with my amendment. I think it is a good amendment. I hope the Senator from Georgia [Mr. GEORGE] will take it to conference, because the House bill provides for something which is somewhat similar to that which is provided by the amendment offered by the Senator from West Virginia. It gives 2,400,000 employees no greater privileges than are now given to those who have private pension systems in industry.

I hope my amendment will be agreed to and will be taken to conference.

Mr. KILGORE. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. KILGORE. I merely want to say to the Senator that I think we are both driving in the same direction. If the Senator from Washington can say that his amendment will give as complete satisfaction to employees as would the amendment which I have offered, I would have no opposition to it whatever. My amendment would simply put the question up to the employees themselves. The amendment offered by the Senator from Washington would put it up to a State official in charge of the work in the State. Both amendments aim at the same objective. I happen to believe in the democratic way of leaving it to the employees. The Senator from Washington has apparently received word that the other system would be better. In case his amendment is adopted, if he will absolve me from blame with those persons who favor my program, I certainly shall absolve the Senator from blame as to his groups.

Mr. MAGNUSON. Mr. President, I am sure it can be worked out, because the House bill now provides for a two-thirds vote. The persons whom I have contacted who represent municipal employees seem to think that if this flexibility is placed in the hands of the Administrator, where pension systems of municipal and State employees are such that they would like to come under the Federal system, they can work out a satisfactory agreement.

I hope my amendment will be adopted.

Mr. MAGNUSON subsequently said: Mr. President, I ask unanimous consent to have placed in the RECORD following my remarks on my amendment a letter and a telegram pertaining to this subject.

There being no objection, the letter and telegram were ordered to be printed in the RECORD, as follows:

WASHINGTON FEDERATION OF STATE EMPLOYEES,
Olympia, Wash., May 19, 1950.

Hon. WARREN G. MAGNUSON,
Senate Office Building,
Washington, D. C.

DEAR SENATOR MAGNUSON: In previous correspondence with you, you are acquainted with the position of our organization with regard to extension of the survivors' insurance plan of social security to public employees. We were unalterably opposed to the provision in H. R. 2893, passed by the House in the Eightieth Congress, that completely excluded public employees already in an existing local retirement system. Largely through the efforts of our international, the current social security measure as it was passed by the House (H. R. 6000) contained a provision (sec. 218 (d)) which would require a referendum vote among members of an existing retirement system, and a two-thirds favorable vote in such a referendum before such members could be accepted into social security. Our organization highly favored this provision.

However, considerable opposition developed from other States, and from groups that are not truly representative of public employees to this provision, with the result that the Senate Finance Committee eliminated the provision and substituted the same obnoxious provision of total exclusion contained in H. R. 2893. Our international was in session in its biennial convention at Omaha, Nebr., at the time, and called for a public hearing of all State delegations from States that have existing retirement systems. From this hearing came a new proposed amendment, that completely satisfied the entire membership of our international and was adopted unanimously by the convention. Our proposed amendment is: That as a substitute for the House proposal in section 218 (b) and the Senate Finance Committee's provision, that section 218 (b) be amended to read substantially as follows:

"Public employees who now have pension and/or retirement plans shall be excluded except in cases where the governing bodies will agree to supplement such plans with H. R. 6000 benefits with no reduction in the benefits already existing in such pension and/or retirement systems."

This will have to come as a Senate amendment and our organization is very anxious that you not only support such an amendment, but in fact if possible introduce it, which would be the official stand of the largest public employee international union in the American Federation of Labor and the AFL stand on this question. We are supported by the American Federation of Teachers and the International Association of Technical Engineers in this State, both of which unions are vitally concerned with local retirement systems.

For your information, there is probably no State in the Union whose public employees are now more thoroughly covered by existing local retirement plans. The Washington State Employees Retirement System is the seventh largest local retirement system in the Nation. This includes as of this date, all State employees except those covered by other systems such as teachers and State patrol; the employees of 37 out of 39 counties in this State, about half of the operating PUD's, most of the port districts, 80 percent of the noncertificated employees of school districts, and many other political subdivisions—altogether about 24,000 members. Then there is the large teacher's retirement system, the firemen's pension system, the city-wide system with about a dozen municipalities and eight of the larger cities with their own retirement plans.

All of us who have worked through employee unions for these retirement plans realize that the benefits are wholly inadequate, but must be limited by available local tax revenue, so that our only chance of ever securing an adequate retirement program for the public employees of this State will be through an eventual supplementation of our plans with Federal Social Security. Our legislature in 1936 made provision for social security coverage whenever available, so at all times we have looked forward to combining our systems with social security. The amendment placed on H. R. 6000 by the Senate Finance Committee sounds the deathknell to all hopes of ever securing adequate retirement benefits for public employees of this State. Therefore I personally urge you to give this matter your most careful consideration, as I am sure every public employee in this State will be grateful to you. Our proposed amendment so completely protects existing retirement systems that any opposition to this amendment can only come from those who are opposed to any increase in retirement benefits for our public servants.

With kindest personal wishes, I am,
Respectfully yours,

MARK WIENAND,
Chairman of Retirement Committee, Washington Federation of State Employees, also Assistant Executive Secretary, Washington State Employees Retirement System.

SEATTLE, WASH., *June 15, 1950.*

Senator WARREN G. MAGNUSON,
Senate Office Building,
Washington, D. C.:

Re H. R. 6000. We urge you actively oppose Senator KNOWLAND'S amendment. We further urge you continue your fine working support of this bill as passed by the House. We believe provisions for protection against permanent and total disability should be restored. In addition to broadening of coverage and liberalization of benefits we support your efforts to secure enabling amendment for voluntary coverage of State, county, and other public employees. PUD's for example already covered by another retirement system. We also authorize you to state that Senator CAIN does not speak for the Federation and that he did not write us a letter asking our opinion even though we represent the largest group of organized labor in the State of Washington.

E. M. WESTON,
President, Washington State Federation of Labor.

Mr. LEHMAN. Mr. President, it is with great regret that I rise to oppose the amendment offered by my good friend from West Virginia. It is rarely that I find myself on a side different from that supported by the distinguished senior

Senator from West Virginia, especially on social questions.

The VICE PRESIDENT. Under the unanimous-consent agreement, the Chair must recognize the proponent of the amendment and then the chairman of the committee, in opposition. The Chair cannot recognize Senators in their own right in opposition to amendments.

Mr. MAGNUSON. Mr. President, I yield the remainder of my time to the Senator from New York.

The VICE PRESIDENT. The Senator has 1 minute remaining.

Mr. LEHMAN. Mr. President, on this question, however, I have evidence that it is the unanimous desire of the public employees in my State, who are covered by retirement systems, to be excluded from coverage. They are opposed to referendum proposals of any kind for reasons which are sound but too technical to go into in the limited time available to me.

Mr. MAGNUSON. Mr. President, will the Senator yield at that point?

Mr. LEHMAN. I yield.

Mr. MAGNUSON. That is true of most of the municipal employees who have pension systems. But the amendment now before the Senate would not hurt them at all.

Mr. LEHMAN. I shall bring that out.

The VICE PRESIDENT. The time of the Senator has expired.

Mr. GEORGE. I yield a minute to the Senator from New York.

Mr. LEHMAN. If the Senator from West Virginia will offer an amendment to include any specific group of public employees who have indicated their desire to be covered, I will support such an amendment. But to make a general provision directly counter to the wishes of the public employees involved is unnecessary and, in my judgment, unwise. I hope the amendment proposed by the senior Senator from West Virginia will be defeated.

The retirement systems in New York State provide much more generous benefits than those in the Federal old-age and survivors insurance program. The public employees covered by retirement systems in my State are fearful lest their systems be abolished or their benefits diminished in favor of the Federal old-age and survivors insurance program.

I shall support—have supported—any amendment to grant Federal old-age and survivors insurance coverage to employees, even though they are covered by retirement systems, who so desire it. But the amendment offered by the Senator from West Virginia is a blanket amendment. I hope it will be defeated.

Mr. GEORGE. Mr. President, do I have 5 minutes on the amendments which have been offered?

The VICE PRESIDENT. The Senator has 4 minutes left.

Mr. GEORGE. On both amendments?

The VICE PRESIDENT. On the Magnuson amendment.

Mr. GEORGE. Mr. President, I merely want to say that if there is any one question which was presented to the Senate Finance Committee with almost unanimity of view, sentiment, and contention it was this very question. The committee was unanimously of the opinion that State police officers, firemen, and school teachers in the several States and municipalities ought not to be forced under the Federal social-security system. That was the unanimous verdict of the Finance Committee after listening to testimony day after day from persons who had come from all parts of the country, from Maine to California. All they had to say to us was this: "Do not make it possible for pressure groups and bureaus to propagandize us and force us to give up systems which we now wish to keep, and put us under a Federal old-age and survivors insurance system."

Mr. President, I think it would be a great mistake and tragedy if we undertook to take into the Federal system people who are already under retirement systems, who are already on the whole receiving great benefits, and in many instances greater benefits than they would receive under the Social Security Act. I therefore ask that the amendment offered by the Senator from Washington to the amendment of the Senator from West Virginia be defeated, and that the amendment offered by the distinguished Senator from West Virginia be also defeated.

Mr. MAGNUSON. Mr. President, will the Senator yield for a question, if time permits?

Mr. GEORGE. I yield for a question.

Mr. MAGNUSON. I should like to ask the Senator if he understands that the amendment which I have offered in the nature of a substitute would merely allow municipal pension systems and pension systems of subdivisions of local governments to negotiate with the Administrator if they so desire?

Mr. GEORGE. I understand that perfectly, and I say to the Senator that once this amendment is written into law the bureaus in Washington would propagandize every State retirement system in the entire country, and the retirement systems would be helpless to resist the pressure, with the result that the whole of it would be federalized. Literally thousands of teachers have either written, telegraphed, or come here in person. Arresting officers, police officers, and firemen in all States are opposed to it. There is no need to break down a salutary principle of the social-security system by opening the way in this fashion. If a State system or a local system is inadequate those in it may abandon the system. When they have no system they are mandatorily covered. If they wish to give up their system, they may do so.

Mr. MILLIKIN. Mr. President, I merely wish to say that the committee was unanimous in its opposition to this type of amendment. I agree wholeheartedly with everything that the senior Senator from Georgia has stated.

The PRESIDING OFFICER (Mr. HOEY in the chair). The question is on agreeing to the amendment offered by the Senator from Washington [Mr. MAGNUSON] to the amendment offered by the Senator from West Virginia [Mr. KILGORE].

The amendment to the amendment was rejected.

The PRESIDING OFFICER. The question recurs on agreeing to the amendment offered by the Senator from West Virginia.

The amendment was rejected.

Mr. BUTLER. Mr. President, it had been my intention to offer an amendment in the nature of a substitute, on a stopgap basis. However, after conversation which has been held this afternoon with reference to one or two other proposals which are in the planning stage, I am inclined not to offer my amendment, with the understanding, however, that the distinguished leadership of the Committee on Finance will make the plan contemplated by it one of their special studies during the next 2-year period.

Mr. MILLIKIN. Mr. President, I believe the substance of the Senator's proposed amendment will receive close scrutiny by the committee, and for that reason I suggest that he would be making an appropriate decision if he were not to press his amendment.

Mr. BUTLER. With that understanding, Mr. President, I shall not offer my amendment.

Mr. WILEY. Mr. President, I call up my amendment 6–19–50—I.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 292, line 17, before the period, it is proposed to insert a comma and the following: "unless the State or political subdivision by which such retirement system was established had in effect on January 1, 1950, a statute, ordinance, or other legislative act providing for making such retirement system supplementary to the insurance system established by this title."

Mr. WILEY. Mr. President, yesterday, June 19, I offered an amendment for printing under which permission would be given for the integration of the Wisconsin Retirement Fund, with the Federal Social Security System. The text of my statement may be found on page 8796 of the June 19 RECORD.

THIRTY THOUSAND PEOPLE'S WELFARE AT STAKE

I should like to point out very briefly that upon the decision of the Senate in accepting or rejecting this amendment will depend the fate of some 30,000 individuals, their survivors, and dependents. If any of my colleagues has any question about the desirability of this amendment, let me simply ask him this question:

Should one State of the Union which has been farsighted enough to write into its basic law a provision for ultimate integration between the State retirement set-up and the Federal system—should that one State be penalized by having its 30,000 covered individuals denied the right of supplementary Federal coverage?

WHY PENALIZE WISCONSIN FORESIGHT?

Make no mistake about it, gentlemen, if this Wisconsin amendment is defeated, the United States Senate will have put a penalty upon a State for being farsighted. This is contrary to the action

which we have taken in providing that, for example, the employees of the Ford Motor Co. should receive supplementary coverage—their private pensions plus a Federal pension. The employees of the General Motors Co., of Chrysler, and of other major American corporations receive both private pensions and Federal pensions. Why, then, should we deny the Wisconsin retirement fund covering individuals in 76 Wisconsin cities, 15 villages, 37 counties, and 33 other local governments, merely because they happen to have been covered at the time the Federal-State agreement for integration will have been made?

WHAT COMMITTEE PROVIDED

Note that point, gentlemen. What the Senate Finance Committee in effect says in its present version is that the Federal and State Governments can make agreements for integration between their specific retirement systems, provided that the agreement does not include employees covered by a retirement system at the time the agreement is made applicable to the coverage group.

I am reading that from page 6 of a summary prepared by the Senate Finance Committee itself.

Mr. KILGORE. Mr. President, will the Senator yield for a question?

Mr. WILEY. I should like to carry on with my statement.

The PRESIDING OFFICER. The Senator declines to yield.

Mr. WILEY. In other words, what we are asking for is an arrangement for coverage of individuals now covered, rather than simply coverage of individuals who may in the future be covered by a State retirement system and consequently, by the Federal social-security system.

NO OPPOSITION IN WISCONSIN

I have indicated that I have received no single message of opposition from anywhere in Wisconsin to my proposals. No teacher, no policeman, no fireman opposes the integration of the Wisconsin retirement fund, with the Federal social-security system. There is no reason for any such opposition because the teachers, for example, have a completely separate retirement system, wholly separate from the Wisconsin retirement fund.

NO OPPOSITION OUTSIDE WISCONSIN

In the same manner, this integration which I am proposing and which my colleague, the junior Senator [Mr. McCARTHY] is proposing does not adversely affect any teacher, policeman, or fireman in any of the other 47 States of the Union. The Social Security Administration has no objection to it. The organized labor unions have no objection to it. We have received support for this amendment from as far away as the great Empire State of New York. I am glad to acknowledge the gracious approval of the junior Senator [Mr. LEHMAN].

WE MUST NOT PENALIZE FORESIGHT

In summary, Mr. President, I repeat—shall the one State in the Union which has enough foresight to provide for ultimate integration—shall this one State and its 30,000 covered employees be left out in the cold merely because they were wise enough 7 years ago to foresee that the modest State pensions would be wholly inadequate to meet the needs of retired individuals, their survivors and dependents?

Let me point out lastly that two out of three indviduals now covered by the Wisconsin retirement funds and now past the age of 65 still have not retired. Why? Because, as I stated yesterday, these individuals receive so pitifully small a pension that they cannot possibly survive on it. Only by expanded coverage can they hope to make ends meet. I urge my colleagues, accordingly, to approve this amendment in the interest of 30,000 humble employees of my State.

Mr. President, I ask unanimous consent to have inserted in the RECORD at this point questions and answers on my amendment to H. R. 6000, which I have prepared, together with data with respect to typical retirement annuities.

There being no objection, the questions and answers and the data were ordered to be printed in the RECORD, as follows:

QUESTIONS AND ANSWERS ON AMENDMENT TO H. R. 6000 BY SENATOR WILEY

1. Question. Do I understand correctly that this amendment will not in any way affect the individuals under this system in my State who are vigorously objecting to integrating this system with social security?

Answer. Yes; that is entirely correct. I have been informed by a representative of the Commissioner for Social Security that the Wisconsin retirement fund is apparently the only system which could qualify under this amendment. The provision for integrating the Wisconsin retirement fund with social security has been in the Wisconsin law since the system was first established by the 1943 Wisconsin Legislature. There is complete agreement in Wisconsin on this amendment on the part of—

(a) The State legislature.

(b) The city council, county boards, village boards, etc., included under the system.

(c) The employees who will benefit from such integration.

2. Question. Are we to understand, then, that under the Wisconsin law that the existing system will not be abandoned?

Answer. Yes; this Wisconsin law provides for automatically transforming the existing system into a supplementary system, just as has been done in the case of many retirement systems in business and industry.

3. Question. The National Education Association has indicated strenuous objection to integration. How will this amendment affect that situation?

Answer. The Wisconsin Education Association has taken no position on H. R. 6000, and the last issue of their official journal carried articles pro and con on this matter. However, this amendment in no way affects the teachers' retirement system nor does it affect any other retirement system, such as those for policemen, firemen, Milwaukee city and county employees, etc. Instead, it affects only the 30,000 persons under the Wisconsin retirement fund who desire this integration and for which provision has been made ever since the system was just created.

TYPICAL RETIREMENT ANNUITIES UNDER THE WISCONSIN RETIREMENT FUND ONLY AS COMPARED WITH THE COMBINED ANNUITIES IF THE WISCONSIN RETIREMENT FUND IS INTEGRATED WITH SOCIAL SECURITY

(Assume a life income of $2,700 for an individual with a wife his own age)

EXAMPLE I

Assumption: In private employment prior to 1936. Receives credits under Wisconsin Retirement Fund from January 1, 1936:

A. Benefits per month under Wisconsin retirement fund only for retirement Dec. 31, 1955, at age 65	$59.29

The widow would receive no annuity in case of his death.

B. Benefits if the Wisconsin retirement fund is integrated with social security as provided by amendment proposed by Senators WILEY and MCCARTHY:

Annuity from Wisconsin retirement fund	$55.72
Worker's annuity from social security	68.75
Wife's annuity from social security	34.38
Combined income	158.85

Upon death of annuitant, widow would receive $51.56 per month from social security.

EXAMPLE II

Assumption: Credits under Wisconsin retirement fund from January 1, 1921, to retirement on December 31, 1955, at age 65:

A. Benefits under Wisconsin retirement fund only	$112.50

The widow would receive no annuity in case of his death.

B. Benefits if Wisconsin retirement ment fund is integrated with social security:

Annuity from Wisconsin retirement fund	112.50
Worker's annuity from social security	68.75
Wife's annuity from social security	34.38
Combined income	215.63

Upon death of annuitant, widow would receive $51.56 per month from social security.

EXAMPLE III

Assumption: Credits under Wisconsin retirement fund from January 1, 1951, to retirement on December 31, 1985, at age 65:

A. Benefits under Wisconsin retirement fund only	$112.50

The widow would receive no annuity in case of his death.

B. Benefits if Wisconsin retirement fund is integrated with social security:

Annuity from Wisconsin retirement fund	68.49
Worker's annuity from social security	68.75
Wife's annuity from social security	34.38
Combined income	171.62

Upon death of annuitant, widow would receive $51.56 per month from social security.

Mr. WILEY. Mr. President, the State of Wisconsin, by act of its legislature, approved by the Governor, wrote into its

basic retirement law in 1943—and Wisconsin was the only State to do so—that the Wisconsin retirement fund was designed to serve as a supplement to the Federal social-security system whenever the Federal Government decided to broaden coverage to include State and local workers.

Under this statute, 30,000 individuals are now covered by the Wisconsin retirement fund.

However, the Senate Finance Committee version of H. R. 6000 provides that any Federal-State agreement for coverage of State and local workers shall not be allowed to include any group of workers covered by a State or local retirement system at the time the Federal-State agreement is made.

The PRESIDING OFFICER. The time of the Senator from Wisconsin has expired.

Mr. LEHMAN. Mr. President, will the Senator yield?

Mr. WILEY. Just a moment; we are running against time.

Let me summarize. The State of Wisconsin, by the act of its legislature, approved by its governor, wrote into its basic retirement law in 1943—and it was the only State that did so—that the Wisconsin retirement fund was to serve as a supplement to the Federal social-security system whenever the Federal Government decided to broaden coverage to include State and local workers.

The VICE PRESIDENT. The Senator's time has expired.

Mr. GEORGE obtained the floor.

Mr. LEHMAN. Mr. President, will the Senator yield that I may ask unanimous consent to insert a statement in the RECORD.

Mr. GEORGE. I yield.

Mr. LEHMAN. I ask unanimous consent to insert in the RECORD a brief statement in support of the amendment.

The PRESIDING OFFICER. Is there objection?

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR LEHMAN

I support the amendment proposed by my colleague from Wisconsin. I have joined with him in sponsoring this amendment despite the fact that this amendment concerns only a group of employees in the State of Wisconsin.

I support this amendment because of my belief that all those who wish to be covered should certainly be covered.

I supported and advocated and continue to advocate the provision in the Senate committee bill excluding public employees already covered by retirement systems, because the employees involved indicated an almost unanimous desire to be so excluded. It is certainly true of policemen, firemen, teachers, and others in my State and in other States of the Union. I would oppose any amendment restoring coverage to these people, since they believe it would threaten their retirement systems.

However, if there is any group, like that in Wisconsin, which desires to be covered by Federal social security, I would support the proposal to grant coverage to that group. I hope the pending amendment is adopted.

Mr. KILGORE. Mr. President, will the Senator from Georgia yield that I may ask a question of the Senator from Wisconsin, which he has so far refused to answer?

Mr. GEORGE. The Senator from Wisconsin?

Mr. KILGORE. I merely wish to ask the Senator from Wisconsin a question in the time of the Senator from Georgia.

Mr. GEORGE. I have but little time; but I yield.

Mr. KILGORE. Will the Senator from Wisconsin please explain, but not too fast, as he has been talking in the past, racing against time, as it were, whether the Senator from Wisconsin desires to add the retirement pay to the total amount paid by the Federal Government, whether it is augmentation or integration the Senator is seeking?

Mr. WILEY. If the Senator from Georgia will yield, I placed the figures in the RECORD, and I do not have them at hand at present.

Seven years ago the State of Wisconsin passed its law, having in mind that eventually under the Federal system we would have the right to integrate the two systems. The bill as it is before the Senate now fails to cover existing State retirement systems. It is therefore unfair to those people under Wisconsin law, which showed foresight and vision.

The States which make agreements in the future can come into it. We ask that the law be made retroactive, so that this group of 30,000 citizens, will not be prejudiced.

Mr. KILGORE. Mr. President, will the Senator from Georgia yield further?

Mr. GEORGE. I cannot yield. I have but 2 minutes left in which to make a statement.

The Wisconsin case is no different from any other case, except that prior to the consideration of the pending bill the State of Wisconsin had taken some legislative action. But if we are to permit the States now to integrate their retirement systems with the Federal system, and all the States do that, the burden will be thrown onto the Federal Government. Do Senators want to do that? Are not the American States in better shape than the Federal Government to carry this burden? The majority of those under retirement systems in all the States are satisfied, and do not want to have their systems brought under the control of a bureau in Washington.

Mr. KILGORE. Will the Senator yield?

Mr. GEORGE. I have not any time left, so far as I know. I hope the Senate will reject the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Wisconsin [Mr. WILEY].

The amendment was rejected.

Mr. MYERS. Mr. President, I call up my amendment B.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 267, line 3, after the word "be", it is proposed to insert "the sum of the following: (A)."

On page 267, line 5, to strike out the period and insert in lieu thereof a comma and the following:

(B) an amount equal to 1 percent of the amount computed under clause (A) multiplied by the number of years prior to 1951 in which $200 or more of wages were paid to such individual, and (C) an amount equal to one-half of 1 percent of the amount computed under clause (A) multiplied by the number of years after 1950 in which the sum of the wages paid to and the self-employment income derived by such individual was $200 or more.

On page 273, beginning with line 10, to strike out all down to and including line 13 and insert in lieu thereof the following:

(C) With respect to calendar years after 1950, the 1 percent addition provided for in section 209 (e) (2) of this act as in effect prior to the enactment of this section shall be one-half of 1 percent and shall be made with respect to any such year in which the sum of the wages paid to and the self-employment income derived by the individual was $200 or more.

Mr. MYERS. Mr. President, this is the amendment known as the increment amendment. I offered it on behalf of myself and 12 other Senators. The junior Senator from Illinois [Mr. DOUGLAS] also sponsored the amendment, and I therefore yield to him at this time.

Mr. DOUGLAS. Mr. President, I hope it will not seem ungracious if we offer this amendment. For, before I speak on it, I wish to say that we all are very much indebted to the Committee on Finance for the hard work they have done and for the bill they have brought in. In general, it is a very excellent bill, but we do believe that it can be improved, particularly in the matter of the so-called increment, for length of contributions.

The present law provides that benefits shall be increased by 1 percent for each year of contributions and coverage. The bill which the House passed reduced that to one-half of 1 percent. The draft of the Senate committee completely abolishes this increment.

The proposal of the distinguished senior Senator from Pennsylvania is that for the years which have elapsed up through 1950 the present provision shall apply, namely, a 1-percent addition for each year of coverage, thus continuing the present law up to this date, but that for the years after 1950 the House provision, of an increment of one-half of 1 percent for each year of coverage, shall apply.

Mr. President, the bill reported by the committee virtually abolishes any connection between the total amounts contributed by the insured persons and the total benefits paid to those insured persons. All connection between those two is virtually eliminated.

Let me give an illustration. Suppose there are two insured persons, one A, the other B. A has contributed or will contribute for 40 years at an average wage of $200 a month, while B acquires eligibility in six quarters, at the same average of $200 a month.

Their average wage during the period of coverage is indeed the same. But one

is a young man who pays contributions for 40 years while the second is a man 63 years old who gets in under the system in six quarters and pays contributions for only that time.

The first man over the course of his working life will have paid contributions on total wages of $96,000—that is, $2,400 times 40—at an average rate, let us say, of 2 percent. He will himself have paid $1,920 in contributions, and his employer will have added an equal amount. The total cash contributions for that man over his insured life will have been $3,840.

The total contributions for B in six quarters, at average wage of $200 a month, will have been only $72, and with the $72 of contributions his employer will make, a combined total of only $144. This is only one-twenty-seventh of the contributions the 40-year man will have made and had made for him. Yet the two men under the committee proposal would receive absolutely the same monthly benefit, namely, $65 a month.

Mr. President, a system of social security of necessity should introduce considerations of need which a private system of insurance cannot, but it should not be entirely based on need. We should make some provision so that those contributing for a longer period of time and contributing more shall receive a higher benefit. Otherwise we are throwing over completely the principle of insurance, and making the basis purely need and purely assistance.

Mr. President, I hope that the Myers amendment may be agreed to.

Mr. MYERS. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am glad to yield to the Senator from Pennsylvania.

Mr. MYERS. I understand that the increment feature which has been in the law ever since the inception of the program, of 1 percent, has been reduced on the House side to one-half of 1 percent.

Mr. DOUGLAS. That is correct.

Mr. MYERS. And the Senate committee repealed the increment feature entirely.

Mr. DOUGLAS. That is correct.

Mr. MYERS. And, in effect, it is a retroactive action on the part of the committee.

Mr. DOUGLAS. That is correct, and the Myers amendment retains the 1 percent for the years up through 1950, but continues it subsequently to 1950 at one-half of 1 percent.

Mr. GEORGE. Mr. President, it is a question of having one's cake and eating it, too. If we are going to break down the whole social-security system by loading upon it a burden which it cannot support, we will have lost it all.

What is the situation? The Senate Committee on Finance changed the benefit formula by taking 50 percent of the first $100 and 15 percent of all over and above that. What does that mean? It means that with respect to all pensions and benefit payments hereafter, under the old-age and survivors insurance title of the law, those who qualify will receive $80 a month. Under the House bill, with the increment provision included, an individual will receive less by about $18 per month.

We have been generous in this matter. It is true that because we are giving a new start so as to enable old people to come into this system by working a comparatively few quarters, and qualifying for benefits, that is held up as an argument why this increment should be continued in the act. We are doing more than the House bill does. We did more than the House bill did for the next few years, even on the wage base of $3,000, as against $3,600 in the House bill. The House will never take the benefit formula we are trying to give to the old people and also add this increment provision. They were trying to bring their benefit payments up to some reasonable level. We will not obtain both. You can have your increment if you want it, because there are people who are demanding it, but you can give the aged people real benefits by holding to the benefit formula which we have inserted in the bill. As a practical matter you will not obtain both. You cannot expect to obtain both. Here is a provision for $80 per month for all persons who become fully insured, whether they come in under the new start program or they start from an early age in life under this system. It is an adequate provision.

Moreover, Mr. President, this one single amendment will add 1 percent to the total payroll tax of the country; in other words, more than $1,000,000,000 a year added to the cost and weight of the system. Do not break it down. Whatever may be the fine motive and purpose of my distinguished friend from Illinois and my distinguished friend from Pennsylvania—and I do not question the motive and purpose of either Senator—I appeal to them and say, do not break the system down. It is worth more to the people of the United States than the little increment provision. I hope the Senate will reject the amendment.

Mr. DOUGLAS. Mr. President, do we have any more time left on our side?

The PRESIDING OFFICER. The proponents have 1 minute left.

Mr. DOUGLAS. Mr. President, the Senate committee did precisely what the Senator from Georgia said, namely, it diminished the amount the long-time contributors would receive and increased the benefits of short-time contributors. And it is true that the amendment would cost about nine-tenths of 1 percent.

The Senator from Georgia, however, ignores the fact that we have already increased the wage base to $3,600, which will save one-sixth of 1 percent, and that furthermore, money wages in the past have increased at the rate of 2 percent a year, whereas the actuarial basis followed by the committee in estimating receipts under this provision is a constant base of $2,400.

We may expect on the basis of the past a further 2 percent a year in covered earnings and in contributions per worker. This will increase the revenue by more than the added costs so that in all probability this extra cost of the increment can be financed out of these other savings.

Thus in the century between 1822 and 1922, average wages increased from about $6 a week to about $26, or over four times. In the 28 years since then, money wages have nearly doubled again. Interestingly enough the increase in real wages over long periods of time such as a half century tends to be equal to the increase in real wages.

On the whole, therefore, it would seem that we may expect a further doubling in money wages over the next 30 years or an increase of 2 percent per year compounded. If this happens, then since the benefits on the upper increments of income are less than on the lower and are less than the contribution paid on them, we may expect a further saving. The $200 a month or $2,400 a year man under the Senate formula gets $35 a month and the $300 a month man gets $80. In other words, increasing incomes and contributions by 50 percent only increases benefits by 23 percent.

It is quite possible, therefore, that the addition of the increment factor proposed in the Myers amendment will not cost any more money. If it should, however, we are willing to have the joint contributions increased, but do not see how this would be more than by one-fourth of a percent on each party. In view of these estimates of increasing receipts, therefore, I hope the Senate will adopt the Myers increment amendment.

Mr. GEORGE. Have I any time remaining, Mr. President?

The PRESIDING OFFICER. Yes; 2 minutes.

Mr. GEORGE. I think it is best to call an economist also as a witness, since an economist appears on the other side. I call none other than Dr. Slichter, of Harvard, one of the most eminent economists of the country. When this very question was before the Senate Finance Committee, in answer to a question from me—

Would you care to comment on that now? If so, we would be glad to hear you—

He made the following reply:

Dr. SLICHTER. see no reason why I should not. The view in the Council was that it would be preferable to pay more adequate pensions now rather than to get up to some standard of adequacy 20 or 30 years from now by the method of an increment. If you put an increment into the formula and you say this formula, including the increment, will give an adequate pension, you are really saying—are you not?—that adequate pensions according to your standards, whatever the standard may be, will not be attained until 30 or 40 years from now, until the average person drawing a pension has had the benefit of the increment over a lifetime of employment in industry? If we assume that a lifetime of employment in industry is in the neighborhood of 40 years, that would mean that adequate pensions by whatever standard you accept will not be attained until 40 years hence.

So, Mr. President, we think we are on sound ground, and we ask for rejection of the amendment.

The PRESIDING OFFICER. The question is on the amendment lettered "B" offered by the Senator from Pennsylvania [Mr. MYERS] for himself and other Senators, on page 267, line 3.

Mr. DOUGLAS. Mr. President, I ask for the yeas and nays.

The yeas and nays were not ordered.

The amendment was rejected.

Mr. IVES. Mr. President, I send to the desk an amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 374, between lines 3 and 4, it is proposed to insert the following:

INCOME-TAX EXEMPTION WITH RESPECT TO $3,000 OF GOVERNMENTAL PENSIONS, RETIRED PAY, OR ANNUITIES

SEC. 210. (a) Section 22 (b) (2) of the Internal Revenue Code (relating to annuities, and so forth) is amended by inserting at the end thereof a new subparagraph to read as follows:

"(C) Pensions, retired or retirement pay and annuities.—In the case of amounts received from the United Staes, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, as a pension, retired or retirement pay, or as a retirement annuity, so much of such pension, pay, or annuity received during the taxable year as does not exceed $3,000 shall be excluded from gross income. For the purposes of this subparagraph the term 'State' includes a Territory, a possession of the United States, and the District of Columbia. For the purposes of the second sentence of subparagraph (A) of this paragraph the amounts received as an annuity which are excluded from gross income under this subparagraph shall not be considered in computing the amount 'received as an annuity', or the 'amount received in the taxable year', or the 'aggregate amount excluded from gross income under this chapter'. Nothing in this subparagraph shall be deemed to require the inclusion in gross income of any amounts received during the taxable year which are excludable from gross income under other provisions of law."

(b) The amendment made by this section shall be applicable only with respect to taxable years beginning after December 31, 1950.

Mr. GEORGE. Mr. President, while I dislike to do so, I must raise a point of order against the amendment. The point of order is that it is not germane to the social-security bill.

Mr. IVES. Mr. President, will the Senator withhold his point of order for a moment?

Mr. GEORGE. I withhold it for the moment.

Mr. IVES. In that connection, the Senator from New York would like to point out that the amendment is an amendment to the committee amendment of section 1631 of the Internal Revenue Code, as indicated on page 372 of the bill. Otherwise the Senator from New York would not have offered it.

Mr. GEORGE. The language to which the Senator refers does not deal at all with old-age and survivors insurance nor with the Social Security Act. The amendment is not germane to the bill. When the unanimous-consent agreement was entered into it was agreed that no amendment not germane to the bill would be pressed.

Mr. IVES. Mr. President, I recognize that the question of germaneness exists, but I still think it is debatable. The Senator from New York would still point out that this is an amendment to the Internal Revenue Code, which is mentioned in the bill. Although it is not applicable perhaps to social security, it is applicable generally to pensions, with which social security itself deals.

The PRESIDING OFFICER. Under the unanimous-consent agreement——

Mr. IVES. Mr. President, will the Chair rule on the point of order?

The PRESIDING OFFICER. The Chair was about to rule.

Under the unanimous-consent agreement, that amendments not germane shall not be considered, a point of order can be raised against such amendments. When such a point of order is raised, it is submitted to the Senate to decide whether the amendment is germane. That is done without debate. If the Senator wishes the question whether his amendment is germane to be submitted to the Senate, he may have it submitted.

Mr. IVES. Mr. President, in view of the fact that the Senator from New York feels that the amendment is a rather important one, and in view of the fact also that the Senator from New York feels that the amendment is germane to the over-all subject, the Senator from New York would like to have the question submitted.

The PRESIDING OFFICER. The question submitted to the Senate is, Is the amendment offered by the Senator from New York germane? [Putting the question.] The "noes" have it, and the amendment is held not to be germane.

Mr. IVES. Mr. President, I ask unanimous consent to have incorporated in the body of the RECORD at this point a statement I have prepared in support of the amendment which was just now declared to be not germane.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR IVES ON INCOME TAX EXEMPTION FOR RETIREMENT PENSIONS, UP TO $2,000 PER ANNUM, RECEIVED UNDER FEDERAL, STATE, OR MUNICIPAL GOVERNMENT SYSTEMS

The purpose of this amendment is to grant an income tax exemption for retirement pensions—up to $2,000 per annum—received by members of Federal, State, or municipal pension systems.

At the present time, a similar privilege of tax-exclusion has been widely extended. Statutory exemptions exclude both benefits paid under the Railroad Retirement Act and the pay of Armed Forces officers retired for medical reasons. Further, a Treasury ruling makes benefits paid under old-age and survivors insurance nontaxable income. The proposed amendment would remedy this existing inequity which exempts these benefits while pensions paid under Government retirement plans are included as taxable income. Such obviously unfair treatment should not be permitted to continue.

Data submitted to me by the Civil Service Employee's Association of New York State and the New York City Employee's Retirement System show clearly the hapless position of many Government pension recipients. It is this small fixed-income group that has suffered most severely from the inflationary squeeze. As prices have risen, their meager fixed incomes have been able to purchase fewer and fewer of the necessities of daily living. Their plight must not remain ignored.

This amendment would both remedy an existing unfairness and help a group which has been particularly hard-hit by recent price rises. An estimate made by the staff of the Joint Committee on Internal Revenue Taxation indicates that—were the tax exemption to be complete, and not limited to income below $2,000—the total revenue loss to the Federal Government would be approximately $7,750,000. This comparatively small loss in revenue is more than offset by the remedial effect of the proposal on a presently inequitable situation. The larger benefits to be achieved should not be precluded by such small cost.

Mr. SCHOEPPEL. Mr. President, I call up the amendment which I sent to the desk earlier in the day and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 261, in line 21, after the word "director", it is proposed to insert: "or other accountant registered or licensed as an accountant under States or municipal law."

On page 360, in line 12, after the word "director", it is proposed to insert "or other accountant registered or licensed as an accountant under State or municipal law."

Mr. GEORGE. Mr. President, let me say that the Finance Committee was canvassed on this amendment this morning, and considered it, and decided that the amendment is a meritorious one; and we make the recommendation that it be accepted.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kansas [Mr. SCHOEPPEL].

The amendment was agreed to.

Mr. CAIN. Mr. President, I call up Senate Joint Resolution 187, which I introduced yesterday; and I now offer it as an amendment, at the proper place, to the committee amendment.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. At the proper place in the bill, it is proposed to insert the following:

That service or employment of any person to assist the Senate Committee on Finance, or its duly authorized subcommittee, in the investigation ordered by S. Res. 300, agreed to June 20, 1950, shall not be considered as service or employment bringing such person within the provisions of section 281, 283, or 284 of title 18 of the United States Code, or any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation with any claim, proceeding, or matter involving the United States.

Mr. GEORGE. Mr. President, let me say to the distinguished Senator from Washington that the committee is willing to accept the amendment and take it to conference. Of course, there is no similar provision in the House version of the bill.

Mr. CAIN. I understand.

Mr. GEORGE. But inasmuch as the amendment would probably result in direct aid and assistance to the committee which we have already voted to establish, the House probably would not object. At any rate we would be glad to take it to conference, if that is agreeable.

Mr. CAIN. Let me say that the only purpose in offering the amendment is to be of some constructive help to the committee in the performance of its work

under Senate Resolution 300, which was agreed to by the Senate this afternoon.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Washington.

The amendment was agreed to.

Mr. MYERS. Mr. President, I call up my amendment D, submitted on June 16. It is the so-called total and permanent disability amendment.

The PRESIDING OFFICER. The amendment is a very long one. Does the Senator from Pennsylvania desire to have it read in full?

Mr. MYERS. No, Mr. President. I ask that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, that will be done.

The amendment submitted by Mr. MYERS, for himself, Mr. GREEN, Mr. HUMPHREY, Mr. KILGORE, Mr. LEHMAN, Mr. MURRAY, Mr. MORSE, Mr. NEELY, Mr. PEPPER, and Mr. THOMAS of Utah, is as follows:

On page 209, line 14, after the word "benefits" and before the comma insert "or was entitled to disability insurance benefits for the month preceding the month in which he attained retirement age."

On page 254, line 19, strike out "219" and insert in lieu thereof "221."

On page 255, lines 1 and 9, strike out "219" and insert in lieu thereof "221."

On page 259, line 8, strike out "219" and insert in lieu thereof "221."

On page 260, lines 12 and 19, strike out "219" and insert in lieu thereof "221."

On page 263, between lines 23 and 24, insert the following:

"(ii) no quarter any part of which is included in a period of disability (as defined in section 219 (i)), other than the initial or last quarter, shall be a quarter of coverage."

On page 263, line 24, strike out "(ii)" and insert in lieu there of "(iii)."

On page 264, line 1, strike out "clause (i)" and insert in lieu thereof "clauses (i) and (ii)."

On page 264, line 3, strike out "(iii)" and insert in lieu thereof "(iv)."

On page 264, line 7, after "shall", insert "(subject to clause (ii))."

On page 264, line 8, strike out "(iv)" and insert in lieu thereof "(v)."

On page 266, line 7, strike out "or."

On page 266, strike out line 8, and insert in lieu thereof:

"(B) twenty quarters of coverage within the 40-quarter period ending with the quarter in which he attained retirement age or with any subsequent calendar quarter or ending with the quarter in which he died; or

"(C) forty quarters of coverage;

not counting as an elapsed quarter for purposes of subparagraph (A), and not counting as part of the 40-quarter period referred to in subparagraph (B), any quarter any part of which is included in a period of disability (as defined in sec. 219 (i)) unless such quarter is a quarter of coverage."

On page 266, line 10, strike out "or (2) (A)" and insert in lieu thereof "or in clause (A) or (B) of paragraph (2)."

On page 266, between lines 11 and 12, insert the following:

"(4) If an individual upon attainment of retirement age is not, under paragraph (2), a fully insured individual but (were it not for his attainment of retirement age) would have been entitled to a disability insurance benefit for the month in which he attained retirement age or for any subsequent month, he shall be a fully insured individual beginning with the first month for which he would have been so entitled to disability insurance benefits. For the purpose of determining whether an individual would have been so entitled to disability insurance benefits, his application for old-age insurance benefits shall be considered as an application for disability insurance benefits."

On page 266, line 19, strike out the period and insert in lieu thereof ", excluding from such 13-quarter period any quarter any part of which is included in a period of disability unless such quarter is a quarter of coverage."

On page 268, line 11, strike out the period and insert "and any month in any quarter any part of which is included in a period of disability (as defined in sec. 219 (i)) unless such quarter is a quarter of coverage, and excluding from such total of wages and self-employment income any wages paid in or self-employment income credited to any quarter any part of which is included in a period of disability unless such quarter is a quarter of coverage."

On page 268, line 17, after the words "shall be" insert the words "(i) for the purposes of benefits under section 202."

On page 268, line 20, strike out the period and insert ", and (ii) for purposes of disability insurance benefits (under sec. 219) shall be the first day of the quarter in which his disability determination date occurred."

On page 268, line 23, after the word "under", insert "clause (i) of."

On page 268, line 24, after the words "closing date", insert "for the purposes of benefits under section 202."

On page 269, line 7, after "(B)" insert "for the purposes of benefits under section 202."

On page 269, line 16, strike out the period and insert in lieu thereof "or, if the computation is being made for an individual who is entitled to disability insurance benefits with respect to a disability, in or after the month in which occurs his disability determination date for such disability."

On page 273, line 7, after the word "benefits", insert "or his disability determination date."

On page 273, between lines 15 and 16, insert the following:

"(E) For the purposes of this paragraph the term 'primary insurance benefit' includes disability insurance benefit."

On page 297, between lines 5 and 6, insert the following:

"DISABILITY INSURANCE BENEFITS

"SEC. 107. Title II of the Social Security Act is amended by adding after section 218 (added by section 106 of this act) the following:

"'PERMANENT AND TOTAL DISABILITY INSURANCE BENEFITS

"'*Conditions of entitlement*

"'SEC. 219. (a) (1) Every permanently and totally disabled individual (as defined in subsection (h)) who—

"'(A) has not attained retirement age;

"'(B) has filed application for disability insurance benefits;

"'(C) is insured for disability insurance benefits; and

"'(D) has been under a disability throughout his waiting period, shall be entitled to a disability insurance benefit for each month, beginning with the first month after his waiting period in which he becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: he ceases to be a permanently and totally disabled individual, dies, or attains retirement age. Such individual's disability insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.

"'(2) The term "waiting period" means, with respect to the disability of any individual, the period beginning with the calendar month in which occurred his disability determination date (as determined under subsection (c)) and ending at the expiration of the sixth calendar month following such month.

"'(3) An individual who would have been entitled to a disability insurance benefit for any month had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the sixth month succeeding such month; except that the provisions of this paragraph shall not apply for purposes of determining a period of disability (as defined in subsection (i)), or when a disability determination date occurred.

"'(4) No application for disability insurance benefits filed prior to 7 months before the first month for which the applicant becomes entitled to receive such benefits shall be accepted as an application for purposes of this section.

"'*Determination of insured status*

"'(b) An individual is insured for purposes of disability insurance benefits if he had not less than—

"'(1) six quarters of coverage (as determined under section 213 (a) (2)) during the thirteen-quarter period which ends with the quarter in which his disability determination date occurred; and

"'(2) twenty quarters of coverage during the forty-quarter period which ends with the quarter in which his disability determination date occurred.

In case such individual was previously entitled to disability insurance benefits, there shall be excluded from the count of the quarters in each period specified in paragraphs (1) and (2) any quarter any part of which was included in a period of disability unless such quarter is a quarter of coverage.

"'*Disability determination date*

"'(c) An individual's disability determination date shall be whichever of the following days is the latest:

"'(1) The day the disability began;

"'(2) June 30, 1951;

"'(3) The first day of the thirteenth month prior to the month in which he filed such application; or

"'(4) The first day of the first quarter in which he would be insured for disability insurance benefits with respect to such disability if he had filed application therefor in such quarter.

"'*Determination of disability*

"'(d) The Administrator shall make adequate provision for determination of disability and redeterminations thereof at necessary intervals; he shall provide for such examination of individuals as is necessary for purposes of determining or redetermining disability and entitlement to benefits by reason thereof. An individual shall not be deemed a permanently and totally disabled individual unless he furnishes such proof of his disability as may be required by regulation; and unless the evidence in the case affirmatively establishes his disability. Reexaminations for redetermining the disability of an individual shall be made at periodic intervals except that the Administrator may dispense with such reexaminations of an individual after he has been entitled to disability benefits for 2 years upon finding that such examinations serve no further purpose. Official medical examinations may be performed in existing medical facilities of the Federal Government if services are readily available, and by impartial private physicians, clinics, hospitals, or other medical facilities designated for conducting such examinations. In the case of any individual submitting to an examination to determine his disability there may be paid (1) the necessary travel expenses (including subsistence expenses incidental thereto), either on a flat rate or a commuted basis, of such individual in connection with such examination, and (2) if the examination is made by an in-

dividual who is not an employee of the United States, there may be paid, either directly or through appropriate Federal or State departments, agencies, or commissions, the necessary fees, costs of tests, and necessary travel expenses, either on a flat rate or a commuted basis, for such examination. There is hereby authorized to be appropriated for each fiscal year from the Trust Fund such amount as may be necessary for the purpose of this subsection.

"'*Reduction of benefit*

"'(e) (1) Where a benefit is payable to any individual under this section and a workmen's compensation benefit or benefits have been or are paid to such individual on account of the same disability for the same month, such individual's benefit under this section for such month shall, prior to any deductions under section 220, be reduced by one-half, or by an amount equal to one-half of such workmen's compensation benefit or benefits, whichever is the smaller.

"'(2) In case the benefit of any individual under this section is not reduced as provided in paragraph (1) because such benefit is paid prior to the payment of the workmen's compensation benefit, the reduction shall be made by deductions, at such time or times and in such amounts as the Administrator may determine, from any other payments under this title payable on the basis of the wages and self-employment income of such individual.

"'(3) If the workmen's compensation benefit is payable on other than a monthly basis (excluding a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments), reduction of the benefits under this subsection shall be made in such amounts as the Administrator finds will approximate, as nearly as practicable, the reduction prescribed in paragraph (1).

"'(4) In order to assure that the purposes of this subsection will be carried out, the Administrator may, as a condition to certification for payment of any disability insurance benefit payable to an individual under this section (if it appears to him that there is a likelihood that such individual may be eligible for a workmen's compensation benefit which would give rise to a reduction under this subsection), require adequate assurance of reimbursement to the trust fund in case workmen's compensation benefits, with respect to which such a reduction should be made, become payable to such individual and such reduction is not made.

"'(5) For purposes of this subsection, the term "workmen's compensation benefit" means a cash benefit, allowance, or compensation payable under any workmen's compensation law or plan of the United States or of any State.

"'*Termination of entitlement to benefits by Administrator*

"'(f) In any case in which an individual has refused to submit himself for examination or reexamination in accordance with regulations of the Administrator, or has without good cause refused to take all steps necessary to obtain and to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act (29 U. S. C., ch. 4) after being directed by the Administrator to do so, the Administrator may find, solely because of such refusal, that such individual is not a permanently and totally disabled individual or that his disability (previously determined to exist) has ceased. The Administrator may find that an individual is not a permanently and totally disabled individual or that his disability (previously determined to exist) has ceased, if such individual is outside the United States and the Administrator finds that adequate arrangements have not been made for determining or redetermining such individual's disability.

"'*Cooperation with agencies and groups*

"'(g) The Administrator is authorized to secure the cooperation of appropriate agencies of the United States, of States, or of the political subdivisions of States and the cooperation of private medical, dental, hospital, nursing, health, educational, social, and welfare groups or organizations, and where necessary to enter into voluntary working agreements with any of such public or private agencies, organizations, or groups in order that their advice and services may be utilized in the efficient administration of this section.

"'*Definitions of "disability" and "permanently and totally disabled individual"*

"'(h) For the purposes of this title—

"'(1) the term "disability" means (A) inability to engage in any substantially gainful activity by reason of any medically demonstrable physical or mental impairment which is permanent, or (B) blindness; and the term "permanently and totally disabled individual" means an individual who has such a disability; and

"'(2) the term "blindness" means central visual acuity of 5/200 or less in the better eye with correcting lenses. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purposes of this paragraph as having a central visual acuity of 5/200 or less.

"'*Definition of "period of disability"*

"'(i) As used in this title the term "period of disability" means, with respect to any individual, a period of one or more consecutive calendar months for each of which such individual was entitled to a disability insurance benefit and the six calendar months, preceding the first month of such period of one or more consecutive calendar months, except that if such individual ceases to be entitled to disability insurance benefits with respect to a disability because he dies or attains retirement age, the month in which such individual died or attained such age, as the case may be, shall also be included in the period of disability with respect to such disability.

"'*Rehabilitation*

"'(j) There is hereby authorized to be appropriated for each fiscal year from the trust fund such amount as may be necessary to provide rehabilitation services for the rehabilitation of disabled individuals who are entitled to disability insurance benefits or serving a waiting period for such benefits, where it appears that such services may aid in enabling such disabled individuals to return to gainful work. Insofar as practicable, such services shall be provided through utilization of the services and facilities of State agencies (or corresponding agencies in the case of Territories or possessions) cooperating with the Federal Government in carrying out the purposes of the Vocational Rehabilitation Act, as amended (29 U. S. C., ch. 4). Agencies providing such services shall be reimbursed for the cost thereof.

"'DEDUCTIONS FROM DISABILITY INSURANCE BENEFITS

"'*Events for which deductions are made*

"'SEC. 220. (a) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit under section 219 for any month—

"'(1) in which such individual rendered services as an employee (whether or not such services constitute employment as defined in section 210) for remuneration of more than $50; or

"'(2) for which such individual is charged, pursuant to the provisions of subsection (c) of this section, with net earnings from self-employment (as determined pursuant to subsection (d)) of more than $50; or

"'(3) in which such individual fails to submit himself for examination in accordance with regulations of the Administrator; or

"'(4) in which such individual refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act after direction by the Administrator to do so; or

"'(5) in which such individual is outside the United States if the Administrator finds that adequate arrangements have not been made for determining or redetermining the existence of the disability of such individual. The Administrator may, if in his judgment it will aid in the process of rehabilitation of any individual, suspend or modify the application of paragraphs (1) and (2) of this subsection for any month during which such individual is receiving rehabilitation services under a State plan approved under the Vocational Rehabilitation Act; except that the Administrator may not so suspend or modify the application of such paragraphs for any month after the eleventh month following the first month for which such suspension or modification was applicable.

"'*Occurrence of more than one event*

"'(b) If more than one event occurs in any 1 month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

"'*Months to which net earnings from self-employment are charged*

"'(c) For the purposes of subsection (a) (2) of this section—

"'(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $50 times the number of months in such year, no month in such year shall be charged with more than $50 of net earnings from self-employment.

"'(2) If an individual's net earnings from self-employment for his taxable year are more than the product of $50 times the number of months in such year, each month of such year shall be charged with $50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $50 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (a) occurred, or (C) in which such individual did not engage in self-employment.

"'(3) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), and (C) thereof.

"'(4) For the purposes of clause (C) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business

the net income or loss of which is includible for the purposes of this subsection in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

"'*Special rule for computation of net earnings from self-employment*

"'(d) For the purposes of this section, an individual's net earnings from self-employment for any taxable year shall be computed as provided in section 211 with the following adjustments:

"'(1) Such computation shall be made without regard to the provisions of subsections (a) (2), (c) (1), (c) (4), and (c) (5) of section 211; and

"'(2) Such computation shall be made without regard to the provisions of sections 116, 212, 213, 251, and 252 of the Internal Revenue Code.

"'*Penalty for failure to report certain events*

"'(e) Any individual in receipt (on behalf of himself or another individual) of benefits subject to deduction under subsection (a) because of the occurrence of an event specified therein (other than an event described in paragraph (2) thereof) shall report such occurrence to the Administrator prior to the receipt and acceptance of a disability insurance benefit for the second month following the month in which such event occurred. If such individual knowingly fails to report any such occurrence, an additional deduction equal to that imposed under such subsection shall be imposed, except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to 1 month's benefit even though the failure to report is with respect to more than 1 month.

"'*Report to Administrator of net earnings from self-employment*

"'(f) (1) If an individual is entitled to any disability insurance benefit during any taxable year in which he has net earnings from self-employment in excess of $50 times the number of months in such year, such individual (or the individual in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. If the individual fails within the time prescribed above to make such report of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (a) (2) of this section by reason of such net earnings—

"'(A) such individual shall suffer one additional deduction in an amount equal to his benefit for the last month in such taxable year for which he was entitled to a disability insurance benefit; and

"'(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted disability insurance benefits and for which deductions are imposed under subsection (a) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by this paragraph and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"'(2) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to disability insurance benefits for any taxable year will suffer deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of such benefits payable to him; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (a). The Administrator is authorized, before the close of the taxable year of any individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year.'"

On page 297, line 7, strike out "107" and insert in lieu thereof "108."

On page 297, line 8, strike out "218" and "106" and insert in lieu thereof "220" and "107", respectively.

On page 297, line 11, strike out "219" and insert in lieu thereof "221."

On page 297, line 21, strike out "108" and insert in lieu thereof "109."

On page 307, line 12, strike out "109" and insert in lieu thereof "110."

Mr. MYERS. Mr. President, I submitted the amendment on behalf of myself and nine other Senators. The amendment is referred to as the total-and-permanent disability amendment on the insurance side of this program.

This amendment proposes to restore the disability insurance feature substantially as it was recommended by the House Ways and Means Committee and as adopted by the House itself. This amendment, although it lacked the support of a majority of the Finance Committee, nonetheless received strong support from other committee members.

The Advisory Council on Social Security appointed by the Finance Committee in the Eightieth Congress, recommended—through 15 of its 17 members—that the social-security program be broadened to insure against income loss resulting from permanent and total disability prior to the retirement age of 65.

I might add that the American Medical Association—after long recognition that compensation for wage loss during disability had a beneficial influence upon ultimate recovery—said, through a resolution of its house of delegates in October 1947:

Social-security measures to maintain income such as disability insurance, old-age insurance, and public assistance are likewise of vital importance.

The house of delegates of the American Medical Association has taken no other official stand, although since 1947 some members of the AMA's board of trustees now oppose Federal disability insurance. However, it was brought out at the hearings before the Finance Committee that this opposition was not the official position of the AMA.

I might add that the only physician who served on the Senate Advisory Council joined in recommending disability insurance.

In submitting the disability insurance amendment last week, for myself and nine other Senators, we proposed two changes in the provisions of the House version of the bill. First, we clarified the duty of the applicant to submit proof of disability, placing upon him squarely the full burden of proof. As matters now stand, the applicant must be totally and permanently disabled, making it impossible for him to participate in any gainful employment. This disability must be demonstrable by clear medical evidence; a mere allegation of an aching back or some other ailment will not qualify him.

Moreover, after the disabled applicant's personal physician has submitted a diagnosis showing by medical evidence that the disability is total and permanent, the applicant is then required to go to an independent group of private physicians, specialists, who also make a diagnosis. The cost of this independent diagnosis is met out of program funds, in a fashion comparable to that adopted in many State and Federal programs.

A second change which we have incorporated is designed to expand State rehabilitation facilities. We contemplate earmarking part of the insurance trust-fund money for grants to States in order that they may further develop their existing facilities for rehabilitating disabled workers, and making it possible for them to engage once more in useful employment. But I wish to make it clear that we intend to have this rehabilitation work to be done exclusively by State and local governments by means of programs worked out to meet their individual needs.

The principle of disability insurance is completely consonant with the principle of insuring against wage loss resulting from retirement upon reaching a particular age. Disability is simply a compulsory retirement brought about by aging more rapidly as a consequence of accident or disease. The problems faced through income loss upon retirement are comparable, whether the cause is old age or disability. At any one time, some 2,000,000 people in America between the ages of 14 and 65 are permanently and totally disabled. This amendment would be of but little help to those presently disabled, but in the future perhaps as many as 1,000,000 disabled persons would become eligible for disability insurance payments under the present coverage of social security.

When we consider that 9 out of 10 accidents which lead to total and permanent disability are not work-connected, it is readily evident that workmen's compensation laws and private industrial-accident insurance are scarcely adequate to meet the needs of our disabled. Worse

still, the disabled person and his family faced with complete income loss are forced upon the local relief rolls, because public charges, and their needs are but scantily met. Extension of the self-supporting contributory insurance principle to guarantee workers against wage loss is a far preferable solution.

I urge the Senate to adopt the amendment. It will amount to a level premium rate of six-tenths of 1 percent of pay roll—a small cost indeed in terms of the good it will accomplish.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. MYERS. I am happy to yield to the distinguished majority leader.

Mr. LUCAS. Does the Senator agree with me that the amendment does not provide any medical service under the total and permanent disability sections?

Mr. MYERS. That is quite true.

Mr. LUCAS. Does the Senator also agree that the only time a doctor will be connected with this program will be when he is called in to prove the fact of total and permanent disability?

Mr. MYERS. That is correct.

Mr. LUCAS. Does the Senator see that any socialized medicine is involved in this particular amendment, as is claimed by certain doctors?

Mr. MYERS. Of course, there cannot be, when the house of delegates of the American Medical Association itself went on record in favor of such a provision, and did so as recently as 1947.

Mr. LUCAS. Mr. President, will the Senator yield further?

Mr. MYERS. Yes; I am happy to yield.

Mr. LUCAS. In connection with the last statement made, I should like to read into the RECORD the recommendations, in 1947, under a joint statement, planning for the chronically ill, by the American Hospital Association, the American Public Welfare Association, the American Public Health Association, and the American Medical Association:

> Other measures which enable chronically ill persons to be cared for at home include improved housing, supervised boarding homes, medical social service, recreational and occupational therapy, and vocational rehabilitation. Social-security measures to maintain income, such as disability insurance, old-age insurance, and public assistance, are likewise of vital importance.

Those recommendations are taken from the Journal of the American Medical Association of October 11, 1947.

Mr. MYERS. I thank the Senator.

Mr. DOUGLAS. Mr. President, to the amendment of the Senator from Pennsylvania, I call up two amendments which now lie at the desk, and which I ask to have stated.

The PRESIDING OFFICER. Which one does the Senator desire to have stated first?

Mr. DOUGLAS. That offered on page 6, in line 23.

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The LEGISLATIVE CLERK. To the amendment proposed by Mr. MYERS, for himself and other Senators, the following amendment is proposed:

> On page 6, line 23, before the period, insert a colon and the following: *"Provided, however,* That no individual shall receive a disability insurance benefit if the disability—
>
> "(A) was incurred, contracted, or suffered while such individual was willfully and illegally engaged in, or resulted from his having willfully and illegally engaged in any felonous criminal action; or
>
> "(B) was incurred, contracted, or suffered while such individual was under the influence of intoxicants, drugs, or narcotics, unless administered upon the prescription of a person duly licensed by law to practice medicine; or
>
> "(C) was occasioned by the willful intention of such individual to injure or kill himself; or
>
> "(D) was occasioned by the service of such individual in the Armed Forces of the United States or her allies, provided he receives a military disability benefit; or
>
> "(E) was incurred as a result of a venereal disease."

Mr. DOUGLAS. Mr. President, will the clerk read also the second amendment, on page 9, line 11?

The PRESIDING OFFICER. Does the Senator from Illinois wish the two amendments considered en bloc?

Mr. DOUGLAS. I should prefer to have that done.

The PRESIDING OFFICER. Without objection, the two amendments will be so considered. The clerk will state the second amendment.

The LEGISLATIVE CLERK. On page 9, line 11, it is proposed to strike out the word "may" and insert in lieu thereof the word "shall."

On page 9, line 15, after the period, insert the following:

> The Administrator shall, in consultation with recognized private and governmental medical authorities, establish such medical standards, schedules, or guides for the determination of permanent and total disability as are not inconsistent with this section.

Mr. DOUGLAS. Mr. President, I want to congratulate the Senator from Pennsylvania and those who joined with him, including my colleague, the senior Senator from Illinois, on the amendment which they have just offered. It deals with one of the most severe problems that we have in the United States, namely, the problem of those who are permanently and totally disabled, but who are not cared for under workmen's compensation laws.

I believe the total number of these persons will run into the hundreds of thousands. They are at present uncared for, and I think it highly important that we adapt our system of social security so that we may take care of them.

I also want to congratulate the Senator from Pennsylvania and his colleagues for including two safeguards which were not originally in the bill as it was passed by the House. I believe his additions were aimed at tightening up the section on the determination of disability in order to require clear proof and to put the burden of proof upon the claimant and to expand the requirements for examinations. Also, his amendment gives greater emphasis to the linking of the disability benefit system with rehabilitation in every case where there is any possibility of returning the individual to gainful employment. This is vital.

The two amendments which I have proposed would introduce additional safeguards against the possibility of abuse by claimants of permanent and total disability, and would exclude from coverage certain risks which I believe an individual should not seek to have insured by a disability plan.

The first amendment which I have proposed would exclude individuals who incur their disability, first, in the commission of a felony; second, under the influence of intoxicants, drugs, or narcotics, unless prescribed by a doctor; third, by willful self-infliction; fourth, in the armed services, provided they receive a military disability benefit; and fifth, as a result of venereal disease. All these are excluded.

The second amendment makes mandatory the use of Government or private medical facilities in the determination of disability and directs the administrator in consultation with medical authorities to establish standards or guides for the determination of disability.

I have discussed these proposals with the Senator from Pennsylvania, and I believe that I am authorized by him to state that, so far as he is concerned, he is willing to accept them as improving amendments to his amendment.

Mr. MYERS. I think the amendments offered by the Senator from Illinois do improve my amendment. They tighten it up. They will help prevent malingering. Therefore I willingly accept those amendments and incorporate them in my own amendment.

Mr. DOUGLAS. Mr. President, I hope that these improving amendments may be accepted and then, that the entire amendment as proposed by the Senator from Pennsylvania and his colleagues may also be agreed to by the Senate.

The PRESIDING OFFICER. Does the Senator from Pennsylvania modify his amendment to include these?

Mr. MYERS. I modify my amendment to include the amendments just offered by the Senator from Illinois.

Mr. GEORGE. Mr. President, how much time remains?

The PRESIDING OFFICER. Ten minutes.

Mr. GEORGE. I will take but a minute or a minute and a half, and will leave the remainder of the time at the disposal of the distinguished Senator from Colorado.

Mr. President, the Senate Finance Committee opposes this amendment. First, the matter will be in conference anyway. It can be considered fully in conference, and there is little practical advantage in tying the hands of the Senate conferees on all the important provisions in this bill and leaving us at the mercy of the House conferees, although presumably they will have good provisions which they will wish us to take. Yet we are representing this body when it is in conference.

In the second place, this is a very sharply disputed question. It is one on which the Finance Committee took a

great deal of testimony. It has been in sharp conflict all the time among the experts who are familiar with this problem.

In the third place, it adds from one-half to three-fourths of a percent to the deductions from the entire payrolls of the country. In other words, it greatly increases the total burden on our economy and brings us back again to the point which I have tried to stress over and over and over, that we have brought forth a bill which is a good bill, which has merit in it; we have given all that our economy can really with assurance shoulder. Yet here are these efforts, by way of amendments which are offered and insisted upon, that would add and add and add to the total cost of this bill.

Mr. President, the insurance companies themselves tried this question of disability insurance. They have practically abandoned it. Why? Because there is no way to insure against disability without opening up the whole system to all sorts of questions. It is possible to insure against premature death, it is possible to insure against arrival at a time when people ought to retire. But when we insure against disability and put the Federal Government into that field, then it is opening up an avenue for the expenditure of vast sums of money, which will certainly embarrass us, particularly when we are here offering the most ambitious social-security program which has ever been offered to the country.

Mr. President, there are 35,000,000 people now under social security, and we are multiplying the advantages of the present system by practically 100 percent, for the past and for the future. We are bringing in 10,000,000 more people. There are 1,600,000 persons under the Railroad Retirement Act. There are about 1,200,000 under the Federal Employees Retirement Act. There are from 2,400,000 to 2,600,000 under the State and municipal system. So that when this bill passes we shall have given a maximum insurance against the real, absolute certainties against which it is possible to take appropriate safeguards, namely, arrival at retirement age, or premature death, to more than 51,000,000 people in the United States.

When we subtract from the total population the men and women in the Armed Forces who do not enter into the labor pool, it is possible to see that about the only people omitted from this system are the farmer, the migrant farm worker, and the occasional domestic servant, together with a few professionals, 400,000 of them, perhaps, who do not want to come under the system.

We want the system to carry itself. We want a system which will be sound. We do not want the Senate to vote it down and change it to the extent that the economy cannot support it. The only way we can support a social-security system is to have an economy that will do it. It will become as worthless as a scrap of paper if we break down the economy. We cannot take from $10,000,000,000 to $12,000,000,000 a year from our economy without passing it immediately back into the economy, without hurt. Therefore, I hope that this amendment, as amended, will be rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendment, as modified, offered by the Senator from Pennsylvania [Mr. MYERS] for himself and other Senators.

The amendment was rejected.

Mr. LEHMAN. Mr. President, I wish to call up the amendment proposed by myself, the Senator from Montana [Mr. MURRAY], and the Senator from Minnesota [Mr. HUMPHREY], with regard to including tips and gratuities.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from New York.

The LEGISLATIVE CLERK. On page 239, line 21, and on page 319, after line 14, it is proposed to insert the following:

Tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him shall, for the purposes of this title, be considered as remuneration paid to him by his employer: *Provided, however*, That in the case of tips only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of 10 days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter, shall be considered as remuneration paid by his employer: *And provided further*, That such amount shall not be considered as such remuneration unless there is in the possession of the employer wages of the employee from which the tax required under section 1400 of the Internal Revenue Code can be withheld, or unless the employee remits to the employer with his report an amount equal to the tax required to be withheld with respect to such wages. The amount so reported by the employee to the employer shall be considered as having been paid to the employee by the employer on the date on which such report is made.

Mr. LEHMAN. Mr. President, the purpose of this amendment is to include tips as wages for the purpose of computing contributions and benefits under the old-age and survivors insurance program. I urge the approval of this amendment.

Unless tips are included the whole purpose of the program for the workers affected is defeated. In the case of waiters, bellhops, club employees, and many others, tips are a major part, if not the greatest part of earnings.

Unless this amendment is approved, a great number of workers will be denied benefits based upon their total earnings, which is the principle of the entire insurance program.

The advisory council recommended the inclusion of tips in wages. The House Ways and Means Committee recommended it and the House approved it.

The Senate Finance Committee excluded tips with the comment, "To report tips would greatly add to the bookkeeping."

In my amendment the responsibility is placed squarely upon the employee to report his tips. The employer pays his contribution, just as the employee does, only upon the amount of tips reported. In this sense it is a voluntary system.

This amendment also contains a provision designed to meet the objection that the employer would be liable for the employee's contribution in cases in which the employer had no opportunity to deduct the employee contribution from his wages. This would be true in the case of waiters and others who work on special assignment only.

This objection has been met in my amendment by a provision that the tips could not be counted as wages unless the employer had in his possession wages for the employee from which the employer could deduct the amount of the tax, or unless the employee transmitted with his report of tips a sum of money equal to the employee tax. This should meet all the objections based on so-called administrative difficulties.

Of course I do not consider this objection very sound in the first place. The Bureau of Internal Revenue requires that employers furnish records on the estimated tips earned by their employees. Moreover, in computing workmen's compensation benefits, the injured worker receives a percentage of all his earnings, including tips. Thus, very little additional bookkeeping is required in any event.

It is to be borne in mind that employees who report their tips for social-security purposes would presumably also be reporting their tips for income-tax purposes. It is a compelling circumstance that the employees themselves are demanding this amendment. The Hotel and Restaurant Employees International Union and the American Federation of Labor are urgently supporting this proposal.

This amendment affects several million workers. There are 3,000,000 waiters and waitresses alone. To reject this amendment would be to provide these millions of workers with a protection which would be virtually meaningless.

Mr. GEORGE. Mr. President, I yield time to the Senator from Colorado [Mr. MILLIKIN] if he wishes to use any time.

Mr. LUCAS. Mr. President, will the Senator from Georgia yield 1 minute so that I may propound a question to him?

Mr. GEORGE. I yield.

Mr. LUCAS. Mr. President, I desire to return to the amendment offered by the Senator from Pennsylvania [Mr. MYERS] to provide for total permanent disability benefits, and ask the able chairman of the Finance Committee this question: Is there anything in the amendment which deals directly with what we refer to as socialized medicine?

Mr. GEORGE. I do not think so. I do not think that is a valid objection to the amendment. I think the validity of the objection to it rests upon the grounds which I undertook to express—the difficulty of administration and the added cost to the system, which we must always keep in mind.

Mr. LUCAS. I thoroughly understood the argument made by the Senator from Georgia, and the only reason I propounded the inquiry to him was because on my desk there are many letters from doctors in my State who contend that this particular amendment, providing for total permanent disability benefits, is a part of the socialized-medicine theory. That is something which I could not understand.

Mr. GEORGE. I do not think that is a valid objection, any more than I

think it is a valid objection to the original bill that it is a movement toward socialism.

Mr. LUCAS. I thank the Senator from Georgia.

Mr. GEORGE. Mr. President, with reference to the amendment offered by the Senator from New York, the Finance Commmittee rejected the provision for tips as part of compensation, but we have lowered the earnings per quarter in such way as not to injure persons who might supplement their earnings by tips. I therefore hope the Senate will reject the amendment.

Mr. LEHMAN. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. LEHMAN. The Senator from New York is not quite clear how the lowering of the number of quarters of employment affects the matter of tips which are a very large part of the income of a great many persons, hundreds of thousands, if not millions of persons.

Mr. GEORGE. I mean that we lowered the requirement that there must be $100 earned in a quarter. They come in with slightly lower than the $25 minimum fixed in the bill. If they earn less than $34 a month they would qualify.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the junior Senator from New York [Mr. LEHMAN].

The amendment was rejected.

Mr. BRIDGES. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. At the proper place in the bill it is proposed to insert the following:

That, effective with respect to service performed after the calendar quarter in which this act is enacted, section 1426 (b) of the Internal Revenue Code (relating to the definition of employment) is amended (1) by striking out "or" at the end of paragraph (15), (2) by striking out the period at the end of paragraph (16) and inserting in lieu thereof "; or", and (3) by adding the following new paragraph:

"(17) Service performed by an individual who has attained the age of sixty-five."

Mr. BRIDGES. Mr. President, this amendment is a very simple one. The social-security law is based upon the fact that when a person is 65 years of age and has contributed under the provisions of the law, then, if he retires, he is entitled to draw certain benefits for the rest of his life. All the amendment provides for is that if a person 65 years of age and eligible to retire decides, instead of retiring and drawing benefits from the Government to help to support him, to continue to work beyond 65 years of age, thereby foregoing benefits from the Government during that period, he shall not pay social-security taxes from the time he becomes 65 years of age so long as he continues to work. It is a money-saving proposition. If he retires, he draws benefits from the Government. If he continues to work, the Government does not have to pay benefits for the years in which he continues to work. Therefore, it should not be collecting social-security taxes from him. It is one way of making a very definite gesture to the elderly persons who have the desire and ambition to work after they become 65 years of age. It is a simple amendment. It costs no money. Actually, it provides a saving to the Government, and I think it is sound procedure.

Mr. GEORGE. I do not wish to have adopted an amendment under which employees would have to go to an employer and tell him their age, especially so far as women who happen to be at work are concerned. I can see no point to it. We have liberalized provisions in the bill to the extent that an employee may continue to work after 65, and he may actually earn as much as $50 a month in covered employment. He is not obliged to quit. If he does quit he draws his social-security benefits, and he pays no other tax. It would seem that he should be taxed, if for any reason he prefers to work. This amendment has not been studied by the committee. It amounts to a remission of all social-security taxes after a person becomes 65 years of age. I say that we should not be asked to accept an amendment of this kind without having had an opportunity to study it.

Mr. BRIDGES. The amendment was introduced and referred to the Committee on Finance. It has been before the committee for several months. If it has not been studied, it is certainly not the fault of the Senator from New Hampshire.

Mr. GEORGE. I have never heard of the amendment. If it was offered, it escaped my attention. Has it been printed?

Mr. BRIDGES. It is printed. It was introduced on March 7, legislative day of February 22. It has been before the committee for 3 months.

The PRESIDING OFFICER. The Chair will state that the Senator from New Hampshire originally introduced the measure as a bill. Therefore it was not considered as an amendment to the pending measure. It was introduced as a bill.

Mr. GEORGE. As a tax measure the Committee on Finance would have no original jurisdiction over the bill.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New Hampshire [Mr. BRIDGES].

The amendment was rejected.

Mr. MURRAY. Mr. President, I call up amendment G offered on behalf of the Senator from Florida [Mr. PEPPER], the Senator from New York [Mr. LEHMAN], and myself.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 241, lines 1 and 2, it is proposed to strike out "on each of some 60 days during such quarter" and insert in lieu thereof the following: "on each of some 40 days during such quarter."

On page 322, line 24, it is proposed to strike out "on each of some 60 days during such quarter" and insert in lieu thereof the following: "on each of some 40 days during such quarter."

Mr. MURRAY. Mr. President, this amendment would provide old-age and survivors insurance coverage for a much greater number of agricultural workers than is provided by the bill as reported to the Senate. H. R. 6000 as reported covers all agricultural workers earning $50 or more in cash in a calendar quarter who are "regularly" employed in that calendar quarter. The bill defines an agricultural worker as regularly employed in a calendar quarter if he works for his employer on 60 different days in that quarter or in the preceding quarter. Under the amendment we propose, a regularly employed agricultural worker would be one who worked for a single employer on 40 different days during a calendar quarter. This amendment would, in an average week, result in the coverage of approximately 775,000 agricultural workers.

We are concerned because H. R. 6000 excludes so many persons who are by no means casual or irregular workers. For example, the bill would exclude all the workers who work right through the cotton-chopping season for the same employer because the season does not last more than 45 days at the most. When the same folks return to their employers during the cotton-picking season, they would again be excluded because the 8 weeks of the cotton-picking season do not all fall in the same calendar quarter. Normally, part of the picking is done in the July–September quarter; the balance in the October–December quarter.

Can we justify denying these people insurance protection on the ground that they are not steady or regular employees? We think not. These workers and many others like them work in agriculture at one job or another in the same general locality, during 6 months or more of the year.

The 775,000 additional workers in agriculture who would be covered under our amendment would be persons with sufficient agricultural employment to benefit from such coverage. Moreover, since they would be employed by the same farmer over a period of several weeks, their farm employers would have little difficulty in reporting their wages and social-security contributions. We, therefore, hope that the Senate will act favorably on the amendment we propose and make the benefits of the insurance program possible for these additional agricultural workers.

Mr. GEORGE. Mr. President, I do not care to argue this matter. We have provided coverage for regularly employed farm workers if they are employed for 60 days within a 90-day period. One of our great difficulties in applying social security to farm workers and domestic workers is the problem of administration. Administrative difficulties are very great. The committee went as far as it could in taking care of workers regularly employed on farms, as well as regularly employed domestic servants. I think it would do no good to undertake to reduce the requirements by 20 days. Therefore, I hope the Senate will reject the amendment.

Mr. MURRAY. It seems to me that the people in this category are more entitled to this kind of insurance protection than any other group of workers, because they are poor and have no other means of income except what they get from this work. It seems to me to be

very cruel to prevent their getting coverage under this bill.

Mr. President, I ask for the yeas and nays.

The yeas and nays were not ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Montana [Mr. MURRAY] on behalf of himself and other Senators.

The amendment was rejected.

Mr. LEHMAN. Mr. President, I offer my amendment C.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 375, line 17, after "assistance" it is proposed to insert the following: "in the form of money payments."

On page 376, line 12, it is proposed to insert after "and" the following: "(2) an amount, which shall be used exclusively as old-age assistance other than in the form of money payments, equal to one-half of the total amounts expended during such quarter as old-age assistance other than in the form of money payments under the State plan, not counting so much of such expenditures with respect to any month in such form as exceed the product of $6 multiplied by the total number of individuals who receive old-age assistance under the State plan for such month."

On page 376, line 12, change "(2)" to "(3)."

On page 378, line 20 through line 2, page 379, strike out section 322 and insert in lieu thereof the following:

SEC. 322. (a) Effective October 1, 1950, section 403 (a) of the Social Security Act is amended to read as follows:

"COMPUTATION OF FEDERAL PORTION OF AID TO DEPENDENT CHILDREN

"SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1950, (1) an amount, which shall be used exclusively as aid to dependent children equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children in the form of money payments under such plan, not counting so much of such expenditures with respect to any dependent child for any month as exceeds $30, or if there is more than one dependent child in the same house, as exceeds $30 with respect to one such dependent child and $20 with respect to each of the other dependent children—

"(A) three-fourths of such expenditures, not counting so much of any expenditures with respect to any month as exceeds the product of $12 multiplied by the total number of dependent children with respect to whom aid to dependent children is paid for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A),

and (2) an amount, which shall be used exclusively as aid to dependent children other than in the form of money payments, equal to one-half of the total amounts expended during such quarter as aid to dependent children other than in the form of money payments under the State plan, not counting so much of such expenditures with respect to any month in such form as exceed the product of $3 multiplied by the total number of dependent children with respect to whom aid to dependent children is paid for any month under the State plan; and (3) an amount equal to one-half of the total of sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purposes."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

On page 383, strike out lines 4, 5, and 6, and insert in lieu thereof the following:

Section 1003 (a) of the Social Security Act is amended to read as follows.

On page 383, line 14, after the word "blind" insert the following: "in the form of money payments."

On page 383, strike out lines 17 and 18, and insert in lieu thereof the following:

(A) three-fourths of such expenditures, not counting so much of any expenditures with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals who receive aid to the blind for such month, plus

(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) an amount, which shall be used exclusively as aid to the blind other than in the form of money payments equal to one-half of the total amounts expended during such quarter as aid to the blind other than in the form of money payments under the State plan, not counting so much of such expenditures in any month in such form as exceed the product of $6 multiplied by the total number of individuals who receive aid to the blind under the State plan for such month; and (3) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind and for no other purposes.

(b) The amendment made by subsection (a) shall become effective October 1, 1950.

Mr. LEHMAN. Mr. President, this amendment would authorize Federal grants to States for the cost of medical, hospital, and other health care for the needy, the blind, dependent children, and other recipients of State aid.

This amendment carries out the recommendations of the Senate's Advisory Council on Social Security. This amendment is supported by all the great professional health organizations—the American Dental Society, the American Hospital Association, the American Medical Association, the American Nursing Association, the American Public Health Association, and the American Public Welfare Association.

Under the terms of my amendment, the Federal Government would provide grants to the States for medical care based on the number of individuals receiving public assistance, in all its forms, in these States.

Each State could receive up to $6 monthly per person for each adult and $3 monthly for each child on the public-assistance rolls. The Federal Government would provide up to 50 percent of the expenditures of each State for medical care for these individuals. The States moreover could apply these grants to the cost of medical care for all individuals as long as these costs do not exceed the total represented by $6 per adult and $3 per child for all individuals on the assistance rolls of the State concerned.

Both the House and Senate versions of the pending bill authorize the use of Federal public-assistance grants to pay for the cost of medical care for the needy. The hitch is in the fact that the maximum limit of $50 per month per individual for public assistance and medical care combined is retained.

This amount is obviously inadequate to meet the cost of any serious illness. It also puts medical care in competition with relief payments.

I believe that the cost of medical care should be considered apart from the cost of normal subsistence. In the long run, this is an economy, since preventive medical care forestalls serious illnesses which make the individuals concerned long-term occupants of the relief rolls. These grants would be administered, under the terms of my amendment, by the public health departments of the various States.

All of us are greatly concerned over the over-all problem of medical care. Here is one field in which there is no controversy and no opposition from the medical and other health associations. On the contrary this amendment is vigorously supported by them. It should be adopted.

Mr. GEORGE. Mr. President, I have only to say that we are making a real effort to reduce the expenditures under the assistance program, and to increase the benefits under the old-age and survivors insurance, and this amendment would add some $70,000,000 a year to the cost of the Federal Government in matching with the States. I think the amendment ought to be rejected.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from New York [Mr. LEHMAN].

The amendment was rejected.

Mr. LEAHY. Mr. President, I call up my amendment lettered "A."

The VICE PRESIDENT. The amendment will be stated.

The LEGISLATIVE CLERK. On page 387, beginning in line 13, it is proposed to strike out all down to and including line 21, and insert in lieu thereof the following:

SEC. 403. (a) (1) Paragraph (1) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(1) The term 'State' includes Alaska, Hawaii, and the District of Columbia, and when used in titles I, IV, V, and X includes the Virgin Islands."

(2) Paragraph (6) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(6) The term 'Administrator,' except when the context otherwise requires, means the Federal Security Administrator."

(3) The amendment made by paragraph (1) of this subsection shall take effect October 1, 1950, and the amendment made by paragraph (2) of this subsection, insofar as it repeals the definition of "employee," shall be effective only with respect to services performed after 1950.

Mr. LEAHY. Mr. President, a short time ago the Senate rejected an amendment which would have extended to the

Virgin Islands and to Puerto Rico the provisions of the pending bill relative to public assistance. The purpose of my amendment is to extend the provisions of the bill to the Virgin Islands.

The distinguished senior Senator from Ohio [Mr. TAFT] a short time ago pointed out that there was a substantial difference between the economy of the Virgin Islands and the economy of Puerto Rico.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. LEAHY. I yield.

Mr. TAFT. It seems to me this matter will be in conference, and I suggest to the Senator, and perhaps to the chairman of the Committee on Finance, that I am certain that the conferees will give serious consideration to the subject of the Senator's amendment, which is now covered in the bill as it passed the House. I suggest that perhaps the Senator, rather than have a vote on the amendment at this time, would be willing to withdraw the amendment, for he can be sure it will be considered.

Mr. GEORGE. Mr. President, I was about to suggest to the distinguished Senator from Rhode Island that the subject will be in conference, and I am quite sure that there will be on the part of the Senate conferees much sympathy for the amendment. The situation is different in the Virgin Islands, and if the Senator would be content to allow the matter to rest where it is, I think I can assure him that it will have very full consideration by the conferees.

Mr. LEAHY. Mr. President, with that assurance, I shall not press for a vote at this time.

The VICE PRESIDENT. Does the Senator withdraw his amendment?

Mr. LEAHY. I withdraw the amendment.

Mr. LEHMAN. Mr. President, I call up my amendment, dated June 14, 1950, lettered "D."

The VICE PRESIDENT. The amendment will be stated.

The LEGISLATIVE CLERK. On page 255, line 20, it is proposed to strike out all down to and including line 22 and insert in lieu thereof:

(A) as an agent-driver or commission driver engaged in distributing to wholesalers, retailers, or consumers, food products, beverages, laundry or dry cleaning services, or any other products or services (other than dairy products); or.

On page 336, beginning with line 18, strike out all down to and including line 20 and insert in lieu thereof:

(A) as an agent-driver or commission driver engaged in distributing to wholesalers, retailers, or consumers, food products, beverages, laundry or dry cleaning services, or any other products or services (other than dairy products); or.

Mr. LEHMAN. Mr. President, the purpose of this amendment is to include in the definition of "employee" certain agent-drivers who are not now included in the Senate committee bill. The Senate committee bill already includes as employees such agent-drivers as meat drivers, bakery drivers, and laundry drivers.

I see no reason why other agent-drivers, such as those who distribute beverages, fuel and ice, and ice-cream drivers, should not similarly be included.

Altogether, those who would be covered as employees under my amendment would be about 48,000. The committee bill already extends this coverage to approximately 75,000 persons.

My amendment does not, I repeat, "not" cover agent or commission drivers who distribute dairy products. The reason for this exclusion is to avoid the difficulty involved in the peculiar relationship between some of these drivers and individual farmers and farm co-ops.

Other than this group, all agent-drivers would be classified as employees. There would be no administrative difficulties involved in this arrangement. Drivers distributing beverages are no more self-employed than laundry drivers. The Senate committee bill defines the latter as employees. Those covered in my amendment should also be so considered.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. LEHMAN. I yield to the Senator from Illinois.

Mr. DOUGLAS. Is it the purpose of the amendment of the distinguished Senator from New York to cover salesmen of such products as clothing, aluminum ware, brushes—salesmen who sell from house to house on commission?

Mr. LEHMAN. No; they would not be included. The intent of the amendment is perfectly clear. It applies only to agent drivers and commission drivers. These are persons driving cars either owned by or under contract or direct control of the producer or main distributor, cars which are specially equipped or adapted to such distribution. Those who merely use cars as transportation incidental to their house-to-house selling are not included within the terms agent driver or commission driver, but are instead salesmen who would be covered only if a new subsection C were to apply to them. And all proposed amendments to add a section C exclude such house-to-house retail salesmen.

Mr. DOUGLAS. I thank the Senator from New York for his very clear explanation.

Mr. GEORGE. Mr. President, I shall not make a point of order, but I think the amendment offered is subject to a point of order, because the particular language to which the amendment is directed has already today been amended in the Senate. The Senate has included certain agent drivers. The House bill contains a broader provision. The whole matter will be directly in conference, and since it is so difficult to define who an employee is in a particular line of business, and since adoption of the amendment would very often result in bringing in someone who was truly a self-employed person, an independent operator, who did not want to be classed as an employee, but who would be brought under the social-security program nevertheless, the committee was most reluctant to undertake to define literally thousands and hundreds of thousands of employees by undertaking specifically to indicate when a person was employed or when he was a self-employed person.

For the reasons stated, Mr. President, I ask that the amendment be rejected.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from New York.

The amendment was rejected.

Mr. LEHMAN. Mr. President, I call up my amendment dated June 14, 1950, lettered "C."

The VICE PRESIDENT. The clerk will state the amendment.

The LEGISLATIVE CLERK. It is proposed, on page 255, line 22, following the semicolon, to strike out "or."

On page 255, line 23, following the semicolon, to insert "or."

On page 255, between lines 23 and 24, to insert the following:

(C) as a home worker.

On page 336, line 20, following the semicolon, to strike out "or."

On page 336, line 21, following the semicolon, to insert "or."

On page 336, between lines 21 and 22, to insert the following:

(C) as a home worker.

Mr. LEHMAN. Mr. President, this amendment would extend coverage under the old-age and survivors insurance program to approximately 40,000 persons who work in their own homes on a piecework basis.

Most of the work they do is needlework. They make artificial flowers, embroidery, gloves, and lingerie.

Certainly these home workers should be given coverage. They need old-age insurance protection as much as any other group in our population.

Here again is a group of workers who, despite the contractual relationship and the common-law definition of what constitutes an employee, are truly employees in the social definition of the word.

In many other connections these home workers are considered employees. The Fair Labor Standards Act treats these people as employees and the courts have upheld that application. In several States of the Union, home workers are eligible for unemployment compensation. They should certainly be eligible for old-age and survivors insurance benefits.

In many jurisdictions home workers are regulated by law. In my own State these regulations are very detailed and place absolute and specific obligations upon the employer. The home workers in my State are covered by workmen's compensation insurance. I am advised that the same is true in a number of other States.

There is certainly no logical basis for excluding these home workers from coverage or for excluding them from definition as employees under the meaning of the act. Employers in my State, where a large proportion of these home workers are located, are required to keep detailed records on home workers. This amendment, placing them under old-age and survivors insurance, would require no special increase in bookkeeping. Nor would it present any other administrative difficulties.

I hope the Senate will approve the amendment.

Mr. GEORGE. Mr. President, I do not have anything to say with respect to

the amendment except that the committee has carefully considered it and rejected it. The committee felt it had gone as far as it could in prescribing specific definitions to fit employees, rather than to let them stand under the general rule which is written into the bill.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from New York [Mr. LEHMAN].

The amendment was rejected.

Mr. MALONE. Mr. President, I now move that the Senate reconsider the vote by which the amendment offered by the Senator from Louisiana [Mr. LONG], for himself and the Senator from Wyoming [Mr. HUNT], on page 385, line 6, the subject matter being the grants in aid to persons who are disabled.

The VICE PRESIDENT. The Senator from Nevada, who voted against the amendment, and therefore is qualified to move to reconsider, has moved to reconsider the vote by which the amendment was rejected.

Mr. LONG. Mr. President, I ask for the yeas and nays.

The VICE PRESIDENT. The yeas and nays are requested.

Mr. MILLIKIN. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. MILLIKIN. May we be advised what is now proposed to be done?

The VICE PRESIDENT. The Senator from Nevada [Mr. MALONE] has moved that the Senate reconsider the vote by which the Long amendment was rejected earlier in the evening.

Mr. LONG. Mr. President, one of the sponsors of the amendment, the distinguished Senator from Wyoming [Mr. HUNT], had no opportunity at all to explain his position in support of the amendment. It seems to me the Senate should reconsider the vote by which the amendment was rejected, in order that the Senator from Wyoming may have an opportunity to explain his reason for supporting the amendment, especially in view of the fact that the amendment was defeated by only one vote. It seems to me that in justice to the Senator from Wyoming he should be afforded an opportunity to explain his reason for supporting the amendment.

Mr. GEORGE. Mr. President, I regret very much that we are faced by a motion to reconsider the vote on the amendment, after the amendment had been thoroughly submitted to the Senate. Some of us have been at work steadily on this bill since 10:30 this morning, in committee and from the committee directly to the Senate floor.

Mr. President, I desire to ask the majority leader how long he proposes to keep the Senate in session tonight?

Mr. LUCAS. I was hoping we could finish the bill. I thought the Senate was about through with the amendments.

Mr. GEORGE. Obviously we are not near the end of the consideration of the bill if there is to be reconsideration of amendments.

Mr. LUCAS. If there is to be a reconsideration of any of the amendments, and we are to have yea-and-nay votes and debate upon them, of course it will take some time. I sincerely hope we may pass the bill before the night is over. If we cannot do so, and some Senator wishes to move that the Senate take a recess, of course he can do so.

Mr. LONG. Mr. President, the amendment offered by me and the Senator from Wyoming [Mr. HUNT] was defeated by only one vote. I am sure many Senators did not have a chance to understand the amendment fully. We had only 5 minutes to debate the amendment on our side. I hope the Senate will reconsider the vote by which the amendment was defeated, since it was defeated by only one vote.

Mr. LUCAS. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. LUCAS. Under the unanimous-consent agreement, am I correct in my understanding that we are compelled to remain here until we complete action on the bill, or can we take a recess before that is done?

The VICE PRESIDENT. The Chair does not interpret the unanimous-consent agreement to compel the Senate to remain in session until action on the bill is completed. Of course, there is a special order for a vote tomorrow. That was entered by unanimous consent.

Mr. CONNALLY. Tomorrow will be the same legislative day as today, if we take a recess?

The VICE PRESIDENT. The unanimous-consent agreement provides for action on the calendar day of June 20, so that the legislative day does not have anything to do with it.

The Chair also would hold that under the unanimous-consent agreement the motion to reconsider comes under the 5-minute rule; 5 minutes to be allotted to those in favor and 5 minutes to those who are against the motion, if Senators desire to debate the motion.

The Chair was putting the question as to whether the yeas and nays should be ordered.

Mr. LONG. Mr. President, I ask for the yeas and nays.

The VICE PRESIDENT. Eleven hands were raised. That is not a sufficient number according to the vote that was had on the amendment.

The question is on the motion to reconsider the vote by which the so-called Long amendment was rejected.

The motion to reconsider was not agreed to.

The VICE PRESIDENT. The bill is open to further amendment. If there be no further amendment, the question is on the committee amendment, as amended.

Mr. LEHMAN. Mr. President, I call up amendment lettered "G" dated June 14, which I offer on behalf of myself, the Senator from Montana [Mr. MURRAY], the Senator from Minnesota [Mr. HUMPHREY], and the Senator from Illinois [Mr. DOUGLAS].

The VICE PRESIDENT. The Secretary will state the amendment.

The LEGISLATIVE CLERK. On page 242, lines 1 and 2, it is proposed to delete "twenty-four days during such quarter" and insert in lieu thereof the words "six days during such quarter, each day being in a different calendar week."

On page 323, in lines 22 and 23, it is proposed to delete "twenty-four days during such quarter" and insert in lieu thereof the words "six days during such quarter, each day being in a different calendar week."

Mr. LEHMAN. Mr. President, this amendment would extend coverage under the old-age and survivors insurance program to approximately 1,000,000 domestics. The domestics who would be covered under this amendment are those who need this coverage most. They are domestics who perform day work 1 day a week for each employer.

These domestics are regularly employed although by different employers. It is unfair and unwise to include domestics who work as much as 2 days for a single employer and then to exclude those who work 1 day a week.

My amendment errs on the conservative side. My amendment provides that the domestic must receive a minimum of $50 in a calendar quarter from the same employer, as well as work 6 days in that quarter.

At the prevailing wage rates of $5 per day in the North and eastern parts of the country, this would mean that the domestic would actually be required to work for 10 days in the calendar quarter. In the South and other areas of lower wage levels, the period required to be worked to be considered regularly employed, would be even longer.

Yet I think this amendment goes a long way in the right direction. The committee bill provides coverage for domestics who are employed as many as 24 days in a calendar quarter. I have adopted the same wage minimum as that provided in the committee bill. This will cover domestics who work 1 day a week in my State.

If other Senators from other States would like to decrease the minimum wage requirement, I would be pleased to accept such a modification.

In any event, I urge the approval of this amendment. I consider it a highly important one for the purpose of extending old-age and survivors insurance protection to those who need it most.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from New York [Mr. LEHMAN].

The amendment was rejected.

The VICE PRESIDENT. The bill is open to further amendment. If there be no further amendment, the question is on agreeing to the committee amendment, as amended.

Mr. HUMPHREY. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a statement I have prepared, dealing with House bill 6000.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR HUMPHREY

H. R. 6000 is an important bill which affects every one of the 150,000,000 American people. It is a measure which is long overdue. But, while the bill contains many important improvements in our social-security

program, it does not, in my opinion, go far enough in meeting the needs of our people.

The bill does not cover all the people under the insurance plan; the insurance benefits are not adequate enough, there is no provision for disability insurance benefits; and the assistance provisions are grossly inadequate.

The Senate Finance Committee made a number of changes in the House-approved bill, and I want to give credit first for the improvements which the committee made. There are eight major improvements. These are:

1. Increase in the second step in the benefit formula from 10 percent to 15 percent, including an upward adjustment of benefits for current beneficiaries.

2. Liberalization of the eligibility provision so as to make it easier for persons to become insured for benefits during the next decade.

3. Liberalization of the method of computing the "average monthly wage" for benefit purposes.

4. Inclusion of regularly employed agricultural labor.

5. Inclusion of publishers as self-employed persons.

6. Payment of benefits to dependent husbands and widowers of insured women workers and liberalization of survivors insurance benefits with respect to deaths of insured married women.

7. Increasing the maximum payments for aid to dependent children in which the Federal Government would share from $27 to $30 a month for the first child and from $18 to $20 for each additional child.

8. Increase in Federal grants for maternal and child health from $11,000,000 to $20,000,000 annually; for crippled children from $7,500,000 to $15,000,000; and for child welfare services, from $7,000,000 in the House bill to $12,000,000.

But after making the 8 improvements which I have just listed, the Finance Committee made 12 major crippling changes which deliberalize the House bill. These are as follows:

1. Reduction of the maximum wage based from $3,600 to $3,000 a year.

2. Elimination of the provision for permanent and total disability insurance.

3. Elimination of the increment for years of contributions to the insurance program.

4. Exclusion of tips from covered wages.

5. Exclusion of salesmen and certain other groups, such as driver-lessees of taxicabs and home workers, from coverage as employees.

6. Exclusion of naturopaths, architects, accountants, and all professional engineers from coverage as self-employed persons.

7. Elimination of the provision which would have increased assistance payments by providing a higher percentage of Federal funds under a formula weighted in favor of States with low payments.

8. Elimination of the provision for including an adult relative to aid-to-dependent-children families as a recipient for Federal matching purposes.

9. Elimination of the provision for Federal grants to the States for the needy permanently and totally disabled.

10. Elimination of the provision extending Federal grants for public assistance to Puerto Rico and the Virgin Islands.

11. Reducing Federal matching on State supplementary old-age assistance payments to a 50-50 basis in cases where a person becomes an insurance beneficiary after the effective date of the bill.

12. Restoring the 5-year residence requirement for the blind instead of the 1-year requirement in the House bill.

So, in summary, the Finance Committee made 8 major improvements and 12 major deliberalizations. I shall support amendments to correct these deliberalizations, and I hope that the Senate will vote to reverse them.

I am strongly in favor of the amendments which have been introduced to increase the maximum wage base. I favor increasing the wage base to $4,800 a year, which would make it possible to pay an insurance benefit of $95 a month instead of the $72.50 a month provided under the $3,000 wage base reported out by the Finance Committee. I believe that $72.50 a month is not sufficient to maintain an individual at a decent level.

I also favor the amendments proposed to restore an "increment," which would give the contributor an increased benefit based upon the years that he contributed to the insurance system. If the full 1-percent increment were restored to the bill, it would enable a benefit of $100 a month to be paid to persons retiring at the present time and about $114 a month to persons who had contributed for 20 years. These amounts seem to me to be more in keeping with what is required for an American standard of living.

I also favor the restoration of provisions for the payment of permanent and total disability insurance. Under the provisions of H. R. 6000 as passed by the House of Representatives, thousands of permanent disabled individuals would have been provided benefit during the period of their disability. I feel that the elimination of this protection from the bill is undesirable. When an individual has suffered a heart attack and is no longer able to work, when he is suffering from tuberculosis or cancer and is unable to perform his regular job responsibilities, he rapidly uses up his savings under the double strain of loss of income from his job and the necessity for paying for doctors and hospital bills, medical supplies and nurses' services. We now provide disability insurance protection to governmental employees under the Civil Service Retirement Act and under all of the other retirement acts passed by the Congress. We have by Federal legislation provided disability insurance protection to over 2,000,000 men and women under the Railroad Retirement Act. The administrative experience under the Railroad Act and under the Civil Service Retirement Act has been eminently successful. There are 5,000,000 persons covered under these two laws. Between two and three million employees of State and local governments are covered under State and local retirement systems which also provide disability insurance protection. With this wealth of administrative experience, I see no reason why we should not now extend this same type of protection to the workers in industry and commerce who need it so badly.

I believe that we should take immediate steps to extend the insurance program to cover as many persons as possible. I am a cosponsor, along with Senators LEHMAN, DOUGLAS, and MURRAY, of an amendment to extend coverage to an additional 1,000,000 persons, in domestic service. I hope that other Senators will join us in voting for this amendment.

The senior Senator from Montana has offered an amendment to extend coverage to an additional 1,000,000 farm laborers. Farm workers need social-security protection.

The junior Senator from New York has offered an amendment to assure protection to some 40,000 home workers under the insurance provisions of the bill. This is a very desirable amendment.

While I believe that all of these amendments are sound, and I shall vote for them, I believe that we must make a still more far-reaching revision of our social-security program. I believe that a sound social-security program should embody the following fundamental principles:

1. Universal coverage of all persons who work for a living.

2. Protection under the insurance system of all aged persons, irrespective of the length of time that they have contributed to the insurance system or whether they have retired prior to contributing to the insurance system.

3. A substantial increase in the amount of the benefit in order that individuals may retire with security, dignity, and reasonable comfort.

4. Payment of insurance benefits to individuals during periods of disability so that individuals who are sick or disabled may also have security as well as some income, which will make it possible for them to avoid asking for charity and enable them to pay their doctor's and hospital bills from their insurance benefits.

5. Federal grants to the States for public assistance to needy persons for whom the insurance program cannot meet all their needs.

We have made a good start in overhauling our social-security system. But we cannot be content with what we have done so far. We must not wait for another 11 years to make the necessary changes which will bring our social-security system up to date.

Our economy is expanding. Wages have been increasing and in my opinion will continue to increase because of the increasing productivity of our American economic system. Under these circumstances I believe we can provide a more generous, a more adequate, a more comprehensive social-security system which will really bring security to the American people. There are some who are afraid of improving our social-security system because they say it will cost too much. In my opinion these people do not have faith in the future of America. They do not have faith in our economic system. They do not have faith in our political system.

I believe we must go forward in making bold and progressive changes in our social-security system if we are going to meet the needs of our people in a dynamic and changing economy.

Until we have such a comprehensive and progressive social-security system I believe we must improve the existing program. I favor the amendments being offered to increase the coverage of the insurance program, liberalize the amount of the benefits and permanent-disability insurance, and increase Federal grants for public assistance.

Mr. MALONE subsequently said: Mr. President, I ask unanimous consent to have printed at this point in the RECORD, as a part of my remarks, a statement I have prepared.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

THE SOCIAL SECURITY LEGISLATION

The junior Senator from Nevada is for the maximum of social security that the economic structure of the Nation can support without danger to employment and investments.

The legislation, however, as at present constituted is neither insurance nor pensions, it is neither fish nor fowl; it is a hybrid thing. No definite permanent policy has yet been recommended by the committee.

The payments by both the employee and the employer, starting with a total of 3 percent, within a few years will approximate 7 percent.

The legislation will apparently absorb the greater part of the pensions paid by business. The steel companies are a good example.

The legislation will probably absorb most of the State pension systems within a reasonable time.

It is not a well-thought-out piece of legislation.

The George-Millikin resolution provides for a thorough study of the whole subject—to determine what trend the payments should take, how much social security the economy

can absorb, and how much can the program be substantially broadened without danger to the economic system. It is estimated that approximately 8,000,000 people past 65 will not be covered by the legislation. It is obvious that there should be greater coverage.

So, for these and other reasons, the junior Senator from Nevada believes that the results of the proposed study should have been made known before the passage of the legislation.

The VICE PRESIDENT. The question is on agreeing to the committee amendment, as amended.

The amendment, as amended, was agreed to.

The VICE PRESIDENT. The question is on the engrossment of the amendment, and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The VICE PRESIDENT. The question is, Shall the bill pass?

Mr. GEORGE and other Senators asked for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk called the roll.

Mr. MYERS. I announce that the Senator from New Mexico [Mr. CHAVEZ] is necessarily absent.

The Senator from California [Mr. DOWNEY] is absent because of illness.

The Senator from North Carolina [Mr. GRAHAM] is absent on public business.

The Senator from Florida [Mr. HOLLAND], the Senator from South Carolina [Mr. JOHNSTON], the Senator from Idaho [Mr. TAYLOR], and the Senator from Oklahoma [Mr. THOMAS] are absent by leave of the Senate.

The Senator from Maryland [Mr. O'CONOR] is absent by leave of the Senate on official business, attending the sessions of the International Labor Organization at Geneva, Switzerland, as a delegate representing the United States.

I announce further that if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from North Carolina [Mr. GRAHAM], the Senator from Florida [Mr. HOLLAND], the Senator from South Carolina [Mr. JOHNSTON], the Senator from Maryland [Mr. O'CONOR], the Senator from Idaho [Mr. TAYLOR], and the Senator from Oklahoma [Mr. THOMAS] would each vote "yea."

Mr. SALTONSTALL. I announce that the senior Senator from North Dakota [Mr. LANGER], the Senator from Oregon [Mr. MORSE], the Senator from New Hampshire [Mr. TOBEY], the Senator from Michigan [Mr. VANDENBERG], and the junior Senator from North Dakota [Mr. YOUNG] are absent by leave of the Senate. If present and voting, the senior Senator from North Dakota [Mr. LANGER], the Senator from Oregon [Mr. MORSE], the Senator from New Hampshire [Mr. TOBEY], and the junior Senator from North Dakota [Mr. YOUNG] would each vote "yea."

The result was announced—yeas 81, nays 2, as follows:

YEAS—81

Aiken	Capehart	Dworshak
Anderson	Chapman	Eastland
Benton	Connally	Ecton
Brewster	Cordon	Ellender
Bricker	Darby	Ferguson
Bridges	Donnell	Flanders
Byrd	Douglas	Frear
Fulbright	Knowland	Neely
George	Leahy	O'Mahoney
Gillette	Lehman	Pepper
Green	Lodge	Robertson
Gurney	Long	Russell
Hayden	Lucas	Saltonstall
Hendrickson	McCarran	Schoeppel
Hickenlooper	McCarthy	Smith, Maine
Hill	McClellan	Smith, N. J.
Hoey	McFarland	Sparkman
Humphrey	McKellar	Stennis
Hunt	McMahon	Taft
Ives	Magnuson	Thomas, Utah
Jenner	Malone	Thye
Johnson, Colo.	Martin	Tydings
Johnson, Tex.	Maybank	Watkins
Kefauver	Millikin	Wherry
Kem	Mundt	Wiley
Kerr	Murray	Williams
Kilgore	Myers	Withers

NAYS—2

Butler Cain

NOT VOTING—13

Chavez	Langer	Tobey
Downey	Morse	Vandenberg
Graham	O'Conor	Young
Holland	Taylor	
Johnston, S. C.	Thomas, Okla.	

So the bill (H. R. 6000) was passed.

Mr. GEORGE. Mr. President, I move that the Senate insist upon its amendment, request a conference thereon with the House of Representatives, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. GEORGE, Mr. CONNALLY, Mr. BYRD, Mr. MILLIKIN, and Mr. TAFT conferees on the part of the Senate.

Mr. GEORGE. Mr. President, I ask unanimous consent that the bill be printed showing the Senate amendment.

The VICE PRESIDENT. Without objection it is so ordered.

81ST CONGRESS
2D SESSION

H. R. 6000

IN THE SENATE OF THE UNITED STATES

JUNE 20 (legislative day, JUNE 7), 1950
Ordered to be printed with the amendment of the Senate

AN ACT

To extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, ~~That this Act, with the following table of contents, may be cited as the "Social Security Act Amendments of 1949".~~

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Section of this Act	Section of amended Social Security Act	Heading
403 (b)	1102	Substitution of Federal Security Administrator for Social Security Board.
403 (c)	1106	Substitution of Federal Security Administrator for Social Security Board.
403 (d)	1107 (a)	Change in Reference to Federal Insurance Contributions Act.
403 (e)	1107 (b)	Substitution of Federal Security Administrator for Social Security Board.
403 (f)	1108	Furnishing of Wage Records.

TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SEC. 101. (a) Section 202 of the Social Security Act is amended to read as follows:

"OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

"Old-Age Insurance Benefits

"SEC. 202. (a) Every individual who—

"(1) is a fully insured individual (as defined in section 214 (a)),

"(2) has attained retirement age (as defined in section 216 (a)), and

"(3) has filed application for old-age insurance benefits or was entitled to disability insurance benefits for the month preceding the month in which he attained retirement age,

shall be entitled to an old-age insurance benefit for each

month, beginning with the first month after 1949 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.

"Wife's Insurance Benefits

"(b) (1) The wife (as defined in section 216 (b)) of an individual entitled to old-age insurance benefits, if such wife—

"(A) has filed application for wife's insurance benefits,

"(B) has attained retirement age or has in her care (individually or jointly with her husband) at the time of filing such application a child entitled to a child's insurance benefit on the basis of the wages or self-employment income of her husband,

"(C) was living with such individual at the time such application was filed, and

"(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of her husband,

shall be entitled to a wife's insurance benefit for each month, beginning with the first month after 1949 in which

she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, no child of her husband is entitled to a child's insurance benefit and she has not attained retirement age, or she becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of her husband for such month.

"Child's Insurance Benefits

"(c) (1) Every child (as defined in section 216 (e)) of an individual entitled to old-age insurance benefits, or of an individual who died a fully or currently insured individual (as defined in section 214) after 1939, if such child—

"(A) has filed application for child's insurance benefits,

"(B) at the time such application was filed, was unmarried and had not attained the age of eighteen, and

"(C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death,

shall be entitled to a child's insurance benefit for each month,

beginning with the first month after 1949 in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall, if the individual on the basis of whose wages or self-employment income the child is entitled to such benefit has not died prior to the end of such month, be equal to one-half of the old-age insurance benefit of such individual for such month. Such child's insurance benefit for each month shall, if such individual has died in or prior to such month, be equal to three-fourths of the primary insurance amount of such individual, except that, if there is more than one child entitled to benefits on the basis of such individual's wages or self-employment income, each such child's insurance benefit for such month shall be equal to the sum of (A) one-half of the primary insurance amount of such individual, and (B) one-fourth of such primary insurance amount divided by the number of such children.

"(3) A child shall be deemed dependent upon his father or adopting father at the time specified in paragraph (1) (C) unless, at such time, such individual was not

living with or contributing to the support of such child and—

"(A) such child is neither the legitimate nor adopted child of such individual, or

"(B) such child had been adopted by some other individual, or

"(C) such child was living with and was receiving more than one-half of his support from his stepfather.

"(4) A child shall be deemed dependent upon his stepfather at the time specified in paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

"(5) A child shall be deemed dependent upon his natural or adopting mother at the time of her death if, at such time, she was both a fully and a currently insured individual. A child shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1) (C) if, at such time, (A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

"Widow's Insurance Benefits

"(d) (1) The widow (as defined in section 216 (c))

of an individual who died a fully insured individual after 1939, if such widow—

"(A) has not remarried,

"(B) has attained retirement age,

"(C) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, to wife's insurance benefits, on the basis of the wages or self-employment income of such individual, for the month preceding the month in which he died,

"(D) was living with such individual at the time of his death, and

"(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband,

shall be entitled to a widow's insurance benefit for each month, beginning with the first month after 1949 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

"(2) Such widow's insurance benefit for each month

shall be equal to three-fourths of the primary insurance amount of her deceased husband.

"Mother's Insurance Benefits

"(c) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—

"(A) has not remarried,

"(B) is not entitled to a widow's insurance benefit,

"(C) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such individual,

"(D) has filed application for mother's insurance benefits,

"(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and

"(F) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her

son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual's wages or self-employment income, shall be entitled to a mother's insurance benefit for each month, beginning with the first month after 1949 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to a child's insurance benefit on the basis of the wages or self-employment income of such deceased individual.

"(2) Such mother's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

"Parent's Insurance Benefits

"(f) (1) Every parent (as defined in this subsection)

of an individual who died a fully insured individual after 1939, if such individual did not leave a widow who meets the conditions in subsection (d) (1) (D) and (E) or an unmarried child under the age of eighteen deemed dependent on such individual under subsection (c) (3), (4), or (5), and if such parent—

"(A) has attained retirement age,

"(B) was receiving at least one-half of his support from such individual at the time of such individual's death and filed proof of such support within two years of such date of death,

"(C) has not married since such individual's death,

"(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such deceased individual, and

"(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month, beginning with the first month after 1949 in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to an old-age insurance

benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

"(3) As used in this subsection, the term 'parent' means the mother or father of an individual, a stepparent of an individual by a marriage contracted before such individual attained the age of sixteen, or an adopting parent by whom an individual was adopted before he attained the age of sixteen.

"Lump-Sum Death Payments

"(g) Upon the death, after 1940, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual.

No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or

on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual.

"Application for Monthly Insurance Benefits

"(h) (1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), or (f) for any month after 1949 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the sixth month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Administrator has certified for payment for such prior month.

"(2) No application for any benefit under this section for any month after 1949 which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within such three months' period shall be deemed to have been filed in such first month.

"Simultaneous Entitlement to Benefits

"(i) (1) Any individual who is entitled for any month

to more than one monthly insurance benefit (other than an old-age insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this paragraph) would otherwise be entitled for such month.

"(2) If an individual is entitled to an old-age insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month shall be reduced (after any reduction under section 203 (a)) by an amount equal to such old-age insurance benefit.

"Entitlement to Survivor Benefits Under Railroad Retirement Act

"(j) If any person would be entitled, upon filing application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month thereafter, shall be paid under this section to any person on the basis of the wages or self-employment income of such employee."

(b) (1) Except as provided in paragraph (3), the

amendment made by subsection (a) of this section shall take effect January 1, 1950.

(2) Section 205 (m) of the Social Security Act is repealed effective with respect to monthly benefits under section 202 of the Social Security Act, as amended by this Act, for months after 1949.

(3) Section 202 (h) (2) of the Social Security Act, as amended by this Act, shall take effect October 1, 1949.

(c) (1) Any individual entitled to primary insurance benefits or widow's current insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for January 1950 shall be deemed to be entitled to old-age insurance benefits or mother's insurance benefits (as the case may be) under setion 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in January 1950, the primary insurance amount on which such benefits are based to be determined as provided in section 111 of this Act.

(2) Any individual entitled to any other monthly insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for January 1950 shall be deemed to be entitled

to such benefits under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in January 1950, the primary insurance amount on which such benefits are based to be determined as provided in section 111 of this Act.

(3) Any individual who files application after 1949 for monthly benefits under any subsection of section 202 of the Social Security Act who would, but for the enactment of this Act, be entitled to benefits under such subsection (as in effect prior to such enactment) for any month prior to 1950 shall be deemed entitled to such benefits for such month prior to 1950 to the same extent and in the same amounts as though this Act had not been enacted.

(d) In the case of any parent of an individual who—

(1) died after June 1947 but prior to 1950,

(2) was not a fully insured individual under the provisions of section 209 (g) of the Social Security Act as in effect at the time of his death, and

(3) who is insured under the provisions of section 214 (a) of such Act, as amended by this Act,

such parent shall be deemed to have met the requirement, in section 202 (f) (1) (B) of such Act as so amended, of filing proof of support within two years of the date of such individual's death if such proof is filed prior to 1952.

(e) Lump-sum death payments shall be made in the

case of individuals who died prior to 1950 as though this Act had not been enacted; except that in the case of any individual who died outside the forty-eight States and the District of Columbia after December 6, 1941, and prior to August 10, 1946, the last sentence of section 202 (g) of the Social Security Act shall not be applicable if application for a lump-sum death payment is filed prior to 1952.

MAXIMUM BENEFITS

SEC. 102. (a) So much of section 203 of the Social Security Act as precedes subsection (d) is amended to read as follows:

"REDUCTION OF INSURANCE BENEFITS OTHER THAN DISABILITY BENEFITS

"Maximum Benefits

"SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages or self-employment income of an individual exceeds $150, or exceeds 80 per centum of his average monthly wage (as defined in section 215 (e)), such total of benefits shall, after any deductions under this section, be reduced to $150 or to 80 per centum of his average monthly wage, whichever is the lesser. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased."

(b) The amendment made by subsection (a) of this section shall be applicable with respect to benefits for months after 1949.

DEDUCTIONS FROM BENEFITS

SEC. 103. (a) Subsections (d), (e), (f), (g), and (h) of section 203 of the Social Security Act are amended to read as follows:

"Deductions on Account of Work or Failure to Have Child in Care

"(b) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month after 1949—

"(1) in which such individual is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $50; or

"(2) in which such individual is under the age of seventy-five and for which month he is charged under the provisions of subsection (c) of this section, with net earnings from self-employment of more than $50; or

"(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did

not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or

"(4) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

"(5) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child, of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit with respect to the wages or self-employment income of her deceased former husband.

"Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

"(c) Deductions shall be made from any wife's or child's insurance benefit to which a wife or child is entitled, until the total of such deductions equals such wife's or child's insurance benefit or benefits under section 202 for any month after 1949—

"(1) in which the individual, on the basis of whose wages or self-employment income such benefit was payable, is under the age of seventy-five and in which he rendered services for wages (as determined under section

~~209 without regard to subsection (a) thereof) of more than $50; or~~

~~"(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and for which month he is charged, under the provisions of subsection (c) of this section, with net earnings from self-employment of more than $50.~~

~~"Occurrence of More Than One Event~~

~~"(d) If more than one event specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.~~

~~"Months to Which Net Earnings Are Charged~~

~~"(e) For the purposes of subsections (b) and (c)—~~

~~"(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $50 times the number of months in such year, no month in such year shall be charged with more than $50 of net earnings from self-employment.~~

~~"(2) If an individual's net earnings from self-employment for his taxable year are more than the product of $50 times the number of months in such year, each~~

month of such year shall be charged with $50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $50 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.

"(3) (A) As used in paragraph (2), the term 'last month of such taxable year' means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

"(B) For the purposes of clause (D) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the

Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

"Penalty for Failure to Report Certain Events

"(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurance of an event specified therein (other than an event described in subsection (b) (2) or (c) (2)), shall report such occurence to the Administrator prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even

though the failure to report is with respect to more than one month.

"Report to Administrator of Net Earnings From Self-Employment

"(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of $50 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

"(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings—

"(A) such individual shall suffer one additional

deduction in an amount equal to his benefit or benefits for the last month in such taxable year for which he was entitled to a benefit under section 202; and

"(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month or fraction thereof during which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by paragraph (1) and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deduc-

tions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.

"Deductions With Respect to Certain Lump Sum Payments

"(h) Deductions shall also be made from any old-age

insurance benefit to which an individual is entitled, or from any other insurance benefit payable on the basis of such individual's wages or self-employment income, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"Attainment of Age Seventy-five

"(i) For the purposes of this section, an individual shall be considered as seventy-five years of age during the entire month in which he attains such age."

(b) The amendments made by this section shall take effect January 1, 1950.

DEFINITIONS

SEC. 104. (a) Title II of the Social Security Act is amended by striking out section 209 and inserting in lieu thereof the following:

"DEFINITION OF WAGES

"SEC. 209. For the purposes of this title, the term 'wages' means remuneration paid prior to 1950 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1949 for employment, including the cash value of all remuneration paid in any medium other than cash; except

that, in the case of remuneration paid after 1949, such term shall not include—

"(a) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $3,600 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer during any calendar year acquires substantially all the property used in a trade or business of another person (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisiton was employed in the trade or business of such predecessor, then, for the purpose of determining whether such employer has paid remuneration (other than remuneration referred to in the succeeding subsections of this section) with respect to employment equal to $3,600 to such individual during such calendar year, any remuneration with respect to employment paid (or considered under this subsection as having been paid) to such individual by such predecessor during such calendar year

and prior to such acquisition shall be considered as having been paid by such employer;

"(b) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (1) retirement, or (2) sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

"(c) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(d) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(e) Any payment made to, or on behalf of, an

employee (1) from or to a trust exempt from tax under section 165 (a) of the Internal Revenue Code at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code;

"(f) The payment by an employer (without deduction from the remuneration of the employee) (1) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code, or (2) of any payment required from an employee under a State unemployment compensation law;

"(g) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business (including domestic service in a private home of the employer); or

"(h) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains retirement age (as defined in section 216 (a)), if he did not work for the employer in the period for which such payment is made.

Tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him shall, for the purposes of this title, be considered as remuneration paid to him by his employer; except that, in the case of tips, only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of ten days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter shall be considered as remuneration paid by his employer, and the amount so reported shall be considered as having been paid to him by his employer on the date on which such report is made to the employer.

"DEFINITION OF EMPLOYMENT

"SEC. 201. For the purposes of this title—

"Employment

"(a) The term 'employment' means any service performed after 1936 and prior to 1950 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service of whatever nature performed after 1949 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which

is entered into within the United States or during the performance of which the vessel or aircraft touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (c)); except that, in the case of service performed after 1949, such term shall not include—

"(1) Agricultural labor (as defined in subsection (f));

"(2) (A) Service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed on a farm operated for profit;

"(B) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $25 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be

regularly employed by an employer during a calendar quarter only if (A) such individual performs for such employer service not in the course of the employer's trade or business during some portion of at least twenty-six days during such quarter, or (B) if such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term 'service not in the course of the employer's trade or business' includes domestic service in a private home of the employer;

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

"(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of

law which specifically refers to such section in granting such exemption;

"(7) Service performed in the employ of the United States, or in the employ of any instrumentality of the United States which is partly or wholly owned by the United States, but only if (i) such service is covered by a retirement system, established by a law of the United States, for employees of the United States or of such instrumentality, or (ii) such service is performed—

"(A) by the President or Vice President of the United States or by a Member, Delegate, or Resident Commissioner, of or to the Congress;

"(B) in the legislative branch;

"(C) in the field service of the Post Office Department;

"(D) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

"(E) by any employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"(F) by any employee receiving nominal compensation of $12 or less per annum;

"(G) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"(H) by any employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

"(I) by any consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"(J) by any employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(K) in the employ of the Tennessee Valley Authority in a position which is covered by a retirement system established by such Authority;

"(L) by any employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency; or

"(M) by any employee who is employed under a Federal relief program to relieve him from unemployment;

"(8) (A) Service (other than service included under an agreement under section 218 and other than service to which subparagraph (B) of this paragraph is applicable) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

"(B) Service (other than service included under an agreement under section 218) performed in the employ of any political subdivision of a State in connection with the operation of any public transportation system unless such service is performed by an employee who—

"(i) became an employee of such political subdivision in connection with and at the time of its acquisition after 1936 of such transportation system or any part thereof; and

"(ii) prior to such acquisition rendered services in employment (as an employee of a person other than one designated in subparagraph (A) of this paragraph) in connection with the operation of such transportation system or part thereof.

In the case of an employee described in clauses (i) and (ii) who became such an employee in connection with an acquisition made prior to 1950, this subparagraph shall not be applicable with respect to such employee

if the political subdivision employing him files with the Commissioner of the Internal Revenue prior to January 1, 1950, a statement that it does not favor the inclusion under this subparagraph of any individual who became an employee in connection with such acquisitions made prior to 1950. For the purposes of this subparagraph the term 'political subdivision' includes an instrumentality of one or more political subdivisions of a State;

"(9) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(10) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

"(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than $100;

"(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

"(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

"(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at

which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back;

"(17) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669); or

"(18) Service performed by an individual in the sale or distribution of goods or commodities for another person, off the premises of such person, under an arrangement whereby such individual receives his entire remuneration (other than prizes) for such service directly from the purchasers of such goods or commodities, if such person makes no provision (other than by correspondence) with respect to the training of such individual for the performance of such service and imposes no requirement upon such individual with respect to (A) the fitness of such individual to perform such service, (B) the geographical area in which such service is to be performed, (C) the volume of goods or commodities to be sold or distributed, or (D) the selection or solicitation of customers.

"Included and Excluded Service

"(b) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term 'pay period' means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (10) of subsection (a).

"American Vessel

"(c) The term 'American vessel' means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents

of the United States or corporations organized under the laws of the United States or of any State.

"American Aircraft

"(d) The term 'American aircraft' means an aircraft registered under the laws of the United States.

"American Employer

"(e) The term 'American employer' means an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States. (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

"Agricultural Labor

"(f) The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding,

caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton.

"(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of services described in subparagraph (A),

but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"(C) The provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

"Farm

"(g) The term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

"State

"(h) The term 'State' includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 221 such term includes Puerto Rico.

"United States

"(i) The term 'United States' when used in a geographical sense means the States, Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 221 such term includes Puerto Rico.

"Citizen of Puerto Rico

"(j) An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 221.

"Employee

"(k) The term 'employee' means—

"(1) any officer of a corporation; or

"(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee. For purposes of this paragraph, if an individual (either alone or as a member of a group) performs service for any other person under a written contract expressly reciting that such person shall have complete control over the performance of such service and that such individual is an employee, such individual with respect

to such service shall, regardless of any modification not in writing, be deemed an employee of such person (or, if such person is an agent or employee with respect to the execution of such contract, the employee of the principal or employer of such person); or

"(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

"(A) as an outside salesman in the manufacturing or wholesale trade;

"(B) as a full-time life insurance salesman;

"(C) as a driver-lessee of a taxicab;

"(D) as a home worker on materials or goods which are furnished by the person for whom the services are performed and which are required to be returned to such person or to a person designated by him;

"(E) as a contract-logger;

"(F) as a lessee or licensee of space within a mine when substantially all of the product of such services is required to be sold or turned over to the lessor or licensor; or

"(G) as a house-to-house salesman if under

the contract of service or in fact such individual (i) is required to meet a minimum sales quota, or (ii) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (iii) is prohibited from furnishing the same or similar services for any other person—

if the contract of service contemplates that substantially all of such services (other than the services described in subparagraph (F)) are to be performed personally by such individual; except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade, occupation, business, or profession with respect to which the services are performed, or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed; or

"(4) any individual who is not an employee under paragraph (1), (2), or (3) of this subsection but who, in the performance of service for any person for remuneration, has, with respect to such service, the status of an employee, as determined by the

combined effect of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of skill required of the individual, (F) lack of investment by the individual in facilities for work, and (G) lack of opportunities of the individual for profit or loss.

"SELF-EMPLOYMENT

"SEC. 211. For the purposes of this title—

"Net Earnings from Self-Employment

"(a) The term 'net earnings from self-employment' means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the net income or loss, as computed under such chapter, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership net income or loss—

"(1) There shall be excluded rentals from real estate (including personal property leased with the real

estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

"(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;

"(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof) unless such dividends and interest are received in the course of a trade or business as a dealer in stocks or securities;

"(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property

if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

"(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;

"(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"(B) If any portion of a partner's distributive share of the net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner,

and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

"(7) In the case of any taxable year beginning on or after the effective date specified in section 221, (A) the term 'possession of the United States' as used in section 251 of the Internal Revenue Code shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States, and without regard to the provisions of section 252 of such code;

"(8) There shall be excluded income derived from a trade or business of publishing a newspaper or other publication having a paid circulation, together with the income derived from other activities conducted in connection with such trade or business; and there shall be excluded all deductions attributable to such income.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1950) ending within or with his taxable year.

"Self-Employment Income

"(b) The term 'self-employment income' means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after 1949; except that such term shall not include—

"(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

"(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.

In the case of any taxable year beginning prior to the effective date specified in section 221, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 221) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

"Trade or Business

"(c) The term 'trade or business', when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23 of the Internal Revenue Code, except that such term shall not include—

"(1) The performance of the functions of a public office;

"(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (16) (B) or section 210 (a) (18) performed by an individual who has attained the age of eighteen);

"(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

"(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, or optometrist, or as a Christian Science practitioner, or as an

aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineer; or the performance of such service by a partnership.

"Partnership and Partner

"(d) The term 'partnership' and the term 'partner' shall have the same meaning as when used in supplement F of chapter 1 of the Internal Revenue Code.

"Taxable Year

"(e) The term 'taxable year' shall have the same meaning as when used in chapter 1 of the Internal Revenue Code; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of chapter 1 of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such chapter 1.

"CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR YEARS

"SEC. 212. For the purposes of determining the average monthly wage, quarters of coverage, and years of coverage, the amount of self-employment income derived during any taxable year shall be credited to calendar years as follows:

"(1) In the case of a taxable year which is a calendar year, or which begins and ends in the same calendar year, the self-employment income of such taxable year shall be credited to such calendar year.

"(2) In the case of a taxable year which begins in one calendar year and ends in another calendar year, the calendar year in which such taxable year began shall be credited with the same proportion of the self-employment income derived during the taxable year as the number of months in such calendar year which are included in such taxable year is of the number of months in the taxable year, and the balance of such self-employment income shall be credited to the calendar year in which such taxable year ended. For the purposes of this paragraph a fractional part of a month shall be considered as a month.

"QUARTER AND QUARTER OF COVERAGE

"Definitions

SEC. 213. (a) For the purposes of this title—

"(1) The term 'quarter', and the term 'calendar quarter', means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

"(2) (A) The term 'quarter of coverage' means, in the case of any quarter occurring prior to 1950, a quarter in which the individual has been paid $50 or more in wages. In the case of any individual who has been paid, in a calendar year prior to 1950, $3,000 or more in wages each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such

year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

"(B) The term 'quarter of coverage' means, in the case of a quarter occurring after 1949, a quarter in which the individual has been paid $100 or more in wages or for which he has been credited (as determined under subsection (b)) with $200 or more of self-employment income, except that—

"(i) no quarter after the quarter in which such individual died shall be a quarter of coverage;

"(ii) no quarter any part of which is included in a period of disability (as defined in section 219 (i)), other than the initial or last quarter, shall be a quarter of coverage;

"(iii) if the sum of the wages paid to an individual in a calendar year and his self-employment income credited to such year (as determined under section 212) is equal to or exceeds $3,600, each quarter of such year shall (subject to clauses (i) and (ii)) be a quarter of coverage; and

"(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

"Crediting of Self-Employment Income to Quarters in a Calendar Year

"(b) For the purposes of subsection (a)—

"(1) If an individual's self-employment income credited to a calendar year (as determined under section 212) is $800 or more, one-fourth of such self-employment income shall be credited to each quarter in such year.

"(2) Except as provided in paragraph (3), if an individual's self-employment income credited to the calendar year is less than $800, the first $200 thereof shall be credited to the last quarter of such year which is not a quarter of coverage by reason of wages paid to him in such year, and the balance of such self-employment income, if any, shall be credited at the rate of $200 to each preceding quarter in the calendar year which is not a quarter of coverage by reason of wages so paid until all of such balance has been credited. If the individual died during such year, the quarter in which he died shall be considered to be the last quarter in such calendar year.

"(3) If an individual's self-employment income credited to the calendar year is less than $800 and (A) such individual attained retirement age in or prior to such calendar year, or (B) such individual's disability determination date (as determined under section

~~219 (c)) occurs in such calendar year, the first $200 of such self-employment income shall be credited to the first quarter of such year which is not a quarter of coverage by reason of wages paid to him, in such year, and the balance thereof, if any, shall be credited at the rate of $200 to each succeeding quarter in the calendar year which is not a quarter of coverage by reason of wages so paid until all of such balance has been credited.~~

~~"Crediting of Wages Paid in 1937~~

~~"(c) With respect to wages paid to an individual in the six-month periods commencing either January 1, 1937, or July 1, 1937; (A) if wages of not less than $100 were paid in any such period, one-half of the total amount thereof shall be deemed to have been paid in each of the calendar quarters in such period; and (B) if wages of less than $100 were paid in any such period, the total amount thereof shall be deemed to have been paid in the latter quarter of such period, except that if in any such period, the individual attained age sixty-five, all of the wages paid in such period shall be deemed to have been paid before such age was attained.~~

~~"INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS~~

~~"SEC. 214. For the purposes of this title—~~

"Fully Insured Individual

"(a) (1) The term 'fully insured individual' means any individual who had not less than—

"(A) one quarter of coverage (as determined under section 213 (a) (2)) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever quarter is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, and in no case less than six quarters of coverage; or

"(B) twenty quarters of coverage within the forty-quarter period ending with the quarter in which he attained retirement age or with any subsequent quarter or ending with the quarter in which he died; or

"(C) forty quarters of coverage;

not counting as an elapsed quarter for purposes of subparagraph (A), and not counting as part of the forty-quarter period referred to in subparagraph (B), any quarter any part of which is included in a period of disability (as defined in section 219 (i)) unless such quarter is a quarter of coverage. When the number of elapsed quarters specified in subparagraph (A) is an odd number, for the purposes of such subparagraph such number shall be reduced by one.

"(2) If an individual upon attainment of retirement age is not, under paragraph (1), a fully insured individual but (were it not for his attainment of retirement age) would have been entitled to a disability insurance benefit for the month in which he attained retirement age or for any subsequent month, he shall be a fully insured individual beginning with the first month for which he would have been so entitled to disability insurance benefits. For the purpose of determining whether an individual would have been so entitled to disability insurance benefits, his application for old-age insurance benefits shall be considered as an application for disability insurance benefits.

"Currently Insured Individual

"(b) The term 'currently insured individual' means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with the quarter in which he died, excluding from such period any quarter any part of which is included in a period of disability unless such quarter is a quarter of coverage.

"COMPUTATION OF PRIMARY INSURANCE AMOUNT AND DISABILITY INSURANCE BENEFIT

"SEC. 215. For the purposes of this title—

"Primary Insurance Amount and Disability Insurance Benefit

"(a) An individual's 'primary insurance amount', and

an individual's 'disability insurance benefit', means an amount equal to the sum of the following:

"(1) his base amount multiplied by his continuation factor, and

"(2) one-half of 1 per centum of his base amount multiplied by the number of his years of coverage.

When the primary insurance amount or disability insurance benefit thus computed is less than $25, it shall be increased to $25. (For special rules applicable, in certain cases, for the computation of the primary insurance amount of an individual who died prior to 1950 or who was paid a primary insurance benefit prior to 1950, see section 111 of the Social Security Act Amendments of 1949.)

"Base Amount

"(b) An individual's 'base amount' means an amount equal to 50 per centum of the first $100 of his average monthly wage plus 10 per centum of the next $200 of such wage.

"Average Monthly Wage

"(c) (1) An individual's 'average monthly wage' means the quotient obtained by dividing (A) the total of his wages and self-employment income during all his years of coverage after his starting date, by (B) the product of twelve times the number of his years of coverage after such starting date; except that if in any case the product deter-

mined under clause (B) is less than sixty it shall be increased to sixty. For the purposes of this paragraph an individual's 'starting date' shall be 1936, 1949, or the year in which he attains the age of twenty-one, whichever results in the highest average monthly wage.

"(2) If an individual's average monthly wage computed under paragraph (1) is less than $50, his average monthly wage shall be increased to $50.

"(3) For the purposes of this subsection—

(A) in computing an individual's average monthly wage there shall not be counted, in the case of any calendar year after 1949, the excess over $3,600 of (i) the wages paid to him in such year, plus (ii) the self-employment income credited to such year (as determined under section 212);

"(B) if the total of an individual's wages and self-employment income for any calendar year is not a multiple of $1, such total shall be reduced to the next lower multiple of $1; and

"(C) if an individual's average monthly wage computed under paragraph (1) of this subsection is not a multiple of $1, it shall be reduced to the next lower multiple of $1.

"Continuation Factor

"(d) In the case of any individual who dies or attains retirement age before 1956 or dies before the year in which he attains the age of twenty-eight, the continuation factor shall be one. In all cases, the continuation factor of an individual shall be the quotient obtained by dividing (1) the number of his years of coverage after his starting date, or the number 5, whichever is the greater, by (2) the number of his continuation factor years; except that if such quotient is greater than one it shall be reduced to one. For the purposes of this subsection, an individual's starting date shall be 1936 or 1949, whichever results in the higher continuation factor. His continuation factor years shall be the calendar years elapsing after his starting date (or after the year in which he attained the age of twenty-one, if later) and prior to the year in which he attained retirement age, or died, whichever first occurred, or, if the computation under this subsection is being made for an individual who is entitled to disability insurance benefits with respect to a disability, prior to the year in which occurs his disability determination date (as determined under section 219 (c)) for such disability; but no such calendar year, any part of which was included in a period of disability (as defined in

section 210) (i), shall be a continuation factor year unless such calendar year was a year of coverage.

"Year of Coverage

"(e) A 'year of coverage' for any individual means—

"(1) in the case of any calendar year prior to 1950, a year in which the sum of the wages paid to him in such year was $200 or more; and

"(2) in the case of any calendar year after 1949, a year in which the sum of (A) the wages paid to him in such year and (B) his self-employment income credited to such year (as determined under section 212) was $400 or more.

"Treatment of Wages and Self-employment Income in Year of Computation

"(f) For the purposes of this section (other than subsection (g))—

"(1) in computing an individual's average monthly wage and his years of coverage with respect to an application for old-age or disability insurance benefits, there shall be taken into account only the self-employment income of such individual for taxable years ending prior to the date on which he filed such application, and there shall be counted only the wages paid to him prior to

the quarter in which he filed such application. For the purposes of this paragraph an individual who was entitled to disability insurance benefits for the month preceding the month in which he attained retirement age shall be deemed to have filed an application for old-age insurance benefits on the date he attained retirement age; and

"(2) in computing the average monthly wage and the years of coverage of an individual who died, there shall not be counted wages (other than compensation described in section 205 (p)) paid in or after the quarter in which he died.

"Recomputation of Benefits

"(g) (1) After an individual's primary insurance amount has been determined under this section (or under section 111 of the Social Security Act Amendments of 1949, if applicable), there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who dies after 1949 and prior to July 27, 1954, as provided in section 217 (b). An individual's disability insurance benefit shall not be recomputed except as provided in paragraph (3) of this subsection.

"(2) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recom-

pute his primary insurance amount if the application therefor is filed after the twelfth month for which deductions under section 203 (b) (1) and (2) have been imposed (within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to 1950 or prior to the earliest month for which the last previous computation of his primary insurance amount was effective. A recomputation under this paragraph shall take into account only (A) wages paid to such individual prior to the year in which such application is filed and (B) his self-employment income for taxable years ending prior to the date of such application. Such recomputation shall be effective for and after the month in which such application is filed.

"(3) If upon application by an individual for old-age or disability insurance benefits such individual had less than five years of coverage, the Administrator shall recompute his primary insurance amount or his disability insurance benefit, as the case may be, by taking into account only (A) the wages and self-employment income which were included in the original computation of his average monthly wage and (B) his self-employment income for the taxable year in which he filed application for the old-age or disability insurance benefits. Such recomputation shall be effective for and after the first month following the close of such taxable year.

"(4) Upon the death after 1949 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages or self-employment income of such individual, the Administrator shall recompute the decedent's primary insurance amount, but (except as provided in paragraph (3)) only if—

"(A) the decedent would have been entitled to a recomputation under paragraph (2) if he had filed application therefor in the month in which he died; or

"(B) the decedent during his lifetime was paid compensation which is treated, under section 205 (p), as remuneration for employment.

If the recomputation is required by subparagraph (A), the recomputation shall take into account only the following: The self-employment income of the decedent for all taxable years other than his last taxable year, the wages (other than compensation described in section 205 (p)) paid to him prior to the year in which he died, and the compensation (described in section 205 (p)) paid to him prior to his death. If the recomputation is not permitted under subparagraph (A) but is required by subparagraph (B), the recomputation shall take into account only the following: The wages and self-employment income which were per-

mitted to be taken into account in the last previous computation of the primary insurance amount of such individual (including any recomputation required by paragraph (3)), and the compensation (described in section 205 (p)) paid to him prior to his death.

"(5) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount or disability insurance benefit. No such recomputation shall, for the purposes of section 203 (a), lower the average monthly wage.

"Rounding of Benefits

"(h) The amount of any primary insurance amount and of any disability insurance benefit and the amount of any monthly benefit computed under section 202 which, after reduction under section 203 (a) or section 219 (c), is not a multiple of $0.10 shall be raised to the next higher multiple of $0.10.

"OTHER DEFINITIONS

"SEC. 216. For the purposes of this title—

"Retirement Age

"(a) The term 'retirement age' means age sixty-five.

"Wife

"(b) The term 'wife' means the wife of an individual, but only if she (1) is the mother of his son or daughter, or

(2) was married to him for a period of not less than three years immediately preceding the day on which her application is filed.

"Widow

"(c) The term 'widow' (except when used in section 202 (g)) means the surviving wife of an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) was married to him at the time both of them legally adopted a child under the age of eighteen, or (4) was married to him for a period of not less than one year immediately prior to the day on which he died.

"Former Wife Divorced

"(d) The term 'former wife divorced' means a woman divorced from an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (3) was married to him at the time both of them legally adopted a child under the age of eighteen.

"Child

"(e) The term 'child' means (1) the child of an individual, and (2) in the case of a living individual, a stepchild or adopted child who has been such stepchild or

adopted child for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, (A) an adopted child, or (B) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. In determining whether an adopted child has met the length of time requirement in clause (2), time spent in the relationship of stepchild shall be counted as time spent in the relationship of adopted child.

"Determination of Family Status

"(f) (1) In determining whether an applicant is the wife, widow, child, or parent of a fully insured or currently insured individual for purposes of this title, the Administrator shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, widow, child, or parent shall be deemed such.

"(2) A wife shall be deemed to be living with her husband if they are both members of the same household, or she

~~is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and a widow shall be deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support."~~

~~(b) The amendment made by subsection (a) shall take effect January 1, 1950, except that—~~

~~(1) Section 214 of the Social Security Act shall be applicable (A) in the case of applications filed after September 1949 for monthly benefits for months after 1949, and (B) in the case of applications for lump-sum death payments with respect to deaths after 1949.~~

~~(2) Section 216 of the Social Security Act shall be applicable in the case of applications filed after September 1949 for monthly benefits for months after 1949.~~

~~(3) If the provisions of section 111 of this Act are applicable in computing any benefits for months after 1949, section 215 of the Social Security Act shall not be applicable with respect to such benefits unless and until such benefits are recomputed under subsection (g) of such section 215.~~

WORLD WAR II VETERANS

SEC. 105. Title II of the Social Security Act is amended by striking out section 210 and by adding after section 216 (added by section 104 (a) of this Act) the following:

"BENEFITS IN CASE OF WORLD WAR II VETERANS

"SEC. 217. (a) For purposes of determining entitlement to and the amount of any monthly benefit for any month after 1949, or entitlement to and the amount of any lump-sum death payment in case of a death after 1949, payable under this title on the basis of the wages or self-employment income of any World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if a larger benefit or payment, as the case may be, would be payable without its application.

"(b) (1) In the case of any World War II veteran who dies during the period of three years immediately following his separation from the active military or naval service of the United States and who (i) died prior to 1950 and on the basis of whose wages no monthly benefit for any

month prior to 1952 was paid and no lump-sum death payment was made, or (ii) died after 1949, such veteran shall be deemed to have died a fully insured individual with an average monthly wage of $160 and, for the purposes of section 215 (a) (2), to have been paid $400 in wages in each calendar year in which he had thirty days or more of active military or naval service after September 16, 1940, and prior to July 27, 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

"(A) a larger such benefit or payment, as the case may be, would be payable without its application;

"(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

"(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

"(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

"(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages or self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to para-

graph (1) (B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Administration by reason of the death of such veteran. The Federal Security Administrator shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U. S. C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Federal Security Administrator, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans'

~~Administration shall be deemed by reason of this subsection to have been an erroneous payment.~~

~~"(c) In the case of any World War II veteran who has died prior to 1950, proof of support required under section 202 (f) may be filed by a parent at any time prior to July 1950 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.~~

~~"(d) There are hereby authorized to be appropriated annually to the Trust Fund such sums as may be necessary to meet the additional cost, resulting from this section, of the benefits (including lump-sum death payments) payable under this title.~~

~~"(e) For the purposes of this section—~~

~~"(1) The term 'World War II' means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.~~

~~"(2) The term 'World War II veteran' means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the~~

United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense."

COVERAGE OF STATE AND LOCAL EMPLOYEES

SEC. 106. Title II of the Social Security Act is amended by adding after section 217 (added by section 105 of this Act) the following:

"VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

"Purpose of Agreement

"SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services (not otherwise included as employment under this title) performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

"(2) Notwithstanding section 210 (a), for the purposes of this title the term 'employment' includes any agricultural labor, domestic service, or service performed by a student, included under an agreement entered into under this section.

"Definitions

"(b) For the purposes of this section—

"(1) The term 'State' does not include the District of Columbia.

"(2) The term 'political subdivision' includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

"(3) The term 'employee' includes an officer of a State or political subdivision.

"(4) The term 'retirement system' means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof; and the term 'State-wide retirement system' means a retirement system established by a State which covers any class or classes of its employees and any class or classes of employees of one or more political subdivisions of the State or covers any class or classes of employees of two or more political subdivisions of the State.

"(5) The term 'coverage group' means (A) employees of the State other than those in positions covered by a State-wide retirement system, (B) employees of a political subdivision of a State other than those in positions covered by a State-wide retirement system, or (C) employees of the State and employees of its political subdivisions who are in positions covered by a State-wide retirement system.

"Services Covered

"(c) (1) An agreement under this section shall be applicable with respect to any one or more coverage groups designated by the State.

"(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3) or (5) of this subsection) performed by individuals as members of such group.

"(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

"(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

"(5) Such agreement shall, if the State requests it,

exclude (in the case of any coverage group) any agricultural labor, domestic service, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which, if performed in the employ of an individual, would be excluded from employment by section 210 (a).

"(6) Such agreement shall exclude services performed by an individual who is employed to relieve him from unemployment and shall exclude services performed in a hospital, home, or other institution by a patient or inmate thereof.

"Referendum in Case of Retirement System

"(d) (1) No agreement with any State may include services performed in positions covered by a retirement system in effect on the date the agreement is entered into unless the State requests such inclusion and the Governor of the State certifies to the Administrator that (A) a written referendum was held (within the period prescribed in paragraph (3) of this subsection) on the question whether services in positions covered by such retirement system should be excluded from or included under the agreement, (B) an opportunity to vote in such referendum was given (and was limited) to the employees who were in such positions at the time the referendum was held and to the individuals who on such date were twenty-one years of age or older and were receiving periodic payments under such

retirement system, and (C) not less than two-thirds of the voters in such referendum voted in favor of including services in such positions under the agreement.

"(2) No modification of an agreement with any State may provide for the inclusion of services performed in positions covered by a retirement system in effect on the date the modification is agreed to unless the State requests such inclusion and the Governor of the State makes a certification which meets the requirements of clauses (A), (B), and (C) of paragraph (1).

"(3) The period within which a referendum must be held for the purposes of this subsection shall be the period beginning one year before the effective date of the agreement and ending on the date such agreement is entered into, except that in the case of a modification of an agreement such period shall begin one year before the effective date of the modification and end on the date such modification is agreed to.

"Payments and Reports by States

"(c) Each agreement under this section shall provide—

"(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Administrator may by regulation prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410 of the Internal Revenue Code

if the services of employees covered by the agreement constituted employment as defined in section 1426 of such code;

"(2) that the State will comply with such regulations relating to payments and reports as the Administrator may prescribe to carry out the purposes of this section.

"Effective Date of Agreement

"(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1950, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1952) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

"Termination of Agreement

"(g) (1) Upon giving at least two years' advance notice in writing to the Administrator, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Administrator either—

"(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

"(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

"(2) If the Administrator, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

"(3) If any agreement entered into under this section is terminated in its entirety, the Administrator and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Administrator and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

"Deposits in Trust Fund; Adjustments

"(h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Fund.

"(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Administrator.

"(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Administrator to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

"Regulations

"(i) Regulations of the Administrator to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pur-

suant to this title and subchapter A of chapter 9 of the Internal Revenue Code.

"Failure To Make Payments

"(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Administrator may, in his discretion, deduct such amounts plus interest from any amounts certified to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Fund.

"Instrumentalities of Two or More States

"(k) The Administrator may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

"Delegation of Functions

"(l) The Administrator is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement."

DISABILITY INSURANCE BENEFITS

SEC. 107. Title II of the Social Security Act is amended by adding after section 218 (added by section 106 of this Act) the following:

"PERMANENT AND TOTAL DISABILITY INSURANCE BENEFITS

"Conditions of Entitlement

"SEC. 219. (a) (1) Every permanently and totally disabled individual (as defined in subsection (h)) who—

"(A) has not attained retirement age,

"(B) has filed application for disability insurance benefits,

"(C) is insured for disability insurance benefits, and

"(D) has been under a disability throughout his waiting period,

shall be entitled to a disability insurance benefit for each month, beginning with the first month after his waiting period in which he becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: he ceases to be a permanently and totally disabled individual, dies, or attains retirement age.

"(2) The term 'waiting period' means, with respect to the disability of any individual, the period beginning with the calendar month in which occurred his disability determination date (as determined under subsection (c)) and ending at the expiration of the sixth calendar month following such month.

"(3) An individual who would have been entitled to a disability insurance benefit for any month had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the third month succeeding such month; except that the provisions of this paragraph shall not apply for purposes of determining a period of disability (as defined in subsection (i)), or when a disability determination date occurred.

"(4) No application for disability insurance benefits filed prior to seven months before the first month for which

the applicant becomes entitled to receive such benefits shall be accepted as an application for purposes of this section.

"Determination of Insured Status

"(b) An individual is insured for purposes of disability insurance benefits if he had not less than—

"(1) six quarters of coverage (as determined under section 213 (a) (2)) during the thirteen-quarter period which ends with the quarter in which his disability determination date occurred; and

"(2) twenty quarters of coverage during the forty-quarter period which ends with the quarter in which his disability determination date occurred.

In case such individual was previously entitled to disability insurance benefits, there shall be excluded from the count of the quarters in each period specified in paragraphs (1) and (2) any quarter any part of which was included in a period of disability unless such quarter is a quarter of coverage.

"Disability Determination Date

"(c) For the purposes of this title—

"(1) the disability determination date of any individual who files application for disability insurance benefits prior to 1953 shall be whichever of the following days is the latest: (A) The day the disability began, (B) June 30, 1950, or (C) the first day of the

first quarter in which he would be insured for disability insurance benefits with respect to such disability if he had filed application therefor in such quarter; and

"(2) the disability determination date of any individual who files application for disability insurance benefits after 1952 shall be whichever of the following days is the latest: (A) The day the disability began, (B) the first day of the tenth month prior to the month in which he filed such application, or (C) the first day of the first quarter in which he would be insured for disability insurance benefits with respect to such disability if he had filed application therefor in such quarter.

"Determination of Disability

"(d) The Administrator shall make provision for determinations of disability and redeterminations thereof at necessary intervals, and he shall by regulation provide for such examinations of individuals as he deems necessary for purposes of determining or redetermining disability and entitlement to benefits by reason thereof. In the case of any individual submitting to such an examination, the Administrator may pay, in accordance with regulations prescribed by him, (1) the necessary travel expenses (including subsistence expenses incident thereto) of such individual in connection with such examination, and (2) if the examination

is made by a physician who is not an employee of the United States, the necessary expenses (including a fee) for such examination. There is hereby authorized to be appropriated for each fiscal year from the Trust Fund such amount as may be necessary for the purposes of this subsection.

"Reduction of Benefit

"(c) (1) where a benefit is payable to any individual under this section and a workmen's compensation benefit or benefits have been or are paid to such individual on account of the same disability for the same period of time, such individual's benefit under this section for such month shall, prior to any deductions under section 220, be reduced by one-half, or by an amount equal to one-half of such workmen's compensation benefit or benefits, whichever is the smaller.

"(2) In case the benefit of any individual under this section is not reduced as provided in paragraph (1) because such benefit is paid prior to the payment of the workmen's compensation benefit, the reduction shall be made by deductions, at such time or times and in such amounts as the Administrator may determine, from any other payments under this title payable on the basis of the wages or self-employment income of such individual.

"(3) If the workmen's compensation benefit is payable on other than a monthly basis (excluding a benefit payable

in a lump sum unless it is a commutation of, or a substitute for, periodic payments), reduction of the benefits under this subsection shall be made in such amounts as the Administrator finds will approximate, as nearly as practicable, the reduction prescribed in paragraph (1).

"(4) In order to assure that the purposes of this subsection will be carried out, the Administrator may, as a condition to certification for payment of any disability insurance benefit payable to an individual under this section (if it appears to him that there is a likelihood that such individual may be eligible for a workmen's compensation benefit which would give rise to a reduction under this subsection), require adequate assurance of reimbursement to the Trust Fund in case workmen's compensation benefits, with respect to which such a reduction should be made, become payable to such individual and such reduction is not made.

"(5) For purposes of this subsection, the term 'workmen's compensation benefit' means a cash benefit, allowance, or compensation payable under any workmen's compensation law or plan of the United States or of any State.

"Termination of Entitlement to Benefits by Administrator

"(f) In any case in which an individual has refused to submit himself for examination or reexamination in ac-

cordance with regulations of the Administrator, or has without good cause refused to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act (29 U. S. C. ch. 4) after being directed by the Administrator to do so, the Administrator may find, solely because of such refusal, that such individual is not a permanently and totally disabled individual or that his disability (previously determined to exist) has ceased. The Administrator may find that an individual is not a permanently and totally disabled individual or that his disability (previously determined to exist) has ceased, if such individual is outside the United States and the Administrator finds that adequate arrangements have not been made for determining or redetermining such individual's disability.

"Cooperation with Agencies and Groups

"(g) The Administrator is authorized to secure the cooperation of appropriate agencies of the United States, of States, or of the political subdivisions of States and the cooperation of private medical, dental, hospital, nursing, health, educational, social, and welfare groups or organizations, and where necessary to enter into voluntary working agreements with any of such public or private agencies, organizations, or groups in order that their advice and serv-

ices may be utilized in the efficient administration of this section.

"Definitions of 'Disability' and 'Permanently and Totally Disabled Individual'

"(h) For the purposes of this title—

"(1) the term 'disability' means (A) inability to engage in any substantially gainful activity by reason of any medically demonstrable physical or mental impairment which is permanent, or (B) blindness; and the term 'permanently and totally disabled individual' means an individual who has such a disability; and

"(2) the term 'blindness' means central visual acuity of 5/200 or less in the better eye with correcting lenses. An eye in which the visual field is reduced to five degrees or less concentric contraction shall be considered for the purposes of this paragraph as having a central visual acuity of 5/200 or less.

"Definition of 'Period of Disability'

"(i) As used in this title the term 'period of disability' means, with respect to any individual, a period of one or more consecutive calendar months for each of which such individual was entitled to a disability insurance benefit and—

"(1) in the case of a disability with respect to which application for disability insurance benefits was

filed prior to 1953—the six or more calendar months which (A) precede the first month of such period of one or more consecutive calendar months, and (B) occur after the month in which such individual's disability determination date (as determined under subsection (c)) occurred; or

"(2) in the case of a disability with respect to which application for disability insurance benefits was filed after 1952—the six calendar months preceding the first month of such period of one or more consecutive calendar months.

"DEDUCTIONS FROM DISABILITY INSURANCE BENEFITS

"Events for Which Deductions Are Made

"SEC. 220. (a) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit under section 219 for any month—

"(1) in which such individual rendered services as an employee (whether or not such services constitute employment as defined in section 210) for remuneration of more than $50; or

"(2) for which such individual is charged, pursuant to the provisions of subsection (c) of this section, with

net earnings from self-employment (as determined pursuant to subsection (d)) of more than $50; or

"(3) in which such individual fails to submit himself for examination in accordance with regulations of the Administrator; or

"(4) in which such individual refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act after direction by the Administrator to do so; or

"(5) in which such individual is outside the United States if the Administrator finds that adequate arrangements have not been made for determining or redetermining the existence of the disability of such individual. In accordance with such regulations as the Administrator may prescribe, the Administrator may, if in his judgment it will aid in the process of rehabilitation of any individual, suspend or modify the application of paragraphs (1) and (2) of this subsection for any month during which such individual is receiving rehabilitation services under a State plan approved under the Vocational Rehabilitation Act; except that the Administrator may not so suspend or modify the application of such paragraphs for any month after the

eleventh month following the first month for which such suspension or modification was applicable.

"Occurrence of More Than One Event

"(b) If more than one event occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

"Months to Which Net Earnings Are Charged

"(c) For the purposes of subsection (a) (2) of this section—

"(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $50 times the number of months in such year, no month in such year shall be charged with more than $50 of net earnings from self-employment.

"(2) If an individual's net earnings from self-employment for his taxable year are more than the product of $50 times the number of months in such year, each month of such year shall be charged with $50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $50 of such excess shall be charged to the last month of such taxable year,

and the balance, if any, of such excess shall be charged at the rate of $50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (a) occurred, or (C) in which such individual did not engage in self-employment.

"(3) As used in paragraph (2), the term 'last month of such taxable year' means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), and (C) thereof.

"(4) For the purposes of clause (C) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible for the purposes of this subsection in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual

has rendered substantial services with respect to any trade or business.

"Special Rule for Computation of Net Earnings from Self-employment

"(d) For the purposes of this section, an individual's net earnings from self-employment for any taxable year shall be computed as provided in section 211 with the following adjustments:

"(1) Such computation shall be made without regard to the provisions of subsections (a) (2), (a) (8), (c) (1), (c) (4), and (c) (5) of section 211, and

"(2) Such computation shall be made without regard to the provisions of sections 116, 212, 213, 251, and 252 of the Internal Revenue Code.

"Penalty for Failure to Report Certain Events

"(e) Any individual in receipt (on behalf of himself or another individual) of benefits subject to deduction under subsection (a) because of the occurrence of an event specified therein (other than an event described in paragraph (2) thereof) shall report such occurrence to the Administrator prior to the receipt and acceptance of a disability insurance benefit for the second month following the month in which such event occurred. If such individual knowingly fails to

report any such occurrence, an additional deduction equal to that imposed under such subsection shall be imposed, except that the first additional deduction imposed by this paragraph in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

"Report to Administrator of Net Earnings From Self-employment

"(f) (1) If an individual is entitled to any disability insurance benefit during any taxable year in which he has net earnings from self-employment in excess of $50 times the number of months in such year, such individual (or the individual in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. If the individual fails within the time prescribed above to make such report of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (a) (2) of this section by reason of such net earnings—

"(A) such individual shall suffer one additional

deduction in an amount equal to his benefit for the last month in such taxable year for which he was entitled to a disability insurance benefit; and

"(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month or fraction thereof during which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted disability insurance benefits and for which deductions are imposed under subsection (a) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by this paragraph and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"(2) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to disability insurance benefits for any taxable year will suffer

deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of such benefits payable to him; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (a). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (a) (2) of this section by reason of his net earnings from self-employment for such year."

PUERTO RICO

SEC. 108. Title II of the Social Security Act is amended by adding after section 220 (added by section 107 of this Act) the following:

"EFFECTIVE DATE IN CASE OF PUERTO RICO

"SEC. 221. If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210 (h), 210 (i), 210 (j), 211 (a) (7), and 211 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification."

RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

SEC. 109. (a) Subsection (b) of section 205 of the Social Security Act is amended by inserting "former wife divorced," after "widow,".

(b) Subsection (c) of section 205 of the Social Security Act is amended to read as follows:

"(c) (1) For the purposes of this subsection—

"(A) The term 'accounting period' means a calendar quarter when used with respect to wages, and a taxable year (as defined in section 211 (c)) when used with respect to self-employment income.

"(B) The term 'time limitation' when used with respect to wages means a period of four years and one month, and when used with respect to self-employment income means a period of four years, two months, and fifteen days.

"(C) The term 'survivor' means an individual's spouse, former wife divorced, child, or parent, who survives such individual.

"(2) On the basis of information obtained by or submitted to the Administrator, and after such verification thereof as he deems necessary, the Administrator shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the accounting periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor of the amounts of wages and self-employment income of such individual and the accounting periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

"(3) The Administrator's records shall be evidence for the purpose of proceedings before the Administrator or any court of the amounts of wages paid to, and self-employment income derived by, an individual and of the accounting periods in which such wages were paid and such income

was derived. The absence of an entry in such records as to wages alleged to have been paid to, or as to self-employment income alleged to have been derived by, an individual in any accounting period shall be evidence that no such alleged wages were paid to, or that no such alleged income was derived by, such individual during such accounting period.

"(4) Prior to the expiration of the time limitation following any accounting period the Administrator may, if it is brought to his attention that any entry of wages or self-employment income in his records for such period is erroneous or that any item of wages or self-employment income for such period has been omitted from such records, correct such entry or include such omitted item in his records, as the case may be. After the expiration of the time limitation following any accounting period—

"(A) the Administrator's records (with changes, if any, made pursuant to paragraph (5)) of the amounts of wages paid to, and self-employment income derived by, an individual in such accounting period shall be conclusive for the purposes of this title;

"(B) the absence of an entry in the Administrator's records as to the wages alleged to have been paid by an employer to an individual in such accounting period shall be presumptive evidence for the purposes of this

title that no such alleged wages were paid to such individual in such accounting period; and

"(C) the absence of an entry in the Administrator's records as to the self-employment income alleged to have been derived by an individual in such accounting period shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such period unless it is shown that he filed a tax return of his self-employment income for such accounting period before the expiration of the time limitation following such period, in which case the Administrator shall include in his records the self-employment income of such individual for such accounting period.

"(5) After the expiration of the time limitation following any accounting period in which wages were paid or alleged to have been paid to, or self-employment income was derived or alleged to have been derived by, an individual, the Administrator may change or delete any entry with respect to wages or self-employment income in his records of such accounting period for such individual or include in his records of such accounting period for such individual any omitted item of wages or self-employment income but only—

"(A) if an application for monthly benefits or for

a lump-sum death payment was filed within the time limitation following such accounting period; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon the application for monthly benefits or lump-sum death payment;

"(B) if within the time limitation following such accounting period an individual or his survivor makes a request for a change or deletion, or for an inclusion of an omitted item, and alleges in writing that the Administrator's records of the wages paid to, or the self-employment income derived by, such individual in such accounting period are in one or more respects erroneous; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon such request. Written notice of the Administrator's decision on any such request shall be given to the individual who made the request;

"(C) to correct errors apparent on the face of such records;

"(D) to transfer items to records of the Railroad Retirement Board if such items were credited under this title when they should have been credited under the Railroad Retirement Act, or to enter items transferred by the Railroad Retirement Board which have been

credited under the Railroad Retirement Act when they should have been credited under this title;

"(E) to delete or reduce the amount of any entry which is erroneous as a result of fraud;

"(F) to conform his records to tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter A or F of chapter 9 of the Internal Revenue Code, or under regulations made under authority of such title or subchapter, and to information returns filed by a State pursuant to an agreement under section 218 or regulations of the Administrator thereunder; except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Administrator's records pursuant to this subparagraph in excess of the amount which has been deleted pursuant to this subparagraph as payments erroneously included in such records as wages paid to such individuals in such taxable year;

"(G) to include wages paid in such accounting period to an individual by an employer if there is an absence of any entry in the Administrator's records of

wages having been paid by such employer to such individual in such period; or

"(II) to enter items which constitute remuneration for employment under subsection (p), such entries to be in accordance with certified reports of records made by the Railroad Retirement Board pursuant to section 5 (k) (3) of the Railroad Retirement Act of 1937.

"(6) Written notice of any deduction or reduction under paragraph (4) or (5) shall be given to the individual whose record is involved or to his survivor, except that (A) in the case of a deletion or reduction with respect to any entry of wages such notice shall be given to such individual only if he has previously been notified by the Administrator of the amount of his wages for the accounting period involved, and (B) such notice shall be given to such survivor only if he or the individual whose record is involved has previously been notified by the Administrator of the amount of such individual's wages and self-employment income for the accounting period involved.

"(7) Upon request in writing (within such period, after any change or refusal of a request for a change of his records pursuant to this subsection, as the Administrator may prescribe), opportunity for hearing with respect to such change or refusal shall be afforded to any individual or his survivor. If a hearing is held pursuant to this para-

graph the Administrator shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall include any omitted items, or change or delete any entry, in his records as may be required by such findings and decision.

"(8) Decisions of the Administrator under this subsection shall be reviewable by commencing a civil action in the United States district court as provided in subsection (g)."

(c) Section 205 of the Social Security Act is amended by adding at the end thereof the following subsections:

"Adjustment of Wages from Certain Nonprofit Organizations

"(o) Notwithstanding any other provision of this title, in the case of wages paid to an individual during any calendar quarter by an employer entitled (under section 1412 of the Internal Revenue Code) to an exemption from the tax imposed by section 1410 of such code, only one-half of the amount of such wages paid during such calendar quarter to such individual shall be considered as paid to him for the purpose of determining the insured status of such individual and for the purpose of determining the amount of any insurance benefit or payment; but this paragraph shall not apply if a waiver of such exemption of the employer was in effect for such calendar quarter.

"Crediting of Compensation Under the Railroad Retirement Act

"(p) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under section 217 (a) of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages or self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages or self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be

presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation. This paragraph shall not be applicable in the case of any monthly benefit or lump-sum death payment if a larger such benefit or payment, as the case may be, would be payable without its application.

"Special Rules in Case of Federal Service

"(q) (1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the Administrator shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or the periods in which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 1420 (c) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

"(2) The head of any such agency or instrumentality is authorized and directed, upon written request of the Administrator, to make certification to him with respect to any matter determinable for the Administrator by such head or his agents under this subsection, which the Administrator finds necessary in administering this title.

"(3) The provisions of paragraphs (1) and (2) shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment; and for purposes of paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality."

MISCELLANEOUS AMENDMENTS

SEC. 110 (a) The heading of title II of the Social Security Act is amended to read as follows:

"TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS"

(b) (1) The first sentence of section 201 (a) of the Social Security Act is amended by striking out "Federal Old-Age and Survivors Insurance Trust Fund" and inserting in lieu thereof "Federal Old-Age, Survivors, and Disability Insurance Trust Fund".

(2) The second sentence of section 201 (a) of the Social Security Act is amended by striking out "such amounts as may be appropriated to the Trust Fund" and inserting in lieu thereof "such amounts as may be appropriated to, or deposited in, the Trust Fund".

(3) The third sentence of section 201 (a) of such Act is amended by striking out the words "the Federal Insurance Contributions Act" and inserting in lieu thereof the following: "subchapters A and F of chapter 9 of the Internal Revenue Code".

(4) Section 201 (a) of the Social Security Act is amended by striking out the following: "There is also authorized to be appropriated to the Trust Fund such additional sums as may be required to finance the benefits and payments provided under this title."

~~(5) Section 201 (b) of such Act is amended by striking out "Chairman of the Social Security Board" and inserting in lieu thereof "Federal Security Administrator".~~

~~(6) Section 201 (b) of such Act is amended by adding after the second sentence thereof the following new sentence: "The Commissioner for Social Security shall serve as Secretary of the Board of Trustees.".~~

~~(7) Paragraph (2) of section 201 (b) of such Act is amended by striking out "on the first day of each regular session of the Congress" and inserting in lieu thereof "not later than the first day of March of each year".~~

~~(8) Section 201 (b) of such Act is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and", and by adding the following new paragraph:~~

~~"(4) Recommended administrative procedures and policies designed to effectuate the proper coordination of the social insurances."~~

~~(9) Section 201 (b) of such Act is amended by adding at the end thereof the following: "Such report shall be printed as a House document of the session of the Congress to which the report is made."~~

(10) Section 201 (f) of such Act is amended to read as follows:

"(f) (1) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him and the Federal Security Administrator which will be expended during a three-month period by the Federal Security Agency and the Treasury Department for the administration of titles II and VIII of this Act and subchapters A and F of chapter 9 of the Internal Revenue Code. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of titles II and VIII of this Act and subchapters A and F of chapter 9 of the Internal Revenue Code.

"(2) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him which will be expended during each three-month period after 1949 by the Treasury Department for refunds of taxes (including interest, penalties, and additions to the taxes) under title VIII of the Social Security Act and subchapters A and F of chapter 9 of the Internal Revenue Code and for interest on such refunds as provided by law. Such payments

shall be covered into the Treasury as repayments to the account for refunding internal-revenue collections.

"(3) Repayments made under paragraph (1) or (2) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appear that the estimates under either such paragraph in any particular three-month period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments."

(c) (1) Sections 204, 205 (other than subsections (c) and (l)), and 206 of such Act are amended by striking out "Board" wherever appearing therein and inserting in lieu thereof "Administrator"; by striking out "Board's" wherever appearing therein and inserting in lieu thereof "Administrator's"; and by striking out (where they refer to the Social Security Board) "it" and "its" and inserting in lieu thereof "he", "him", or "his", as the context may require.

(2) Section 205 (l) of such Act is amended to read as follows:

"(l) The Administrator is authorized to delegate to any member, officer, or employee of the Federal Security Agency

designated by him any of the powers conferred upon him by this section, and is authorized to be represented by his own attorneys in any court in any case or proceeding arising under the provisions of subsection (c)."

(d) Section 208 of such Act is amended by striking out the words "the Federal Insurance Contributions Act" and inserting in lieu thereof the following: "subchapter A or F of chapter 9 of the Internal Revenue Code".

INCREASE OF EXISTING BENEFITS; COMPUTATIONS IN CASE OF ENTITLEMENT OR DEATH PRIOR TO 1950

SEC. 111. (a) Notwithstanding subsection (a) of section 215 of the Social Security Act as amended by this Act, the primary insurance amount (prior to any recomputation under subsection (g) of such section) of any individual who died prior to 1950 or who was entitled to a primary insurance benefit for any month prior to 1950 shall, to the extent provided in the following subsections, be determined by use of the following table:

I Primary insurance benefit before 1950	II Primary insurance amount after 1949	III Assumed average monthly wage for purpose of computing maximum benefits
$10	$25.00	$50.00
$11	26.30	52.00
$12	27.50	54.50
$13	28.70	57.00
$14	29.80	59.50
$15	30.90	62.00
$16	32.00	64.50
$17	33.10	66.50
$18	34.20	68.50
$19	35.20	70.50
$20	36.30	72.50
$21	37.40	74.50
$22	38.70	77.50
$23	40.30	82.50
$24	42.40	88.50
$25	44.50	97.00
$26	46.30	106.00
$27	47.80	116.00
$28	49.00	125.00
$29	50.00	133.00
$30	50.90	141.00
$31	51.80	149.00
$32	52.70	157.00
$33	53.60	165.00
$34	54.50	173.00
$35	55.40	181.00
$36	56.30	189.00
$37	57.20	196.00
$38	58.10	203.00
$39	59.00	210.00
$40	59.90	217.00
$41	60.80	224.00
$42	61.70	231.00
$43	62.60	238.00
$44	63.50	244.00
$45	64.40	250.00
$46	64.40	250.00

(b) (1) The primary insurance amount of an individual to whom a primary insurance benefit was paid for any month prior to 1950 shall (if he did not die prior to 1950) be the amount in column II of the table (in subsection (a))

which is on the line on which in column I appears his primary insurance benefit (as determined under subsection (c)).

(2) The primary insurance amount of an individual who was entitled to primary insurance benefits prior to 1950 but who was not paid a primary insurance benefit for any month prior to 1950 shall (if he did not die prior to 1950) be determined under section 215 of the Social Security Act as amended by this Act.

(3) In the case of an individual who died prior to 1950 and—

(A) to whom a primary insurance benefit was paid for any month prior to 1950, or

(B) on the basis of whose wages a monthly benefit for any month prior to 1952 was paid or a lump-sum death payment was made,

the primary insurance amount of such individual for January 1950 and for each month thereafter shall be the amount in column II of the table which is on the line on which in column I appears his primary insurance benefit. Such primary insurance benefit shall be determined under title II of the Social Security Act as in effect prior to the enactment of this Act; except that in the case of any World War II veteran the provisions of section 217 (a) of the Social

Security Act as amended by this Act shall, if it results in entitlement to a higher primary insurance benefit, be applicable in lieu of section 210 of such Act as in effect prior to the enactment of this Act.

(4) In the case of an individual who died prior to 1950, to whom a primary insurance benefit was not paid, and on the basis of whose wages no monthly benefit for any month prior to 1952 was paid and no lump-sum death payment was made, the primary insurance amount of such individual shall be determined under section 215 of the Social Security Act as amended by this Act.

(c) The primary insurance benefit of any individual to whom subsection (b) (1) is applicable shall (for purposes of column I of the table) be whichever of the following is the larger: (A) the primary insurance benefit paid to such individual for the last month prior to 1950 for which he was paid such benefit, or (B) if the primary insurance benefit is recomputed by the Administrator pursuant to the following provisions of this subsection, the primary insurance benefit as so recomputed. For the purposes of the preceding sentence the Administrator shall recompute, without application therefor, the primary insurance benefit for December 1949 of any individual to whom subsection (b) (1) is applicable if such individual in such month rendered services for wages of $15 or more, or if such individual is a

~~World War II veteran; such recomputation to be made in the same manner as if such individual had filed application for, and was entitled to, a recomputation for December 1949 under section 209 (q) of the Social Security Act prior to its amendment by this Act, except that in making such recomputation section 217 (a) of the Social Security Act as amended by this Act shall be applicable if such individual is a World War II veteran.~~

~~(d) If the primary insurance amount of an individual is determined from the table, the average monthly wage of such individual shall, for the purposes of section 203 (a) of the Social Security Act as amended by this Act, be the amount which appears in column III of the table on the line on which appears in column II the amount of his primary insurance amount. Such average monthly wage shall not, for the purposes of such section 203 (a), be reduced as the result of any recomputation of the primary insurance amount under section 215 (g) of the Social Security Act as amended by this Act.~~

~~(e) In the case of any individual to whom paragraph (1) or (3) of subsection (b) is applicable and the amount of whose primary insurance benefit falls between the amounts on any two consecutive lines in column I of the table, his primary insurance amount, and his average monthly wage for the purposes of section 203 (a) of the~~

Social Security Act as amended by this Act, shall be determined in accordance with regulations of the Administrator designed to obtain results consistent with those obtained pursuant to subsections (b) and (d).

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

RATE OF TAX ON WAGES

SEC. 201. (a) Clauses (2) and (3) of section 1400 of the Internal Revenue Code are amended to read as follows:

"(2) With respect to wages received during the calendar year 1950, the rate shall be 1½ per centum.

"(3) With respect to wages received during the calendar years 1951 to 1959, both inclusive, the rate shall be 2 per centum.

"(4) With respect to wages received during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"(5) With respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"(6) With respect to wages received after December 31, 1969, the rate shall be 3¼ per centum."

(b) Clauses (2) and (3) of section 1410 of the Internal Revenue Code are amended to read as follows:

"(2) With respect to wages paid during the calendar year 1950, the rate shall be 1½ per centum.

"(3) With respect to wages paid during the calendar years 1951 to 1959, both inclusive, the rate shall be 2 per centum.

"(4) With respect to wages paid during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"(5) With respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"(6) With respect to wages paid after December 31, 1969, the rate shall be 3¼ per centum."

EXEMPTION OF NONPROFIT ORGANIZATIONS

SEC. 202. (a) Section 1410 of the Internal Revenue Code is amended by striking out "SEC. 1410. RATE OF TAX." and inserting in lieu thereof:

"SEC. 1410. IMPOSITION OF TAX.

"(a) RATE OF TAX.—"

and by adding at the end of such section the following:

"(b) EXEMPTION.—For exemption of certain nonprofit organizations from the tax imposed by this section, see section 1412."

(b) Part II of subchapter A of chapter 9 of the

Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 1412. EXEMPTION OF CERTAIN NONPROFIT ORGANIZATIONS.

"(a) EXEMPTION.—Any employer which is a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, shall be exempt from the tax imposed by section 1410; but such exemption shall not be applicable with respect to wages paid by such employer during the period for which a waiver, filed by such employer pursuant to subsection (b) of this section, is in effect.

"(b) WAIVER OF EXEMPTION.—An employer described in subsection (a) may waive its exemption from the tax imposed by section 1410 by filing a waiver thereof in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter. Such waiver shall be effective for the period beginning with the first day following the close of the calendar quarter in which such waiver is filed, but in no case

shall such period begin prior to January 1, 1950. The period covered by such waiver may be terminated by the employer, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if the waiver has been in effect for not less than five years prior to the receipt of such notice. Such notice of termination may be revoked by the employer by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or of revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter.

"(c) TERMINATION OF WAIVER PERIOD BY COMMISSIONER.—If the Commissioner finds that any employer which filed a waiver pursuant to this section has failed to comply substantially with the requirements of this subchapter or is no longer able to comply therewith, the Commissioner shall give such employer not less than sixty days' advance notice in writing that the period covered by such waiver will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Commissioner by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the employer. No notice of termination or of revocation thereof shall be

given under this subsection to an employer without the prior concurrence of the Federal Security Administrator.

"(d) NO RENEWAL OR WAIVER.—In the event the period covered by a waiver filed pursuant to this section is terminated by the employer, no waiver may again be made by such employer pursuant to this section."

(c) The amendments made by this section shall be applicable only with respect to remuneration paid after 1949.

FEDERAL SERVICE

SEC. 203. (a) Part II of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding after section 1412 (added by section 202 of this Act) the following new section:

"SEC. 1413. INSTRUMENTALITIES OF THE UNITED STATES.

"Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 1410 unless such other provision of law grants a specific exemption, by reference to section 1410, from the tax imposed by such section."

(b) Section 1420 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(c) FEDERAL SERVICE.—In the case of the taxes im-

posed by this subchapter with respect to service performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the determination whether an individual has performed service which constitutes employment as defined in section 1426, the determination of the amount of remuneration for such service which constitutes wages as defined in such section, and the return and payment of the taxes imposed by this subchapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 1410 with respect to such service without regard to the $3,600 limitation in section 1426 (a) (1), and he shall not be required to obtain a refund of the tax paid under section 1410 on that part of the remuneration not included in wages by reason of section 1426 (a) (1). The provisions of this subsection shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality

of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment; and for purposes of this subsection the Secretary of Defense shall be deemed to be the head of such instrumentality."

(c) Section 1411 of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: "For the purposes of this section, in the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1949, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (c) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.".

(d) The amendments made by this section shall be applicable only with respect to remuneration paid after 1949.

DEFINITION OF WAGES

SEC. 204. (a) Section 1426 (a) of the Internal Revenue Code is amended to read as follows:

"(a) WAGES.—The term 'wages' means all remunera-

tion for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,600 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer during any calendar year acquires substantially all the property used in a trade or business of another person (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether such employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,600 to such individual during such calendar year, any remuneration with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior

to such acquisition shall be considered as having been paid by such employer;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(5) Any payment made to, or on behalf of, an employee (A) from or to a trust exempt from tax

under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, (B) of any payment required from an employee under a State unemployment compensation law;

"(7) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business (including domestic service in a private home of the employer); or

"(8) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made.

Tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him shall, for the purposes of this subchapter, be considered as remuneration paid to him by his employer; except that, in the case of tips, only

so much of the amount thereof received during any calendar quarter as the employee, before the expiration of ten days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter shall be considered as remuneration paid by his employer, and the amount so reported shall be considered as having been paid to him by his employer on the date on which such report is made to the employer."

(b) So much of section 1401 (d) (2) of the Internal Revenue Code as precedes the second sentence thereof is amended to read as follows:

"(2) WAGES RECEIVED DURING 1947, 1948, AND 1949.—If by reason of an employee receiving wages from more than one employer during the calendar year 1947, 1948, or 1949, the wages received by him during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,000 of such wages received."

(c) Section 1401 (d) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraphs:

"(3) WAGES RECEIVED AFTER 1949.—If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1949, the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,600 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received with respect to which refund of tax is claimed, and (B) such claim is made within two years after the calendar year in which such wages were received. No interest shall be allowed or paid with respect to any such refund.

"(4) SPECIAL RULES IN THE CASE OF FEDERAL AND STATE EMPLOYEES.—

"(A) Federal Employees.—In the case of remuneration received from the United States or a

wholly owned instrumentality thereof during any calendar year after the calendar year 1949, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (c) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for the purposes of subsection (c) and paragraph (3) of this subsection, be deemed a separate employer; and the term 'wages' includes, for the purposes of paragraph (3) of this subsection, the amount, not to exceed $3,600, determined by each such head or agent as constituting wages paid to an employee.

"(B) State Employees.—For the purposes of paragraph (3) of this subsection, in the case of remuneration received during any calendar year after the calendar year 1949, the term 'wages' includes remuneration for services covered by an agreement made pursuant to section 218 of the Social Security Act; the term 'employer' includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term 'tax' or 'tax imposed by section 1400' includes, in the case of services covered by an agreement made pursuant to section 218 of the

Social Security Act, an amount equivalent to the tax which would be imposed by section 1400, if such services constituted employment as defined in section 1426; and the provisions of paragraph (3) of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary of the Treasury."

(d) The amendment made by subsection (a) of this section shall be applicable only with respect to remuneration paid after 1949. In the case of remuneration paid prior to 1950, the determination under section 1426 (a) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if subsection (a) of this section had not been enacted and without inferences drawn from the fact that the amendment made by subsection (a) is not made applicable to periods prior to 1950.

DEFINITION OF EMPLOYMENT

SEC. 205. (a) Effective January 1, 1950, section 1426 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EMPLOYMENT.—The term 'employment' means any service performed after 1936 and prior to 1950

which was employment for the purposes of this subchapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1949 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which the vessel or aircraft touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (i) of this section); except that, in the case of service performed after 1949, such term shall not include—

"(1) Agricultural labor (as defined in subsection (h) of this section);

"(2) (A) Service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed on a farm operated for profit;

"(B) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority,

by a student who is enrolled and is regularly attending classes at a school, college, or university;

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $25 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) such individual performs for such employer service not in the course of the employer's trade or business during some portion of at least twenty-six days during such quarter, or (B) if such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term "service not in the course of the employer's trade or business" includes domestic service in a private home of the employer;

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

"(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 by virtue of any provision of law which specifically refers to such section in granting such exemption;

"(7) Service performed in the employ of the United States, or in the employ of any instrumentality of the United States which is partly or wholly owned by the United States, but only if (i) such service is covered by a retirement system, established by a law of the United States, for employees of the United States or of such instrumentality, or (ii) such service is performed—

"(A) by the President or Vice President of the United States or by a Member, Delegate, or Resident Commissioner, of or to the Congress;

"(B) in the legislative branch;

"(C) in the field service of the Post Office Department;

"(D) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

"(E) by any employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"(F) by any employee receiving nominal compensation of $12 or less per annum;

"(G) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"(H) by any employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

"(I) by any consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"(J) by any employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(K) in the employ of the Tennessee Valley Authority in a position which is covered by a retirement system established by such Authority;

"(L) by any employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency; or

"(M) by any employee who is employed under a Federal relief program to relieve him from unemployment;

"(8) (A) Service (other than service to which subparagraph (B) of this paragraph is applicable) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

"(B) Service performed in the employ of any political subdivision of a State in connection with the operation of any public transportation system unless such service is performed by an employee whose service is not included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act and who—

"(i) became an employee of such political subdivision in connection with and at the time of its

acquisition after 1936 of such transportation system or any part thereof; and

"(ii) prior to such acquisition rendered services which constituted employment in connection with the operation of such transportation system or part thereof.

In the case of an employee described in clauses (i) and (ii) who became such an employee in connection with an acquisition made prior to 1950, this subparagraph shall not be applicable with respect to such employee if the political subdivision employing him files with the Commissioner prior to January 1, 1950, a statement that it does not favor the inclusion under this subparagraph of any individual who became an employee in connection with such acquisitions made prior to 1950. For the purposes of this subparagraph the term 'political subdivision' includes an instrumentality of one or more political subdivisions of a State;

"(9) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(10) Service performed by an individual as an

employee or employee representative as defined in section 1532;

"(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if the remuneration for such service is less than $100;

"(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of

the United States Government and of instrumentalities thereof;

"(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

"(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back;

"(17) Service performed in the employ of an international organization; or

"(18) Service performed by an individual in the sale or distribution of goods or commodities for another person, off the premises of such person, under an arrangement whereby such individual receives his entire remuneration (other than prizes) for such service directly from the purchasers of such goods or commodities, if such person makes no provision (other than by correspond-

ence) with respect to the training of such individual for the performance of such service and imposes no requirement upon such individual with respect to (A) the fitness of such individual to perform such service, (B) the geographical area in which such service is to be performed, (C) the volume of goods or commodities to be sold or distributed, or (D) the selection or solicitation of customers."

(b) Effective January 1, 1950, section 1426 (c) of the Internal Revenue Code is amended to read as follows:

"(c) STATE, ETC.—

"(1) The term 'State' includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 1633 such term includes Puerto Rico.

"(2) UNITED STATES.—The term 'United States' when used in a geographical sense includes the Virgin Islands; and on and after the effective date specified in section 1633 such term includes Puerto Rico.

"(3) CITIZEN.—An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 1633."

(c) Section 1426 (g) of the Internal Revenue Code is amended by striking out "(g) American Vessel.—" and inserting in lieu thereof "(g) American Vessel and Aircraft.—", and by striking out the period at the end of such subsection and inserting in lieu thereof the following: "; and the term 'American aircraft' means an aircraft registered under the laws of the United States."

(d) Section 1426 (h) of the Internal Revenue Code is amended to read as follows:

"(h) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all services performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"(3) In connection with the production or har-

vesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton.

"(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of services described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"(C) The provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial

canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

As used in this section, the term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards."

(c) Section 1426 of the Internal Revenue Code is amended by striking out subsections (i) and (j) and inserting in lieu thereof the following:

"(i) AMERICAN EMPLOYER.—The term 'American employer' means an employer which is (1) the United States or any instrumentality thereof, (2) an individual who is a resident of the United States, (3) a partnership, if two-thirds or more of the partners are residents of the United States, (4) a trust, if all of the trustees are residents of the United States, or (5) a corporation organized under the laws of the United States or of any State."

(f) Section 1426 (c) of the Internal Revenue Code is amended by striking out "paragraph (9)" and inserting in lieu thereof "paragraph (10)".

(g) The amendments made by subsections (c), (d),

~~(c), and (f) of this section shall be applicable only with respect to services performed after 1949.~~

~~DEFINITION OF EMPLOYEE~~

~~SEC. 206. (a) Section 1426 (d) of the Internal Revenue Code is hereby amended to read as follows:~~

~~"(d) EMPLOYEE.—The term 'employee' means—~~

~~"(1) any officer of a corporation; or~~

~~"(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee. For purposes of this paragraph, if an individual (either alone or as a member of a group) performs service for any other person under a written contract expressly reciting that such person shall have complete control over the performance of such service and that such individual is an employee, such individual with respect to such service shall, regardless of any modification not in writing, be deemed an employee of such person (or, if such person is an agent or employee with respect to the execution of such contract, the employee of the principal or employer of such person); or~~

~~"(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—~~

"(A) as an outside salesman in the manufacturing or wholesale trade;

"(B) as a full-time life insurance salesman;

"(C) as a driver-lessee of a taxicab;

"(D) as a home worker on materials or goods which are furnished by the person for whom the services are performed and which are required to be returned to such person or to a person designated by him;

"(E) as a contract-logger;

"(F) as a lessee or licensee of space within a mine when substantially all of the product of such services is required to be sold or turned over to the lessor or licensor; or

"(G) as a house-to-house salesman if under the contract of service or in fact such individual (i) is required to meet a minimum sales quota, or (ii) is expressly or impliedly required to furnish the services with respect to designated or regular customers or customers along a prescribed route, or (iii) is prohibited from furnishing the same or similar services for any other person—

if the contract of service contemplates that substantially all of such services (other than the services described in subparagraph (F)) are to be performed personally

by such individual; except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment (other than the investment by a salesman in facilities for transportation) in the facilities of the trade, occupation, business, or profession with respect to which the services are performed, or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed; or

"(4) any individual who is not an employee under paragraph (1), (2), or (3) of this subsection but who, in the performance of service for any person for remuneration, has, with respect to such service, the status of an employee, as determined by the combined effect of (A) control over the individual, (B) permanency of the relationship, (C) regularity and frequency of performance of the service, (D) integration of the individual's work in the business to which he renders service, (E) lack of skill required of the individual, (F) lack of investment by the individual in facilities for work, and (G) lack of opportunities of the individual for profit or loss."

(b) The amendment made by this section shall be applicable only with respect to services performed after 1949.

SELF-EMPLOYMENT INCOME

SEC. 207. (a) Chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new subchapter:

"SUBCHAPTER F—TAX ON SELF-EMPLOYMENT INCOME

"SEC. 1640. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid for each taxable year beginning after December 31, 1949, upon the self-employment income of every individual, a tax as follows:

"(1) In the case of any taxable year beginning in 1950, the tax shall be equal to $2\frac{1}{4}$ per centum of the amount of the self-employment income for such taxable year.

"(2) In the case of any taxable year beginning after December 31, 1950, and before January 1, 1960, the tax shall be equal to 3 per centum of the amount of the self-employment income for such taxable year.

"(3) In the case of any taxable year beginning after December 31, 1959, and before January 1, 1965, the tax shall be equal to $3\frac{3}{4}$ per centum of the amount of the self-employment income for such taxable year.

"(4) In the case of any taxable year beginning after December 31, 1964, and before January 1, 1970,

the tax shall be equal to 4½ per centum of the amount of the self-employment income for such taxable year.

"(5) In the case of any taxable year beginning after December 31, 1969, the tax shall be equal to 4⅞ per centum of the amount of the self-employment income for such taxable year.

"SEC. 1641. DEFINITIONS.

"For the purposes of this subchapter—

"(a) NET EARNINGS FROM SELF-EMPLOYMENT. The term 'net earnings from self-employment' means the gross income, as computed under chapter 1, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the net income or loss, as computed under such chapter, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership net income or loss—

"(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

"(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would contitute agricultural labor as defined in section 1426 (h); and there shall be excluded all deductions attributable to such income;

"(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof) unless such dividends and interest are received in the course of a trade or business as a dealer in stock or securities;

"(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be included in inventory if on hand at the close of the taxable year; nor (ii) property held primarily for sale

to customers in the ordinary course of the trade or business;

"(5) The deduction for net operating losses provided in section 23 (s) shall not be allowed;

"(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"(B) If any portion of a partner's distributive share of the net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

"(7) In the case of any taxable year beginning on or after the effective date specified in section 1633, (A) the term 'possession of the United States' as used in section 251 shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252;

"(8) There shall be excluded income derived from a trade or business of publishing a newspaper or other publication having a paid circulation, together with the income derived from other activities conducted in connection with such trade or business; and there shall be excluded all deductions attributable to such income.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to January 1, 1950) ending within or with his taxable year.

"(b) SELF-EMPLOYMENT INCOME.—The term 'self-employment income' means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning

after December 31, 1949; except that such term shall not include—

"(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

"(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.

For the purposes of clause (1) the term 'wages' includes remuneration paid to an employee if such remuneration is for services included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees). In the case of any taxable year beginning prior to the effective date specified in section 1633, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States or of the Virgin Islands during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 1633) a resident of Puerto Rico shall not, for the purposes of

this subsection, be considered to be a nonresident alien individual.

"(c) TRADE OR BUSINESS.—The term 'trade or business', when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23, except that such term shall not include—

"(1) The performance of the functions of a public office;

"(2) The performance of service by an individual as an employee (other than service described in section 1426 (b) (16) (B) or section 1426 (b) (18) performed by an individual who has attained the age of eighteen);

"(3) The performance of service by an individual as an employee or employee representative as defined in section 1532;

"(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, or optome-

trist, or as a Christian Science practitioner, or as an aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineer; or the performance of such service by a partnership.

"(d) EMPLOYEE AND WAGES.—The term 'employee' and the term 'wages' shall have the same meaning as when used in subchapter A of this chapter.

"(e) TAXABLE YEAR.—The term 'taxable year' shall have the same meaning as when used in chapter 1; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of chapter 1, in which case his taxable year for the purposes of this subchapter shall be the same as his taxable year under chapter 1.

"SEC. 1642. NONDEDUCTIBILITY OF TAX.

"For the purposes of the income tax imposed by chapter 1 or by any Act of Congress in substitution therefor, the tax imposed by section 1640 shall not be allowed as a deduction to the taxpayer in computing his net income for any taxable year.

"SEC. 1643. COLLECTION AND PAYMENT OF TAX.

"(a) ADMINISTRATION.—The tax imposed by this subchapter shall be collected by the Bureau of Internal Revenue under the direction of the Secretary and shall be paid into

the Treasury of the United States as internal revenue collections.

"(b) ADDITION TO TAX IN CASE OF DELINQUENCY.—If the tax is not paid when due, there shall be added, as part of the tax, interest at the rate of 6 per centum per annum from the date the tax became due until paid.

"(c) METHOD OF COLLECTION AND PAYMENT.—Such tax shall be collected and paid in such manner, at such times, and under such conditions, not inconsistent with this subchapter, as may be prescribed by the Commissioner with the approval of the Secretary.

"(d) FRACTIONAL PARTS OF A CENT.—In the payment of any tax under this subchapter a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to one cent.

"SEC. 1644. OVERPAYMENTS AND UNDERPAYMENTS.

"If more or less than the correct amount of tax imposed by section 1640 is paid with respect to any taxable year, the amount of the overpayment shall be refunded, and the amount of the underpayment shall be collected, in such manner and at such times (subject to the applicable statute of limitations provided in section 3312 or 3313) as may be prescribed by regulations made under this subchapter.

"SEC. 1645. RULES AND REGULATIONS.

"The Commissioner, with the approval of the Secretary,

shall make and publish such rules and regulations as may be necessary for the enforcement of this subchapter.

"SEC. 1646. OTHER LAWS APPLICABLE.

"All provisions of law (including penalties and statutes of limitations) applicable with respect to the tax imposed by section 2700 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax imposed by this subchapter.

"SEC. 1647. TITLE OF SUBCHAPTER.

"This subchapter may be cited as the 'Self-Employment Contributions Act'."

(b) Subchapter E of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new sections:

"SEC. 1633. EFFECTIVE DATE IN CASE OF PUERTO RICO.

"If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension of Puerto Rico of the provisions of title II of the Social Security Act, the effective date referred to in sections 1426 (c), 1641 (a) (7), and 1641 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.

"SEC. 1634. COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO.

"Notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by subchapters A and F of this chapter shall be collected by the Bureau of Internal Revenue under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections."

(c) Section 3801 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(g) TAXES IMPOSED BY CHAPTER 9.—The provisions of this section shall not be construed to apply to any tax imposed by chapter 9."

MISCELLANEOUS AMENDMENTS

SEC. 208. (a) (1) Section 1607 (b) of the Internal Revenue Code is amended to read as follows:

(b) Wages.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,000 with respect to employment has been paid to

an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer during any calendar year acquires substantially all the property used in a trade or business of another person (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether such employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,000 to such individual during such calendar year, any remuneration with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such employer;

"(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer

for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(5) Any payment made to, or on behalf of, an employee (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

"(7) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business; or

"(8) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made.

Tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him shall, for the purposes of this subchapter, be considered as remuneration paid to him by his employer; except that, in the case of tips, only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of ten days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter shall be considered as remuneration paid by his employer, and the amount so reported shall be considered as having been paid to him by his employer on the date on which such report is made to the employer."

(2) The amendment made by paragraph (1) shall be applicable only with respect to remuneration paid after 1949. In the case of remuneration paid prior to 1950, the determination under section 1607 (b) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if paragraph (1) of this subsection had not been enacted and without inferences drawn from the fact that the amendment made by paragraph (1) is not made applicable to periods prior to 1950.

(b) (1) Section 1607 (c) (3) of the Internal Revenue Code is amended to read as follows:

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $25 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) such individual performs for such employer service not in the course of the employer's trade or business during some portion of at least twenty-six days during such quarter, or (B) if such individual was regularly employed (as determined under clause

(A)) by such employer in the performance of such service during the preceding calendar quarter;".

(2) Section 1607 (c) (10) (A) (i) of the Internal Revenue Code is amended by striking out "does not exceed $45" and inserting in lieu thereof "is less than $100".

(3) Section 1607 (c) (10) (E) of the Internal Revenue Code is amended by striking out "in any calendar quarter" and by striking out ", and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition)".

(4) The amendments made by paragraphs (1), (2), and (3) shall be applicable only with respect to services performed after 1949.

(c) (1) Section 1621 (a) (4) of the Internal Revenue Code is amended to read as follows:

"(4) for service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $25 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) such individual performs for such employer service not in the course of the employer's

trade or business during some portion of at least twenty-six days during such quarter, or (B) if such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter;".

(2) Section 1621 (a) of the Internal Revenue Code is amended by striking out paragraph (9) thereof and inserting in lieu thereof the following:

"(9) for services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"(10) (A) for services performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution; or

"(B) for services performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a

minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back.

Tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him shall, for the purposes of this subchapter, be considered as remuneration paid to him by his employer; except that, in the case of tips, only so much of the amount thereof received during any calendar quarter as the employee, before the expiration of ten days after the close of such quarter, reports in writing to his employer as having been received by him in such quarter shall be considered as remuneration paid by his employer, and the amount so reported shall be considered as having been paid to him by his employer on the date on which such report is made to the employer."

(3) The amendments made by paragraphs (1) and (2) shall be applicable only with respect to remuneration paid after 1949.

(d) Effective January 1, 1950, section 1403 (b) of the Internal Revenue Code is amended by striking out "of not more than $5." and inserting in lieu thereof the following: "of $5. Such penalty shall be assessed and collected in the same manner as the tax imposed by section 1410."

TITLE III—AMENDMENTS TO PUBLIC ASSISTANCE AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT

PART 1—OLD AGE ASSISTANCE

REQUIREMENTS OF STATE OLD-AGE ASSISTANCE PLANS

SEC. 301. (a) Clauses (4) and (5) of subsection (a) of section 2 of the Social Security Act are amended to read: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for old-age assistance is denied or is not acted upon within a reasonable time; (5) provide such methods of administration as are found by the Administrator to be necessary for the proper and efficient operation of the plan, including (A) methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods, and (B) a training program for the personnel necessary to the administration of the plan;".

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(9) provide that all individuals wishing to make applica-

tion for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished promptly to all eligible individuals; and (10) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(c) The amendments made by subsections (a) and (b) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF OLD-AGE ASSISTANCE

SEC. 302. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1949, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received old-age assistance for such month, plus

"(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with respect to any month as exceeds the product of $35 multiplied by the total number of such individuals who received old-age assistance for such month, plus

"(C) one-third of the amount by which such expenditures exceed the sum of the products obtained under clauses (A) and (B);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient adminis-

tration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

DEFINITION OF OLD-AGE ASSISTANCE

SEC. 303. (a) Section 6 of the Social Security Act is amended to read as follows:

"DEFINITION

"SEC. 6. For purposes of this title, the term 'old-age assistance' means money payments to or medical care in behalf of needy individuals who are sixty-five years of age or older, but does not include money payments to or medical care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) and, effective July 1, 1951, does not include money payments to or medical care in behalf of any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or phychosis and is a patient in a medical institution as a result thereof."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

PART 2—AID TO DEPENDENT CHILDREN

REQUIREMENTS OF STATE PLANS FOR AID TO DEPENDENT CHILDREN

SEC. 321. (a) Clauses (4) and (5) of subsection (a) of section 402 of the Social Security Act are amended to read as follows: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to dependent children is denied or is not acted upon within a reasonable time; (5) provide such methods of administration as are found by the Administrator to be necessary for the proper and efficient operation of the plan, including (A) methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods, and (B) a training program for the personnel necessary to the administration of the plan;".

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(9) provide that all individuals wishing to make application for aid to dependent children shall have opportunity to do so, and that aid to dependent children shall be

furnished promptly to all eligible individuals; (10) provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children in respect of a child who has been deserted or abandoned by a parent; and (11) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act."

(c) The amendments made by subsections (a) and (b) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF AID TO DEPENDENT CHILDREN

SEC. 322. (a) Section 403 (a) of the Social Security Act is amended to read as follows:

"SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1949, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expendi-

ture with respect to any dependent child for any month as exceeds $27, or if there is more than one dependent child in the same home, as exceeds $27 with respect to one such dependent child and $18 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $27—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $15 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with respect to any month as exceeds the product of $21 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"(C) one-third of the amount by which such expenditures exceed the sum of the products obtained under clauses (A) and (B);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to de-

pendent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 with respect to one such dependent child and $12 with respect to each of the other dependent children, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

DEFINITION OF AID TO DEPENDENT CHILDREN

SEC. 323. (a) Section 406 of the Social Security Act is amended by striking out subsection (b) and inserting in lieu thereof the following:

"(b) The term 'aid to dependent children' means money payments with respect to or medical care in behalf of a dependent child or dependent children, and (except when used in clause (2) of section 403 (a)) includes money payments or medical care for any month to meet the needs

of the relative with whom any dependent child is living if money payments have been made under the State plan with respect to such child for such month;

"(c) The term 'relative with whom any dependent child is living' means the individual who is one of the relatives specified in subsection (a) and with whom such child is living (within the meaning of such subsection) in a place of residence maintained by such individual (himself or together with any one or more of the other relatives so specified) as his (or their) own home."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

PART 3—CHILD WELFARE SERVICES

SEC. 331. (a) Section 521 (a) of the Social Security Act is amended by striking out "$3,500,000" and inserting in lieu thereof "$7,000,000", by striking out "$20,000" and inserting in lieu thereof "$40,000", and by striking out the third sentence thereof and inserting in lieu of such sentence the following: "The amount so allotted shall be expended for payment of part of the cost of district, county, or other local child-welfare services in areas predominantly rural, for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need, and for paying the cost of returning any

runaway child who has not attained the age of sixteen to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met."

(b) The amendments made by subsection (a) shall be effective with respect to fiscal years beginning after June 30, 1950.

PART 4—AID TO THE BLIND

REQUIREMENTS OF STATE PLANS FOR AID TO THE BLIND

SEC. 341. (a) Clauses (4) and (5) of subsection (a) of section 1002 of the Social Security Act are amended to read as follows: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon within a reasonable time; (5) provide such methods of administration as are found by the Administrator to be necessary for the proper and efficient operation of the plan, including (A) methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods, and (B) a training program for the personnel necessary to the administration of the plan;".

(b) Clause (7) of such subsection is amended to read

as follows: "(7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act or aid to dependent children under the State plan approved under section 402 of this Act;".

(c) (1) Effective for the period beginning October 1, 1949, and ending June 30, 1951, clause (8) of such subsection is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that the State agency may (in making such determination) disregard such amount of earned income, not to exceed $50 per month, as the State agency, administering that part of the State plan of vocational rehabilitation (approved under the Vocational Rehabilitation Act (29 U. S. C., ch. 4)) which relates to vocational rehabilitation of the blind, certifies will serve to encourage or assist the blind to prepare for, engage in, or continue to engage in remunerative employment to the maximum extent practicable;".

(2) Effective July 1, 1951, such clause (8) is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration the special expenses arising from blindness, and any other income and

resources of the individual claiming aid to the blind; except that, in determining need, the State agency (A) shall not consider any income or resources which are not predictable or are not actually available to the individual, and (B) may disregard such amount of earned income, not to exceed $50 per month, as the State agency, administering that part of the State plan of vocational rehabilitation (approved under the Vocational Rehabilitation Act (29 U. S. C., ch. 4)) which relates to vocational rehabilitation of the blind, certifies will serve to encourage or assist the blind to prepare for, engage in, or to continue to engage in remunerative employment to the maximum extent practicable;".

(d) Such subsection is further amended by striking out "and" before clause (9) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished promptly to all eligible individuals; and (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or desig-

nation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(c) The amendments made by subsection (d) shall take effect October 1, 1949; and the amendments made by subsections (a) and (b) shall take effect July 1, 1951.

RESIDENCE REQUIREMENT

SEC. 342. Subparagraph (1) of section 1002 (b) of the Social Security Act is amended to read as follows:

"(1) Any residence requirement which excludes any resident of the State who has resided therein continuously for one year immediately preceding the application for aid, except that the State may impose, effective until July 1, 1951, any residence requirement which is not in excess of the requirement of residence contained on July 1, 1949, in its State plan approved under this title on or prior to such date; or".

COMPUTATION OF FEDERAL PORTION OF AID TO THE BLIND

SEC. 343. (a) Section 1003 (a) of the Social Security Act is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1949, (1) in the case of any State other than Puerto Rico and

the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with respect to any month as exceeds the product of $35 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(C) one-third of the amount by which such expenditures exceed the sum of the products obtained under clauses (A) and (B);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to

any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

DEFINITION OF AID TO THE BLIND

SEC. 344. (a) Section 1006 of the Social Security Act is amended to read as follows:

"DEFINITION

"SEC. 1006. For purposes of this title, the term 'aid to the blind' means money payments to or medical care in behalf of blind individuals who are needy, but does not include money payments to or medical care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) and, effective July 1, 1951, does not include money payments to or medical care in behalf of any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

(b) The amendment made by subsection (a) shall take effect October 1, 1949.

APPROVAL OF CERTAIN STATE PLANS

SEC. 345. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1949, and ending June 30, 1953.

PART 5—AID TO THE PERMANENTLY AND TOTALLY DISABLED

SEC. 351. The Social Security Act is further amended by adding after title XIII thereof the following new title:

"TITLE XIV—GRANTS TO STATES FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

"APPROPRIATION

"SEC. 1401. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals who are permanently and totally disabled, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1950, the sum of $50,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Administrator, State plans for aid to the permanently and totally disabled.

"STATE PLANS FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

"SEC. 1402. (a) A State plan for aid to the permanently and totally disabled must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State

agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the permanently and totally disabled is denied or is not acted upon within a reasonable time; (5) provide such methods of administration as are found by the Administrator to be necessary for the proper and efficient operation of the plan, including (A) methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods, and (B) a training program for the personnel necessary to the administration of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the

State plan approved under section 2 of this Act, aid to dependent children under the State plan approved under section 402 of this Act, or aid to the blind under the State plan approved under section 1002 of this Act; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the permanently and totally disabled; (9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the permanently and totally disabled; (10) provide that all individuals wishing to make application for aid to the permanently and totally disabled shall have opportunity to do so, and that aid to the permanently and totally disabled shall be furnished promptly to all eligible individuals; and (11) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.

"(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for aid to the permanently and totally disabled under the plan—

"(1) Any residence requirement which excludes any resident of the State who has resided therein continuously for one year immediately preceding the application for aid, except that the State may impose, effective until July 1, 1951, any residence requirement which is not in excess of the requirement of residence contained on July 1, 1949, in its State plan for aid to the blind approved under title X on or prior to such date;

"(2) Any citizenship requirement which excludes any citizen of the United States.

"PAYMENT TO STATES

"SEC. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1949, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"(A) four-fifths of such expenditures, not counting so much of the expenditures with respect to any

month as exceeds the product of $25 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(B) one-half of the amount by which such expenditures exceed the product obtained under clause (A), not counting so much of the expenditures with respect to any month as exceeds the product of $35 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(C) one-third of the amount by which such expenditures exceed the sum of the products obtained under clauses (A) and (B);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for

paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose.

"(b) The method of computing and paying such amounts shall be as follows:

"(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of permanently and totally disabled individuals in the State, and (C) such other investigation as the Administrator may find necessary.

"(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his

estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the permanently and totally disabled furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided,* That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

"(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

"OPERATION OF STATE PLANS

"SEC. 1404. In the case of any State plan for aid to

payments to or medical care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) and, effective July 1, 1951, does not include money payments to or medical care in behalf of any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

PART 6—MISCELLANEOUS AMENDMENTS

SEC. 361. (a) Section 1 of the Social Security Act is amended by striking out "Social Security Board established by Title VII (hereinafter referred to as the 'Board')" and inserting in lieu thereof "Federal Security Administrator (hereinafter referred to as the 'Administrator')".

(b) Section 1001 of the Social Security Act is amended by striking out "Social Security Board" and inserting in lieu thereof "Administrator".

(c) The following provisions of the Social Security Act are each amended by striking out "Board" and inserting in lieu thereof "Administrator": Sections 2 (a) (6); 2 (b); 3 (b); 4; 402 (a) (6); 402 (b); 403 (b); 404; 1002 (a) (6); 1002 (b) (other than subparagraph (1) thereof); 1003 (b); and 1004.

(d) The following provisions of the Social Security Act are each amended by striking out (when they refer to the Social Security Board) "it" or "its" and inserting in lieu

the permanently and totally disabled which has been approved by the Administrator, if the Administrator after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

"(1) that the plan has been so changed as to impose any residence or citizenship requirement prohibited by section 1402 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

"(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 1402 (a) to be included in the plan;

the Administrator shall notify such State agency that further payments will not be made to the State until he is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

"DEFINITION

"SEC. 1405. For purposes of this title, the term 'aid to the permanently and totally disabled' means money payments to or medical care in behalf of needy individuals who are permanently and totally disabled, but does not include money

thereof "he", "him", or "his", as the context may require: Sections 2 (b); 3 (b); 4; 402 (b); 403 (b); 404; 1002 (b) (other than subparagraph (1) thereof); 1003 (b); and 1004.

(c) Title V of the Social Security Act is amended by striking out "Children's Bureau", "Chief of the Children's Bureau", "Secretary of Labor", and (in sections 503 (a) and 513 (a)) "Board" and inserting in lieu thereof "Administrator".

TITLE IV—MISCELLANEOUS PROVISIONS

OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

SEC. 401. (a) Section 701 of the Social Security Act is amended to read:

"OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

"SEC. 701. There shall be in the Federal Security Agency a Commissioner for Social Security, appointed by the Administrator, who shall perform such functions relating to social security as the Administrator shall assign to him."

(b) Section 908 of the Social Security Act Amendments of 1939 is repealed.

REPORTS TO CONGRESS

SEC. 402. (a) Subsection (c) of section 541 of the Social Security Act is repealed.

(b) Section 704 of such Act is amended to read:

"REPORTS

"SEC. 704. The Administrator shall make a full report

to Congress, at the beginning of each regular session, of the administration of the functions with which he is charged under this Act. In addition to the number of copies of such report authorized by other law to be printed, there is hereby authorized to be printed not more than five thousand copies of such report for use by the Administrator for distribution to Members of Congress and to State and other public or private agencies or organizations participating in or concerned with the social security program."

AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 403. (a) (1) Paragraph (1) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(1) The term 'State' includes Alaska, Hawaii, and the District of Columbia, and when used in titles I, IV, V, X, and XIV includes Puerto Rico and the Virgin Islands."

(2) Paragraph (6) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(6) The term 'Administrator', except when the context otherwise requires, means the Federal Security Administrator."

(3) The amendment made by paragraph (1) of this subsection shall take effect October 1, 1949, and the amendment made by paragraph (2) of this subsection, insofar as it repeals the definition of "employee", shall be effective only with respect to services performed after 1949.

(b) Section 1102 of the Social Security Act is amended by striking out "Social Security Board" and inserting in lieu thereof "Federal Security Administrator".

(c) Section 1106 of the Social Security Act is amended to read as follows:

"DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY

"SEC. 1106. No disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or under subchapter A or F of chapter 9 of the Internal Revenue Code, or under regulations made under authority thereof, which has been transmitted to the Administrator by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Administrator or by any officer or employee of the Federal Security Agency in the course of discharging the duties of the Administrator under this Act, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Administrator or from any officer or employee of the Federal Security Agency, shall be made except as the Administrator may by regulations prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not

exceeding $1,000, or by imprisonment not exceeding one year, or both."

(d) Section 1107 (a) of the Social Security Act is amended by striking out "the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act," and inserting in lieu thereof the following: "subchapter A, C, or F of chapter 9 of the Internal Revenue Code,".

(e) Section 1107 (b) of the Social Security Act is amended by striking out "Board" and inserting in lieu thereof "Administrator", and by striking out "wife, parent, or child", wherever appearing therein, and inserting in lieu thereof "wife, widow, former wife divorced, child, or parent".

(f) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"FURNISHING OF WAGE RECORD AND OTHER INFORMATION

"SEC. 1108. (a) (1) The Administrator is authorized, at the request of any agency charged with the administration of a State unemployment compensation law (with respect to which such State is entitled to payment under section 302 (a) of this Act) and to the extent consistent with the efficient administration of this Act, to furnish to such agency, for use by it in the administration of such law or a State temporary disability insurance law administered by it, information from or pertaining to records, including account numbers, maintained by the Admiinstrator in accordance with section 205 (c) of this Act.

"(2) At the request of any agency, person, or organization, the Administrator is authorized, to the extent consistent with efficient administration of this Act and subject to such conditions or limitations as he deems necessary, to furnish special reports on the wage and employment records of individuals and to conduct special statistical studies of, and compile special data with respect to, any matters related to the programs authorized by this Act.

"(b) Requests under subsection (a) shall be compiled with only if the agency, person, or organiaztion making the request agrees to make payment for the work or information requested in such amount, if any (not exceeding the cost of performing the work or furnishing the information), as may be determined by the Administrator. A State agency may make the payments for information furnished pursuant to paragraph (1) of subsection (a) by authorizing deductions from amounts certified by the Administrator under section 302 (a) of this Act for payment to such State. Payments for work performed or information furnished pursuant to this section, including deductions authorized to be made from amounts certified under section 302 (a), shall be made in advance or by way of reimbursement, as may be requested by the Administrator, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from

~~the Federal Old-Age, Survivors, and Disability Insurance Trust Fund) for the unit or units of the Federal Security Agency which performed the work or furnished the information.~~

~~"(c) No information shall be furnished pursuant to this section in violation of section 1106 or regulations prescribed thereunder."~~

That this Act, with the following table of contents, may be cited as the "Social Security Act Amendments of 1950".

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TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SEC. 101. (a) Section 202 of the Social Security Act is amended to read as follows:

"OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

"Old-Age Insurance Benefits

"SEC. 202. (a) Every individual who—

"(1) is a fully insured individual (as defined in section 214 (a)),

"(2) has attained retirement age (as defined in section 216 (a)), and

"(3) has filed application for old-age insurance benefits,

shall be entitled to an old-age insurance benefit for each month, beginning with the first month after the effective date in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.

"Wife's Insurance Benefits

"(b) (1) The wife (as defined in section 216 (b)) of an individual entitled to old-age insurance benefits, if such wife—

"(A) has filed application for wife's insurance benefits,

"(B) has attained retirement age,

"(C) was living with such individual at the time such application was filed, and

"(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of her husband,

shall be entitled to a wife's insurance benefit for each month, beginning with the first month after the effective date in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, or she becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of her husband for such month.

"Husband's Insurance Benefits

"(c) (1) The husband (as defined in section 216 (f)) of a currently insured individual (as defined in section 214 (b)) entitled to old-age insurance benefits, if such husband—

"(A) has filed application for husband's insurance benefits,

"(B) has attained retirement age,

"(C) was living with such individual at the time such application was filed,

"(D) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled,

"(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of his wife,

shall be entitled to a husband's insurance benefit for each month, beginning with the first month after the effective date in which he becomes entitled to such insurance benefits and ending with the month preceding the month in which any of the following occurs: he dies, his wife dies, they are divorced a vinculo matrimonii, or he becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of his wife.

"(2) Such husband's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of his wife for such month.

"Child's Insurance Benefits

"(d) (1) Every child (as defined in section 216 (e)) of an individual entitled to old-age insurance benefits, or of an individual who died a fully or currently insured individual after 1939, if such child—

"(A) has filed application for child's insurance benefits,

"(B) at the time such application was filed was unmarried and had not attained the age of eighteen, and

"(C) was dependent upon such individual at the time such application was filed, or, if such individual

has died, was dependent upon such individual at the time of such individual's death,

shall be entitled to a child's insurance benefit for each month, beginning with the first month after the effective date in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall, if the individual on the basis of whose wages and self-employment income the child is entitled to such benefit has not died prior to the end of such month, be equal to one-half of the old-age insurance benefit of such individual for such month. Such child's insurance benefit for each month shall, if such individual has died in or prior to such month, be equal to three-fourths of the primary insurance amount of such individual, except that, if there is more than one child entitled to benefits on the basis of such individual's wages and self-employment income, each such child's insurance benefit for such month shall be equal to the sum of (A) one-half of the primary insurance amount of such individual,

and (B) one-fourth of such primary insurance amount divided by the number of such children.

"(3) A child shall be deemed dependent upon his father or adopting father at the time specified in paragraph (1) (C) unless, at such time, such individual was not living with or contributing to the support of such child and—

"(A) such child is neither the legitimate nor adopted child of such individual, or

"(B) such child had been adopted by some other individual, or

"(C) such child was living with and was receiving more than one-half of his support from his stepfather.

"(4) A child shall be deemed dependent upon his stepfather at the time specified in paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

"(5) A child shall be deemed dependent upon his natural or adopting mother at the time specified in paragraph (1) (C) if such mother or adopting mother was a currently insured individual. A child shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1) (C) if, at such time,

(A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

"Widow's Insurance Benefits

"(e) (1) The widow (as defined in section 216 (c)) of an individual who died a fully insured individual after 1939, if such widow—

"(A) has not remarried,

"(B) has attained retirement age,

"(C) has filed application for widow's insurance benefits or was entitled to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died,

"(D) was living with such individual at the time of his death, and

"(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband,

shall be entitled to a widow's insurance benefit for each month, beginning with the first month after the effective date in which she becomes so entitled to such insurance bene-

fits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.

"Widower's Insurance Benefits

"(f) (1) The widower (as defined in section 216 (g)) of an individual who died a fully and currently insured individual after the effective date, if such widower—

"(A) has not remarried;

"(B) has attained retirement age;

"(C) has filed application for widower's insurance benefits or was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which she died;

"(D) was living with such individual at the time of her death;

"(E) (i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time of her death and filed proof of such support

within two years of such date of death, or (ii) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual, and she was a currently insured individual, at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled; and

"(F) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of his deceased wife,

shall be entitled to a widower's insurance benefit for each month, beginning with the first month after the effective date in which he becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of his deceased wife.

"(2) Such widower's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of his deceased wife.

"Mother's Insurance Benefits

"(g) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—

"(A) has not remarried,

"(B) is not entitled to a widow's insurance benefit,

"(C) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such individual,

"(D) has filed application for mother's insurance benefits,

"(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and

"(F) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits

referred to in such clause are payable on the basis of such individual's wages or self-employment income,

shall be entitled to a mother's insurance benefit for each month, beginning with the first month after the effective date in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

"(2) Such mother's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

"Parent's Insurance Benefits

"(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after

1939, if such individual did not leave a widow who meets the conditions in subsection (e) (1) (D) and (E) or an unmarried child under the age of eighteen deemed dependent on such individual under subsection (d) (3), (4), or (5), and if such parent—

"(A) has attained retirement age,

"(B) was receiving at least one-half of his support from such individual at the time of such individual's death and filed proof of such support within two years of such date of death,

"(C) has not married since such individual's death,

"(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of the primary insurance amount of such deceased individual, and

"(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month, beginning with the first month after the effective date in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to an old-age insurance benefit equal to or exceeding one-half of the primary insurance amount of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to one-half of the primary insurance amount of such deceased individual.

"(3) As used in this subsection, the term 'parent' means the mother or father of an individual, a stepparent of an individual by a marriage contracted before such individual attained the age of sixteen, or an adopting parent by whom an individual was adopted before he attained the age of sixteen.

"Lump-Sum Death Payments

"(i) (1) In any case in which a fully or currently insured individual died after the effective date leaving no surviving child, widow, widower, or parent who would, on filing application in the month in which such insured individual died, be entitled to a benefit on the basis of the wages and self-employment income of such insured individual, for such month under subsection (d), (e), (f), (g), or (h) of this section, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he

or they shall have paid the expenses of burial of such insured individual.

"(2) In any case in which (A) a fully or currently insured individual died after the effective date leaving a surviving child, widow, widower, or parent who would, on filing application in the month in which such insured individual died, be entitled to a benefit, on the basis of the wages and self-employment income of such insured individual, for such month under subsection (d), (e), (f), (g), or (h) of this section, and (B) the total of benefits, if any, paid for the month in which such insured individual died and for the succeeding eleven months is less than three times his primary insurance amount, an amount equal to the difference between such total and three times such primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual.

"(3) No payment shall be made to any person under this subsection on the basis of the wages and self-employment income of an insured individual unless application therefor

shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual.

"Application for Monthly Insurance Benefits

"(j) (1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), (f), (g), or (h) for any month after the effective date had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the sixth month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Administrator has certified for payment for such prior month.

"(2) No application for any benefit under this section for any month after the effective date which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within such three months' period shall be deemed to have been filed in such first month.

"Simultaneous Entitlement to Benefits

"(k) (1) A child, entitled to child's insurance benefits on the basis of the wages and self-employment income of an insured individual, who would be entitled, on filing application, to child's insurance benefits on the basis of the wages and self-employment income of some other insured individual, shall be deemed entitled, subject to the provisions of paragraph (2) hereof, to child's insurance benefits on the basis of the wages and self-employment income of such other individual if an application for child's insurance benefits on the basis of the wages and self-employment income of such other individual has been filed by any other child who would, on filing application, be entitled to child's insurance benefits on the basis of the wages and self-employment income of both such insured individuals.

"(2) (A) Any child who under the preceding provisions of this section is entitled for any month to more than one child's insurance benefit shall, notwithstanding such provisions, be entitled to only one of such child's insurance benefits for such month, such benefit to be the one based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount.

"(B) Any individual who under the preceding provi-

sions of this section is entitled for any month to more than one monthly insurance benefit (other than an old-age insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this paragraph) would otherwise be entitled for such month.

"(3) If an individual is entitled to an old-age insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month shall be reduced (after any reduction under section 203 (a)) by an amount equal to such old-age insurance benefit.

"Entitlement to Survivor Benefits Under Railroad Retirement Act

"(l) If any person would be entitled, upon filing application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month thereafter, shall be paid under this section to any person on the basis of the wages and self-employment income of such employee."

(b) (1) Except as provided in paragraph (3), the amendment made by subsection (a) of this section shall take

effect on the first day of the second calendar month following the month in which this Act is enacted; and as used in this section and in section 202 of the Social Security Act, as amended by this Act, the term "effective date" means the day preceding such first day.

(2) Section 205 (m) of the Social Security Act is repealed effective with respect to monthly benefits under section 202 of the Social Security Act, as amended by this Act, for months after the effective date.

(3) Section 202 (j) (2) of the Social Security Act, as amended by this Act, shall take effect on the date of enactment of this Act.

(c) (1) Any individual entitled to primary insurance benefits or widow's current insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for the month following the effective date shall be deemed to be entitled to old-age insurance benefits or mother's insurance benefits (as the case may be) under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in such month.

(2) Any individual entitled to any other monthly insurance benefits under section 202 of the Social Security

Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for the month following the effective date shall be deemed to be entitled to such benefits under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in such month.

(3) Any individual who files application after the effective date for monthly benefits under any subsection of section 202 of the Social Security Act who would, but for the enactment of this Act, be entitled to benefits under such subsection (as in effect prior to such enactment) for the month in which such date occurs or any month prior thereto shall be deemed entitled to such benefits for such month to the same extent and in the same amounts as though this Act had not been enacted.

(d) Lump-sum death payments shall be made in the case of individuals who died on or prior to the effective date as though this Act had not been enacted; except that in the case of any individual who died outside the forty-eight States and the District of Columbia after December 6, 1941, and prior to August 10, 1946, the last sentence of section 202 (g) of the Social Security Act as in effect prior to the enactment of this Act shall not be applicable if application for a lump-sum death payment is filed within two years after the effective date.

MAXIMUM BENEFITS

SEC. 102. (a) So much of section 203 of the Social Security Act as precedes subsection (d) is amended to read as follows:

"REDUCTION OF INSURANCE BENEFITS

"Maximum Benefits

"SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual exceeds $150, or is more than $40 and exceeds 80 per centum of his average monthly wage (as determined under section 215), such total of benefits shall, after any deductions under this section, be reduced to $150 or to 80 per centum of his average monthly wage, whichever is the lesser, but in no case to less than $40, except that when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall, after any deductions under this section, be reduced to $150 or to 80 per centum of the sum of the average monthly wages of all such insured individuals, whichever is the lesser, but in no case to less than $40.

Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased."

(b) The amendment made by subsection (a) of this section shall be applicable with respect to benefits for months after the first calendar month following the month in which this Act is enacted.

DEDUCTIONS FROM BENEFITS

SEC. 103. (a) Subsections (d), (e), (f), (g), and (h) of section 203 of the Social Security Act are amended to read as follows:

"Deductions on Account of Work or Failure to Have Child in Care

"(b) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month

"(1) in which such individual is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $50; or

"(2) in which such individual is under the age of

seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than $50; or

"(3) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

"(4) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child, of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.

"Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

"(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—

"(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and in which he

rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $50; or

"(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than $50.

"Occurrence of More Than One Event

"(d) If more than one of the events specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

"Months to Which Net Earnings from Self-Employment Are Charged

"(e) For the purposes of subsections (b) and (c)—

"(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $50 times the number of months in such year, no month in such year shall be charged with more than $50 of net earnings from self-employment.

"(2) If an individual's net earnings from self-

employment for his taxable year are more than the product of $50 times the number of months in such year, each month of such year shall be charged with $50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $50 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), or (4) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.

"(3) (A) As used in paragraph (2), the term 'last month of such taxable year' means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

"(B) For the purposes of clause (D) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in

such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

"Penalty for Failure To Report Certain Events

"(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event described in subsection (b) (2) or (c) (2)), shall report such occurrence to the Administrator prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even

though the failure to report is with respect to more than one month.

"Report to Administrator of Net Earnings From Self-Employment

"(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of $50 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

"(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings—

"(A) such individual shall suffer one additional deduction in an amount equal to his benefit or benefits

for the last month in such taxable year for which he was entitled to a benefit under section 202; and

"(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by paragraph (1) and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deductions imposed under subsection (b) (2) by reason of his

net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.

"Circumstances Under Which Deductions Not Required

"(h) Deductions by reason of subsection (b), (f), or (g) shall, notwithstanding the provisions of such subsection,

be made from the benefits to which an individual is entitled only to the extent that they reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to him and the other individuals living in the same household.

"Deductions With Respect to Certain Lump Sum Payments

"(i) Deductions shall also be made from any old-age insurance benefit to which an individual is entitled, or from any other insurance benefit payable on the basis of such individual's wages and self-employment income, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"Attainment of Age Seventy-five

"(j) For the purposes of this section, an individual shall be considered as seventy-five years of age during the entire month in which he attains such age."

(b) The amendments made by this section shall take effect on the first day of the second calendar month following the month in which this Act is enacted, except that the provisions of subsections (d) and (e) of section 203 of the Social Security Act as in effect prior to the enactment of this Act shall be applicable for months prior to such first day.

DEFINITIONS

SEC. 104. (a) Title II of the Social Security Act is amended by striking out section 209 and inserting in lieu thereof the following:

"DEFINITION OF WAGES

"SEC. 209. For the purposes of this title, the term 'wages' means remuneration paid prior to 1951 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1950 for employment, including the cash value of all remuneration paid in any medium other than cash; except that, in the case of remuneration paid after 1950, such term shall not include—

"(a) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $3,600 with respect to employment has been paid to an individual during any calendar year, is paid to such individual during such calendar year;

"(b) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which

makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (1) retirement, or (2) sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

"(c) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(d) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(e) Any payment made to, or on behalf of, an employee or his beneficiary (1) from or to a trust exempt from tax under section 165 (a) of the Internal Revenue Code at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (2) under or to an

annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code;

"(f) The payment by an employer (without deduction from the remuneration of the employee) (1) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code, or (2) of any payment required from an employee under a State unemployment compensation law;

"(g) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

"(h) Remuneration paid in any medium other than cash for agricultural labor; or

"(i) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains retirement age (as defined in section 216 (a)), if he did not work for the employer in the period for which such payment is made.

"For purposes of this title, in the case of service not in the course of the employer's trade or business within the meaning of section 210 (a) (3), if such service is performed by an employee who is regularly employed during the calendar quarter within the meaning of such section, any

payment of cash remuneration which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulation made under this title, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute—

"(1) the amount of remuneration for purposes of section 210 (a) (3), and

"(2) the amount of wages for purposes of this title, if such payment constitutes remuneration for employment, but only to the extent not excepted by any of the other paragraphs of this section."

For the purposes of this title, in the case of service not in the course of the employer's trade or business within the meaning of section 210 (a) (3), if such service is performed by an employee who is regularly employed during the calendar quarter within the meaning of such section, any payment of cash remuneration which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulation made under this title, be computed to the nearest dollar. For the purpose of

the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to one dollar. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute—

(1) the amount of remuneration for purposes of section 210 (a) (3), and

(2) the amount of wages for purposes of this title, if such payment constitutes remuneration for employment, but only to the extent not excepted by any of the other paragraphs of this section.

"DEFINITION OF EMPLOYMENT

"SEC. 210. For the purposes of this title—

"Employment

"(a) The term 'employment' means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered

into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1950, such term shall not include—

"(1) (A) Agricultural labor (as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some sixty days during such quarter such individual performs agricultural labor for such employer for some portion of the day, or (ii) such individual was regularly employed (as determined under clause (i)) by such employer in the performance of such labor during the preceding calendar quarter;

"(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

"(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As

used in this paragraph, the term 'service not in the course of the employer's trade or business' includes domestic service in a private home of the employer;

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

"(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of law which specifically refers to such section in granting such exemption;

"(7) (A) Service performed in the employ of the United States, if such service is covered by a retirement system established by a law of the United States or by the agency for which such service is performed;

"(B) Service performed in the employ of any instrumentality of the United States, if such service is covered

by a retirement system established by a law of the United States;

"(C) Service performed in the employ of an instrumentality of the United States which is either wholly owned by the United States or which, but for the provisions of section 1412 of the Internal Revenue Code, would be exempt from the tax imposed by section 1410 of such code and was exempt from the tax imposed by section 1410 of such code on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

"(i) service performed in the employ of a national farm loan association, a production credit association, a State, county, or community committee under the Production and Marketing Administration, a Federal credit union, the Bonneville Power Administrator, or the United States Maritime Commission; or

"(ii) service performed in the employ of the Tennessee Valley Authority unless such service is covered by a retirement system established by such authority; or

"(iii) service performed by a civilian employee, not compensated from funds appropriated

by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment;

"(D) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

"(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

"(ii) in the legislative branch;

"(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

"(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

"(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"(vi) by any individual as an employee receiving nominal compensation of $12 or less per annum;

"(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency;

"(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment; or

"(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States;

"(8) (A) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions (other than service included under an agreement under section 218 and other than service performed in the employ of a State, political subdivision, or instrumentality in connection with the operation of any public transportation system the whole or any part of which was acquired after 1936);

"(B) Service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution

of the United States from the tax imposed by section 1410 of the Internal Revenue Code (other than service included under an agreement under section 218);

"(9) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(B) Service in the employ of—

"(i) a corporation, fund, or foundation which is exempt from income tax under section 101 (6) of the Internal Revenue Code and is organized and operated primarily for religious purposes; or

"(ii) a corporation, fund, or foundation which is exempt from income tax under section 101 (6) of the Internal Revenue Code and is owned and operated by one or more corporations, funds, or foundations included under clause (i) hereof;

unless such service is performed on or after the first day of the calendar quarter following the calendar quarter in which such corporation, fund, or foundation files (whether filed on, before, or after January 1, 1951) with the Commissioner of Internal Revenue a statement that it desires to have the insurance system established by this title extended to services performed by its employees;

"(10) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

"(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than $50;

"(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and

employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

"(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

"(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net

tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

"(17) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669).

"Included and Excluded Service

"(b) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term 'pay period' means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (10) of subsection (a).

"American Vessel

"(c) The term 'American vessel' means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents

of the United States or corporations organized under the laws of the United States or of any State.

"American Aircraft

"(d) The term 'American aircraft' means an aircraft registered under the laws of the United States.

"American Employer

"(e) The term 'American employer' means an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

"Agricultural Labor

"(f) The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with the raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

"(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"(B) In the employ of a group of operators of farms (other than a cooperative organization) in the

performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"(5) On a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer. The provisions of subparagraphs (A) and (B) of paragraph (4) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

"Farm

"(g) The term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

"State

"(h) The term 'State' includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

"United States

"(i) The term 'United States' when used in a geographical sense means the States, Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

"Citizen of Puerto Rico

"(j) An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 219.

"Employee

"(k) The term 'employee' means—

"(1) any officer of a corporation; or

"(2) any individual who, under the usual common

law rules applicable in determining the employer-employee relationship, has the status of an employee; or

"(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

"(A) as an agent-driver or commission-driver engaged in distributing meat products, bakery products, or laundry or dry-cleaning services for his principal;

"(B) as a full-time life insurance salesman; or

"(C) as a traveling or city salesman engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of (i) orders from retail merchants for merchandise to be delivered subsequently to such merchants for retail sale to their customers, or (ii) orders from hotels, restaurants, and other similar establishments for supplies to be delivered subsequently to such establishments and to be consumed in the operation thereof;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be

included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

"SELF-EMPLOYMENT

"SEC. 211. For the purposes of this title—

"Net Earnings From Self-Employment

"(a) The term 'net earnings from self-employment' means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183 of such code, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

"(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such

rentals are received in the course of a trade or business as a real estate dealer;

"(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;

"(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a) of the Internal Revenue Code) are received in the course of a trade or business as a dealer in stocks or securities;

"(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property

if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

"(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;

"(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"(B) If any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken

into account in computing the net earnings from self-employment of the spouse of such partner;

"(7) In the case of any taxable year beginning on or after the effective date specified in section 219, (A) the term 'possession of the United States' as used in section 251 of the Internal Revenue Code shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252 of such code.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year.

"Self-Employment Income

"(b) The term 'self-employment income' means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after 1950; except that such term shall not include—

"(1) That part of the net earnings from self-

employment which is in excess of (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

"(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.

In the case of any taxable year beginning prior to the effective date specified in section 219, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 219) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

"Trade or Business

"(c) The term 'trade or business,' when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23 of the Internal Revenue Code, except that such term shall not include—

"(1) The performance of the functions of a public office;

"(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (16) (B) performed by an individual who has attained the age of eighteen);

"(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

"(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant or other accountant registered or licensed as an accountant under State or municipal law, funeral director, or professional engineer; or the performance of such service by a partnership.

"Partnership and Partner

"(d) The term 'partnership' and the term 'partner' shall have the same meaning as when used in supplement F of chapter 1 of the Internal Revenue Code.

"Taxable Year

"(e) The term 'taxable year' shall have the same meaning as when used in chapter 1 of the Internal Revenue Code; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of chapter 1 of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such chapter 1.

"CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR QUARTERS

"SEC. 212. For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year shall be credited to calendar quarters as follows:

"(a) In the case of a taxable year which is a calendar year the self-employment income of such taxable year shall be credited equally to each quarter of such calendar year.

"(b) In the case of any other taxable year the self-employment income shall be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

"QUARTER AND QUARTER OF COVERAGE

"Definitions

"SEC. 213. (a) For the purposes of this title—

"(1) The term 'quarter', and the term 'calendar quarter', mean a period of three calendar months ending on March 31, June 30, September 30, or December 31.

"(2) (A) The term 'quarter of coverage' means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid $50 or more in wages. In the case of any individual who has been paid, in a calendar year prior to 1951, $3,000 or more in wages each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

"(B) The term 'quarter of coverage' means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid $50 or more in wages or for which he has been credited (as determined under section 212) with $100 or more of self-employment income, except that—

"(i) no quarter after the quarter in which such individual died shall be a quarter of coverage;

"(ii) if the wages paid to any individual in a calendar year equal or exceed $3,600, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

"(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such taxable year equals $3,600, each quarter any part of which falls in such year shall be a quarter of coverage; and

"(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

"Crediting of Wages Paid in 1937

"(b) With respect to wages paid to an individual in the six-month periods commencing either January 1, 1937, or July 1, 1937; (A) if wages of not less than $100 were paid in any such period, one-half of the total amount thereof shall be deemed to have been paid in each of the calendar quarters in such period; and (B) if wages of less than $100 were paid in any such period, the total amount thereof shall be deemed to have been paid in the latter quarter of such period, except that if in any such period, the individual attained age sixty-five, all of the wages paid in such period shall be deemed to have been paid before such age was attained.

"INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

"SEC. 214. For the purposes of this title—

"Fully Insured Individual

"(a) (1) In the case of any individual who died prior to the first day of the second calendar month following the month in which this section was enacted, the term 'fully insured individual' means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.

"(2) In the case of any individual who did not die prior to the first day of the second calendar month following the month in which this section was enacted, the term 'fully insured individual' means any individual who had not less than—

"(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he

attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

"(B) forty quarters of coverage.

"(3) When the number of elapsed quarters specified in paragraph (1) or (2) (A) is an odd number, for purposes of such paragraph such number shall be reduced by one.

"Currently Insured Individual

"(b) The term 'currently insured individual' means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, or (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section.

"COMPUTATION OF PRIMARY INSURANCE AMOUNT

"SEC. 215. For the purposes of this title—

"Primary Insurance Amount

"(a) (1) The primary insurance amount of an individual who attained age twenty-two after 1950 and with

respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be 50 per centum of the first $100 of his average monthly wage plus 15 per centum of the next $200 of such wage. When the primary insurance amount thus computed is less than $25 it shall be increased to $25 except in the case of an individual whose average monthly wage is less than $34, in which case his primary insurance amount thus computed shall be increased to $20.

"(2) The primary insurance amount of an individual who attained age twenty-two prior to 1951 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be whichever of the following is the larger—

"(A) the amount computed as provided in paragraph (1) of this subsection; or

"(B) the amount determined for him by use of the conversion table under subsection (c).

"(3) The primary insurance amount of any other individual shall be the amount determined for him by use of the conversion table under subsection (c).

"Average Monthly Wage

"(b) (1) An individual's 'average monthly wage' (for

purposes of subsection (a)) means the quotient obtained by dividing the total of his wages and self-employment income after his starting date (determined under paragraph (2)) and prior to his closing date (determined under paragraph (3)), by the number of months elapsing after such starting date and prior to such closing date excluding from such elapsed months any month in any quarter prior to the quarter in which he attained the age of twenty-two which was not a quarter of coverage.

"(2) An individual's 'starting date' shall be December 31, 1950, or, if later, the day preceding the quarter in which he attained the age of twenty-two, whichever results in the higher average monthly wage.

"(3) (A) Except to the extent provided in paragraphs (B) and (C), an individual's 'closing date' shall be the first day of the second quarter preceding the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred.

"(B) If the number of months elapsing after an individual's starting date and prior to his closing date, as determined under subparagraph (A), is less than eighteen, his closing date shall be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred.

"(C) In the case of an individual who died or became entitled to old-age insurance benefits after the first quarter in which he both was fully insured and had attained retirement age, the determination of his closing date under subparagraphs (A) and (B) shall be made as though he became entitled to old-age insurance benefits in such first quarter, but only if it would result in a higher average monthly wage for such individual.

"(4) Notwithstanding the preceding provisions of this subsection, in computing an individual's average monthly wage, there shall not be taken into account any self-employment income of such individual for taxable years ending in or after the month in which he became entitled to old-age insurance benefits or died, whichever first occurred.

"Determinations Made by Use of the Conversion Table

"(c) (1) The amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for an individual shall be the amount appearing in column II of the following table on the line on which in column I appears his primary insurance benefit (determined as provided in subsection (d)); and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing on such line in column III.

"I Primary insurance benefit (as determined under subsection (d))	II Primary insurance amount	III Assumed average monthly wage for purpose of computing maximum benefits
$10	$20.00	$50.00
$11	22.00	52.00
$12	24.00	54.00
$13	28.00	56.00
$14	29.50	59.00
$15	31.00	62.00
$16	32.50	65.00
$17	34.00	68.00
$18	35.00	70.00
$19	36.00	72.00
$20	37.00	74.00
$21	38.50	77.00
$22	40.50	81.00
$23	43.00	86.00
$24	46.00	92.00
$25	48.50	97.00
$26	50.90	106.00
$27	52.40	116.00
$28	53.80	125.00
$29	55.00	133.00
$30	56.20	141.00
$31	57.40	149.00
$32	58.60	157.00
$33	59.80	165.00
$34	61.00	173.00
$35	62.20	181.00
$36	63.40	189.00
$37	64.40	196.00
$38	65.50	203.00
$39	66.50	210.00
$40	67.60	217.00
$41	68.60	224.00
$42	69.70	231.00
$43	70.70	238.00
$44	71.60	244.00
$45	72.50	250.00
$46	72.50	250.00

"(2) In case the primary insurance benefit of an individual (determined as provided in subsection (d)) falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for such individual, and his average monthly wage for purposes of section 203 (a), shall be determined in accordance with regulations of the Administrator designed to obtain results consistent with those obtained for individuals whose primary insurance benefits are shown in column I of the table.

"Primary Insurance Benefit for Purposes of Conversion Table

"(d) For the purposes of subsection (c), the primary insurance benefits of individuals shall be determined as follows:

"(1) In the case of any individual who was entitled to a primary insurance benefit for the first month following the month in which this section was enacted, his primary insurance benefit shall, except as provided in paragraph (2), be the primary insurance benefit to which he was so entitled.

"(2) In the case of any individual to whom paragraph (1) is applicable and who is a World War II veteran or in the first month following the month in which this section was enacted rendered services for wages of $15 or more, his primary insurance benefit shall be whichever of the fol-

lowing is larger: (A) the primary insurance benefit to which he was entitled for such first month following the month in which this section was enacted, or (B) his primary insurance benefit for such month recomputed, under section 209 (q) of the Social Security Act as in effect prior to the enactment of this section, in the same manner as if such individual had filed application for and was entitled to a recomputation for such month, except that in making such recomputation section 217 (a) shall be applicable if such individual is a World War II veteran.

"(3) In the case of any individual who died prior to the second calendar month following the month in which this section was enacted, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that section 217 (a) shall be applicable, in lieu of section 210 of this Act as in effect prior to the enactment of this section, but only if it results in a larger primary insurance benefit.

"(4) In the case of any other individual, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that—

"(A) The computation of such benefit shall be based on the total of his wages and self-employment income after 1936 and prior to his closing date (as defined in

subsection (b)), and the provisions of paragraph (4) of subsection (b) shall also be applicable to such computation.

"(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.

"(C) The 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951.

"(D) The provisions of subsection (e) shall be applicable to such computation.

"Certain Wages and Self-Employment Income Not To Be Counted

"(e) For the purposes of subsections (b) and (d) (4)—

"(1) in computing an individual's average monthly wage there shall not be counted, in the case of any calendar year after 1950, the excess over $3,600 of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and

"(2) if an individual's average monthly wage computed under subsection (b) or for the purposes of

subsection (d) (4) is not a multiple of $1, it shall be reduced to the next lower multiple of $1.

"Average Monthly Wage for Computing Maximum Benefits

"(f) For the purposes of section 203 (a) the average monthly wage of any individual whose primary insurance amount is computed under subsection (a) (2) shall be whichever of the following is the larger:

"(1) The average monthly wage computed in accordance with subsection (b); or

"(2) The average monthly wage as derived from column III of the table in subsection (c).

"Recomputation of Benefits

"(g) (1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who dies after the calendar month following the month in which this section was enacted and prior to July 27, 1954, as provided in section 217 (b).

"(2) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recompute his primary insurance amount if application therefor is filed after the twelfth month for which deductions under paragraph (1) or (2) of section 203 (b) have been imposed

(within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to the second month following the month in which this section was enacted or prior to the earliest month for which the last previous computation of his primary insurance amount was effective, and if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed such application are quarters of coverage. A recomputation under this paragraph shall be made only as provided in subsection (a) (1) and shall take into account only such wages and self-employment income as would be taken into account under subsection (b) if the month in which application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the month in which such application for recomputation is filed.

"(3) (A) Upon application by an individual entitled to old-age insurance benefits, filed at least six months after the month in which he became so entitled, the Administrator shall recompute his primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing date for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he became entitled to old-age insurance benefits. Such re-

computation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

"(B) Upon application by a person entitled to monthly benefits on the basis of the wages and self-employment income of an individual who died after the first calendar month following the month in which this section was enacted, the Administrator shall recompute such individual's primary insurance amount, if such application is filed at least six months after the month in which such individual died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing date for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be effective for and after the month in which such person who filed the application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph shall affect the amount of the lump-sum death payment under subsection (i) of section 202 and no such recomputation shall render erroneous any such payment certified by the Administrator prior to the effective date of the recomputation.

"(4) Upon the death after the first calendar month fol-

lowing the month in which this section was enacted of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Administrator shall recompute the decedent's primary insurance amount, but (except as provided in paragraph (3) (B)) only if—

"(A) the decedent would have been entitled to a recomputation under paragraph (2) if he had filed application therefor in the month in which he died; or

"(B) the decedent during his lifetime was paid compensation which is treated, under section 205 (o), as remuneration for employment.

If the recomputation is permitted by subparagraph (A), the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid

to him prior to the closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

"(5) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount. No such recomputation shall, for the purposes of section 203 (a), lower the average monthly wage.

"Rounding of Benefits

"(h) The amount of any primary insurance amount and the amount of any monthly benefit computed under section 202 which, after reduction under section 203 (a), is not a multiple of $0.10 shall be raised to the next higher multiple of $0.10.

"OTHER DEFINITIONS

"Sec. 216. For the purposes of this title—

"Retirement Age

"(a) The term 'retirement age' means age sixty-five.

"Wife

"(b) The term 'wife' means the wife of an individual, but only if she (1) is the mother of his son or daughter, or (2) was married to him for a period of not less than three years immediately preceding the day on which her application is filed.

"Widow

"(c) The term 'widow' (except when used in section 202 (i)) means the surviving wife of an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) was married to him at the time both of them legally adopted a child under the age of eighteen, or (4) was married to him for a period of not less than one year immediately prior to the day on which he died.

"Former Wife Divorced

"(d) The term 'former wife divorced' means a woman divorced from an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (3) was married to him at the time both of them legally adopted a child under the age of eighteen.

"Child

"(e) The term 'child' means (1) the child of an individual, and (2) in the case of a living individual, a stepchild or adopted child who has been such stepchild or adopted child for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, (A) an

adopted child, or (B) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. In determining whether an adopted child has met the length of time requirement in clause (2), time spent in the relationship of stepchild shall be counted as time spent in the relationship of adopted child.

"Husband

"(f) The term 'husband' means the husband of an individual, but only if he (1) is the father of her son or daughter, or (2) was married to her for a period of not less than three years immediately preceding the day on which his application is filed.

"Widower

"(g) The term 'widower' (except when used in section 202 (i)) means the surviving husband of an individual, but only if he (1) is the father of her son or daughter, (2) legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (3) was married to her at the time both of them legally adopted a child under the age of eighteen, or (4) was married to her for a period of not less than one year immediately prior to the day on which she died.

"Determination of Family Status

"(h) (1) In determining whether an applicant is the wife, husband, widow, widower, child, or parent of a fully

insured or currently insured individual for purposes of this title, the Administrator shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, husband, widow, widower, child, or parent shall be deemed such.

"(2) A wife shall be deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and a widow shall be deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support.

"(3) A husband shall be deemed to be living with his wife if they are both members of the same household, or he is receiving regular contributions from her toward his

support, or she has been ordered by any court to contribute to his support; and a widower shall be deemed to have been living with his wife at the time of her death if they were both members of the same household on the date of her death, or he was receiving regular contributions from her toward his support on such date, or she had been ordered by any court to contribute to his support."

(b) The amendment made by subsection (a) shall take effect January 1, 1951, except that sections 214, 215, and 216 of the Social Security Act shall be applicable (1) in the case of applications filed after the date of enactment of this Act for monthly benefits for months after the first calendar month following the month in which such date occurred, and (2) in the case of applications for lump-sum death payments with respect to deaths after such first calendar month following the month in which this Act was enacted.

WORLD WAR II VETERANS

SEC. 105. Title II of the Social Security Act is amended by striking out section 210 and by adding after section 216 (added by section 104 (a) of this Act) the following:

"BENEFITS IN CASE OF WORLD WAR II VETERANS

"SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after the first month following the month in which

this section was enacted, or entitlement to and the amount of any lump-sum death payment in case of a death after such first month, payable under this title on the basis of the wages or self-employment income of any World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

"(A) a larger such benefit or payment, as the case may be, would be payable without its application;

"(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

"(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income

of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by the Civil Service Commission that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined to be payable by some other agency or wholly owned instrumentality of the United States. The Federal Security Administrator shall thereupon report such decision to the Civil Service Commission. The Commission shall then ascertain whether in such case some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If in any such case such a decision has been made or is thereafter made, the Commission shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of the accrued benefits payable with respect to him by such agency or wholly owned instrumentality of the United States, shall (notwithstanding any other provision of law) be deemed to have been paid with respect

to him by such agency or instrumentality on account of such accrued benefits. No such payment certified by the Federal Security Administrator and no payment certified by him for any month prior to the first month for which any such benefit is paid by such other agency or instrumentality shall be deemed by reason of this subsection to have been an erroneous payment.

"(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service during World War II shall, at the request of the Civil Service Commission, certify to it, with respect to any veteran, such information as the Commission deems necessary to carry out its functions under paragraph (2) of this subsection.

"(b) (1) In the case of any World War II veteran who dies during the period of three years immediately following his separation from the active military or naval service of the United States, such veteran shall be deemed to have died a fully insured individual, but his primary insurance amount shall be computed only as provided in section 215 (a) (3) and, for the purposes of such computation, he shall be deemed to have an average monthly wage of $160 and to have been paid $200 in wages, for the purposes of

section 209 (e) (2) of this Act as in effect prior to the enactment of this section, in each calendar year in which he had thirty days or more of active military or naval service after September 16, 1940, and prior to January 1, 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

"(A) a larger such benefit or payment, as the case may be, would be payable without its application;

"(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

"(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

"(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

"(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to paragraph (1) (B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Ad-

ministration by reason of the death of such veteran. The Federal Security Administrator shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U. S. C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Federal Security Administrator, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration shall be deemed by reason of this subsection to have been an erroneous payment.

"(c) In the case of any World War II veteran to whom

subsection (a) is applicable, proof of support required under section 202 (h) may be filed by a parent at any time prior to July 1951 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

"(d) For the purposes of this section—

"(1) The term 'World War II' means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.

"(2) The term 'World War II veteran' means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense."

COVERAGE OF STATE AND LOCAL EMPLOYEES

SEC. 106. Title II of the Social Security Act is amended by adding after section 217 (added by section 105 of this Act) the following:

"*VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES*

"*Purpose of Agreement*

"*SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services (not otherwise included as employment under this title) performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.*

"*(2) Notwithstanding section 210 (a), for the purposes of this title the term 'employment' includes any agricultural labor, domestic service, or service performed by a student, included under an agreement entered into under this section.*

"*Definitions*

"*(b) For the purposes of this section—*

"*(1) The term 'State' does not include the District of Columbia.*

"*(2) The term 'political subdivision' includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.*

"(3) The term 'employee' includes an officer of a State or political subdivision.

"(4) The term 'retirement system' means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

"(5) The term 'coverage group' means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of which coverage group such employee shall be included in shall be made in such manner as may be specified in the agreement.

"Services Covered

"(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

"(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3) or (5) of this subsection) performed by individuals as members of such group.

"(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

"(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

"(5) Such agreement shall, if the State requests it exclude (in the case of any coverage group) any agricultural

labor, domestic service, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which, if performed in the employ of an individual, would be excluded from employment by section 210 (a).

"(6) Such agreement shall exclude services performed by an individual who is employed to relieve him from unemployment and shall exclude services performed in a hospital, home, or other institution by a patient or inmate thereof.

"Exclusion of Positions Covered by Retirement Systems

"(d) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group.

"Payments and Reports by States

"(e) Each agreement under this section shall provide—

"(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Administrator may by regulation prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410 of the Internal Revenue Code if the services of employees covered by the agreement constituted employment as defined in section 1426 of such code;

"(2) that the State will comply with such regulations relating to payments and reports as the Administrator may prescribe to carry out the purposes of this section.

"Effective Date of Agreement

"(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1953) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

"Termination of Agreement

"(g) (1) Upon giving at least two years' advance notice in writing to the Administrator, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Administrator either—

"(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

"(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not

less than five years prior to the receipt of such notice.

"(2) If the Administrator, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

"(3) If any agreement entered into under this section is terminated in its entirety, the Administrator and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Administrator and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

"Deposits in Trust Fund; Adjustments

"(h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Fund.

"(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Administrator.

"(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Administrator to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

"Regulations

"(i) Regulations of the Administrator to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and subchapters A and E of chapter 9 of the Internal Revenue Code.

"Failure To Make Payments

"(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Administrator may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Fund.

"Instrumentalities of Two or More States

"(k) The Administrator may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purposes of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

"Delegation of Functions

"(l) The Administrator is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement."

PUERTO RICO

SEC. 107. Title II of the Social Security Act is amended by adding after section 218 (added by section 106 of this Act) the following:

"EFFECTIVE DATE IN CASE OF PUERTO RICO

"SEC. 219. If the Governor of Puerto Rico certifies to the President of the United States that the Legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210 (h), 210 (i), 210 (j), 211 (a) (7), and 211 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification."

RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

SEC. 108. (a) Subsection (b) of section 205 of the Social Security Act is amended by inserting "former wife divorced, husband, widower," after "widow,".

(b) Subsection (c) of section 205 of the Social Security Act is amended to read as follows:

"(c) (1) For the purposes of this subsection—

"(A) The term 'year' means a calendar year when used with respect to wages and a taxable year (as defined in section 211 (e)) when used with respect to self-employment income.

"(B) The term 'time limitation' means a period of three years, two months, and fifteen days.

"(C) The term 'survivor' means an individual's spouse, former wife divorced, child, or parent, who survives such individual.

"(2) On the basis of information obtained by or submitted to the Administrator, and after such verification thereof as he deems necessary, the Administrator shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were

paid and such income was derived and, upon request, shall inform any individual or his survivor, or any agent designated by such individual in writing of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

"(3) The Administrator's records shall be evidence for the purpose of proceedings before the Administrator or any court of the amounts of wages paid to, and self-employment income derived by, an individual and of the periods in which such wages were paid and such income was derived. The absence of an entry in such records as to wages alleged to have been paid to, or as to self-employment income alleged to have been derived by, an individual in any period shall be evidence that no such alleged wages were paid to, or that no such alleged income was derived by, such individual during such period.

"(4) Prior to the expiration of the time limitation following any year the Administrator may, if it is brought to his attention that any entry of wages or self-employment income in his records for such year is erroneous or that any item of wages or self-employment income for such year has been omitted from such records, correct such entry or include

such omitted item in his records, as the case may be. After the expiration of the time limitation following any year—

"(A) the Administrator's records (with changes, if any, made pursuant to paragraph (5)) of the amounts of wages paid to, and self-employment income derived by, an individual during any period in such year shall be conclusive for the purposes of this title;

"(B) the absence of an entry in the Administrator's records as to the wages alleged to have been paid by an employer to an individual during any period in such year shall be presumptive evidence for the purposes of this title that no such alleged wages were paid to such individual in such period; and

"(C) the absence of an entry in the Administrator's records as to the self-employment income alleged to have been derived by an individual in such year shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such year unless it is shown that he filed a tax return of his self-employment income for such year before the expiration of the time limitation following such year, in which case the Administrator shall include in his records the self-employment income of such individual for such year.

"(5) After the expiration of the time limitation following any year in which wages were paid or alleged to have been paid to, or self-employment income was derived or alleged to have been derived by, an individual, the Administrator may change or delete any entry with respect to wages or self-employment income in his records of such year for such individual or include in his records of such year for such individual any omitted item of wages or self-employment income but only—

"(A) if an application for monthly benefits or for a lump-sum death payment was filed within the time limitation following such year; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon the application for monthly benefits or lump-sum death payment;

"(B) if within the time limitation following such year an individual or his survivor makes a request for a change or deletion, or for an inclusion of an omitted item, and alleges in writing that the Administrator's records of the wages paid to, or the self-employment income derived by, such individual in such year are in one or more respects erroneous; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon such request. Written notice of the Administrator's decision on

any such request shall be given to the individual who made the request;

"(C) to correct errors apparent on the face of such records;

"(D) to transfer items to records of the Railroad Retirement Board if such items were credited under this title when they should have been credited under the Railroad Retirement Act, or to enter items transferred by the Railroad Retirement Board which have been credited under the Railroad Retirement Act when they should have been credited under this title;

"(E) to delete or reduce the amount of any entry which is erroneous as a result of fraud;

"(F) to conform his records to tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code, or under regulations made under authority of such title or subchapter, and to information returns filed by a State pursuant to an agreement under section 218 or regulations of the Administrator thereunder; except that no amount of self-employment income of an individual for

any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Administrator's records pursuant to this subparagraph in excess of the amount which has been deleted pursuant to this subparagraph as payments erroneously included in such records as wages paid to such individual in such taxable year;

"(G) to correct errors made in the allocation, to individuals or periods, of wages or self-employment income entered in the records of the Administrator;

"(H) to include wages paid during any period in such year to an individual by an employer if there is an absence of any entry in the Administrator's records of wages having been paid by such employer to such individual in such period; or

"(I) to enter items which constitute remuneration for employment under subsection (o), such entries to be in accordance with certified reports of records made by the Railroad Retirement Board pursuant to section 5 (k) (3) of the Railroad Retirement Act of 1937.

"(6) Written notice of any deletion or reduction under

paragraph (4) or (5) shall be given to the individual whose record is involved or to his survivor, except that (A) in the case of a deletion or reduction with respect to any entry of wages such notice shall be given to such individual only if he has previously been notified by the Administrator of the amount of his wages for the period involved, and (B) such notice shall be given to such survivor only if he or the individual whose record is involved has previously been notified by the Administrator of the amount of such individual's wages and self-employment income for the period involved.

"(7) Upon request in writing (within such period, after any change or refusal of a request for a change of his records pursuant to this subsection, as the Administrator may prescribe), opportunity for hearing with respect to such change or refusal shall be afforded to any individual or his survivor. If a hearing is held pursuant to this paragraph the Administrator shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall include any omitted items, or change or delete any entry, in his records as may be required by such findings and decision.

"(8) Decisions of the Administrator under this subsection shall be reviewable by commencing a civil action in the United States district court as provided in subsection (g)."

(c) Section 205 of the Social Security Act is amended by adding at the end thereof the following subsections:

"Crediting of Compensation Under the Railroad Retirement Act

"(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under section 217 (a) of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages or self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages or self-employment income. For such purposes, compensation (as so defined) paid in a

calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.

"Special Rules in Case of Federal Service

"(p) (1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the Administrator shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or the periods in which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 1420 (e) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

"(2) The head of any such agency or instrumentality is authorized and directed, upon written request of the Administrator, to make certification to him with respect to any

matter determinable for the Administrator by such head or his agents under this subsection, which the Administrator finds necessary in administering this title.

"(3) The provisions of paragraphs (1) and (2) shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment; and for purposes of paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality."

(d) The amendments made by subsections (a) and (c) of this section shall take effect on the first day of the second calendar month following the month in which this Act is enacted. The amendment made by subsection (b) of this section shall take effect January 1, 1951, except that, effective on the first day of the second calendar month following the month in which this Act is enacted, the husband or former wife divorced of an individual shall be treated the

same as a parent of such individual for purposes of section 205 (c) of the Social Security Act as in effect prior to the enactment of this Act.

MISCELLANEOUS AMENDMENTS

SEC. 109. (a) (1) The second sentence of section 201 (a) of the Social Security Act is amended by striking out "such amounts as may be appropriated to the Trust Fund" and inserting in lieu thereof "such amounts as may be appropriated to, or deposited in, the Trust Fund".

(2) Section 201 (a) of the Social Security Act is amended by striking out the third sentence and by inserting in lieu thereof the following: "There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

"(1) the taxes (including interest, penalties, and additions to the taxes) received under subchapter A of chapter 9 of the Internal Revenue Code (and covered into the Treasury) which are deposited into the Treasury by collectors of internal revenue before January 1, 1951; and

"(2) the taxes certified each month by the Commissioner of Internal Revenue as taxes received under subchapter A of chapter 9 of such code which are de-

posited into the Treasury by collectors of internal revenue after December 31, 1950, and before January 1, 1953, with respect to assessments of such taxes made before January 1, 1951; and

"(3) the taxes imposed by subchapter A of chapter 9 of such code with respect to wages (as defined in section 1426 of such code) reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of such code after December 31, 1950, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such subchapter to such wages, which wages shall be certified by the Federal Security Administrator on the basis of the records of wages established and maintained by such Administrator in accordance with such reports; and

"(4) the taxes imposed by subchapter E of chapter 1 of such code with respect to self-employment income (as defined in section 481 of such code) reported to the Commissioner of Internal Revenue on tax returns under such subchapter, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such subchapter to such self-employment income, which self-employment income shall be certified by the Federal Security Administrator on the basis of the records of

self-employment income established and maintained by the Administrator in accordance with such returns.

The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the taxes, referred to in clauses (3) and (4), paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the amounts of the taxes referred to in such clauses."

(3) Section 201 (a) of the Social Security Act is amended by striking out the following: "There is also authorized to be appropriated to the Trust Fund such additional sums as may be required to finance the benefits and payments provided under this title."

(4) Section 201 (b) of such Act is amended by striking out "Chairman of the Social Security Board" and inserting in lieu thereof "Federal Security Administrator".

(5) Section 201 (b) of such Act is amended by adding after the second sentence thereof the following new sentence: "The Commissioner for Social Security shall serve as Secretary of the Board of Trustees.".

(6) Paragraph (2) of section 201 (b) of such Act

is amended by striking out "on the first day of each regular session of the Congress" and inserting in lieu thereof "not later than the first day of March of each year".

(7) Section 201 (b) of such Act is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and", and by adding the following new paragraph:

"(4) Recommend improvements in administrative procedures and policies."

(8) Section 201 (b) of such Act is amended by adding at the end thereof the following: "Such report shall be printed as a House document of the session of the Congress to which the report is made."

(9) Section 201 (f) of such Act is amended to read as follows:

"(f) (1) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him and the Federal Security Administrator which will be expended during a three-month period by the Federal Security Agency and the Treasury Department for the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the

administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code.

"(2) Repayments made under paragraph (1) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appears that the estimates under such paragraph in any particular three-month period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments."

(b) (1) Sections 204, 205 (other than subsections (c) and (l)), and 206 of such Act are amended by striking out "Board" wherever appearing therein and inserting in lieu thereof "Administrator"; by striking out "Board's" wherever appearing therein and inserting in lieu thereof "Administrator's"; and by striking out (where they refer to the Social Security Board) "it" and "its" and inserting in lieu thereof "he", "him", or "his", as the context may require.

(2) Section 205 (l) of such Act is amended to read as follows:

"(l) The Administrator is authorized to delegate to any member, officer, or employee of the Federal Security Agency designated by him any of the powers conferred upon him by this section, and is authorized to be represented by his own

attorneys in any court in any case or proceeding arising under the provisions of subsection (e)."

(c) Section 208 of such Act is amended by striking out the words "the Federal Insurance Contributions Act" and inserting in lieu thereof the following: "subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code".

SERVICES FOR COOPERATIVES PRIOR TO 1951

SEC. 110. In any case in which—

(1) an individual has been employed at any time prior to 1951 by organizations enumerated in the first sentence of section 101 (12) of the Internal Revenue Code,

(2) the service performed by such individual during the time he was so employed constituted agricultural labor as defined in section 209 (l) of the Social Security Act and section 1426 (h) of the Internal Revenue Code, as in effect prior to the enactment of this Act, and such service would, but for the provisions of such sections have constituted employment for the purposes of title II of the Social Security Act and subchapter A of chapter 9 of such Code,

(3) the taxes imposed by section 1400 and 1410 of the Internal Revenue Code have been paid with respect to any part of the remuneration paid to such

individual by such organization for such service and the payment of such taxes by such organization has been made in good faith upon the assumption that such service did not constitute agricultural labor as so defined, and

(4) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid shall be deemed to constitute remuneration for employment as defined in section 209 (b) of the Social Security Act as in effect prior to the enactment of this Act (but it shall not constitute wages for purposes of deductions under section 203 of such Act for months for which benefits under title II of such Act have been certified and paid prior to the enactment of this Act).

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

RATE OF TAX ON WAGES

SEC. 201. (a) Clauses (2) and (3) of section 1400 of the Internal Revenue Code are amended to read as follows:

"(2) With respect to wages received during the calendar years 1950 to 1955, both inclusive, the rate shall be 1½ per centum.

"(3) With respect to wages received during the calendar years 1956 to 1959, both inclusive, the rate shall be 2 per centum.

"(4) With respect to wages received during the

calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"(5) With respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"(6) With respect to wages received after December 31, 1969, the rate shall be 3¼ per centum."

(b) Clauses (2) and (3) of section 1410 of the Internal Revenue Code are amended to read as follows:

"(2) With respect to wages paid during the calendar years 1950 to 1955, both inclusive, the rate shall be 1½ per centum.

"(3) With respect to wages paid during the calendar years 1956 to 1959, both inclusive, the rate shall be 2 per centum.

"(4) With respect to wages paid during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"(5) With respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"(6) With respect to wages paid after December 31, 1969, the rate shall be 3¼ per centum."

FEDERAL SERVICE

SEC. 202. (a) Part II of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding after section 1411 the following new section:

"SEC. 1412. INSTRUMENTALITIES OF THE UNITED STATES.

"Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 1410 unless such other provision of law grants a specific exemption, by reference to section 1410, from the tax imposed by such section."

(b) Section 1420 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(e) FEDERAL SERVICE.—In the case of the taxes imposed by this subchapter with respect to service performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the determination whether an individual has performed service which constitutes employment as defined in section 1426, the determination of the amount of remuneration for such service which constitutes wages as defined in such section, and

the return and payment of the taxes imposed by this subchapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 1410 with respect to such service without regard to the $3,600 limitation in section 1426 (a) (1), and he shall not be required to obtain a refund of the tax paid under section 1410 on that part of the remuneration not included in wages by reason of section 1426 (a) (1). The provisions of this subsection shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment; and for purposes of this subsection the Secretary of Defense shall be deemed to be the head of such instrumentality."

(c) Section 1411 of the Internal Revenue Code is amended by adding at the end thereof the following new

sentence: "For the purposes of this section, in the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.".

(d) The amendments made by this section shall be applicable only with respect to remuneration paid after 1950.

DEFINITION OF WAGES

SEC. 203. (a) Section 1426 (a) of the Internal Revenue Code is amended to read as follows:

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,600 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to

as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,600 to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

"(2) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer

which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(5) Any payment made to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the

trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

"(7) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

"(8) Remuneration paid in any medium other than cash for agricultural labor; or

"(9) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made."

(b) So much of section 1401 (d) (2) of the Internal Revenue Code as precedes the second sentence thereof is amended to read as follows:

"(2) WAGES RECEIVED DURING 1947, 1948, 1949, AND 1950.—If by reason of an employee receiving wages from more than one employer during the calendar year

1947, 1948, 1949, or 1950 the wages received by him during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,000 of such wages received."

(c) Section 1401 (d) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraphs:

"(3) WAGES RECEIVED AFTER 1950.—If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1950 the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,600 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received

with respect to which refund of tax is claimed, and (B) such claim is made within two years after the calendar year in which such wages were received. No interest shall be allowed or paid with respect to any such refund.

"(4) SPECIAL RULES IN THE CASE OF FEDERAL AND STATE EMPLOYEES.—

"(A) Federal Employees.—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for the purposes of subsection (c) and paragraph (2) of this subsection, be deemed a separate employer; and the term 'wages' includes, for the purposes of paragraph (2) of this subsection, the amount, not to exceed $3,600, determined by each such head or agent as constituting wages paid to an employee.

"(B) State Employees.—For the purposes of paragraph (2) of this subsection, in the case of remuneration received during any calendar year

after the calendar year 1950, the term 'wages' includes remuneration for services covered by an agreement made pursuant to section 218 of the Social Security Act; the term 'employer' includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term 'tax' or 'tax imposed by section 1400' includes, in the case of services covered by an agreement made pursuant to section 218 of the Social Security Act, an amount equivalent to the tax which would be imposed by section 1400 (a), if such services constituted employment as defined in section 1426; and the provisions of paragraph (2) of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary of the Treasury."

(c) The amendment made by subsection (a) of this section shall be applicable only with respect to remuneration paid after 1950. In the case of remuneration paid prior to 1951, the determination under section 1426 (a) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if subsection (a) of this section had not been

enacted and without inferences drawn from the fact that the amendment made by subsection (a) is not made applicable to periods prior to 1951.

DEFINITION OF EMPLOYMENT

SEC. 204. (a) Effective January 1, 1951, section 1426 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EMPLOYMENT.—The term 'employment' means any service performed after 1936 and prior to 1951 which was employment for the purposes of this subchapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (i) of this section); except that, in the

case of service performed after 1950, such term shall not include—

"(1) (A) Agricultural labor (as defined in subsection (h) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some sixty days during such quarter such individual performs agricultural labor for such employer for some portion of the day, or (ii) such individual was regularly employed (as determined under clause (i)) by such employer in the performance of such labor during the preceding calendar quarter;

"(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

"(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority,

by a student who is enrolled and is regularly attending classes at a school, college, or university;

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term 'service not in the course of the employer's trade or business' includes domestic service in a private home of the employer;

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

"(5) Service performed by an individual on or in

connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 by virtue of any provision of law which specifically refers to such section in granting such exemption;

"(7) (A) Service performed in the employ of the United States, if such service is covered by a retirement system established by a law of the United States or by the agency for which such service is performed;

"(B) Service performed in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

"(C) Service performed in the employ of an instrumentality of the United States which is either wholly owned or which, but for the provisions of section 1412, would be exempt from the tax imposed by section 1410 and was exempt from the tax imposed by section 1410 on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

"(i) service performed in the employ of a national farm loan association, a production credit association, a State, county, or community committee under the Production and Marketing Administration, a Federal credit union, the Bonneville Power Administrator, or the United States Maritime Commission; or

"(ii) service performed in the employ of the Tennessee Valley Authority unless such service is covered by a retirement system established by such authority; or

"(iii) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Ship's Service Stores, Marine Corps Post Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the National Military Establishment for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Establishment;

"(D) Service performed in the employ of the

United States or in the employ of any instrumentality of the United States, if such service is performed—

"(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

"(ii) in the legislative branch;

"(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

"(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

"(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"(vi) by any individual as an employee receiving nominal compensation of $12 or less per annum;

"(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other emergency;

"(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment; or

"(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States;

"(8) (A) Service performed in the employ of a

State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions (other than service performed in the employ of a State, political subdivision, or instrumentality in connection with the operation of any public transportation system the whole or any part of which was acquired after 1936);

"(B) Service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410;

"(9) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(B) Service in the employ of—

"(i) a corporation, fund, or foundation which is exempt from income tax under section 101 (6) and is organized and operated primarily for religious purposes; or

"(ii) a corporation, fund, or foundation which is exempt from income tax under section 101 (6)

and is owned and operated by one or more corporations, funds, or foundations included under clause (i) of this subparagraph;

unless such service is performed on or after the first day of the calendar quarter following the calendar quarter in which such corporation, fund, or foundation files (whether filed on, before, or after January 1, 1951) with the Commissioner a statement that it desires to have the insurance system established by title II of the Social Security Act extended to services performed by its employees;

"(10) Service performed by an individual as an employee or employee representative as defined in section 1532;

"(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if the remuneration for such service is less than $50;

"(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

"(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

"(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while

it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum

amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

"(17) Service performed in the employ of an international organization."

(b) Effective January 1, 1951, section 1426 (e) of the Internal Revenue Code is amended to read as follows:

"(e) STATE, ETC.—

"(1) The term 'State' includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 3810 such term includes Puerto Rico.

"(2) UNITED STATES.—The term 'United States' when used in a geographical sense includes the Virgin Islands; and on and after the effective date specified in section 3810 such term includes Puerto Rico.

"(3) CITIZEN.—An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 3810."

(c) Section 1426 (g) of the Internal Revenue Code is amended by striking out "(g) American Vessel.—" and inserting in lieu thereof "(g) American Vessel and Air-

craft.—", and by striking out the period at the end of such subsection and inserting in lieu thereof the following: "; and the term 'American aircraft' means an aircraft registered under the laws of the United States."

(d) Section 1426 (h) of the Internal Revenue Code is amended to read as follows:

"(h) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of

cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

"(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading; storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"(C) The provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial

canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

"(5) On a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

"As used in this section, the term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards."

(e) Section 1426 of the Internal Revenue Code is amended by striking out subsections (i) and (j) and inserting in lieu thereof the following:

"(i) AMERICAN EMPLOYER.—The term 'American employer' means an employer which is (1) the United States or any instrumentality thereof, (2) an individual who is a resident of the United States, (3) a partnership, if two-thirds or more of the partners are residents of the United States, (4) a trust, if all of the trustees are residents of the United States, or (5) a corporation organized under the laws of the United States or of any State.

"(j) COMPUTATION OF WAGES IN CERTAIN CASES.—For purposes of this subchapter, in the case of service not

in the course of the employer's trade or business within the meaning of subsection (b) (3), if such service is performed by an employee who is regularly employed during the calendar quarter within the meaning of such subsection, any payment of cash remuneration which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this subchapter, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute—

"(1) the amount of remuneration for purposes of subsection (b) (3), and

"(2) the amount of wages for purposes of this subchapter, if such payment constitutes remuneration for employment, but only to the extent not excepted by any of the numbered paragraphs of subsection (a)."

(f) Sections 1426 (c) and 1428 of the Internal Revenue Code are each amended by striking out "paragraph (9)" and inserting in lieu thereof "paragraph (10)".

(g) The amendments made by subsections (c), (d),

(e), and (f) of this section shall be applicable only with respect to services performed after 1950.

DEFINITION OF EMPLOYEE

SEC. 205. (a) Section 1426 (d) of the Internal Revenue Code is hereby amended to read as follows:

"(d) EMPLOYEE.—The term 'employee' means—

"(1) any officer of a corporation; or

"(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or

"(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

"(A) as an agent-driver or commission-driver engaged in distributing meat products, bakery products, or laundry or dry-cleaning services for his principal;

"(B) as a full-time life insurance salesman; or

"(C) as a traveling or city salesman engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for

side-line sales activities on behalf of some other person) of (i) orders from retail merchants for merchandise to be delivered subsequently to such merchants for retail sale to their customers, or (ii) orders from hotels, restaurants, and other similar establishments for supplies to be delivered subsequently to such establishments and to be consumed in the operation thereof;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed."

(b) The amendment made by this section shall be applicable only with respect to services performed after 1950.

COMBINED WITHHOLDING OF INCOME AND EMPLOYEE SOCIAL SECURITY TAXES

SEC. 206. (a) Section 1400 of the Internal Revenue Code is amended by inserting before "In addition to other taxes" the following:

"(a) IN GENERAL.—"

and by adding at the end of such section the following new subsection:

"(b) WAGES SUBJECT TO COMBINED WITHHOLDING OF INCOME AND EMPLOYEE SOCIAL SECURITY TAXES.—If wages as defined in section 1633 (relating to combined withholding of income and employee social security taxes) are received by an individual, there shall be levied, collected, and paid upon the income of such individual, in lieu of the tax determined under subsection (a) with respect to such wages, the tax which under section 1633 (d) (1) is considered as imposed by this subsection."

(b) Section 1401 (a) of the Internal Revenue Code is amended to read as follows:

"(a) REQUIREMENT.—The tax imposed by section 1400 (a) shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. The tax imposed by section 1400 (b) shall be collected by the employer of the taxpayer in the manner pre-

scribed by section 1633 (relating to combined withholding of income and employee social security taxes)."

(c) Section 1622 (a) of the Internal Revenue Code is amended to read as follows:

"*(a) REQUIREMENT OF WITHHOLDING.—*

"*(1) IN GENERAL.—Every employer making payment of wages shall deduct and withhold upon such wages a tax equal to 15 per centum of the amount by which the wages exceed the number of withholding exemptions claimed multiplied by the amount of one such exemption as shown in subsection (b) (1).*

"*(2) WAGES SUBJECT TO COMBINED WITHHOLDING OF INCOME AND EMPLOYEE SOCIAL SECURITY TAXES.—The provisions of paragraph (1) of this subsection and of subsection (c) (1) of this section shall not apply with respect to any payment of wages as defined in section 1633 (relating to combined withholding of income and employee social security taxes). Every employer making payment of such wages shall deduct and withhold upon such wages, in the manner prescribed by section 1633, the tax which under section 1633 (d) (1) is considered as imposed by this paragraph.*"

(d) Subchapter E of chapter 9 of the Internal Revenue

Code is amended by adding at the end thereof the following new sections:

"SEC. 1633. COMBINED WITHHOLDING OF INCOME AND EMPLOYEE SOCIAL SECURITY TAXES.

"(a) DEFINITION OF WAGES SUBJECT TO COMBINED WITHHOLDING.—*As used in this section, the term 'wages' means a payment of remuneration by a person to an individual if the person making such payment is the employer of such individual within the meaning of subchapters A and D of this chapter or is authorized under section 1632 to deduct and withhold the tax under this section with respect to such payment, and if all of such payment is both—*

"(1) *wages as defined in section 1621 (a) (relating to wages subject to income tax withholding), and*

"(2) *wages as defined in section 1426 (a) (relating to wages subject to employee social security tax), determined without regard to paragraph (1) of section 1426 (a) (relating to the $3,600 limitation on remuneration) and without regard to paragraph (2) (B), (C), and (D) and paragraph (4) of section 1426 (a) (relating to sickness, accident disability, medical and hospitalization, and death payments).*

"(b) PERCENTAGE WITHHOLDING.—*Every employer making a payment of wages to an employee shall deduct and*

withhold from such wages a tax equal to the sum of the following:

"(1) 1½ per centum of the wages, and

"(2) 15 per centum of the wages in excess of an amount equal to one withholding exemption as determined under section 1622 (b) multiplied by the number of withholding exemptions claimed (as defined in section 1621 (e)).

"(c) WAGE BRACKET WITHHOLDING.—At the election of the employer with respect to any payment of wages to an employee, the employer shall deduct and withhold from the wages paid to such employee a tax determined in accordance with tables prescribed by the Commissioner pursuant to section 1634, which shall be in lieu of the tax required to be deducted and withheld under subsection (b) of this section.

"(d) APPORTIONMENT OF TAX.—

"(1) TAX REQUIRED TO BE DEDUCTED AND WITHHELD.—The tax required to be deducted and withheld under this section during any calendar year shall be considered the tax required to be deducted and withheld under section 1622 (a) (2) to the extent such tax under this section exceeds 1½ per centum of the wages paid by the employer to the employee during such calen-

dar year. The balance of such tax under this section shall be considered the tax imposed by section 1400 (b). For the purposes of this subsection in determining 1½ per centum of the wages, the term 'wages' shall not include any amount which is not wages as defined in section 1426 (a).

"(2) TAX ACTUALLY DEDUCTED AND WITHHELD.—The amount deducted and withheld as tax under this section shall be apportioned, in the manner provided in paragraph (1) (relating to the tax required to be deducted and withheld under this section), on the basis of the facts and circumstances known at the close of the period during which such amount was deducted and withheld, and, to the extent determined by such apportionment, shall be deemed an amount deducted and withheld as tax under section 1622 and an amount deducted and withheld as tax under section 1401, respectively.

"(e) CHANGE OF RATE UNDER SECTION 1400.—If for any calendar year the applicable rate prescribed by section 1400 (a) is not 1½ per centum, then there shall be substituted for the rate of 1½ per centum wherever specified in this section the rate prescribed by section 1400 (a) for such calendar year.

"(f) OTHER LAWS APPLICABLE.—All provisions of law, including penalties, applicable with respect to the tax

required to be deducted and withheld under section 1622 shall, insofar as applicable and not inconsistent with the provisions of this section, be applicable with respect to the tax under this section.

"SEC. 1634. WAGE BRACKET WITHHOLDING TABLES.

"The Commissioner shall prescribe the wage bracket withholding tables referred to in section 1633 (c). Such tables shall be identical with the tables prescribed by section 1622 (c), except that the tax to be withheld under such tables shall differ from the tax to be withheld under the tables prescribed by section 1622 (c) only in the following respects:

"(a) Wherever the tables prescribed by section 1622 (c) show a specific amount (including a showing of $0) of tax to be withheld with respect to a wage bracket, except where such amount is shown for the highest wage bracket in the table, such specific amount shall be increased by an amount equal to the applicable tax rate prescribed by section 1400 (a) applied to the amount at the midpoint of the wage bracket.

"(b) In the case of the highest wage bracket shown in a table, the specific amount of tax to be withheld shown in the corresponding table prescribed by section 1622 (c) shall be increased by an amount equal to the applicable tax rate prescribed by section 1400 (a)

applied to the amount at the lower limit of such highest wage bracket.

"(c) Wherever the tables prescribed by section 1622 (c) show a specific percentage, such percentage shall be increased by the applicable tax rate prescribed by section 1400 (a).

"SEC. 1635. TAX PAID BY RECIPIENT.

"If the employer, in violation of the provisions of section 1633, fails to deduct and withhold the tax under such section, if by reason of section 1633 (d) a portion of such tax is considered tax required to be deducted and withheld under section 1622, and if thereafter the tax against which such portion may be credited is paid, such portion of the tax required to be deducted and withheld under section 1633 (determined in accordance with section 1633 (d)) shall not be collected from the employer; but this section shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

"SEC. 1636. RECEIPTS FOR EMPLOYEES.

"(a) REQUIREMENT.—Every person required to deduct and withhold from an employee a tax under section 1400, 1622, or 1633, or who would have been required to deduct and withhold a tax under section 1622 if the employee had claimed no more than one withholding exemption, shall

furnish to each such employee in respect of the remuneration paid by such person to such employee during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of remuneration is made, a written statement showing the following: (1) the name of such person, (2) the name of the employee (and his social security account number if wages as defined in section 1426 (a) have been paid), (3) the total amount of wages as defined in section 1621 (a), (4) the total amount deducted and withheld as tax under section 1622, (5) the total amount of wages as defined in section 1426 (a), and (6) the total amount deducted and withheld as tax under section 1400. For the determination of the portion of the amount deducted and withheld as tax under section 1633 which is deemed an amount deducted and withheld as tax under section 1622 and the portion which is deemed an amount deducted and withheld as tax under section 1400, see section 1633 (d) (2).

"(b) STATEMENTS TO CONSTITUTE INFORMATION RETURNS.—The statements required to be furnished by this section in respect of any remuneration shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe. A duplicate

of any such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary shall constitute the return required to be made in respect of such remuneration under section 147. If such statement is required for a period other than a calendar year, the apportionment for such other period shall be made in a manner similar to that provided in section 1633 (d).

"(c) EXTENSION OF TIME.—The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any person a reasonable extension of time (not in excess of thirty days) with respect to the statements required to be furnished under this section.

"SEC. 1637. PENALTIES.

"(a) PENALTIES FOR FRAUDULENT STATEMENT OR FAILURE TO FURNISH STATEMENT.—In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1636 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1636, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof, be fined not more than $1,000, or imprisoned for not more than one year, or both.

"(b) ADDITIONAL PENALTY.—In addition to the

penalty provided by subsection (a) of this section, any person required under the provisions of section 1636 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1636, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of $50. Such penalty shall be assessed and collected in the same manner as the tax imposed by section 1410."

(e) (1) Section 322 (a) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraph:

"(4) CREDIT FOR 'SPECIAL REFUNDS' OF EMPLOYEE SOCIAL SECURITY TAX.—The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the tax imposed by this chapter for any taxable year of the amount determined by the taxpayer or the Commissioner to be allowable under section 1401 (d) as a special refund of tax imposed on wages received during the calendar year in which such taxable year begins. If more than one taxable year begins in such calendar year, such amount shall not be allowed under this section as a credit against the tax for any taxable year other than the last taxable year so beginning. The

amount allowed as a credit under such regulations shall, for the purposes of this chapter, be considered an amount deducted and withheld at the source as tax under subchapter D of chapter 9."

(2) Section 1403 (a) of the Internal Revenue Code is amended by striking out the first sentence and inserting in lieu thereof the following: "Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee before January 1, 1951. (For corresponding provisions with respect to wages paid after December 31, 1950, see section 1636.)"

(3) Section 1625 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(d) APPLICATION OF SECTION.—This section shall apply only with respect to wages paid before January 1, 1951. For corresponding provisions with respect to wages paid after December 31, 1950, see section 1636."

(f) The amendments made by this section shall be applicable only with respect to wages paid after December 31, 1950, except that the amendment made by subsection (e) (1) of this section shall be applicable only with respect to taxable years beginning after December 31, 1950, and only

with respect to "special refunds" in the case of wages paid after December 31, 1950.

PERIODS OF LIMITATION ON ASSESSMENT AND REFUND OF CERTAIN EMPLOYMENT TAXES

SEC. 207. (a) Subchapter E of chapter 9 of the Internal Revenue Code is amended by inserting at the end thereof the following new sections:

"SEC. 1638. PERIOD OF LIMITATION UPON ASSESSMENT AND COLLECTION OF CERTAIN EMPLOYMENT TAXES.

"(a) GENERAL RULE.—The amount of any tax imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter, shall (except as otherwise provided in the following subsections of this section) be assessed within three years after the return was filed, and no proceeding in court without assessment for the collection of such tax shall be begun after the expiration of such period.

"(b) FALSE RETURN OR NO RETURN.—In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

"(c) WILLFUL ATTEMPT TO EVADE TAX.—In case of a willful attempt in any manner to defeat or evade tax, the tax may be assessed, or a proceeding in court for the collec-

tion of such tax may be begun without assessment, at any time.

"(d) COLLECTION AFTER ASSESSMENT.—Where the assessment of any tax imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter, has been made within the period of limitation properly applicable thereto, such tax may be collected by distraint or by a proceeding in court, but only if begun (1) within six years after the assessment of the tax, or (2) prior to the expiration of any period for collection agreed upon in writing by the Commissioner and the taxpayer.

"(e) DATE OF FILING OF RETURN.—For the purposes of this section, if a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be considered filed on March 15 of such succeeding calendar year.

"(f) APPLICATION OF SECTION.—The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter, which are required to be collected and paid by making and filing returns.

"(g) EFFECTIVE DATE.—The provisions of this section shall not apply to any tax imposed with respect to remuneration paid during any calendar year before 1951.

"SEC. 1639. PERIOD OF LIMITATION UPON REFUNDS AND CREDITS OF CERTAIN EMPLOYMENT TAXES.

"(a) GENERAL RULE.—In the case of any tax imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter—

"(1) PERIOD OF LIMITATION.—Unless a claim for credit or refund is filed by the taxpayer within three years from the time the return was filed or within two years from the time the tax was paid, no credit or refund shall be allowed or made after the expiration of whichever of such periods expires the later. If no return is filed, then no credit or refund shall be allowed or made after two years from the time the tax was paid, unless before the expiration of such period a claim therefor is filed by the taxpayer.

"(2) LIMIT ON AMOUNT OF CREDIT OR REFUND.—The amount of the credit or refund shall not exceed the portion of the tax paid—

"(A) If a return was filed, and the claim was filed within three years from the time the return was filed, during the three years immediately preceding the filing of the claim.

"(B) If a claim was filed, and (i) no return was filed, or (ii) if the claim was not filed within

three years from the time the return was filed, during the two years immediately preceding the filing of the claim.

"(C) If no claim was filed and the allowance of credit or refund is made within three years from the time the return was filed, during the three years immediately preceding the allowance of the credit or refund.

"(D) If no claim was filed, and (i) no return was filed or (ii) the allowance of the credit or refund is not made within three years from the time the return was filed, during the two years immediately preceding the allowance of the credit or refund.

"(b) PENALTIES, ETC.—The provisions of subsection (a) of this section shall apply to any penalty or sum assessed or collected with respect to the tax imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter.

"(c) DATE OF FILING RETURN AND DATE OF PAYMENT OF TAX.—For the purposes of this section—

"(1) If a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be con-

sidered filed on March 15 of such succeeding calendar year; and

"(2) If a tax with respect to remuneration paid during any period ending with or within a calendar year is paid before March 15 of the succeeding calendar year, such tax shall be considered paid on March 15 of such succeeding calendar year.

"(d) APPLICATION OF SECTION.—The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, subchapter D of this chapter, or this subchapter, which are required to be collected and paid by making and filing returns.

"(e) EFFECTIVE DATE.—The provisions of this section shall not apply to any tax paid or collected with respect to remuneration paid during any calendar year before 1951 or to any penalty or sum paid or collected with respect to such tax."

(b) (1) Section 3312 of the Internal Revenue Code is amended by inserting immediately after the words "gift taxes" (which words immediately precede subsection (a) thereof) a comma and the following: "and except as otherwise provided in section 1638 with respect to employment taxes under subchapters A, D, and E of chapter 9".

(2) Section 3313 of the Internal Revenue Code is amended as follows:

(A) By inserting immediately after the words "and gift taxes,", where those words first appear in the section, the following: "and except as otherwise provided by law in the case of employment taxes under subchapters A, D, and E of chapter 9"; and

(B) By inserting immediately after the words "and gift taxes", where those words appear in the parenthetical phrase, a comma and the following: "and other than such employment taxes".

(3) Section 3645 of the Internal Revenue Code is amended by striking out "Employment taxes, section 3312." and inserting in lieu thereof the following: "Employment taxes, sections 1638 and 3312."

(4) Section 3772 (c) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"Employment taxes, see sections 1639 and 3313."

SELF-EMPLOYMENT INCOME

SEC. 208. (a) Chapter 1 of the Internal Revenue Code is amended by adding at the end thereof the following new subchapter:

"SUBCHAPTER E—TAX ON SELF-EMPLOYMENT INCOME

"SEC. 480. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid for each taxable year beginning after December 31, 1950, upon the self-employment income of every individual, a tax as follows:

"(1) In the case of any taxable year beginning after December 31, 1950, and before January 1, 1956, the tax shall be equal to 2¼ per centum of the amount of the self-employment income for such taxable year.

"(2) In the case of any taxable year beginning after December 31, 1955, and before January 1, 1960, the tax shall be equal to 3 per centum of the amount of the self-employment income for such taxable year.

"(3) In the case of any taxable year beginning after December 31, 1959, and before January 1, 1965, the tax shall be equal to 3¾ per centum of the amount of the self-employment income for such taxable year.

"(4) In the case of any taxable year beginning after December 31, 1964, and before January 1, 1970, the tax shall be equal to 4½ per centum of the amount of the self-employment income for such taxable year.

"(5) In the case of any taxable year beginning after December 31, 1969, the tax shall be equal to 4⅞ per centum of the amount of the self-employment income for such taxable year.

"SEC. 431. DEFINITIONS.

"For the purposes of this subchapter—

"(a) NET EARNINGS FROM SELF-EMPLOYMENT.—The term 'net earnings from self-employment' means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

"(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

"(2) There shall be excluded income derived from any trade or business in which, if the trade or business

were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h); and there shall be excluded all deductions attributable to such income;

"(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a)) are received in the course of a trade or business as a dealer in stocks or securities;

"(4) There shall be excluded any gain or loss (A) which is considered as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

"(5) The deduction for net operating losses provided in section 23 (s) shall not be allowed;

"(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"(B) If any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

"(7) In the case of any taxable year beginning on or after the effective date specified in section 3810, (A) the term 'possession of the United States' as used

in section 251 shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to January 1, 1951) ending within or with his taxable year.

"(b) SELF-EMPLOYMENT INCOME.—The term 'self-employment income' means the net earnings from self-employment derived by an individual (other than a non-resident alien individual) during any taxable year beginning after December 31, 1950; except that such term shall not include—

"(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

"(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.

For the purposes of clause (1) the term 'wages' includes remuneration paid to an employee if such remuneration is for services included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees). In the case of any taxable year beginning prior to the effective date specified in section 3810, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States or of the Virgin Islands during such taxable year shall be considered, for the purposes of this subchapter, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 3810) a resident of Puerto Rico shall not, for the purposes of this subchapter, be considered to be a nonresident alien individual.

"(c) TRADE OR BUSINESS.—The term 'trade or business', when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23, except that such term shall not include—

"(1) The performance of the functions of a public office;

"(2) The performance of service by an individual as an employee (other than service described in section

1426 (b) (16) (B) performed by an individual who has attained the age of eighteen);

"(3) The performance of service by an individual as an employee or employee representative as defined in section 1532;

"(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, or optometrist, or as a Christian Science practitioner, or as an architect, certified public accountant or other accountants registered or licensed as an accountant under State or municipal law, funeral director, or professional engineer; or the performance of such service by a partnership.

"(d) EMPLOYEE AND WAGES.—The term 'employee' and the term 'wages' shall have the same meaning as when used in subchapter A of chapter 9.

"SEC. 482. MISCELLANEOUS PROVISIONS.

"(a) RETURNS.—Every individual (other than a non-resident alien individual) having net earnings from self-

employment of $400 or more for the taxable year shall make a return containing such information for the purpose of carrying out the provisions of this subchapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Such return shall be considered a return required under section 51 (a). In the case of a husband and wife filing a joint return under section 51 (b), the tax imposed by this subchapter shall not be computed on the aggregate income but shall be the sum of the taxes computed under this subchapter on the separate self-employment income of each spouse.

"(b) TITLE OF SUBCHAPTER.—This subchapter may be cited as the 'Self-Employment Contributions Act'.

"(c) EFFECTIVE DATE IN CASE OF PUERTO RICO.—For effective date in case of Puerto Rico, see section 3810.

"(d) COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO.—For provisions relating to collection of taxes in Virgin Islands and Puerto Rico, see section 3811."

(b) Chapter 38 of the Internal Revenue Code is amended by adding at the end thereof the following new sections:

"SEC. 3810. EFFECTIVE DATE IN CASE OF PUERTO RICO.

"If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the

extension to Puerto Rico of the provisions of title II of the Social Security Act, the effective date referred to in sections 1426 (e), 481 (a) (7), and 481 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.

"SEC. 3811. COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO.

"Notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by subchapter E of chapter 1 and by subchapter A of chapter 9 shall be collected by the Bureau of Internal Revenue under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections.

"SEC. 3812. MITIGATION OF EFFECT OF STATUTE OF LIMITATIONS AND OTHER PROVISIONS IN CASE OF RELATED TAXES UNDER DIFFERENT CHAPTERS.

"(a) SELF-EMPLOYMENT TAX AND TAX ON WAGES.—In the case of the tax imposed by subchapter E of chapter 1 (relating to tax on self-employment income) and the tax imposed by section 1400 of subchapter A of chapter 9 (relating to tax on employees under the Federal Insurance Contributions Act)—

"(1) (i) if an amount is erroneously treated as self-employment income, or

"(ii) if an amount is erroneously treated as wages, and

"(2) if the correction of the error would require an assessment of one such tax and the refund or credit of the other tax, and

"(3) if at any time the correction of the error is authorized as to one such tax but is prevented as to the other tax by any law or rule of law (other than section 3761, relating to compromises),

then if the correction authorized is made, the amount of the assessment, or the amount of the credit or refund, as the case may be, authorized as to the one tax shall be reduced by the amount of the credit or refund, or the amount of the assessment, as the case may be, which would be required with respect to such other tax for the correction of the error if such credit or refund, or such assessment, of such other tax were not prevented by any law or rule of law (other than section 3761, relating to compromises).

"(b) DEFINITIONS.—For the purposes of subsection (a) of this section, the terms 'self-employment income' and 'wages' shall have the same meaning as when used in section 481 (b)."

(c) Section 3801 of the Internal Revenue Code is

amended by adding at the end thereof the following new subsection:

"(g) TAXES IMPOSED BY CHAPTER 9.—The provisions of this section shall not be construed to apply to any tax imposed by chapter 9."

(d) (1) Section 3 of the Internal Revenue Code is amended by inserting at the end thereof the following:

"Subchapter E—Tax on Self-Employment Income (the Self-Employment Contributions Act), divided into sections."

(2) Section 12 (g) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"(6) Tax on Self-Employment Income.—For tax on self-employment income, see subchapter E."

(3) Section 31 of the Internal Revenue Code is amended by inserting immediately after the words "the tax" the following: "(other than the tax imposed by subchapter E, relating to tax on self-employment income)"; and section 131 (a) of the Internal Revenue Code is amended by inserting immediately after the words "except the tax imposed under section 102" the following: "and except the tax imposed under subchapter E".

(4) Section 58 (b) (1) of the Internal Revenue Code is amended by inserting immediately after the words "withheld at source" the following: "and without regard to the tax imposed by subchapter E on self-employment income".

(5) Section 107 of the Internal Revenue Code is amended by inserting at the end thereof the following new subsection:

"(e) TAX ON SELF-EMPLOYMENT INCOME.—This section shall be applied without regard to, and shall not affect, the tax imposed by subchapter E, relating to tax on self-employment income."

(6) Section 120 of the Internal Revenue Code is amended by inserting immediately after the words "amount of income" the following: "(determined without regard to subchapter E, relating to tax on self-employment income)".

(7) Section 161 (a) of the Internal Revenue Code is amended by inserting immediately after the words "The taxes imposed by this chapter" the following: "(other than the tax imposed by subchapter E, relating to tax on self-employment income)".

(8) Section 294 (d) of the Internal Revenue Code is amended by inserting at the end thereof the following new paragraph:

"(3) TAX ON SELF-EMPLOYMENT INCOME.—This subsection shall be applied without regard to the tax imposed by subchapter E, relating to tax on self-employment income."

MISCELLANEOUS AMENDMENTS

SEC. 209. (a) (1) Section 1607 (b) of the Internal Revenue Code is amended to read as follows:

"(b) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,000 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer

has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,000 to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

"(2) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"(3) Any payment made to an employee (includ-

ing any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(5) Any payment made to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

"(7) Any payment (other than vacation or sick

pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made;

"(8) Dismissal payments which the employer is not legally required to make."

(2) The amendment made by paragraph (1) shall be applicable only with respect to remuneration paid after 1950. In the case of remuneration paid prior to 1951, the determination under section 1607 (b) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if paragraph (1) of this subsection had not been enacted and without inferences drawn from the fact that the amendment made by paragraph (1) is not made applicable to periods prior to 1951.

(3) Effective with respect to remuneration paid after December 31, 1951, section 1607 (b) of the Internal Revenue Code is amended by changing the semicolon at the end of paragraph (7) to a period and by striking out paragraph (8) thereof.

(b) (1) Section 1607 (c) (10) (A) (i) of the Internal Revenue Code is amended by striking out "does not exceed $45" and inserting in lieu thereof "is less than $50".

(2) Section 1607 (c) (10) (E) of the Internal Revenue Code is amended by striking out "in any calendar quarter" and by striking out ", and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition)".

(3) The amendments made by paragraphs (1) and (2) shall be applicable only with respect to service performed after 1950.

(c) (1) Paragraphs (3) and (4) of section 1621 (a) of the Internal Revenue Code are amended to read as follows:

"(3) (A) for domestic service in a private home, or

"(B) for domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university, or

"(4) for service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the

course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter, or".

(2) Section 1621 (a) of the Internal Revenue Code is amended by striking out paragraph (9) thereof and inserting in lieu thereof the following:

"(9) for services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order, or

"(10) (A) for services performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution, or

"(B) for services performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or

is entitled to be credited with the unsold newspapers or magazines turned back, or

"(11) for services not in the course of the employer's trade or business, if paid in any medium other than cash, or

"(12) to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6)."

(3) The amendments made by paragraphs (1) and (2) shall be applicable only with respect to remuneration paid after 1950.

(d) (1) Section 1631 of the Internal Revenue Code is amended to read as follows:

"SEC. 1631. FAILURE OF EMPLOYER TO FILE RETURN.

"In case of a failure to make and file any return required under this chapter within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not to willful neglect, the addition to the tax or

taxes required to be shown on such return shall not be less than $5."

(2) The amendment made by paragraph (1) shall be applicable only with respect to returns required to be filed after the date of enactment of this Act.

(e) If a corporation (hereinafter referred to as a predecessor) incorporated under the laws of one State is succeeded after 1945 and before 1951 by another corporation (hereinafter referred to as a successor) incorporated under the laws of another State, and if immediately upon the succession the business of the successor is identical with that of the predecessor and, except for qualifying shares, the proportionate interest of each shareholder in the successor is identical with his proportionate interest in the predecessor, and if in connection with the succession the predecessor is dissolved or merged into the successor, and if the predecessor and the successor are employers under the Federal Insurance Contributions Act and the Federal Unemployment Tax Act in the calendar year in which the succession takes place, then—

(1) the predecessor and successor corporations, for purposes only of the application of the $3,000 limitation in the definition of wages under such Acts, shall be considered as one employer for such calendar year, and

(2) the successor shall, subject to the applicable

statutes of limitations, be entitled to a credit or refund, without interest, of any tax under section 1410 of the Federal Insurance Contributions Act or section 1600 of the Federal Unemployment Tax Act (together with any interest or penalty thereon) paid with respect to remuneration paid by the successor during such calendar year which would not have been subject to tax under such Acts if the remuneration had been paid by the predecessor.

TITLE III—AMENDMENTS TO PUBLIC ASSISTANCE AND MATERNAL AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT

PART 1—OLD-AGE ASSISTANCE

REQUIREMENTS OF STATE OLD-AGE ASSISTANCE PLANS

SEC. 301. (a) Clause (4) of subsection (a) of section 2 of the Social Security Act is amended to read: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for old-age assistance is denied or is not acted upon with reasonable promptness;".

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses:

"(9) provide that all individuals wishing to make application for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished with reasonable promptness to all eligible individuals; and (10) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(c) The amendments made by subsections (a) and (b) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF OLD-AGE ASSISTANCE

SEC. 302. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1950, (1) an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals (other than those included in clause (C)) who received old-age assistance for such month; plus

"(B) one-half of the amount by which such expenditures (other than expenditures with respect to individuals included in clause (C)) exceed the maximum which may be counted under clause (A); plus

"(C) one-half of such expenditures with respect to individuals who become entitled to old-age insurance benefits under section 202 (a) after the first month following the month in which the Social Security Act Amendments of 1950 were enacted and who were not entitled to primary insurance benefits under such section as in effect prior to the enactment of such amendments; and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

DEFINITION OF OLD-AGE ASSISTANCE

SEC. 303. (a) Section 6 of the Social Security Act is amended to read as follows:

"DEFINITION

"SEC. 6. For the purposes of this title, the term 'old-age assistance' means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are sixty-five years of age or older, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

(b) The amendment made by subsection (a) shall take effect October 1, 1950, except that the exclusion of money payments to needy individuals described in clause (a) or (b) of section 6 of the Social Security Act as so amended shall, in the case of any of such individuals who are not patients in a public institution, be effective July 1, 1952.

PART 2—AID TO DEPENDENT CHILDREN

REQUIREMENTS OF STATE PLANS FOR AID TO DEPENDENT CHILDREN

SEC. 321. (a) Clause (4) of subsection (a) of section 402 of the Social Security Act is amended to read as follows: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to dependent children is denied or is not acted upon with reasonable promptness;".

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(9) provide, effective July 1, 1951, that all individuals wishing to make application for aid to dependent children shall have opportunity to do so, and that aid to dependent children shall be furnished with reasonable promptness to all eligible individuals; (10) effective July 1, 1952, provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children in respect of a child who has been deserted or abandoned by a parent; and (11) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is re-

ceiving old-age assistance under the State plan approved under section 2 of this Act."

(c) Effective July 1, 1952, clause (2) of subsection (b) of section 402 of the Social Security Act is amended to read as follows: "(2) who was born within one year immediately preceding the application, if the parent or other relative with whom the child is living has resided in the State for one year immediately preceding the birth".

(d) The amendment made by subsection (a) shall take effect July 1, 1951; the amendments made by subsection (b) shall take effect October 1, 1950.

COMPUTATION OF FEDERAL PORTION OF AID TO DEPENDENT CHILDREN

SEC. 322. (a) Section 403 (a) of the Social Security Act is amended to read as follows:

"SEC. 403. (a) From the sums appropriated therefor the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1950, (1) an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $30, or if

there is more than one dependent child in the same home, as exceeds $30 with respect to one such dependent child and $20 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $30—

"(A) three-fourths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $12 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

DEFINITION OF AID TO DEPENDENT CHILDREN

SEC. 323. (a) Section 406 of the Social Security Act is amended by striking out subsection (b) and inserting in lieu thereof the following:

"(b) The term 'aid to dependent children' means money payments with respect to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, a dependent child or dependent children, and includes money payments, or medical care or any type of remedial care recognized under State law for any month to meet the needs of the relative with whom any dependent child is living if money payments have been made under the State plan with respect to such child for such month;

"(c) The term 'relative with whom any dependent child is living' means the individual who is one of the relatives specified in subsection (a) and with whom such a child is living (within the meaning of such subsection) in a place of residence maintained by such individual (himself or together with any one or more of the other relatives so specified) as his (or their) own home."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

PART 3—MATERNAL AND CHILD WELFARE

SEC. 331. (a) Section 501 of the Social Security Act is amended by striking out "$11,000,000" and inserting in lieu thereof "$20,000,000".

(b) Section 502 of the Social Security Act is amended by striking out "$5,500,000" wherever it appears and inserting in lieu thereof "$10,000,000" and by striking out "$35,000" and inserting in lieu thereof "$60,000".

(c) Section 511 of the Social Security Act is amended by striking out "$7,500,000" and inserting in lieu thereof "$15,000,000".

(d) Section 512 of the Social Security Act is amended by striking out "$3,750,000" wherever it appears and inserting in lieu thereof "$7,500,000" and by striking out "$30,000" and inserting in lieu thereof "$60,000".

(e) Section 521 (a) of the Social Security Act is amended by striking out "$3,500,000" and inserting in lieu thereof "$12,000,000", by striking out "$20,000" and inserting in lieu thereof "$40,000", by striking out in the second sentence "as the rural population of such State bears to the total rural population of the United States" and inserting in lieu thereof "as the rural population of such State

under the age of eighteen bears to the total rural population of the United States under such age", and by striking out the third sentence thereof and inserting in lieu of such sentence the following: "The amount so allotted shall be expended for payment of part of the cost of district, county, or other local child-welfare services in areas predominantly rural, for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need, and for paying the cost of returning any runaway child who has not attained the age of sixteen to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met: Provided, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the States and local communities as may be authorized by the State."

(f) The amendments made by the preceding subsections of this section shall be effective with respect to fiscal years beginning after June 30, 1950.

PART 4—AID TO THE BLIND

REQUIREMENTS OF STATE PLANS FOR AID TO THE BLIND

SEC. 341. (a) Clause (4) of subsection (a) of section 1002 of the Social Security Act is amended to read as

follows: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon with reasonable promptness;".

(b) Clause (7) of such subsection is amended to read as follows:

"(7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act or aid to dependent children under the State plan approved under section 402 of this Act;".

(c) (1) Effective for the period beginning October 1, 1950, and ending June 30, 1952, clause (8) of such subsection is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that the State agency may, in making such determination, disregard not to exceed $50 per month of earned income;".

(2) Effective July 1, 1952, such clause (8) is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind;

except that, in making such determination, the State agency shall disregard the first $50 per month of earned income;".

(d) Such subsection is further amended by striking out "and" before clause (9) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye and, effective July 1, 1951, provide that the services of optometrists within the scope of the practice of optometry as prescribed by the laws of the State shall be made available to the recipients thereof as well as to the recipients of any grant-in-aid program for improvement or conservation of vision; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished with reasonable promptness to all eligible individuals; and (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(e) The amendments made by subsections (b) and (d)

shall take effect October 1, 1950; and the amendment made by subsection (a) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF AID TO THE BLIND

SEC. 342. (a) So much of section 1003 (a) of the Social Security Act as precedes clause (1) (A) thereof is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1950, (1) an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—"

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

DEFINITION OF AID TO THE BLIND

SEC. 343. (a) Section 1006 of the Social Security Act is amended to read as follows:

"DEFINITION

"SEC. 1006. For the purposes of this title, the term 'aid to the blind' means money payments to, or medical care in

behalf of or any type of remedial care recognized under State law in behalf of, blind individuals who are needy, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

(b) The amendment made by subsection (a) shall take effect October 1, 1950, except that the exclusion of money payments to needy individuals described in clause (a) or (b) of section 1006 of the Social Security Act so amended shall, in the case of any of such individuals who are not patients in a public institution, be effective July 1, 1952.

APPROVAL OF CERTAIN STATE PLANS

SEC. 344. (a) In the case of any State (as defined in the Social Security Act) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but pay-

ments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950.

PART 5—MISCELLANEOUS AMENDMENTS

SEC. 351. (a) Section 1 of the Social Security Act is amended by striking out "Social Security Board established by Title VII (hereinafter referred to as the 'Board')" and inserting in lieu thereof "Federal Security Administrator (hereinafter referred to as the 'Administrator')".

(b) Section 1001 of the Social Security Act is amended by striking out "Social Security Board" and inserting in lieu thereof "Administrator".

(c) The following provisions of the Social Security Act are each amended by striking out "Board" and inserting in lieu thereof "Administrator": Sections 2 (a) (5); 2 (a) (6); 2 (b); 3 (b); 4; 402 (a) (5); 402 (a) (6); 402 (b); 403 (b); 404; 702; 703; 1002 (a) (5); 1002 (a) (6); 1002 (b) (other than subparagraph (1) thereof); 1003 (b); and 1004.

(d) The following provisions of the Social Security Act

are each amended by striking out (when they refer to the Social Security Board) "it" or "its" and inserting in lieu thereof "he", "him", or "his", as the context may require: Sections 2 (b); 3 (b); 4; 402 (b); 403 (b); 404; 702; 703; 1002 (b); 1003 (b); and 1004.

(e) Title V of the Social Security Act is amended by striking out "Children's Bureau", "Chief of the Children's Bureau", "Secretary of Labor", and (in sections 503 (a) and 513 (a)) "Board" and inserting in lieu thereof "Administrator".

(f) The heading of title VII of the Social Security Act is amended to read "ADMINISTRATION".

TITLE IV—MISCELLANEOUS PROVISIONS

OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

SEC. 401. (a) Section 701 of the Social Security Act is amended to read:

"OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

"SEC. 701. There shall be in the Federal Security Agency a Commissioner for Social Security, appointed by the Administrator, who shall perform such functions relating to social security as the Administrator shall assign to him."

(b) Section 908 of the Social Security Act Amendments of 1939 is repealed.

REPORTS TO CONGRESS

SEC. 402. (a) Subsection (c) of section 541 of the Social Security Act is repealed.

(b) Section 704 of such Act is amended to read:

"REPORTS

"SEC. 704. The Administrator shall make a full report to Congress, at the beginning of each regular session, of the administration of the functions with which he is charged under this Act. In addition to the number of copies of such report authorized by other law to be printed, there is hereby authorized to be printed not more than five thousand copies of such report for use by the Administrator for distribution to Members of Congress and to State and other public or private agencies or organizations participating in or concerned with the social security program."

AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 403. (a) (1) Paragraph (6) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(6) The term 'Administrator', except when the context otherwise requires, means the Federal Security Administrator."

(2) The amendment made by paragraph (1) of this subsection, insofar as it repeals the definition of "employee",

shall be effective only with respect to services performed after 1950.

(b) Effective October 1, 1950, section 1101 (a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(7) The terms 'physician' and 'medical care' and 'hospitalization' include osteopathic practitioners or the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law."

(c) Section 1102 of the Social Security Act is amended by striking out "Social Security Board" and inserting in lieu thereof "Federal Security Administrator".

(d) Section 1106 of the Social Security Act is amended to read as follows:

"DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY

"SEC. 1106. Except as provided in section 205 (c), no disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or under subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code, or under regulations made under authority thereof, which has been transmitted to the Administrator by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any

time by the Administrator or by any officer or employee of the Federal Security Agency in the course of discharging the duties of the Administrator under this Act, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Administrator or from any officer or employee of the Federal Security Agency, shall be made except as authorized by section 1108 and then only in accordance with such regulations as the Administrator may prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding $1,000, or by imprisonment not exceeding one year, or both."

(e) Section 1107 (a) of the Social Security Act is amended by striking out "the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act," and inserting in lieu thereof the following: "subchapter E of chapter 1 or subchapter A, C, or E of chapter 9 of the Internal Revenue Code,".

(f) Section 1107 (b) of the Social Security Act is amended by striking out "Board" and inserting in lieu thereof "Administrator", and by striking out "wife, parent, or child", wherever appearing therein, and inserting in lieu thereof "wife, husband, widow, widower, former wife divorced, child, or parent".

(g) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"FURNISHING OF WAGE RECORD AND OTHER INFORMATION

"SEC. 1108. (a) (1) The Administrator is authorized, at the request of any agency charged with the administration of a State unemployment compensation law (with respect to which such State is entitled to payments under section 302 (a) of this Act) and to the extent consistent with the efficient administration of this Act, to furnish to such agency, for use by it in the administration of such law or a State temporary disability insurance law administered by it, information from or pertaining to records, including account numbers, maintained by the Administrator in accordance with section 205 (c) of this Act.

"(2) At the request of any agency, person, or organization, the Administrator is authorized, to the extent consistent with efficient administration of this Act and subject to such conditions or limitations as he deems necessary, to conduct special statistical studies of, and compile special data with respect to, any matters related to the programs authorized by this Act and to furnish information resulting therefrom to any such agency, person, or organization.

"(b) Requests under subsection (a) shall be complied with only if the agency, person, or organization making the request agrees to make payment for the work or information

requested in such amount, if any (not exceeding the cost of performing the work or furnishing the information), as may be determined by the Administrator. Payments for work performed or information furnished pursuant to this section shall be made in advance or by way of reimbursement, as may be requested by the Administrator, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-Age and Survivors Insurance Trust Fund) for the unit or units of the Federal Security Agency which performed the work or furnished the information.

"(c) No information shall be furnished pursuant to this section in violation of section 1106 or regulations prescribed thereunder."

ADVANCES TO STATE UNEMPLOYMENT FUNDS

SEC. 404. (a) Section 1201 (a) of the Social Security Act is amended by striking out "January 1, 1950" and inserting in lieu thereof "January 1, 1952".

(b) (1) Clause (2) of the second sentence of section 904 (h) of the Social Security Act is amended to read: "(2) the excess of the taxes collected in each fiscal year beginning after June 30, 1946, and ending prior to July 1, 1951, under the Federal Unemployment Tax Act, over the unemployment administrative expenditures made in such year,

and the excess of such taxes collected during the period beginning on July 1, 1951, and ending on December 31, 1951, over the unemployment administrative expenditures made during such period."

(2) The third sentence of section 904 (h) of the Social Security Act is amended by striking out "April 1, 1950" and inserting in lieu thereof "April 1, 1952".

(c) The amendment made by subsections (a) and (b) of this section shall be effective as of January 1, 1950.

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

SEC. 405. (a) Section 1603 (c) of the Internal Revenue Code is amended (1) by striking out the phrase "changed its law" and inserting in lieu thereof "amended its law", and (2) by adding before the period at the end thereof the following: "and such finding has become effective. Such finding shall become effective on the ninetieth day after the Governor of the State has been notified thereof unless the State has before such ninetieth day so amended its law that it will comply substantially with the Secretary's interpretation of the provision of subsection (a), in which event such finding shall not become effective. No finding

of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State".

(b) Section 303 (b) of the Social Security Act is amended by inserting before the period at the end thereof the following: ": Provided, That there shall be no finding under clause (1) until the question of entitlement shall have been decided by the highest judicial authority given jurisdiction under such State law: Provided further, That any costs may be paid with respect to any claimant by a State and included as costs of administration of its law".

SUSPENDING APPLICATION OF CERTAIN PROVISIONS OF CRIMINAL CODE TO CERTAIN PERSONS

SEC. 406. Service or employment of any person to assist the Senate Committee on Finance, or its duly authorized subcommittee, in the investigation ordered by S. Res. 300, agreed to June 20, 1950, shall not be considered as service or employment bringing such person within the provisions of section 281, 283, or 284 of title 18 of the United States Code, or any other Federal law imposing restrictions, requirements,

or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

Passed the House of Representatives October 5, 1949.

Attest: RALPH R. ROBERTS,
Clerk.

Passed the Senate with an amendment June 20 (legislative day, June 7), 1950.

Attest: LESLIE L. BIFFLE,
Secretary.

81ST CONGRESS
2D SESSION

H. R. 6000

AN ACT

To extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 20 (legislative day, JUNE 7), 1950

Ordered to be printed with the amendment of the Senate

GPO 861-630

MESSAGE FROM THE SENATE

The message also announced that the Senate had passed, with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 6000. An act to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

The message also announced that the Senate insists upon its amendment to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GEORGE, Mr. CONNALLY, Mr. BYRD, Mr. MILLIKIN, and Mr. TAFT to be the conferees on the part of the Senate.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, I find in the bill as passed by the other body a resolution to investigate other methods of pensions, including the pay-as-you-go plan, which is the Townsend plan. That calls only for an investigation by the Senate. May I inquire of the gentleman from North Carolina if he has given any consideration to the idea of making the investigation include both branches?

Mr. DOUGHTON. As far as I know that matter has not been considered by our committee.

Mr. MARTIN of Massachusetts. Does the gentleman think it would be advisable to have only a Senate investigation? If there is to be an investigation, I personally believe the House should have some part in it, too. We are all interested in pensions for the aged and the House must retain its leadership.

Mr. DOUGHTON. If there is to be a general investigation, I can see no reason why the House should not take part in it. I like to discuss important matters with my committee before expressing myself definitely.

Mr. MARTIN of Massachusetts. I appreciate the position of the gentleman, and I am not trying to press him for a premature decision, but I repeat, the House should, in my opinion, participate in the inquiry even if the inquiries should be separate.

Mr. DOUGHTON. As far as I am concerned, I am in accord with what the gentleman says, but I always defer to the members of my committee on important matters.

Mr. MARTIN of Massachusetts. Mr. Speaker, I withdraw my reservation of objection.

Mr. MARCANTONIO. Mr. Speaker, reserving the right to object, I understand the Senate has taken out the provision which the House inserted with reference to Puerto Rico. I hope the House will insist on the position of having Puerto Rico included in our social-security system. Not to do so will only mean an intensification of the discrimination that exists against Puerto Rico under the present colonial system.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. DOUGHTON, MILLS, CAMP, LYNCH, REED of New York, WOODRUFF, and JENKINS.

SOCIAL SECURITY ACT OF 1950

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments and ask for a conference with the Senate.

MESSAGE FROM THE HOUSE

The message also announced that the House had disagreed to the amendment of the Senate to the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. DOUGHTON, Mr. MILLS, Mr. CAMP, Mr. LYNCH, Mr. REED of New York, Mr. WOODRUFF, and Mr. JENKINS of Ohio were appointed managers on the part of the House at the conference.

[COMMITTEE PRINT]

SUMMARY OF PRINCIPAL CHANGES IN THE SOCIAL SECURITY ACT

UNDER

H. R. 6000 AS PASSED BY THE HOUSE OF REPRESENTATIVES AND AS PASSED BY THE SENATE

JUNE 21, 1950

Prepared for the use of the Committee on Ways and Means
by Robert J. Myers, *Actuary to the Committee*

UNITED STATES
GOVERNMENT PRINTING OFFICE
68632 WASHINGTON : 1950

COMPARISON OF PRINCIPAL CHANGES IN THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM MADE BY H. R. 6000

(NOTE.—All changes effective on January 1, 1950, under bill as passed by House, and on January 1, 1951, for coverage changes and for second month following month of enactment for benefit changes under bill as passed by Senate, unless otherwise noted)

(1) OLD-AGE AND SURVIVORS BENEFITS PAYABLE TO—

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
(*a*) Insured worker, age 65 or over.	No change.	No change.
(*b*) Wife, age 65 or over, of insured worker.	No change in age requirement other than that no age requirement if children under 18 are present.	No change from existing law, except benefits provided for dependent husbands, age 65 or over.
(*c*) Widow, age 65 or over, of insured worker.	No change.	No change, except benefits provided for dependent widowers, age 65 or over.
(*d*) Children (under 18) of retired worker, and children of deceased worker and their mother regardless of her age.	Certain dependency and relationship requirements liberalized, especially in regard to dependency on married insured women.	Same as House bill, except provisions as to dependency on married women further liberalized.
(*e*) Dependent parents, age 65 or over, of deceased worker if no surviving widow or child who could have received benefits.	No change.	No change.
(*f*) Lump-sum death payment where no monthly benefits immediately payable.	Lump-sum for all insured deaths.	Same as existing law, except special provision where monthly benefits paid in first year are less than lump-sum.
	(2) INSURED STATUS	
(*a*) Based on "quarters of coverage," namely, calendar quarters with $50 or more of wages.	After effective date, $100 of wages and $200 of self-employment income required for quarter of coverage. Special provision for converting annual self-employment income into quarters of coverage.	Same as House bill, except only $50 of wages and $100 of self-employment income required for quarter of coverage.
(*b*) Fully insured (eligible for all benefits) requires one quarter of coverage for each two quarters after 1936 and before age 65 (or death if earlier). In no case more than 40 quarters of coverage required.	Alternative requirement provided; namely, 20 quarters of coverage out of 40 quarters preceding death, or age 65 or any later date.	Same as present law, except "new start" provides that such quarters of coverage (acquired after 1936) must at least equal half the quarters after 1950. Thus all now age 62 or over need have only six quarters of coverage. Not applicable for deaths prior to effective date.
(*c*) Currently insured (eligible only for child, widowed mother, and lump-sum survivor benefits) requires 6 quarters of coverage out of 13 quarters preceding death.	No change.	No change.

(3) Worker's Monthly Old-Age Benefit (Called "Primary Amount")

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
(*a*) Average monthly wage based on period from 1937 to age 65 (or death if earlier) regardless of whether in covered employment in all such years. A year of coverage is a calendar year in which $200 is credited.	Average monthly wage based on average over years of coverage (after either 1936 or 1949, whichever is higher). A year of coverage is a calendar year in which $400 is credited ($200 prior to 1950).	Same as existing law, except "new start" average beginning after 1950 may be used for those with 6 quarters of coverage after 1950. For those with "new start" average wage, monthly amount is 50 percent of first $100 of average wage plus 15 percent of next $200. For all others (including present beneficiaries, and for those with "new start" if it produces a larger benefit) the benefit is computed under existing law (but with no 1 percent increase for years after 1950) and then increased by conversion table; benefits will be increased on the average by 85–90 percent, as indicated by following table for certain illustrative cases:
(*b*) Monthly amount is 40 percent of first $50 of average wage plus 10 percent of next $200, all increased by 1 percent for each year of coverage.	Monthly amount is 50 percent of first $100 of average wage plus 10 percent of next $200, increased by ½ percent for each year of coverage, and unless in covered employment in entire period reduced by percentage of time out of covered employment since 1936 or 1949, whichever gives smaller reduction. Benefits of present beneficiaries increased by conversion table which gives effect to new benefit formula and new average wage concept; on the average, benefits will be increased by 70 percent, with somewhat greater relative increases for those receiving smallest amounts, as indicated by following table for certain illustrative cases:	

Present primary insurance benefit	*New primary insurance amount*	*New primary insurance amount*
$10	$25	$20
15	31	31
20	36	37
25	44	48
30	51	56
35	55	62
40	60	68
45	64	72

(*c*) Minimum primary benefit, $10.	$25.	$25, unless average monthly wage is less than $34—then $20.
(*d*) Maximum family benefit, $85 or 80 percent of average wage or twice the primary benefit, whichever is less.	$150, or 80 percent of average wage if less.	Same as House bill.

(*e*) Illustrative primary benefits for 10 years of coverage, no period of noncoverage:

Level monthly wage	Present law	House bill	Senate bill
$100	$27.50	$52.50	$50.00
$150	33.00	57.80	57.50
$200	38.50	63.00	65.00
$250	44.00	68.30	72.50
$300	44.00	73.50	80.00

(*f*) Illustrative primary benefits for 40 years of coverage, no periods of noncoverage.

Level monthly wage	Present law	House bill	Senate bill
$100	$35.00	$60.00	$50.00
$150	42.00	66.00	57.50
$200	49.00	72.00	65.00
$250	56.00	78.00	72.50
$300	56.00	84.00	80.00

(*g*) Illustrative primary benefits for 5 years of coverage, 5 years of noncoverage, all after 1950:

Level monthly wage while working	Present law	House bill	Senate bill
$100	$21.00	$26.30	$25.00
$150	23.63	28.90	37.50
$200	26.25	31.50	50.00
$250	28.88	34.20	53.80
$300	31.50	36.80	57.50

(*h*) Illustrative primary benefits for 20 years of coverage, 20 years of noncoverage all after 1950:

Level monthly wage while working	Present law	House bill	Senate bill
$100	$24.00	$30.00	$25.00
$150	27.00	33.00	37.50
$200	30.00	36.00	50.00
$250	33.00	39.00	53.80
$300	33.00	42.00	57.50

(*i*) Illustrative primary benefits for 10 years of coverage, 30 years of noncoverage, all after 1950:

Level monthly wage while working	Present law	House bill	Senate bill
$100	$11.00	$25.00	$20.00
$150	16.50	25.00	25.00
$200	22.00	25.00	25.00
$250	23.38	25.00	31.30
$300	23.38	25.00	37.50

(4) BENEFIT AMOUNTS OF DEPENDENTS AND SURVIVORS RELATIVE TO WORKER'S MONTHLY PRIMARY BENEFIT

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
(*a*) Wife, one-half of primary.	No change.	No change.
(*b*) Widow, three-quarters of primary.	No change.	No change.
(*c*) Child, one-half of primary.	No change, except for deceased worker family, first child gets three-quarters of primary.	Same as House bill.
(*d*) Parent, one-half of primary.	Three-quarters of primary.	Same as existing law.
(*e*) Lump sum at death, six times primary benefit.	Three times primary benefit.	Same as House bill.

(*f*) Illustrative monthly benefits for retired workers:

[All figures rounded to nearest dollar]

Average monthly wage	Present law		House bill		Senate bill	
	Single	Married [1]	Single	Married [1]	Single	Married [1]
	Insured worker covered for 5 years					
$50	$21	$32	$26	$38	$25	$38
$100	26	39	51	77	50	75
$150	32	47	56	85	58	86
$200	37	55	62	92	65	98
$250	42	63	67	100	72	109
$300	42	63	72	108	80	120
	Insured worker covered for 40 years					
$50	$28	$40	$30	$40	$25	$38
$100	35	52	60	80	50	75
$150	42	63	66	99	58	86
$200	49	74	72	108	65	98
$250	56	84	78	117	72	109
$300	56	84	84	126	80	120

[1] With wife 65 or over.

NOTE.—"Average wage" is computed differently under the three plans (see text). These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1950.

(*g*) Illustrative monthly benefits for survivors of insured workers:

[All figures rounded to nearest dollar]

Average monthly wage	Present law	House bill	Senate bill	Present law	House bill	Senate bill	Present law	House bill	Senate bill
	Insured worker covered for 5 years								
	Widow and 1 child			Widow and 2 children			Widow and 3 children		
$50	$26	$38	$38	$37	$40	$40	$40	$40	$40
$100	33	77	75	46	80	80	52	80	80
$150	39	85	86	55	113	115	63	120	120
$200	46	92	98	64	123	130	74	150	150
$250	52	100	109	74	133	145	84	150	150
$300	52	108	120	74	144	150	84	150	150
	1 child alone			2 children alone			Aged widow [1]		
$50	$10	$19	$19	$21	$32	$31	$16	$19	$19
$100	13	38	38	26	64	62	20	38	38
$150	16	42	43	32	70	72	24	42	43
$200	18	46	49	37	77	81	28	46	49
$250	21	50	54	42	83	91	32	50	54
$300	21	54	60	42	90	100	32	54	60
	Insured worker covered for 40 years								
	Widow and 1 child			Widow and 2 children			Widow and 3 children		
$50	$35	$40	$38	$40	$40	$40	$40	$40	$40
$100	44	80	75	61	80	80	70	80	80
$150	52	99	86	74	120	115	84	120	120
$200	61	108	98	85	144	130	85	150	150
$250	70	117	109	85	150	145	85	150	150
$300	70	126	120	85	150	150	85	150	150
	1 child alone			2 children alone			Aged widow [1]		
$50	$14	$22	$19	$28	$38	$31	$21	$22	$19
$100	18	45	38	35	75	62	26	45	38
$150	21	50	43	42	83	72	32	50	43
$200	24	54	49	49	90	81	37	54	49
$250	28	58	54	56	98	91	42	58	54
$300	28	63	60	56	105	100	42	63	60

[1] Age 65 or over.

NOTE.—"Average wage" is computed differently under the three plans (see text). These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1950.

(5) Amount of Employment Permitted Beneficiary for Benefit Receipt (Work Clause)

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
No benefits paid for month in which $15 or more earned in covered employment.	Same except $15 limit is increased to $50 and no limitation at all after age 75.	Same as House bill.

(6) Covered Employment

All except self-employment and employment in Federal and State Governments, railroads, nonprofit (charitable, educational, and religious), agriculture, and domestic service. Employment covered only in the 48 States, District of Columbia, Alaska, and Hawaii, and on American ships outside the United States.	All except employment on railroads, farms (including self-employment), casual domestic work, military or naval service, certain professional self-employed, and in Federal civilian service where covered by retirement system or in very temporary or casual employment. State employment included on elective basis by the State, except where retirement system exists, employees and beneficiaries must elect by two-thirds majority in referendum to be covered. Employment in Puerto Rico and the Virgin Islands included, and also all employment of Americans outside the United States by an American employer. Coverage extended to salesmen, and certain other employees, who were deprived of coverage as employees by Public Law 642, Eightieth Congress.	Same as House bill except: (*a*) Regularly employed farm workers covered; (*b*) Exemption from coverage as professional self-employed, extended to architects, naturopaths, certified and registered public accountants, funeral directors, and all professional engineers (instead of certain named ones), while publishers are covered; (*c*) Coverage to regularly employed domestic servants based on 24 days of work during a quarter (instead of 26 days as in House bill); (*d*) Coverage of nonprofit employees on compulsory basis for nonreligious organizations and on completely voluntary basis for religious organizations (rather than compulsory on all employees and voluntary for all employers as in the House bill); (*e*) Coverage of Federal civilian employees not covered by a retirement system clarified; (*f*) Coverage not permitted for State and local employees covered by an existing retirement plan, and compulsory coverage for certain transit workers in public systems on broader basis than in House bill; (*g*) Definition of "employee" restricted to strict common law basis except for following named occupational groups covered as "employees": full-time life insurance salesmen; agent-drivers distributing meat products, bakery products or laundry or dry cleaning services; and full-time wholesale salesmen; (*h*) Tips not included as wages as in existing law, although included as wages in House bill in certain cases.

(7) Permanent and Total Disability Benefits

None.	For worker both currently insured and having 20 quarters of coverage out of last 10 years. Amount of primary benefit determined as for retired worker. No benefit for dependents of disabled worker. Benefits begin in January 1951.	None:

(8) Wage Credits for World War II Service

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
None.	World War II veterans (including those who died in service) given wage credits of $160 for each month of military service in World War II.	Same as House bill except that credit not given if service is used for any other Federal retirement system and except that additional cost is to be borne by trust fund (instead of by general Treasury as in House bill).

(9) Maximum Annual Wage and Self-Employment Income for Tax and Benefit Purposes

$3,000.	$3,600 after 1949.	$3,600 after 1950.

(10) Tax (or Contribution) Rates

One percent on employer and 1 percent on employee through 1949, 1½ percent for 1950–51, and 2 percent thereafter.	One and one-half percent on employer and 1½ percent on employee for 1950, 2 percent for 1951–59, 2½ percent for 1960–64, 3 percent for 1965–69, and 3¼ percent thereafter, except— (*a*) For self-employed, one and one-half times rates for employees. Self-employment income would be, in general, income from trade or business; (*b*) For nonprofit employment, no tax is imposed on employer who can pay it voluntarily. If employer does not pay tax, employee receives credit for only 50 percent of his taxed wages.	Same as House bill, except that increase to 2 percent is in 1956 instead of 1951 and except that nonprofit employment when covered is on same basis as all other employment.

(11) Appropriations from General Revenues

Appropriations authorized for such sums as may be required to finance the program.	Provision in existing law repealed.	Same as House bill.

(12) Combined Withholding of Income and Employee Social Security Taxes

No provision.	No provision.	Single combined withholding of income tax and employee social security tax applicable generally in those cases in which wages paid to the employee are subject to withholding for both classes of taxes. If the employee's wages are not subject to withholding for income tax purposes—such as in the case of wages paid for domestic services in a private home—combined withholding will not apply.

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COMPARISON OF PRINCIPAL CHANGES IN STATE-FEDERAL PUBLIC ASSISTANCE AND CHILD HEALTH AND WELFARE SERVICE PROGRAMS MADE BY H. R. 6000

(NOTE.—All changes effective October 1, 1949, under bill as passed by House, and on October 1, 1950, under bill as passed by Senate, unless otherwise noted)

I. GROUPS ELIGIBLE FOR AID

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
Three categories defined for assistance purposes as needy persons—(1) 65 years of age and over, (2) blind, and (3) children under 16 years of age and children 16 to 18 years of age, if they are regularly attending school.	Fourth category provided for permanently and totally disabled individuals who are in need. For aid to dependent children the mother or other relative with whom a dependent child is living is included as a recipient for Federal matching purposes.	Same as House bill except fourth category (aid to disabled) not provided for.

II. FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES

Federal share for old-age assistance and aid to blind is three-fourths of first $20 of a State's average monthly payment plus one-half of the remainder within individual maximums of $50; for aid to dependent children, three-fourths of the first $12 of the average monthly payment per child, plus one-half the remainder within individual maximums of $27 for the first child and $18 for each additional child in a family. Administrative costs shared 50 percent by Federal Government and 50 percent by States.	Federal share for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is four-fifths of the first $25 of a State's average monthly payment, plus one-half of the next $10, plus one-third of the remainder within individual maximums of $50; for aid to dependent children, four-fifths of the first $15 of the average monthly payment per recipient, plus one-half of the next $6, plus one-third of the next $6 within individual maximums of $27 for the relative with whom the children are living, $27 for the first child, and $18 for each additional child in a family. (See tables below for illustrations of the effect of these changes.) Administrative costs shared 50 percent by Federal Government and 50 percent by States for all categories.	Same as existing law, except that individual maximums for aid to dependent children are raised from $27 to $30 for the relative with whom the children are living and for the first child and from $18 to $20 for all other children and except that for old-age assistance payments supplementing old-age insurance benefits for those first becoming entitled to such benefits in or after the second month after enactment, Federal share is on a 50–50 basis.

Old-age assistance and aid to the blind. Amount and percent of Federal funds in average monthly payments of specified size under present law and under H. R. 6000

Average monthly payment [1]	Present law and Senate bill		House bill [2]	
	Federal funds	Percent of total	Federal funds	Percent of total
$20	$15.00	75	$16.00	80
$25	17.50	70	20.00	80
$30	20.00	67	22.50	75
$35	22.50	64	25.00	71
$40	25.00	62	26.67	67
$45	27.50	61	28.33	63
$50	30.00	60	30.00	60
$60	30.00	50	30.00	50
$70	30.00	43	30.00	43

[1] Average for Federal matching purposes includes all payments of $50 or less, and in the case of larger payments only the first $50.
[2] Also applies to permanently and totally disabled.

Old-age assistance and aid to the blind: Amount to which average monthly payments of specified size under present provisions could be increased under H. R. 6000, assuming the same average expenditure per recipient from State and local funds

Present law and Senate bill			House bill [1]			
Average monthly payments [2]	Federal funds	State and local funds	Average monthly payments [2]	Federal funds	State and local funds	Increase in Federal funds
$20	$15.00	$5.00	$25.00	$20.00	$5.00	$5.00
$25	17.50	7.50	30.00	22.50	7.50	5.00
$30	20.00	10.00	35.00	25.00	10.00	5.00
$35	22.50	12.50	38.75	26.25	12.50	3.75
$40	25.00	15.00	42.50	27.50	15.00	2.50
$45	27.50	17.50	46.25	28.75	17.50	1.25
$50	30.00	20.00	50.00	30.00	20.00	
$60	30.00	30.00	60.00	30.00	30.00	
$70	30.00	40.00	70.00	30.00	40.00	

[1] Also applies to permanently and totally disabled.
[2] Average for Federal matching purposes includes all payments of $50 or less, and in the case of larger payments only the first $50.

Aid to dependent children: Amount and percent of Federal funds in average monthly payments to families of specified size, under present law and under H. R. 6000

Average monthly payments [1]	Present law		House bill		Senate bill	
	Federal funds	Percent of total	Federal funds	Percent of total	Federal funds	Percent of total
	1-child family					
$25	$15.50	62	$20.00	80	$18.50	74
$35	16.50	47	26.50	76	23.50	67
$45	16.50	37	31.00	69	28.50	63
$55	16.50	30	34.00	62	33.50	61
$75	16.50	22	34.00	45	36.00	48
$90	16.50	18	34.00	38	36.00	40
	3-child family					
$25	$18.75	75	$20.00	80	$18.75	75
$35	26.25	75	28.00	80	26.25	75
$45	31.50	70	36.00	80	33.75	75
$55	36.50	66	44.00	80	39.50	72
$75	40.50	54	55.50	74	49.50	66
$90	40.50	45	62.00	69	57.00	63
$110	40.50	37	62.00	56	62.00	56

[1] Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of larger payments, the amounts of such maximums.

Aid to dependent children: Amount to which average monthly payments to families of specified size under present provisions could be increased under H. R. 6000 assuming the same average expenditure per family from State and local funds

Average monthly payments [1]	Present law		House bill			Senate bill		
	Federal funds	State and local funds	Average monthly payments [1]	Federal funds	Increase in Federal funds	Average monthly payments [1]	Federal funds	Increase in Federal funds
	1-child family							
$25	$15.50	$9.50	$37.00	$27.50	$12.00	$31.00	$21.50	$6.00
$35	16.50	18.50	51.75	33.25	16.75	49.00	30.50	14.00
$45	16.50	28.50	62.50	34.00	17.50	64.50	36.00	19.50
$55	16.50	38.50	72.50	34.00	17.50	74.50	36.00	19.50
$75	16.50	58.50	92.50	34.00	17.50	94.50	36.00	19.50
$90	16.50	73.50	107.50	34.00	17.50	109.50	36.00	19.50
	3-child family							
$25	$18.75	$6.25	$31.25	$25.00	$6.25	$25.00	$18.75	----------
$35	26.25	8.75	43.75	35.00	8.75	35.00	26.25	----------
$45	31.50	13.50	63.00	49.50	18.00	51.00	37.50	$6.00
$55	36.50	18.50	73.00	54.50	18.00	61.00	42.50	6.00
$75	40.50	34.50	96.50	62.00	21.50	93.00	58.50	17.50
$90	40.50	49.50	111.50	62.00	21.50	111.50	62.00	21.50
$110	40.50	69.50	131.50	62.00	21.50	131.50	62.00	21.50

[1] Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of large payments, the amounts of such maximums.

III. Medical Care

EXISTING LAW

Federal sharing in costs of medical care limited to amounts paid to recipients that can be included within the monthly maximums on individual payments of $50 for aged and blind, and $27 for first child and $18 for each additional child in an aid-to-dependent-children family. No State-Federal assistance provided persons in public institutions unless they are receiving temporary medical are in such institutions.

CHANGES IN H. R. 6000 AS PASSED BY HOUSE

Federal Government will share in cost of payments made directly to medical practitioners and other suppliers of medical services, which when added to any money paid to the individual, does not exceed the monthly maximums specified in item II above. Federal Government shares in the cost of payments to recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled living in public medical institutions other than those for mental disease and tuberculosis.

CHANGES IN H. R. 6000 AS PASSED BY SENATE

Same as House bill, except no plan for aid to disabled provided.

IV. Changes in Requirements for State Public-Assistance Plans

A. RESIDENCE

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
For old-age assistance and aid to the blind, a State may not require, as a condition of eligibility, residence in a State for more than 5 of the 9 years immediately preceding application and one continuous year before filing the application. For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than a year old, birth in the State and continuous residence by the mother in the State for 1 year preceding the birth.	No change in requirements for old-age assistance and aid to dependent children. For aid to the blind, effective July 1, 1951, a State may not require, as a condition of eligibility, residence in the State of more than one continuous year prior to filing of the application for aid. For aid to the permanently and totally disabled no State may impose a residence requirement more restrictive than that in its plan for aid to the blind on July 1, 1949, and beginning July 1, 1951, the maximum residence requirement is 1 year immediately preceding the application for aid. (All other requirements for aid to the permanently and totally disabled are the same as for old-age assistance.)	Same as existing law.

B. INCOME AND RESOURCES

For the three categories a State must, in determining need, take into consideration the income and resources of an individual claiming assistance.	Provision in existing law is made applicable to aid to the permanently and totally disabled. For aid to the blind, effective October 1, 1949, a State may disregard such amount of earned income, up to $50 per month, as the State vocational rehabilitation agency for the blind certifies will serve to encourage or assist the blind to prepare for, or engage in remunerative employment; effective July 1, 1951, a State must, in determining the need of any blind individual, disregard any income or resources which are not predictable or actually not available to the individual and take into consideration the special expenses arising from blindness.	Effective July 1, 1952, a State must disregard earned income, up to $50 per month, of an individual claiming aid to the blind; prior to July 1, 1952, the exemption of earned income, up to $50 per month is discretionary with each State. Same income and resources provisions as in existing law for the other categories.

C. TEMPORARY APPROVAL OF STATE PLANS FOR AID TO THE BLIND

No provision.	For the period October 1, 1949, to June 30, 1953, any State which did not have an approved plan for aid to the blind on January 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the aforementioned income and resources requirement of the act.	Same as House bill except that provision applies after October 1, 1950, and with no termination date.

D. EXAMINATION TO DETERMINE BLINDNESS

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
No provision.	A State aid-to-the-blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist.	A State aid-to-the-blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye. Also the plan must provide that the services of optometrists within the scope of their practice as prescribed by State law shall be available to individuals already determined to be eligible for aid to the blind (if desired and needed by them), as well as to recipients of any grant-in-aid program for improvement or conservation of vision.

E. ASSISTANCE TO BE FURNISHED PROMPTLY

No specific provision relating to opportunity to apply for assistance promptly.	Opportunity must be afforded all individuals to apply for assistance, and assistance must be furnished promptly to all eligible individuals.	Same as House bill but clarified.

F. FAIR HEARING

Fair hearing must be provided individual whose claim for assistance is denied. No specific provision for individual whose claim is not acted upon within a reasonable time.	Fair hearing must be provided by State agency to individual whose claim for assistance is denied or not acted upon within reasonable time.	Same as House bill but clarified.

G. STANDARDS FOR INSTITUTIONS

No provision.	If a State plan for old-age assistance, aid to the blind or aid to the permanently and totally disabled provides for payments to individuals in private or public institutions, the State must have a State authority to establish and maintain standards for such institutions. (Effective July 1, 1953.)	Same as House bill.

H. TRAINING PROGRAM FOR PERSONNEL

No specific provision.	States must provide a training program for the personnel necessary to the administration of the plan.	No specific provision.

I. NOTIFICATION TO LAW ENFORCEMENT OFFICIALS

No provision.	In aid to dependent children the States must provide for prompt notice to appropriate law-enforcement officials in any case in which aid is furnished to a child who has been deserted or abandoned by a parent.	Same as House bill.

V. Puerto Rico and Virgin Islands

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
Federal funds for public assistance are not available to Puerto Rico and the Virgin Islands.	The four categories of assistance are extended to Puerto Rico and the Virgin Islands. The Federal share, for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is limited to one-half of the total sums expended under an approved plan up to a maximum payment for any individual of $30 per month. For aid to dependent children the Federal share is limited to one-half of the expenditures under an approved plan up to individual maximums of $27 for the first child and $18 for each additional child in a family. Administrative costs are matched by the Federal Government on a 50–50 basis.	Same as existing law.

VI. Child Welfare Services

Authorizes an annual appropriation of $3,500,000 for grants to the States for child welfare services in rural areas and areas of special need. Funds allotted to States with approved plans as follows: $20,000 to each State and remainder on basis of rural population of the respective States.	Authorization for annual appropriation increased to $7,000,000 and the $20,000 now allotted to each State is increased to $40,000 with the remainder to be allotted on the basis of rural population of the respective States. Specific provision is made for the payment of the cost of returning any runaway child under age 16 to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met. (Effective for fiscal years beginning after June 30, 1950.)	Same as House bill except that annual authorization is increased to $12,000,000 and except that allotment is on basis of rural population under age 18. (Effective for fiscal years beginning after June 30, 1950.) Also provision added that in developing the various services under the State plans, the States would be free, but not compelled, to utilize the facilities and experience of voluntary agencies for the care of children in accordance with State and community programs and arrangements.

VII. Maternal and Child Health Services

Authorizes an annual appropriation of $11,000,000. One-half of this amount is distributed among the States as follows: $35,000 to each State, and the remainder of the one-half on the basis of the relative number of live births in the State. The second one-half is distributed among the States on the basis of the financial need of each State after consideration of the number of live births in the State.	Same as existing law.	Authorization for annual appropriation increased to $20,000,000 and the $35,000 uniform allotment to each State is increased to $60,000. Otherwise, the provisions of present law relating to the apportionment of funds are unchanged. (Effective for fiscal years beginning after June 30, 1950.)

VIII. Services for Crippled Children

EXISTING LAW	CHANGES IN H. R. 6000 AS PASSED BY HOUSE	CHANGES IN H. R. 6000 AS PASSED BY SENATE
Authorizes an annual appropriation of $7,500,000. One-half of this amount is distributed among the States as follows: $30,000 to each State, and the remainder of the one-half on the basis of need after consideration of the number of crippled children in the State needing services and the cost of such services. The second one-half is distributed on the same basis of need.	Same as existing law.	Authorization for annual appropriation increased to $15,000,000 and the $30,000 annual allotment to each State is increased to $60,000. Otherwise, the provisions of present law relating to the apportionment of funds are unchanged. (Effective for fiscal years beginning after June 30, 1950.)

COMPARISON OF PRINCIPAL CHANGES IN THE UNEMPLOYMENT INSURANCE SYSTEM MADE BY H. R. 6000

The bill passed by the House made no changes in this program. The bill passed by the Senate made the following changes in existing law:

(1) Title XII of the act, allowing advances to the accounts of States in the unemployment trust fund, expired January 1, 1950; the bill would make this title operative through December 31, 1951.

(2) The bill removes the Secretary of Labor's authority to find a State law out of conformity with Federal requirements specified in section 1603 (a) of the Internal Revenue Code unless the State law has been amended by the legislature. The bill also postpones the effect of the Secretary's finding of a State's unemployment insurance law out of conformity for 90 days after the Governor of the State has been notified of the finding of nonconformity. Moreover, the Secretary can make no finding that a State is failing to comply substantially with provisions in its law required by section 1603 (a) (5), if further administrative or judicial review of the interpretation of the State law is provided under the laws of the State. Also if after notice and opportunity for hearing of the State agency, the Secretary finds that there is denial of unemployment compensation benefits and a substantial number of cases to individuals entitled thereto under the law of the State, he may not withhold Federal funds for administration of the State unemployment insurance law until the question of entitlement to benefits has been decided by the highest judicial authority given jurisdiction under State law.

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ACTUARIAL COST ESTIMATES FOR THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM AS MODIFIED BY H. R. 6000, AS PASSED BY THE HOUSE OF REPRESENTATIVES AND BY THE SENATE

JUNE 26, 1950

Prepared for the use of the Committee on Ways and Means
by Robert J. Myers, Actuary to the Committee

UNITED STATES

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ACTUARIAL COST ESTIMATES FOR THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM AS MODIFIED BY H. R. 6000 AS PASSED BY THE HOUSE OF REPRESENTATIVES AND BY THE SENATE

A. Introduction

This actuarial study presents long-range cost estimates for two versions of H. R. 6000, namely, as passed by the House of Representatives on October 5, 1949, and as passed by the Senate on June 20, 1950.

From an actuarial cost standpoint the main features of this bill as passed by the House are as follows (a complete analysis is contained in H. Rept. 1300, 81st Cong., 1st sess.):

(1) Extension of coverage to all gainful employment except railroad, casual domestic service, agriculture (including the self-employed, i. e., the farmers), certain professional self-employed persons, service in the armed forces, and Federal civilian service covered by a retirement system. In this connection the cost estimates assume that over the long range about one-half of all State and local government employment will be covered as a result of election to be covered. Further it is assumed that for nonprofit employment the employer in virtually all cases pays the optional contribution. The net effect is to increase the number of covered jobs by about 30 percent.

(2) Maximum annual wage base of $3,600. Requirement for quarter of coverage raised to $100 for wages and $200 for self-employment income. Requirement for year of coverage raised to $400 of wages or self-employment income.

(3) Average monthly wage determined over all years of coverage (increment years), with the option of a "new start" after 1949.

(4) Monthly primary benefit based on 50 percent of the first $100 of average monthly wage plus 10 percent of the next $200, with a ½ percent increment for each year of coverage and with a continuation factor to apply in the future to reduce the amount of the benefit by taking into account years of noncoverage. Minimum monthly primary benefit of $25 and maximum family benefit of $150 or 80 percent of wage. Beneficiaries on the roll are to be given an increase averaging about 70 percent by means of a special conversion table.

(5) Lump-sum death payment to be three times the monthly primary benefit and payable for all insured deaths.

(6) Present fully insured status requirements retained, but with new alternative requirement of 20 quarters of coverage out of the last 40 quarters added.

(7) Benefits for parents and first survivor child to be increased from 50 to 75 percent of the primary benefit.

(8) Work clause of $50 per month on an "all-or-none" basis for wages and on a "reduction" basis for self-employment income in excess of $600 per year. Work clause not applicable after age 75.

(9) Requirement for permanent and total disability benefits to be both currently insured status and 20 quarters of coverage out of the last 40 quarters and with a waiting period of 7 full calendar months before first monthly payment is made. No supplementary benefits payable to wife or dependent children.

(10) More liberal provisions for paying child survivor benefits in respect to women workers in that existence of both fully and currently insured status automatically presumes dependency.

(11) Wage credits of $160 for each month of military service given to World War II veterans (including those who died in service). Cost thereof to be met by appropriations from General Treasury.

(12) Extension of coverage as of January 1, 1950. First disability benefits to be payable January 1951. Liberalizations in benefits effective January 1950.

(13) Contribution rate on employer and employee increased to 1½ percent each in 1950, 2 percent in 1951–59, 2½ percent in 1960–64, 3 percent in 1965–69, and 3¼ percent thereafter. Contribution rate for self-employed is 1½ times employee rate.

The bill as passed by the Senate differs from the above as follows:

(1) Coverage extended to regularly employed farm workers and coverage not permitted to be elected for, and by, State and local government employees under an existing retirement system.

(2) Requirement for quarter of coverage of $50 for wages and $100 for self-employment income.

(3) Average monthly wage determined over all years after 1936 or after 1950 (if having six quarters of coverage since then) whichever yields the larger benefit.

(4) Monthly primary benefit based on 50 percent of the first $100 of average monthly wage (determined from wages after 1950) plus 15 percent of the next $200, with no increment to increase for years of coverage or continuation factor to reduce for years of noncoverage. Minimum monthly primary benefit of $25, unless average wage is less than $34—then $20 minimum. Beneficiaries on the roll are to be given an increase averaging about 85 to 90 percent by means of a conversion table (which is also applicable for those retiring in the future, on the basis of average wage after 1936, if more favorable).

(5) Lump-sum death payment available only where no survivors eligible for immediate monthly benefits.

(6) "New start" provision introduced for insured status, permitting many more to be eligible immediately.

(7) Benefits for parents remain at 50 percent of primary benefit.

(8) No change in work clause.

(9) No permanent and total disability benefits.

(10) Child survivor benefits in respect to women workers further liberalized. Dependent husband's and widower's benefits added.

(11) Cost of veterans' wage credits to be met from trust fund.

(12) Extension of coverage as of January 1, 1951. Liberalizations in benefits effective for second month following month of enactment.

(13) Same contribution rates except 1½ percent rate retained through 1955.

Estimates of the future costs of the old-age and survivors insurance program are affected by many factors that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. Because of numerous factors, such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement-insurance program, benefit payments may be expected to increase continuously for at least the next 50 years.

The cost estimates for the House bill were contained in House Report 1300, Eighty-first Congress, first session and in more detail in a committee print, Actuarial Cost Estimates for Expanded Coverage and Liberalized Benefits Proposed for the Old-Age and Survivors Insurance System by H. R. 6000, October 3, 1949. These figures are slightly modified in the presentation here, so as to be exactly comparable with those for the Senate bill, by assuming that the effective date for coverage changes and for disability benefits is advanced 1 year over the dates in the bill as passed by the House and that the effective date for benefit changes is the same as in the Senate bill. The cost estimates for the Senate bill are presented for the first time here (S. Rept. 1669, 81st Cong., 2d sess. gave estimates for the bill reported by the Senate Committee on Finance, which was modified by the Senate, principally by raising the wage base from $3,000 to $3,600).

The cost estimates are presented here first on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors in the future. Both the low-cost and high-cost estimates are based on "high" economic assumptions, which are intended to represent close to full employment, with average annual wages at about the level prevailing in 1947, which is somewhat below current experience. Following the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low-cost and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions of the bills.

In general, the costs are shown as a percentage of covered payroll. It is believed that this is the best measure of the financial cost of the program. Dollar figures taken alone are misleading, because, for example, extension of coverage will increase not only the outgo but also, and to a greater extent, the income of the system so that the cost relative to payroll will decrease.

Both the House and the Senate very carefully considered the problems of cost in determining the benefit provisions recommended and were of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis. Accordingly, both versions of the bill eliminate the provision added in 1943 authorizing appropriations to the program from general revenues. At the same time, both versions contain a tax schedule which it is believed will make the system self-supporting as nearly as can be foreseen under present circumstances. Future experience may be expected to differ from the conditions assumed in the estimates so that this tax schedule, at least in the distant future, may have to be modified slightly. This may readily be determined by future Congresses after the revised program has been in operation for a decade or two.

B. BASIC ASSUMPTIONS FOR ACTUARIAL COST ESTIMATES

The estimates have been prepared on the basis of high-employment assumptions somewhat below conditions now prevailing. The estimates are based on level-wage assumptions (somewhat below the present level). If in the future the wage level should be considerably above that which now prevails, and if the benefits for those on the roll are at some time adjusted upward on this account, the increased outgo resulting will, in the same fashion, be offset. This is an important reason for considering costs relative to payroll rather than in dollars.

The cost estimates, however, have not taken into account the possibility of a rise in wage levels, as has consistently occurred over the past history of this country. If such an assumption were used in the cost estimates, along with the unlikely assumption that the benefits nevertheless would not be changed, the cost relative to payroll would, of course, be lower.

The low-cost and high-cost assumptions relate to the cost as a percent of payroll in the aggregate and not to the dollar costs. The two cost assumptions are based on possible variations in fertility rates, mortality rates, retirement rates, remarriage rates, etc.

In general, the cost estimates have been prepared according to the same assumptions and techniques as those contained in Actuarial Studies Nos. 23, 27, and 28 of the Social Security Administration, and also the same as in the estimates prepared for the Advisory Council on Social Security of the Senate Committee on Finance (S. Doc. 208, 80th Cong., 2d sess.). It may be mentioned here that in all those estimates—as well as the present ones—there are the following important elements:

(1) In later years many women will be potentially eligible for both old-age benefits and either wife's or widow's benefits. In such instances, these individuals have been assumed to receive full old-age benefits and any residual amount from the wife's or widow's benefits, if larger than the old-age benefit. The numbers of such individuals receiving residual wife's or widow's benefits and the average sizes of such benefits are not shown, but the total amount of such benefits is included in the tables giving the amounts of benefits in dollars and as percentages of payroll.

(2) The effect of the maximum-benefit provisions will be considerable. It has been assumed that the number who would receive benefits in a particular case would include only those who would receive benefits at the full rate plus one individual who would receive partial benefits completing the maximum, and with all other potentially eligible beneficiaries being disregarded.

The assumptions as to the major elements, population, employment, and wages, may be summarized as follows:

(1) *Population.*—The low-cost estimates assume United States 1939–41 mortality rates constant by age and sex throughout all years. The high-cost estimates are based on improving mortality similar to the National Resources Planning Board low-mortality bases, with an assumed further improvement with time for ages over 65 to allow for possible gains due to geriatric medical research.

The low-cost estimates assume birth rates which in the aggregate are about the same as those for the United States 1940–45 experience, which was relatively high. The high-cost estimates assume a decreas-

ing birth rate in the future similar to the National Resources Planning Board's medium estimate.

For both the low-cost and high-cost estimates no net immigration is assumed.

Table 1 summarizes these population projections. In the year 2000, the total population of 199 million under the low-cost assumptions is higher than the 173 million under the high-cost assumptions due to the higher birth-rate assumption under the former. The corresponding figures for the aged group (65 and over) are 19 million and 28½ million, respectively; the high-cost figure here is higher due to the lower mortality assumption. Also shown in this table are the latest estimates for 1950. It will be observed that these are somewhat higher than either of the two projections, especially as to the total population. These two projections were prepared several years ago and have been used as the base for a number of cost estimates, including those of the Advisory Council, so as to maintain consistency in such estimates. The actual population in 1950 is higher than in either of the two estimates, principally because of the very high birth rates which have occurred since the war. The long-range cost estimates attempt to portray a trend without considering cyclical fluctuations, and so it is not inconsistent that the actual population at the moment is somewhat higher than in either of the projections.

TABLE 1.—*Estimated United States population in future years*

[In millions]

Calendar year	Age 20–64			Age 65 and over			All ages		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
	Latest estimates for 1950								
1950	44	44	88	5.4	6.1	11.5	75	76	151
	Projection for low-cost assumptions								
1950	43	44	87	5.3	5.9	11.2	73	74	147
1955	43	44	87	6.0	6.7	12.7	76	77	153
1960	44	45	89	6.5	7.5	14.0	79	80	159
1970	47	48	95	7.1	8.8	15.9	83	85	168
1980	50	50	100	7.8	10.1	17.9	89	90	179
1990	52	52	104	8.4	11.1	19.5	94	95	189
2000	57	56	113	8.3	10.7	19.0	99	100	199
	Projection for high-cost assumptions								
1950	43	44	87	5.4	6.0	11.4	73	73	146
1955	44	45	89	6.2	6.9	13.1	75	76	151
1960	45	46	91	7.0	7.9	14.9	77	78	155
1970	49	49	98	8.5	10.0	18.5	81	82	163
1980	50	50	100	10.4	12.4	22.8	85	85	170
1990	51	50	101	12.4	14.7	27.1	86	86	172
2000	52	50	102	13.3	15.2	28.5	87	86	173

NOTE.—See text for description of bases of population projections.

(2) *Employment.*—Both the low-cost and high-cost estimates assume close to full employment, although somewhat below the level prevailing at the end of 1949. The previous estimates were, in general, based on conditions in 1944–46. A change made in these estimates to

allow partially for the higher employment since then has been to assume that all coverage figures (and thus resulting beneficiary figures) are about 5 percent higher. Civilian employment averaged about 53,000,000 in 1944–46, but in 1948 averaged 59,400,000, while in 1949 the average was 58,700,000, both increases of over 10 percent.

(3) *Wages.*—Both the low-cost and high-cost estimates are based on wage levels of 1947, which are slightly below existing ones. For a $3,000 maximum taxable wage, an average annual wage of $2,400 has been used for men working in covered employment in all four quarters of the year, and $1,625 for women. For a $3,600 wage base, the figure for men is increased to $2,550, while that for women is not changed. These same assumptions have been used in all previous estimates of the last 2 years.

The actual recorded wages (under the $3,000 maximum wage base of present law) for four-quarter workers may be compared with those used in the cost estimates, as follows:

	Men	Women
Used in cost estimates for $3,600 wage base	$2,550	$1,625
Used in cost estimates for $3,000 wage base	2,400	1,625
Actual 1944	2,300	1,402
Actual 1945	2,293	1,384
Actual 1946	2,269	1,481
Actual 1947	2,407	1,620
Actual 1948 (preliminary)	2,480	1,680
Actual 1949 (preliminary)	2,600	1,750

As to the bases for the disability estimates for the House bill, the following assumptions are used:

(*a*) *Low-cost estimate.*—Incidence rates for men are about 45 percent of class 3 (experience of life-insurance companies under disability-income policies for the early 1920's, modified for a 6-month waiting period). Incidence rates for women are 50 percent higher. Termination rates are German social-insurance experience for 1924–27, which is the best available experience as to relatively low disability termination rates.

(*b*) *High-cost estimate.*—Incidence rates for men are 90 percent of the so-called 165-percent modification of class 3 (which includes increasingly higher percentages for ages above 45); this modification corresponds roughly to insurance-company experience during the depression years of the early 1930's. Incidence rates for women are 100 percent higher. Termination rates are class 3. The incidence rates used for both estimates are 10 percent lower than those used in Actuarial Study No. 28 (which related to H. R. 2893) because in H. R. 6000, unlike H. R. 2893 and the insurance-company policies, disability is not presumed to be permanent and total after 6 month's duration but rather must be so proven then.

It will be noted that the low-cost estimate includes low incidence rates (which taken by themselves produce low costs) and also low termination rates (which taken by themselves produce higher costs, but which are felt to be necessary because with low incidence rates—meaning only severely disabled beneficiaries—there would tend to be low termination rates because there would be few recoveries). On the other hand, the high-cost estimate contains high incidence rates which are somewhat offset by high termination rates, which it seems

reasonable to assume would result under such circumstances since the high incidence rates imply many cases where recovery and rehabilitation will occur.

It is conceivable that if there were not strict administrative practices, there could be low termination rates combined with high incidence rates, which would produce appreciably higher costs than shown here. Also in a period of severe depression if there were not adequate unemployment insurance and assistance or work projects, there would tend to be higher disability costs than shown here—especially if the scale of disability benefits were relatively high as compared with other available benefits or assistance. On the other hand, extremely low costs would develop if low incidence rates were combined with high termination rates, but this hardly seems a possible combination under any circumstances.

The table below compares the estimated proportion of the population age 65 and over who are fully insured under the present limited coverage and under the expanded coverage recommended in the two versions of the bill:

Calendar year	Present coverage		House bill		Senate bill	
	Men	Women	Men	Women	Men	Women
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1951	34–38	4–5	37–42	5–6	43–50	7–9
1955	39–44	6–7	47–53	7–10	51–58	8–11
1960	44–49	7–10	55–63	10–13	57–64	10–13
1970	54–62	10–14	65–74	13–19	66–75	13–19
1980	64–73	16–22	73–82	20–27	73–83	20–27
1990	72–81	27–34	78–87	30–37	78–87	30–37
2000	74–84	35–43	81–90	39–47	81–90	39–47

It will be noted that the above figures for women include only those insured by their own employment and not those eligible through their husband's earnings. If the latter group had also been included, the resulting figures would have been somewhat larger than those shown for men.

As in previous cost estimates, no account is taken of the 1947 amendment to the Railroad Retirement Act, which provides for coordination of old-age and survivors insurance and railroad wages in determining survivor benefits.

Under the Senate bill voluntary coverage is permitted for two groups, namely, State and local government employees who are not under an existing retirement system and employees of religious denominations and organizations owned and operated by religious denominations. For the purpose of these cost estimates it has been assumed that over the long range virtually all of these groups will be covered as a result of voluntary action on the part of the employers involved.

C. RESULTS OF COST ESTIMATES ON RANGE BASIS

Table 2 gives the estimated taxable payrolls for the coverage provided under the two versions of the bill. As indicated in the previous section, the assumptions made as to wage rates are on the low side (in order to be conservative) so that the total payrolls resulting here are also somewhat on the low side.

TABLE 2.—*Estimated taxable payrolls under H. R. 6000*

[In billions]

Calendar year	House bill		Senate bill	
	Low-cost estimate [1]	High-cost estimate [1]	Low-cost estimate [1]	High-cost estimate [1]
1951	$106	$104	$108	$107
1955	109	109	111	110
1960	113	114	115	115
1970	124	124	126	126
1980	132	129	134	131
1990	141	132	142	133
2000	150	132	152	134

[1] Based on high employment assumptions.

Since both the low-cost and the high-cost estimates assume a high future level of economic activity, the payrolls are substantially the same under the two estimates in the early years. In later years the estimated payrolls increase in accordance with the population assumptions (see table 1), and a spread develops between the low-cost and high-cost estimates. The assumptions which affect benefits, however, have widely different effects even in the early years of the program. The range of error in the estimates, nevertheless, may be fully as great for contributions as it is for benefits.

The taxable payrolls under the Senate bill are slightly higher than under the House bill because of the greater coverage in the Senate bill.

Tables 3a and 3b show the estimated number of monthly beneficiaries in current payment status under the two versions of the bill. Because of the "new start" provision for determining insured status the number of beneficiaries under the Senate bill in the early years of operation is materially higher than under the House bill. Thus in 1951 this increase is about 700,000 persons (including 150,000 dependents and survivors as well as about 550,000 retired workers). In subsequent years this difference decreases but even eventually it is still present, though very small, chiefly due to the somewhat larger compulsory coverage under the Senate bill.

TABLE 3a.—*Estimated numbers of monthly beneficiaries [1] under House bill*

[In thousands]

Calendar year	Old-age beneficiaries [2]			Survivor beneficiaries				Disability beneficiaries, [3] primary
	Primary	Wife's [4]	Child's	Widow's [4]	Parent's [4]	Mother's	Child's	
	Low-cost estimate [5]							
1951	1,487	443	43	344	19	197	689	----------
1955	1,881	564	49	610	28	252	923	190
1960	2,624	750	61	1,040	37	298	1,113	380
1970	4,056	1,055	88	1,968	42	347	1,309	624
1980	5,654	1,240	115	2,673	42	383	1,438	759
1990	7,733	1,257	134	3,010	39	415	1,568	817
2000	8,887	1,184	129	3,000	34	452	1,705	905
	High-cost estimate [5]							
1951	1,800	503	58	357	31	238	677	----------
1955	2,634	718	73	623	48	292	851	594
1960	4,265	1,133	99	1,057	69	313	883	1,188
1970	6,890	1,653	119	2,009	90	300	804	1,706
1980	10,292	2,149	130	2,751	97	279	715	2,001
1990	14,527	2,470	121	3,119	94	264	650	2,089
2000	17,428	2,595	86	3,076	90	254	600	2,226

[1] As of middle of year.
[2] I. e., for benefits paid in respect to retired workers.
[3] Does not include those who are eligible for old-age benefits by reason of having attained the minimum retirement age.
[4] Does not include beneficiaries who are also eligible for primary benefits.
[5] Based on high-employment assumptions.

TABLE 3b.—*Estimated numbers of monthly beneficiaries [1] under Senate bill*

[In thousands]

Calendar year	Old-age beneficiaries [2]			Survivor beneficiaries			
	Primary	Wife's [3]	Child's	Widow's [3]	Parent's [3]	Mother's	Child's
	Low-cost estimate [4]						
1951	2,033	598	57	348	19	200	700
1955	2,203	668	60	640	28	262	956
1960	2,727	793	65	1,101	37	304	1,135
1970	4,089	1,063	88	2,031	42	349	1,317
1980	5,685	1,243	115	2,709	42	385	1,446
1990	7,750	1,260	130	3,029	39	417	1,576
2000	8,910	1,187	129	3,008	34	454	1,714
	High-cost estimate [4]						
1951	2,340	652	75	363	31	242	688
1955	3,000	830	83	669	48	303	871
1960	4,404	1,190	101	1,133	69	320	901
1970	6,943	1,661	119	2,074	90	302	808
1980	10,332	2,153	130	2,788	97	280	718
1990	14,539	2,474	121	3,141	94	265	653
2000	17,456	2,599	86	3,083	90	255	602

[1] As of middle of year.
[2] I. e., for benefits paid in respect to retired workers.
[3] Does not include beneficiaries who are also eligible for primary benefits. For wife's and widow's benefits, includes husband's and widower's benefits, respectively.
[4] Based on high-employment assumptions.

Tables 4a and 4b show the estimated average benefits under the two bills. These are given only for the calendar years 1951, 1960, and 2000, since in general there is a smooth trend in the intervening periods.

It will be noted that for old-age beneficiaries separate figures are given for men and women, since the results differ greatly and since a combination would obscure the trend. For men the average old-age benefit will remain relatively constant after 1960; from 1951 to 1960 under the Senate bill there will be some increase due to the effect of the "new start" average wage and in addition under the House bill due to the fact that the conversion table produces somewhat lower results than under the Senate bill. On the other hand, for women the average old-age benefit shows a decrease over the long-range future because there will ultimately be a large number of women receiving such benefits who did not engage in covered employment for their entire adult lifetime after 1950.

TABLE 4a.—*Estimated average monthly benefit payments and average lump-sum death payments under House bill*

Category	1951	1960	2000
Old-age primary	$46–$47	$49–$51	$45–$47
Male	47– 48	50– 52	53– 56
Female	40– 41	46– 47	33– 35
Wife's [1]	23– 24	26– 26	27– 28
Widow's [1]	34– 34	38– 38	40– 43
Parent's [2]	40– 42	41– 43	39– 41
Child's [3]	31– 33	34– 35	33– 34
Mother's	37– 38	41– 42	41– 43
Disability primary [4]		52– 56	46– 50
Male		56– 59	55– 58
Female		46– 49	35– 38
Lump-sum death [5]	153–155	149–154	139–146

[1] Does not include those eligible for primary benefits.
[2] Does not include those eligible for primary or widow's benefits.
[3] Includes both child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.
[4] Does not include those who are eligible for old-age primary benefits by reason of having attained the minimum retirement age.
[5] Average amount per death.

NOTE.—Lower figure of range shown is for high-cost estimate, while higher figure is for low-cost estimate

TABLE 4b.—*Estimated average monthly benefit payments and average lump-sum death payments under Senate bill*

Category	1951	1960	2000
Old-age primary	$48–$48	$51–$51	$49–$50
Male	50– 50	54– 54	57– 58
Female	40– 40	39– 39	36– 38
Wife's [1]	26– 26	28– 28	29– 30
Widow's [1]	37– 37	39– 40	44– 45
Parent's [2]	30– 30	29– 29	29– 29
Child's [3]	34– 34	36– 37	36– 37
Mother's	42– 42	44– 44	45– 46
Lump-sum death [4]	150–150	152–154	143–151

[1] Does not include those eligible for primary benefits. Includes husband's and widower's benefits.
[2] Does not include those eligible for primary, widow's or widower's benefits.
[3] Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.
[4] Average amount per death.

NOTE.—Lower figure of range shown is for high-cost estimate, while higher figure is for low-cost estimate.

Tables 5a and 5b present costs as a percentage of payroll for each of the various types of benefits. As used here, "level-premium cost" may be defined as the contribution rate charged from 1951 on, which together with interest would meet all benefit payments after 1950 (including the benefit payments to those on the roll prior to 1951 and the increases which they receive through the conversion table). This level-premium rate would produce a very considerable amount of excess income in the early years which, invested at interest, would help considerably in meeting the higher benefit outgo ultimately. The level-premium cost shown for both versions of the bill is roughly 4¾ to 7½ percent of payroll, or about the same as for the plan of the Advisory Council. These level-premium costs are somewhat higher than those for the original Social Security Act of 1935—namely, 5 to 7 percent—because of two factors not specified in the plans themselves: first, a lower interest rate is used here—namely, 2 percent as against 3 percent—and, second, the program proposed is nearer maturity since the benefit roll is now quite sizable; in other words, some of the period of low cost has been passed through.

TABLE 5a.—*Estimated relative costs in percentage of payroll for House bill, by type of benefit*

[Percent]

Calendar year	Old-age	Wife's [1]	Widow's [1]	Parent's	Mother's	Child's [2]	Disability	Lump-sum death	Total
	Low-cost estimate [3]								
1951	0.78	0.12	0.13	0.01	0.09	0.27	-------	0.06	1.46
1955	1.03	.16	.24	.01	.11	.37	0.12	.08	2.11
1960	1.42	.21	.42	.02	.13	.44	.22	.09	2.95
1970	2.05	.27	.77	.02	.14	.47	.32	.11	4.16
1980	2.66	.31	1.02	.02	.15	.49	.35	.13	5.12
1990	3.26	.31	1.14	.01	.15	.50	.35	.14	5.85
2000	3.32	.28	1.10	.01	.15	.50	.36	.14	5.86
Level premium [4]	2.65	.26	.90	.01	.14	.47	.31	.12	4.87
	High-cost estimate [3]								
1951	0.97	0.14	0.14	0.02	0.10	0.26	-------	0.06	1.69
1955	1.45	.20	.25	.02	.13	.34	0.34	.07	2.80
1960	2.23	.31	.43	.03	.14	.35	.66	.08	4.21
1970	3.30	.41	.78	.03	.12	.29	.82	.10	5.85
1980	4.68	.53	1.06	.03	.11	.25	.88	.11	7.66
1990	6.22	.62	1.23	.03	.10	.23	.88	.14	9.45
2000	7.09	.67	1.27	.03	.10	.20	.93	.15	10.45
Level premium [4]	5.04	.52	.99	.03	.11	.25	.81	.12	7.86

[1] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits.
[2] Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.
[3] Based on high-employment assumptions.
[4] Level-premium contribution rate (based on 2-percent interest) for benefit payments after 1950 and into perpetuity not taking into account the accumulated funds at the end of 1950 or administrative expenses.

TABLE 5b.—*Estimated relative costs in percentage of payroll for Senate bill, by type of benefit*

[Percent]

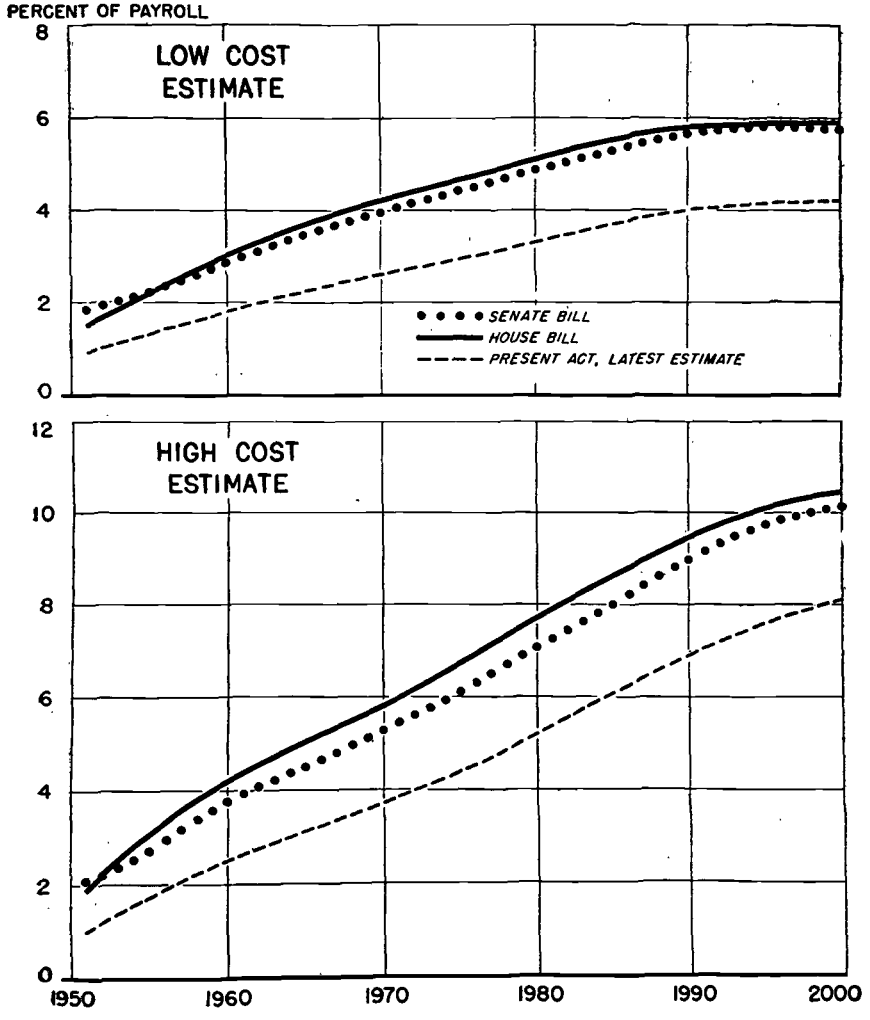
Calendar year	Old-age	Wife's [1]	Widow's [1]	Parent's	Mother's	Child's [2]	Lump-sum death	Total
	Low-cost estimate [3]							
1951	1.06	0.16	0.14	0.01	0.09	0.30	0.05	1.82
1955	1.19	.19	.26	.01	.12	.40	.06	2.23
1960	1.47	.23	.46	.01	.14	.47	.07	2.84
1970	2.08	.30	.83	.01	.15	.50	.08	3.95
1980	2.67	.33	1.09	.01	.16	.52	.10	4.87
1990	3.31	.32	1.19	.01	.16	.53	.11	5.64
2000	3.49	.29	1.14	.01	.16	.54	.11	5.74
Level premium [4]	2.76	.28	.94	.01	.15	.51	.10	4.75
	High-cost estimate [3]							
1951	1.25	0.19	0.15	0.01	0.11	0.30	0.05	2.06
1955	1.61	.24	.28	.02	.14	.37	.06	2.71
1960	2.34	.35	.48	.02	.15	.38	.06	3.76
1970	3.41	.46	.85	.02	.13	.32	.07	5.27
1980	4.82	.59	1.16	.03	.12	.28	.09	7.07
1990	6.48	.68	1.33	.02	.11	.25	.10	8.97
2000	7.58	.73	1.36	.02	.10	.22	.12	10.13
Level premium [4]	5.36	.57	1.05	.02	.12	.27	.09	7.48

[1] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.
[2] Includes child's benefits for both children of old-age beneficiaries and child-survivor beneficiaries.
[3] Based on high-employment assumptions.
[4] Level-premium contribution rate (based on 2-percent interest) for benefit payments after 1950 and into perpetuity, not taking into account the accumulated funds at the end of 1950 or administrative expenses.

Chart 1 compares the year-by-year cost of the bills with the latest cost estimates for the present law. As would be anticipated, the Senate bill has a higher cost throughout all years than the present act, since benefits are liberalized considerably. Similarly, the Senate bill has a higher cost than the House bill in the early years and a somewhat lower cost later. This results for the early years because of the much more liberal eligibility and benefit conditions, while for the middle and later years these factors are offset by the elimination of the increment and the permanent and total-disability provisions. In the ultimate condition (year 2000) the cost under the Senate bill approaches more closely the cost under the House bill since, under the latter, benefits for insured persons who are out of covered employment for a substantial period of time (e. g., married women) will be sharply reduced by the effect of the continuation factor (not incorporated in the Senate bill).

CHART 1

COST OF PROPOSED PLAN COMPARED WITH LATEST COST ESTIMATE FOR PRESENT ACT



Tables 6a and 6b give the dollar figures for various future years for each of the different types of benefits.

Tables 7a and 7b present the estimated operations of the trust fund under the expanded program. The trust fund at the end of 1950 is estimated to be about $13½ billion. The figures for 1950 reflect the operation of the present act for the entire year as to contribution receipts, but as to benefit disbursements the figure includes payments made under the present act for the first 8 months of the year and under the bill for the remainder of the year; the assumption is made here that the enactment date will be some time in June so that the liberalized benefit conditions will be effective in August, with the first payments coming out of the trust fund in September (some such assumption must necessarily be made in developing cost estimates although the enactment date might be somewhat later).

The future progress of the trust fund has been developed here on the basis of a 2-percent interest rate; subsequently, some consideration will be given as to the effect of a higher interest rate. Throughout, there is the assumption that no Government contribution to the system is made, since both versions of the bill strike out the provision of present law which would permit this.

TABLE 6a.—*Estimated absolute costs in dollars for House bill, by type of benefit*

[In millions]

Calendar year	Old-age primary	Wife's [1]	Widow's [1]	Parent's	Mother's	Child's [2]	Disability	Lump sum death	Total
	Low-cost estimate [3]								
1951	$828	$125	$141	$10	$91	$286	-------	$67	$1,548
1955	1,122	170	263	15	125	402	$127	87	2,311
1960	1,601	235	478	19	152	497	254	103	3,339
1970	2,543	336	961	21	180	587	401	139	5,168
1980	3,522	409	1,356	21	198	644	467	166	6,783
1990	4,586	431	1,598	19	214	701	490	194	8,233
2000	4,993	415	1,649	17	233	756	541	214	8,818
	High-cost estimate [3]								
1951	$1,017	$145	$149	$16	$107	$279	-------	$66	$1,779
1955	1,575	219	271	24	140	365	$372	80	3,046
1960	2,529	349	490	34	154	396	744	90	4,786
1970	4,104	506	973	42	149	365	1,015	119	7,273
1980	6,049	680	1,374	45	139	328	1,140	145	9,900
1990	8,199	816	1,617	44	131	300	1,158	178	12,443
2000	9,391	887	1,686	42	126	268	1,233	203	13,836

[1] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits.
[2] Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.
[3] Based on high-employment assumptions.

TABLE 6b.—*Estimated absolute cost in dollars for Senate bill, by type of benefit*

[In millions]

Calendar year	Old-age	Wife's [1]	Widow's [1]	Parent's	Mother's	Child's [2]	Lump-sum death	Total
	Low-cost estimate [3]							
1951	$1,147	$178	$154	$7	$101	$319	$54	$1,960
1955	1,315	209	291	10	137	442	64	2,468
1960	1,680	265	525	13	162	535	77	3,257
1970	2,607	372	1,042	15	191	629	106	4,962
1980	3,575	445	1,457	15	211	695	130	6,528
1990	4,716	460	1,694	14	228	760	152	8,024
2000	5,313	437	1,730	12	249	819	172	8,732
	High-cost estimate [3]							
1951	$1,332	$202	$164	$11	$122	$317	$54	$2,202
1955	1,779	266	308	17	154	404	63	2,991
1960	2,689	398	548	24	167	432	70	4,328
1970	4,296	582	1,075	31	161	399	93	6,637
1980	6,304	768	1,517	33	151	362	113	9,248
1990	8,645	901	1,774	32	143	330	139	11,964
2000	10,159	972	1,829	31	138	295	160	13,584

[1] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.
[2] Includes child's benefits for both children of old-age beneficiaries and child survivor benefits.
[3] Based on high-employment assumptions.

TABLE 7a.—*Estimated progress of trust fund for House bill*

[In millions]

Calendar year	Contributions [1]	Benefits payments	Administrative expenses	Interest on fund [2]	Fund at end of year
	Low-cost estimate [3]				
1950 [4]	$2,575	$983	$65	$268	$13,610
1955	4,262	2,311	68	494	26,157
1960	5,344	3,339	85	705	36,928
1970	7,777	5,168	117	1,301	67,621
1980	8,396	6,783	145	2,035	104,529
1990	8,923	8,233	170	2,694	137,652
2000	9,536	8,818	181	3,381	172,707
	High-cost estimate [3]				
1950 [4]	$2,575	$983	$65	$268	$13,610
1955	4,241	3,046	100	445	23,223
1960	5,365	4,786	135	533	27,402
1970	7,787	7,273	185	710	36,398
1980	8,194	9,900	236	716	35,550
1990	8,349	12,443	285	187	7,334
2000	8,395	13,836	312	[5]	[5]

[1] Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950, 4 percent for 1951–59, 5 percent for 1960–64, 6 percent for 1965–69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.
[2] Interest is figured at 2 percent on average balance in fund during year.
[3] Based on high employment assumptions.
[4] See text for description of assumptions made as to 1950.
[5] Fund exhausted in 1992.

TABLE 7b.—*Estimated progress of trust fund for Senate bill*

[In millions]

Calendar year	Contributions [1]	Benefit payments	Administrative expenses	Interest on fund [2]	Fund at end of year
	Low-cost estimate [3]				
1950 [4]	$2,575	$1,118	$65	$268	$13,475
1955	3,230	2,468	71	373	19,356
1960	5,392	3,257	84	556	29,388
1970	7,842	4,962	114	1,168	60,972
1980	8,468	6,528	141	1,940	99,864
1990	8,999	8,024	167	2,651	135,627
2000	9,615	8,732	180	3,379	172,658
	High-cost estimate [3]				
1950 [4]	$2,575	$1,118	$65	$268	$13,475
1955	3,215	2,991	100	335	17,153
1960	5,415	4,328	126	428	22,330
1970	7,855	6,637	173	721	37,304
1980	8,270	9,248	224	892	44,890
1990	8,428	11,964	277	551	26,195
2000	8,474	13,584	308	(5)	(5)

[1] Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950–55, 4 percent for 1956–59, 5 percent for 1960–64, 6 percent for 1965–69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.
[2] Interest is figured at 2 percent on average balance in fund during year.
[3] Based on high-employment assumptions.
[4] See text for description of assumptions made as to 1950.
[5] Fund exhausted in 1997.

Under the low-cost estimate, for both bills the trust fund builds up quite rapidly and even some 50 years hence it is growing at a rate of $4 billion per year and at that time is about $175 billion in magnitude; in fact, under this estimate benefit disbursements never exceed contribution income and even in the year 2000 are almost 10 percent smaller.

On the other hand, under the high-cost estimate the trust fund builds up to a maximum (of about $40 billion in 1975 for the House bill and about $45 billion in 1980 for the Senate bill), but decreases thereafter until it is exhausted (shortly after 1990 for the House bill and 1995 for the Senate bill). For the House bill, in each of the years prior to the scheduled tax increases (namely, 1959, 1964, and 1969) benefit disbursements are slightly higher (by 2 or 3 percent) than contribution income; for the Senate bill, for the same years benefits are over 10 percent lower than contributions. Benefit disbursements exceed contribution income after 1973 for the House bill and 1976 for the Senate bill.

These results are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting, as will be indicated hereafter. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice under the philosophy in the bill and set forth in the committee reports, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 7 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rates would probably be adjusted downward or perhaps would not be increased in

future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled in the bill. At any rate, the high-cost estimate does indicate that under the tax schedule adopted there would be ample funds for several decades even under relatively unfavorable experience.

The effects of the new eligibility conditions and the new concept of computing the average monthly wage, when combined with the large number of new persons brought into coverage, are particularly difficult to estimate during the early years of operation. The number of persons who will qualify and retire to get benefits is more uncertain on the new basis than it is under present law because the qualifying period is relatively short. While an attempt has been made to allow for the very important factor of lag in the filing of claims, the benefit estimates used for the early years in developing the trust-fund progression may be overstatements to some extent, and this might extend to the figures shown for 1960.

D. INTERMEDIATE-COST ESTIMATES

In this section there will be given intermediate-cost estimates, developed from the low-cost and high-cost estimates of this report. These intermediate costs are based on an average of the low-cost and high-cost estimates (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). It should be recognized that these intermediate-cost estimates do not represent the "most probable" estimates, since it is impossible to develop any such figures. Rather, they have been set down as a convenient and readily available single set of figures to use for comparative purposes.

Also, a single figure is necessary in the development of a tax schedule which will make the system self-supporting, according to the best possible estimate. Any specific schedule will be different from what will actually be required to obtain exact balance between contributions and benefits. However, this procedure does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, exact self-support cannot be obtained from a specific set of integral or rounded fractional rates, but rather this principle of self-support should be aimed at as closely as possible.

The tax schedule contained in the House bill is as follows:

Calendar year	Employee	Employer	Self-employed
	Percent	*Percent*	*Percent*
1950	1½	1½	2¼
1951–59	2	2	3
1960–64	2½	2½	3¾
1965–69	3	3	4½
1970 and after	3¼	3¼	4⅞

The above schedule differs from that in the Senate bill only in that under the latter the first increase from the present rates would occur in 1956 instead of in 1951 (and, of course, the self-employed are not covered in 1950). These tax schedules were determined on the basis of the following actuarial cost analysis.

Table 8 gives an estimate of the level-premium costs of the two versions of the bill, tracing through the increase in cost over the present program according to the major types of changes proposed.

TABLE 8.—*Estimated level-premium costs as percentage of payroll by type of change*

	House bill	Senate bill
	Percent	*Percent*
Cost of benefits of present law	4.50	4.50
Effect of proposed changes:		
Benefit formula	+1.30	+1.60
(*a*) New benefit percentages [1]	(+3.00)	(+3.75)
(*b*) New average wage basis [2]	(−.60)	(+.05)
(*c*) Reduction in increment	(−.90)	(−2.00)
(*d*) Increase in wage base	(−.20)	(−.20)
Liberalized eligibility conditions	+.05	+.10
Liberalized work clause	+.15	+.15
Revised lump-sum death payment	−.05	−.10
Additional survivor benefits [4]	+.10	+.15
Extension of coverage	−.30	−.35
Disability benefits	+.55	[3]
Cost of benefits under bill	6.30	6.05
Administrative costs	+.15	+.15
Interest on trust fund at end of 1950	−.20	−.20
Net level-premium cost of bill	6.25	6.00

[1] Including minimum and maximum benefit provisions.
[2] For House bill, including so-called continuation factor.
[3] Not in Senate bill.
[4] Including higher rate for first survivor child, more liberal eligibility conditions for determining child dependency on married women workers, higher rate for parents (House bill only), wife's benefits for wives under 65 with children (House bill only), and husband's and widower's benefits (Senate bill only).

NOTE.—Figures relate only to benefit payments after 1950. Figures in parenthesis are subtotal figures. These figures represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future. The computations are based on a compound interest rate of 2 percent per annum. The order in which these various changes are considered in this table affects how much of the increase in cost is attributed to a specific element.

It should be emphasized that neither committee recommended that the system be financed by a high, level tax rate from 1951 on, but rather recommended an increasing schedule, which—of necessity—will ultimately have to rise higher than the level-premium rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will arise; this fund will be invested in Government securities (just as is much of the reserves of life insurance companies and banks, and as is also the case for the trust funds of the civil service retirement, railroad retirement, national service life insurance, and United States Government life insurance systems), and the resulting interest income will help to bear part of the increased benefit costs of the future. For comparing the costs of various possible alternative plans and provisions, the use of level-premium rates is helpful as a convenient yardstick.

It should be emphasized that the order in which the various changes in table 8 are considered determines in many instances how much of the increase in cost is attributed to a specific recommendation. For example, for the House bill the increased cost arising from the revised lump-sum death payment is shown as a negative figure or, in other words, as a savings in cost. Under the House bill there are three important cost factors in respect to the lump-sum death payment, namely, (1) the higher general benefit level due to the change in the benefit formula; (2) the reduction in the relation that such payment bears to the primary insurance amount (from 6 times such amount

under present law to 3 times); and (3) the granting of such payment for all insured deaths, rather than only for deaths where no immediate monthly benefit is available. If the combined effect of all three factors is considered, there would be an increase in cost of 0.05 percent of payroll, but since the first of these factors had previously been considered in table 8, the net effect of the other two factors is the indicated reduction in cost of 0.05 percent of payroll. On the other hand, under the Senate bill, the third factor is not included, so that the net effect in reality is virtually no change in costs, but a reduction of 0.10 percent is listed in the table since an increase of about 0.10 percent was included for the lump-sum death payment in the increased cost due to the revised benefit formula shown above.

From table 8 it may be noted that the net level-premium cost of the benefits in the Senate bill is about 0.25 percent of payroll lower than the House bill. (It should be noted that the lower tax rate provided in the Senate bill for 1951–55 is, in effect, an increase in the cost of the system.) There are a number of changes in the Senate bill from the House bill which increase benefit costs, while there are somewhat greater offsetting changes in the opposite direction. Increases in benefit costs (taken as a whole, rather than considered in any particular order) as a percentage of payroll are approximately as follows:

Item:	*Increase (percent)*
New benefit formula giving 15 percent of average wage beyond $100 instead of 10 percent	0.5
More liberal basis for determining average wage, not using the so-called continuation factor	.6
More liberal survivor benefits for married women	.05
More liberal immediate eligibility conditions	.05
Total	1.2

Correspondingly, decreases in cost as a percentage of payroll for the Senate bill as compared with the House bill are approximately as follows:

Item:	*Decrease (percent)*
Elimination of disability benefits	0.5
Elimination of increment	.9
Retention of present basis of eligibility for lump-sum death payment	.05
Greater extension of coverage	.05
Total	1.5

As will be seen from table 8, the level-premium cost of the present law—taking into account 2 percent interest—is about 4½ percent of payroll; this is considerably lower than the cost was estimated to be when the program was revised in 1939, largely because of the rise in the wage level which has occurred in the past decade (higher wages result in lower cost as a percentage of payroll because of the weighted nature of the benefit formula).

Under the Senate bill the level-premium cost of the benefits is increased to almost 6 percent of payroll, while for the House bill it is about 6¼ percent. However, this figure must be adjusted slightly for two factors, namely, the administrative costs, which are charged directly to the trust fund, and the interest earnings on the present trust fund, which will be about $13½ billion at the end of 1950. Considering all of these elements the net level-premium cost of the Senate

bill is shown to be about 6.00 percent of payroll as compared with about 6.25 percent for the House bill.

As an indication of the effect of various factors on the estimated actuarial costs, it may be pointed out that if an interest rate of 2½ percent were used rather than 2 percent, the net level-premium cost of the Senate bill would be reduced to about 5.6 percent. (The interest rate which determines the yield of new investments for the trust fund is now 2.20 percent, but until it rises to 2.25 percent, such investments continue to be made at 2⅛ percent.)

Table 9 and chart 2 compare the year-by-year cost of the benefit payments according to the intermediate-cost estimate, not only for the House bill and Senate bill but also for the present act. These figures are based on a level-wage trend in the future and do not consider cyclical business trends (booms and depressions) which over a long period of years will tend to average out. The dollar amount of the increased cost in 1951 of the Senate bill over the present act is substantial (about $1¼ billion), but the cost as a percentage of payroll does not rise greatly. This results from the increase of the total covered payroll due to the newly covered categories. In contrast with the House bill, the benefit disbursements under the Senate bill in 1951 will be about $400 million higher, principally due to the more liberal eligibility conditions which will bring onto the rolls many now ineligible and also in part due to the somewhat more liberal treatment accorded the existing beneficiaries now on the roll.

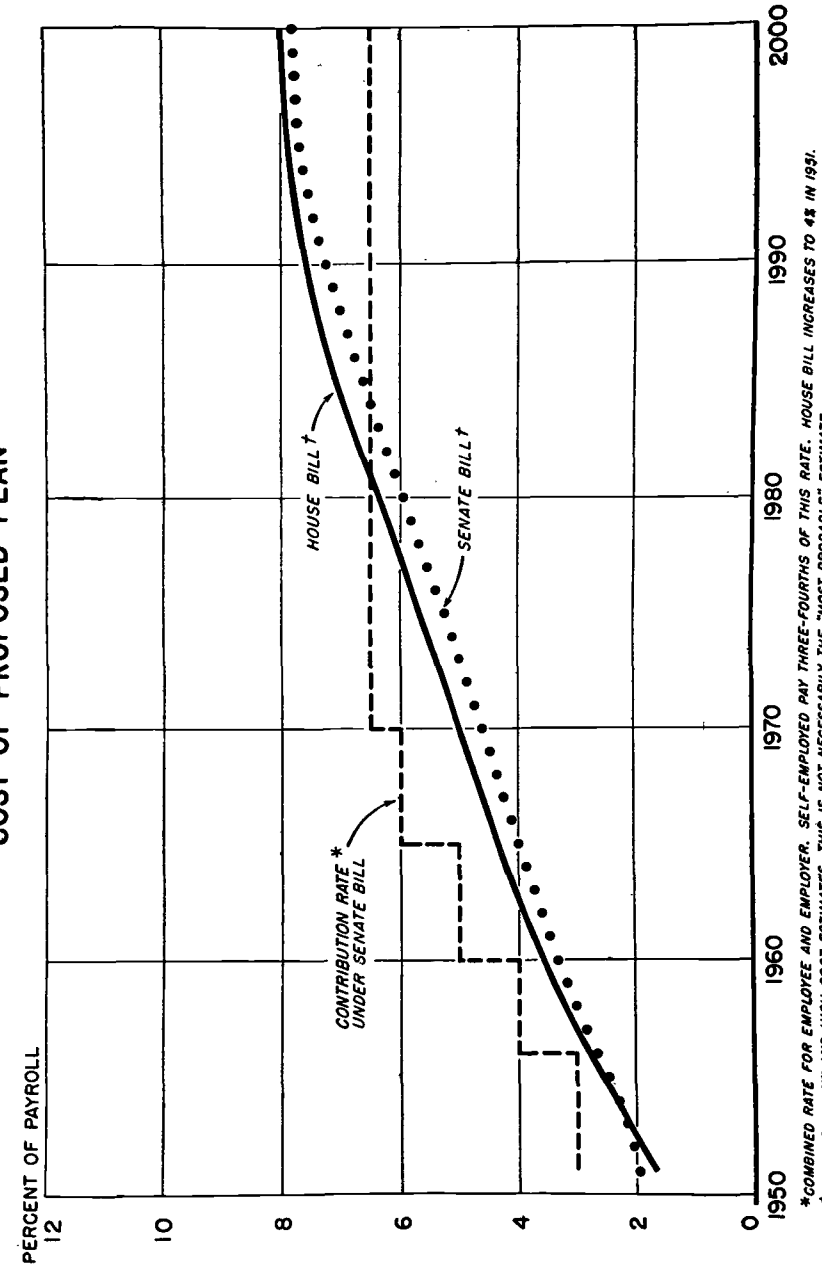
TABLE 9.—*Estimated cost of benefit payments under present act, House bill, and Senate bill, intermediate-cost estimate*

Calendar year	Amount (in millions)			In percent of payroll		
	Present act	House bill [1]	Senate bill	Present act	House bill [1]	Senate bill
				Percent	*Percent*	*Percent*
1951	$865	$1,664	$2,082	1.02	1.57	1.94
1955	1,264	2,679	2,730	1.59	2.46	2.47
1960	1,766	4,061	3,792	2.10	3.58	3.30
1970	2,932	6,221	5,800	3.11	5.01	4.61
1980	4,332	8,342	7,888	4.24	6.37	5.96
1990	5,817	10,338	9,994	5.41	7.59	7.25
2000	6,768	11,328	11,158	6.03	8.01	7.80
Level-premium:						
At 2 percent interest				4.50	6.32	6.07
At 2¼ percent interest				4.40	6.15	5.90
At 2½ percent interest				4.25	5.99	5.74

[1] Includes cost of permanent and total disability benefits, which are not included in Senate bill. These amount to about $250 million in 1955, $500 million in 1960, and $800 to $900 million in 1980 and after.

NOTE.—These figures represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future. For definition of "level-premium," see text.

CHART 2


COST OF PROPOSED PLAN
PERCENT OF PAYROLL
12
10
8
6
4
2
0
1950
1960
1970
1980
1990
2000
HOUSE BILL†
SENATE BILL†
CONTRIBUTION RATE* UNDER SENATE BILL
*COMBINED RATE FOR EMPLOYEE AND EMPLOYER. SELF-EMPLOYED PAY THREE-FOURTHS OF THIS RATE. HOUSE BILL INCREASES TO 4% IN 1951.
†AVERAGE OF LOW AND HIGH COST ESTIMATES. THIS IS NOT NECESSARILY THE "MOST PROBABLE" ESTIMATE.

Benefit costs expressed as a percentage of payroll, according to the intermediate estimate, do not exceed the employer-employee combined tax rate until about 1985 for the Senate bill as against 1981 for the House bill. In other words, according to this estimate, for approximately the next three decades income to the system will exceed outgo; subsequently there will be discussed the possible effects over the next few years of unfavorable economic conditions.

Table 10 presents estimates of the numbers of beneficiaries and is comparable with tables 3a and 3b of the previous section.

TABLE 10.—*Estimated numbers of monthly beneficiaries* [1] *under H. R. 6000, intermediate-cost estimate* [2]

Calendar year	Old-age beneficiaries [3]			Survivor beneficiaries				Disability beneficiaries [4]
	Primary	Wife's [5]	Child's	Widow's [5]	Parent's [5]	Mother's	Child's	
	House bill							
1951	1,644	473	50	350	25	218	683	----------
1955	2,258	641	61	616	38	272	887	392
1960	3,444	942	80	1,048	53	306	998	784
1970	5,473	1,354	104	1,988	66	324	1,056	1,165
1980	7,973	1,694	122	2,712	70	331	1,076	1,380
1990	11,130	1,864	128	3,064	66	340	1,109	1,453
2000	13,158	1,890	108	3,038	62	353	1,152	1,566
	Senate bill							
1951	2,186	625	66	356	25	221	694	----------
1955	2,602	749	72	654	38	282	914	----------
1960	3,566	992	83	1,117	53	312	1,018	----------
1970	5,516	1,362	104	2,052	66	326	1,062	----------
1980	8,008	1,698	122	2,748	70	332	1,082	----------
1990	11,144	1,867	126	3,085	66	341	1,114	----------
2000	13,183	1,893	108	3,046	62	355	1,158	----------

[1] As of middle of year.
[2] Based on high-employment assumptions. These intermediate figures are based on an average of the low-cost and high-cost estimates.
[3] I. e., for benefits paid in respect to retired workers.
[4] Does not include those who are eligible for old-age benefits by reason of having attained the minimum retirement age.
[5] Does not include beneficiaries who are also eligible for primary benefits. For Senate bill, husband's and widower's benefits are included under wife's and widow's benefits, respectively.

Table 11 presents costs of benefits under the bill as a percent of payroll for each of the various types of benefits and is comparable with tables 5a and 5b of the previous section.

TABLE 11.—*Estimated relative costs in percentage of payroll for H. R. 6000, by type of benefit, intermediate-cost estimate* [1]

[Percent]

Calendar year	Old-age	Wife's [2]	Widow's [2]	Parent's	Mother's	Child's [3]	Disability	Lump-sum death	Total
	House bill								
1951	0.87	0.13	0.14	0.01	0.09	0.27	-------	0.06	1.57
1955	1.24	.18	.24	.02	.12	.35	0.23	.08	2.46
1960	1.82	.26	.43	.02	.14	.39	.44	.08	3.58
1970	2.67	.34	.78	.03	.13	.38	.57	.10	5.01
1980	3.66	.42	1.04	.03	.13	.37	.61	.12	6.37
1990	4.69	.46	1.18	.02	.13	.37	.60	.14	7.59
2000	5.08	.46	1.18	.02	.13	.36	.63	.15	8.01
Level premium [4]	3.76	.38	.92	.02	.13	.36	.54	.12	6.24
	Senate bill								
1951	1.16	0.18	0.15	0.01	0.10	0.30	-------	0.05	1.94
1955	1.40	.22	.27	.01	.13	.38	-------	.06	2.47
1960	1.90	.29	.47	.02	.14	.42	-------	.06	3.30
1970	2.74	.38	.84	.02	.14	.41	-------	.08	4.61
1980	3.73	.46	1.12	.02	.14	.40	-------	.09	5.96
1990	4.85	.49	1.26	.02	.13	.39	-------	.11	7.25
2000	5.41	.49	1.24	.02	.14	.39	-------	.12	7.80
Level premium [4]	4.02	.42	.99	.02	.14	.39	-------	.10	6.07

[1] Based on high-employment assumptions. These intermediate costs are based on an average of the dollar costs under the low-cost and high-cost estimates.

[2] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.

[3] Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.

[4] Level-premium contribution rate (based on 2-percent interest) for benefit payments after 1950 and into perpetuity, not taking into account the accumulated funds at the end of 1950 or administrative expenses.

Table 12 gives the dollar figures for various future years for each of the different types of benefits for the intermediate-cost estimate and is comparable to tables 6a and 6b of the previous section. Total benefit payments are shown to rise from about $2 billion in 1951 to $11 billion 50 years hence.

TABLE 12.—*Estimated absolute costs in dollars for H. R. 6000 by type of benefit, intermediate-cost estimate* [1]

[In millions]

Calendar year	Old age	Wife's [2]	Widow's [2]	Parent's	Mother's	Child's [3]	Disability	Lump-sum death	Total
	House bill								
1951	$922	$135	$145	$14	$99	$283	.....	$66	$1,664
1955	1,348	194	267	20	132	384	$250	84	2,679
1960	2,065	292	484	26	153	446	499	96	4,061
1970	3,324	421	967	32	164	476	708	129	6,221
1980	4,786	544	1,365	33	168	486	804	156	8,342
1990	6,392	624	1,608	32	172	500	824	186	10,338
2000	7,192	651	1,668	30	180	512	887	208	11,328
	Senate bill								
1951	$1,240	$190	$159	$9	$112	$318	.....	$54	$2,082
1955	1,547	238	300	14	146	423	.....	63	2,730
1960	2,184	332	536	18	164	484	.....	73	3,792
1970	3,451	477	1,058	23	176	514	.....	100	5,800
1980	4,939	606	1,487	24	181	528	.....	121	7,888
1990	6,681	680	1,734	23	186	544	.....	146	9,994
2000	7,736	704	1,780	22	194	558	.....	166	11,158

[1] Based on high-employment assumptions. These intermediate costs are based on an average of the dollar costs under the low-cost and high-cost estimates.
[2] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.
[3] Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.

Table 13 presents the estimated operation of the trust fund according to the intermediate estimate (using a 2 percent interest rate) and is comparable to tables 7a and 7b of the previous section except that figures are shown for the Senate bill for single calendar years from 1950 to 1955. The estimated contribution receipts for 1951 are not greatly in excess of those for 1950, because for the vast majority of self-employment covered by the bill the tax return will be made on an annual basis and thus in the following calendar year (before March 15, 1952).

TABLE 13.—*Estimated progress of trust fund for H. R. 6000, intermediate-cost estimate* [1]

[In millions]

Calendar year	Contributions [2]	Benefit payments	Administrative expenses	Interest on fund [3]	Fund at end of year
	House bill				
1950 [4]	$2,575	$933	$65	$160	$13,610
1955	4,251	2,679	84	470	24,689
1960	5,355	4,061	110	619	32,169
1970	7,782	6,221	151	1,006	52,025
1980	8,295	8,342	190	1,376	70,071
1990	8,636	10,338	228	1,441	72,518
2000	8,966	11,328	246	1,240	61,936
	Senate bill				
1950 [4]	$2,575	$1,118	$65	$268	$13,475
1951	2,839	2,081	69	276	14,440
1952	3,154	2,238	73	297	15,580
1953	3,177	2,400	78	319	16,598
1954	3,200	2,562	82	338	17,492
1955	3,223	2,730	86	354	18,253
1960	5,404	3,792	105	492	25,856
1970	7,848	5,800	144	945	49,136
1980	8,369	7,888	182	1,416	72,372
1990	8,714	9,994	222	1,601	80,907
2000	9,044	11,158	244	1,509	75,769

[1] Based on high-employment assumptions. These intermediate costs are based on an average of the dollar costs under the low-cost and high-cost estimates.
[2] Combined employer-employee contribution schedule is as follows: for the House bill, 3 percent for 1950, 4 percent for 1951–59, 5 percent for 1960–64, 6 percent for 1965–69, and 6½ percent for 1970 and after, while for the Senate bill the same except that increase to 4 percent is in 1956 instead of 1951. The self-employed pay ¾ of these rates.
[3] Interest is figured at 2 percent on average balance in fund during year.
[4] See text for description of assumptions made as to 1950.

Under the Senate bill the trust fund grows steadily reaching a maximum of about $81 billion in 1990, and then declines slowly thereafter; under the House bill the peak is about $73 billion shortly before 1990. Under the House bill the trust fund grows somewhat more rapidly at first, in part because the first tax increase over present rates is instituted in 1951 instead of 1956 as in the Senate bill, and in part because benefit disbursements in the early years are lower than under the Senate bill. Thus under the House bill, according to the intermediate estimate, the trust fund increases to $25 billion by the end of 1955 as compared with $18 billion at the same date for the Senate bill; this difference slowly decreases, until after 1976 the trust fund under the Senate bill is larger.

The fact that the trust fund declines slowly after 1990 indicates, that under the bills, the proposed tax schedules are not quite self-supporting but are sufficiently close for all practical purposes considering the uncertainties and variations possible in the cost estimates. Thus in regard to the ultimate 6½ percent employer-employee rate, the House Ways and Means Committee stated as follows:

> If a 7-percent ultimate employer-employee rate had been chosen, the cost estimates developed would have indicated that the system would be slightly overfinanced. Your committee believes that it is not necessary in such a long-range matter to attempt to be unduly conservative and provide an intentional overchange—especially when it is considered that it will be many, many years before any deficit or excess in the ultimate rate will be determined and even at that time it will probably be of only a small amount.

The Senate Committee on Finance concurred in this statement and acted accordingly in its bill.

Detailed calculations have also been made for the intermediate-cost estimates to show the effect of using a different interest rate than 2 percent, and the results as to the size of the fund are shown in the following table:

[In billions]

As of Dec. 31	House bill			Senate bill		
	2 percent interest	2¼ percent interest	2½ percent interest	2 percent interest	2¼ percent interest	2½ percent interest
1950	$13.6	$13.6	$13.6	$13.5	$13.5	$13.5
1960	32.2	32.8	33.5	25.9	26.4	26.9
1970	52.0	54.0	56.0	49.1	50.8	52.5
1980	70.1	74.2	78.6	72.4	76.1	80.0
1990	72.5	79.6	87.4	80.8	87.7	95.0
2000	61.9	72.7	84.8	75.8	86.4	98.3

If the interest rate is taken as 2½ percent, the trust fund would reach a peak of over $85 billion under the House bill some 40 years hence and would decline very slightly thereafter. In fact, the tax schedule in the Senate bill would, under the assumptions used under the intermediate-cost estimate, place the system on a self-supporting basis if the interest rate on the trust fund is as high as 2½ percent.

Detailed computations have also been made as to the estimated progress of the trust fund under the Senate bill up through 1955 under unfavorable economic conditions. (See table 14.) It is assumed that the benefit disbursements would follow those in the high-cost estimates previously presented except that further increases have been arbitrarily assumed, amounting to 20 percent relatively for 1955, and proportionately smaller relative increases in the preceding years. At the same time it has been assumed that contribution income would be decreased by 10 percent in 1951 and by 25 percent in each of the following years (it should be mentioned again that based on current conditions, it would appear that the estimates of contribution income used previously were conservative in that they tend to be somewhat on the low side so that these arbitrary reductions here represent even greater actual reductions from present conditions).

TABLE 14.—*Estimated progress of trust fund for Senate bill under unfavorable economic assumptions* [1]

[In millions]

Calendar year	Contributions [2]	Benefit payments	Administrative expenses	Interest on fund [3]	Fund at end at year
1950	$2,575	$1,118	$65	$268	$13,475
1951	2,543	2,290	85	271	13,914
1952	2,356	2,586	90	275	13,869
1953	2,375	2,902	97	271	13,516
1954	2,393	3,235	103	261	12,832
1955	2,411	3,589	110	244	11,788

[1] See text for assumptions and bases.
[2] Combined employer-employee contribution rate is 3 percent for all years shown. The self-employed pay 2¼ percent.
[3] Interest is figured at 2 percent on average balance in fund during year.

Under these unfavorable economic assumptions, the benefit payments exceed the contributions for each year after 1951, with the difference in 1955 amounting to over $1 billion. As a result, the trust fund reaches a peak of $13.9 billion at the end of 1951 and declines slowly thereafter, but remaining above $13 billion until after 1953. At the end of 1955, the balance in the trust fund is $11.8 billion, or the same as the balance at the end of 1949. Accordingly, even with unfavorable economic conditions in the next 5 years, the trust fund along with the tax income, will still be ample to meet the benefit obligations of those years. Similar estimates made for the House bill would show that the trust fund would increase steadily throughout the period, largely because of the higher tax rate in 1951–55 than under the Senate bill.

E. COST OF VETERANS' BENEFITS

The preceding cost estimates for the Senate bill take into account the special benefits provided for veterans, since the additional costs therefor are met from the trust fund from time to time as they arise; under the present law and under the House bill such additional costs are met from the General Treasury as they arise, and the cost estimates therefore do not include the cost of these benefits.

The benefits contained in present law (namely, survivor benefits for veterans who die within 3 years after discharge) are continued. Further, it is proposed to give wage credits of $160 for each month of military service, not only to living veterans but also in respect to those who died in service.

It is estimated that the total cost of these veterans' benefits will amount to about $300 million under the Senate bill and $1½ billion under the House bill spread over the next 50 years. There will be a very considerable outgo over the next 10 years in respect to the children and widows of men who died in service. For this group, under both bills, the increased outgo from the trust fund will be about $20 million in 1951 and will average about $15 million a year over the next decade. However, since by 1960 virtually all of these children will have attained age 18, the disbursements for this group will fall off quite sharply and will not thereafter be of any significant size until about 35 years from now, when the widows will be reaching retirement age. The remainder of the cost of these veterans' benefits is in regard to veterans who did not die in service; the bulk of such cost will arise some 40 to 50 years hence.

Under the House bill, the cost for these veterans' benefits would be about $1½ billion, all of which would be met, over the years, out of the General Treasury. Under the Senate bill, this benefit cost would be reduced by 80 percent (and none would be met by the General Treasury), principally because of the "new start" provisions as to average wage and insured status and because of the elimination of the increment.

F. SUMMARY OF COSTS OF HOUSE AND SENATE BILLS

According to the preceding actuarial estimates, the cost of the benefits provided in the House bill are about ¼ percent of pay roll higher

on a level-premium basis than those of the Senate bill. From a relative-cost standpoint, this is offset to a certain extent (but by no means completely) because under the Senate bill the increase in the combined employer-employee tax rate from the present 3 percent to 4 percent is not scheduled until 1956 as contrasted with 1951 under the House bill.

For the next few years benefit disbursements under the Senate bill will exceed those under the House bill although thereafter the benefit disbursements under the House bill will be slightly higher. Accordingly, with the lower tax income for 1951–55 under the Senate bill, the trust fund does not grow as rapidly as it does under the House bill However, eventually because of the factor mentioned previously, namely, the lower level-premium cost of the benefits, the trust fund under the Senate bill becomes larger than that under the House bill.

Based on a 2-percent interest rate, the system is not quite self-supporting under either bill although it is closer to being self-supporting under the Senate bill because the lower level-premium cost of the benefits more than offsets the lower tax income in the next 5 years. It may be noted that although the ultimate employer-employee tax rate of 6½ percent is higher than the level premium cost of either bill, the excess is not sufficient to offset the tax schedule being graded lower in the early years; in addition there is the factor that the self-employed pay only three-fourths of this amount, or namely 4⅞ percent ultimately, which is well below the aggregate level premium cost. However, as indicated previously, for both bills according to the intermediate estimate, the system may be considered to be self-supporting since there is very close to an exact balance—especially considering the factors that a range of error is necessarily present in long-range actuarial cost estimates and that rounded tax rates are necessary so that an exact balance would not be possible even if the exact future conditions were known.

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81ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 2771

SOCIAL SECURITY ACT AMENDMENTS OF 1950

AUGUST 1, 1950—Ordered to be printed

Mr. DOUGHTON, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 6000]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *That this Act, with the following table of contents, may be cited as the "Social Security Act Amendments of 1950".*

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TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

OLD-AGE AND SURVIVORS INSURANCE BENEFITS

SEC. 101. (a) Section 202 of the Social Security Act is amended to read as follows:

"OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

"Old-Age Insurance Benefits

"SEC. 202. (a) Every individual who—

"(1) is a fully insured individual (as defined in section 214 (a)),

"(2) has attained retirement age (as defined in section 216 (a)), and

"(3) has filed application for old-age insurance benefits,

shall be entitled to an old-age insurance benefit for each month, beginning with the first month after August 1950 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.

"Wife's Insurance Benefits

"(b) (1) The wife (as defined in section 216 (b)) of an individual entitled to old-age insurance benefits, if such wife—

"(A) has filed application for wife's insurance benefits,

"(B) has attained retirement age or has in her care (individually or jointly with her husband) at the time of filing such application a child entitled to a child's insurance benefit on the basis of the wages and self-employment income of her husband,

"(C) was living with such individual at the time such application was filed, and

"(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of her husband,

shall be entitled to a wife's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she dies, her husband dies, they are divorced a vinculo matrimonii, no child of her husband is entitled to a child's insurance benefit and she has not attained retirement age, or she becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of her husband.

"(2) Such wife's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of her husband for such month.

"Husband's Insurance Benefits

"(c) (1) The husband (as defined in section 216 (f)) of a currently insured individual (as defined in section 214 (b)) entitled to old-age insurance benefits, if such husband—

"(A) has filed application for husband's insurance benefits,

"(B) has attained retirement age,

"(C) was living with such individual at the time such application was filed,

"(D) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled, and

"(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of his wife,

shall be entitled to a husband's insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month preceding the month in which any of the following occurs: he dies, his wife dies, they are divorced a vinculo matrimonii, or he becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of his wife.

"(2) Such husband's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of his wife for such month.

"Child's Insurance Benefits

"(d) (1) Every child (as defined in section 216 (e)) of an individual entitled to old-age insurance benefits, or of an individual who died a fully or currently insured individual after 1939, if such child—

"(A) has filed application for child's insurance benefits,

"(B) at the time such application was filed was unmarried and had not attained the age of eighteen, and

"(C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death,

shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950 in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), or attains the age of eighteen.

"(2) Such child's insurance benefit for each month shall, if the individual on the basis of whose wages and self-employment income the child is entitled to such benefit has not died prior to the end of such month, be equal to one-half of the old-age insurance benefit of such individual for such month. Such child's insurance benefit for each month shall, if such individual has died in or prior to such month, be equal to three-fourths of the primary insurance amount of such individual, except that, if there is more than one child entitled to benefits on the basis of such individual's wages and self-employment income, each such child's insurance benefit for such month shall be equal to the sum of (A) one-half of the primary insurance amount of such individual, and (B) one-fourth of such primary insurance amount divided by the number of such children.

"(3) A child shall be deemed dependent upon his father or adopting father at the time specified in paragraph (1) (C) unless, at such time, such individual was not living with or contributing to the support of such child and—

"(A) such child is neither the legitimate nor adopted child of such individual, or

"(B) such child had been adopted by some other individual, or

"(C) such child was living with and was receiving more than one-half of his support from his stepfather.

"(4) A child shall be deemed dependent upon his stepfather at the time specified in paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

"(5) A child shall be deemed dependent upon his natural or adopting mother at the time specified in paragraph (1) (C) if such mother or adopting mother was a currently insured individual. A child shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1) (C) if, at such time, (A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

"Widow's Insurance Benefits

"(e) (1) The widow (as defined in section 216 (c)) of an individual who died a fully insured individual after 1939, if such widow—

"(A) has not remarried,

"(B) has attained retirement age,

"(C) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died,

"(D) was living with such individual at the time of his death, and

"(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband,

shall be entitled to a widow's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

"(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.

"Widower's Insurance Benefits

"(f) (1) The widower (as defined in section 216 (g)) of an individual who died a fully and currently insured individual after August 1950, if such widower—

"(A) has not remarried,

"(B) has attained retirement age,

"(C) has filed application for widower's insurance benefits or was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which she died,

"(D) was living with such individual at the time of her death,

"(E) (i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time of her death and filed proof of such support within two years of such date of death, or (ii) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual, and she was a currently insured individual, at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled, and

"(F) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of his deceased wife,

shall be entitled to a widower's insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of his deceased wife.

"(2) Such widower's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of his deceased wife.

"Mother's Insurance Benefits

"(g) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—

"(A) has not remarried,

"(B) is not entitled to a widow's insurance benefit,

"(C) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such individual,

"(D) has filed application for mother's insurance benefits,

"(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and

"(F) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual's wages and self-employment income,

shall be entitled to a mother's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

"(2) Such mother's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

"Parent's Insurance Benefits

"(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after 1939, if such individual did not leave a widow who meets the conditions in subsection (e) (1) (D) and (E), a widower who meets the conditions in subsection (f) (1) (D), (E), and (F), or an unmarried child under the age of eighteen deemed dependent on such individual under subsection (d) (3), (4), or (5), and if such parent—

"(A) has attained retirement age,

"(B) was receiving at least one-half of his support from such individual at the time of such individual's death and filed proof of such support within two years of such date of death,

"(C) has not married since such individual's death,

"(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such deceased individual, and

"(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month beginning with the first month after August 1950 in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to an old-age insurance benefit

equal to or exceeding three-fourths of the primary insurance amount of such deceased individual.

"(2) Such parent's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

"(3) As used in this subsection, the term 'parent' means the mother or father of an individual, a stepparent of an individual by a marriage contracted before such individual attained the age of sixteen, or an adopting parent by whom an individual was adopted before he attained the age of sixteen.

"Lump-Sum Death Payments

"(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual.

"Application for Monthly Insurance Benefits

"(j) (1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), (f), (g), or (h) for any month after August 1950 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the sixth month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Administrator has certified for payment for such prior month.

"(2) No application for any benefit under this section for any month after August 1950 which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within such three months' period shall b deemed to have been filed in such first month.

"Simultaneous Entitlement to Benefits

"(k) (1) A child, entitled to child's insurance benefits on the basis of the wages and self-employment income of an insured individual, who would be entitled, on filing application, to child's insurance benefits on the basis of the wages and self-employment income of some other insured individual, shall be deemed entitled, subject to the provisions of paragraph (2) hereof, to child's insurance benefits on the basis of the wages and self-employment income of such other individual if an application for child's insurance benefits on the basis of the wages and self-employ-

ment income of such other individual has been filed by any other child who would, on filing application, be entitled to child's insurance benefits on the basis of the wages and self-employment income of both such insured individuals.

"(2) (A) Any child who under the preceding provisions of this section is entitled for any month to more than one child's insurance benefit shall, notwithstanding such provisions, be entitled to only one of such child's insurance benefits for such month, such benefit to be the one based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount.

"(B) Any individual who under the preceding provisions of this section is entitled for any month to more than one monthly insurance benefit (other than an old-age insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this subparagraph (B)) would otherwise be entitled for such month.

"(3) If an individual is entitled to an old-age insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month shall be reduced (after any reduction under section 203 (a)) by an amount equal to such old-age insurance benefit.

"Entitlement to Survivor Benefits Under Railroad Retirement Act

"(l) If any person would be entitled, upon filing application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month thereafter, shall be paid under this section to any person on the basis of the wages and self-employment income of such employee."

(b) (1) Except as provided in paragraph (3), the amendment made by subsection (a) of this section shall take effect September 1, 1950.

(2) Section 205 (m) of the Social Security Act is repealed effective with respect to monthly benefits under section 202 of the Social Security Act, as amended by this Act, for months after August 1950.

(3) Section 202 (j) (2) of the Social Security Act, as amended by this Act, shall take effect on the date of enactment of this Act.

(c) (1) Any individual entitled to primary insurance benefits or widow's current insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for September 1950 shall be deemed to be entitled to old-age insurance benefits or mother's insurance benefits (as the case may be) under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in such month.

(2) Any individual entitled to any other monthly insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for September 1950 shall be deemed to be entitled to such benefits under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in such month.

(3) Any individual who files application after August 1950 for monthly benefits under any subsection of section 202 of the Social Security Act who would, but for the enactment of this Act, be entitled to benefits under such subsection (as in effect prior to such enactment) for any month prior to September 1950 shall be deemed entitled to such benefits for such month prior to September 1950 to the same extent and in the same amounts as though this Act had not been enacted.

(d) Lump-sum death payments shall be made in the case of individuals who died prior to September 1950 as though this Act had not been enacted; except that in the case of any individual who died outside the forty-eight States and the District of Columbia after December 6, 1941, and prior to August 10, 1946, the last sentence of section 202 (g) of the Social Security Act as in effect prior to the enactment of this Act shall not be applicable if application for a lump-sum death payment is filed prior to September 1952.

MAXIMUM BENEFITS

SEC. 102. (a) So much of section 203 of the Social Security Act as precedes subsection (d) is amended to read as follows:

"*REDUCTION OF INSURANCE BENEFITS*

"*Maximum Benefits*

"SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual exceeds $150, or is more than $40 and exceeds 80 per centum of his average monthly wage (as determined under subsection (b) or (c) of section 215, whichever is applicable), such total of benefits shall, after any deductions under this section, be reduced to $150 or to 80 per centum of his average monthly wage, whichever is the lesser, but in no case to less than $40, except that when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall, after any deductions under this section, be reduced to $150 or to 80 per centum of the sum of the average monthly wages of all such insured individuals, whichever is the lesser, but in no case to less than $40. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased."

(b) The amendment made by subsection (a) of this section shall be applicable with respect to benefits for months after August 1950.

DEDUCTIONS FROM BENEFITS

SEC. 103. (a) Subsections (d), (e), (f), (g), and (h) of section 203 of the Social Security Act are amended to read as follows:

"*Deductions on Account of Work or Failure To Have Child in Care*

"(b) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the

total of such deductions equals such individual's benefit or benefits under section 202 for any month—

"(1) in which such individual is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $50; or

"(2) in which such individual is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than $50; or

"(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or

"(4) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

"(5) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child, of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.

"Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

"(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—

"(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $50; or

"(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than $50.

"Occurrence of More Than One Event

"(d) If more than one of the events specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

"Months to Which Net Earnings From Self-Employment Are Charged

"(e) For the purposes of subsections (b) and (c)—

"(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $50 times the number

of months in such year, no month in such year shall be charged with more than $50 of net earnings from self-employment.

"(2) If an individual's net earnings from self-employment for his taxable year are more than the product of $50 times the number of months in such year, each month of such year shall be charged with $50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $50 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.

"(3) (A) As used in paragraph (2), the term 'last month of such taxable year' means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

"(B) For the purposes of clause (D) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

"Penalty for Failure to Report Certain Events

"(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event described in subsection (b) (2) or (c) (2)), shall report such occurrence to the Administrator prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

"Report to Administrator of Net Earnings From Self-Employment

"(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of $50 times the number of months in such year, such individual (or the individual who is in receipt

of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

"(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings—

"(A) such individual shall suffer one additional deduction in an amount equal to his benefit or benefits for the last month in such taxable year for which he was entitled to a benefit under section 202; and

"(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by paragraph (1) and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.

"Circumstances Under Which Deductions Not Required

"(h) Deductions by reason of subsection (b), (f), or (g) shall, notwithstanding the provisions of such subsection, be made from the benefits to which an individual is entitled only to the extent that they reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to him and the other individuals living in the same household.

"Deductions With Respect to Certain Lump Sum Payments

"(i) Deductions shall also be made from any old-age insurance benefit to which an individual is entitled, or from any other insurance benefit payable on the basis of such individual's wages and self-employment income, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"Attainment of Age Seventy-five

"(j) For the purposes of this section, an individual shall be considered as seventy-five years of age during the entire month in which he attains such age."

(b) The amendments made by this section shall take effect September 1, 1950, except that the provisions of subsections (d), (e), and (f) of section 203 of the Social Security Act as in effect prior to the enactment of this Act shall be applicable for months prior to September 1950.

DEFINITIONS

SEC. 104. (a) Title II of the Social Security Act is amended by striking out section 209 and inserting in lieu thereof the following:

"DEFINITION OF WAGES

"SEC. 209. For the purposes of this title, the term 'wages' means remuneration paid prior to 1951 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1950 for employment, including the cash value of all remuneration paid in any medium other than cash; except that, in the case of remuneration paid after 1950, such term shall not include—

"(a) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $3,600 with respect to employment has been paid to an individual during any calendar year, is paid to such individual during such calendar year;

"(b) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (1) retirement, or (2) sickness or accident

disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

"(c) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(d) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(e) Any payment made to, or on behalf of, an employee or his beneficiary (1) from or to a trust exempt from tax under section 165 (a) of the Internal Revenue Code at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code;

"(f) The payment by an employer (without deduction from the remuneration of the employee) (1) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code, or (2) of any payment required from an employee under a State unemployment compensation law;

"(g) (1) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

"(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in the quarter for such service is less than $50 or the employee is not regularly employed by the employer in such quarter of payment. For the purposes of this paragraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or (B) the employee was regularly employed (as determined under clause (A)) by the employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term 'domestic service in a private home of the employer' does not include service described in section 210 (f) (5);

"(h) Remuneration paid in any medium other than cash for agricultural labor;

"(i) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains retirement age (as defined in section 216 (a)), if he did not work for the employer in the period for which such payment is made; or

"(j) Remuneration paid by an employer in any quarter to an employee for service described in section 210 (k) (3) (C) (relating to home workers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50.

"For purposes of this title, in the case of domestic service described in subsection (g) (2), any payment of cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under

this title, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (g) (2).

"DEFINITION OF EMPLOYMENT

"SEC. 210. For the purposes of this title—

"Employment

"(a) The term 'employment' means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1950, such term shall not include—

"(1) (A) Agricultural labor (as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

"(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

"(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term 'qualifying quarter' means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter.

"(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

"(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term 'service not in the course of the employer's trade or business' does not include domestic service in a private home of the employer and does not include service described in subsection (f) (5);

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

"(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of law which specifically refers to such section in granting such exemption;

"(7) (A) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

"(B) Service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

"(i) service performed in the employ of a corporation which is wholly owned by the United States;

"(ii) service performed in the employ of a national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

"(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

"(iv) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department;

"(C) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

"(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

"(ii) in the legislative branch;

"(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

"(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

"(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"(vi) by any individual as an employee receiving nominal compensation of $12 or less per annum;

"(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

"(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

"(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

"(xiii) by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;

"(8) Service (other than service included under an agreement under section 218 and other than service which, under subsection (l), constitutes covered transportation service) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

"(9) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (l) of the Internal Revenue Code, is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section 1426 (l), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

"(10) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

"(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than $50;

"(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

"(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

"(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal

and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

"(17) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669).

"Included and Excluded Service

"(b) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term 'pay period' means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (10) of subsection (a).

"American Vessel

"(c) The term 'American vessel' means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

"American Aircraft

"(d) The term 'American aircraft' means an aircraft registered under the laws of the United States.

"American Employer

"(e) The term 'American employer' means an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

"Agricultural Labor

"(f) The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

"(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"(5) On a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

The provisions of subparagraphs (A) and (B) of paragraph (4) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection

with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

"Farm

"(g) The term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

"State

"(h) The term 'State' includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

"United States

"(i) The term 'United States' when used in a geographical sense means the States, Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

"Citizen of Puerto Rico

"(j) An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 219.

"Employee

"(k) The term 'employee' means—

"(1) any officer of a corporation; or

"(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or

"(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

"(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

"(B) as a full-time life insurance salesman;

"(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

"(D) as a traveling or city salesman, other than as an agent-driver or commission-driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his prin-

cipal (except for side-line sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

"Covered Transportation Service

"(l) (1) Except as provided in paragraph (2), all service performed in the employ of a State or political subdivision in connection with its operation of a public transportation system shall constitute covered transportation service if any part of the transportation system was acquired from private ownership after 1936 and prior to 1951.

"(2) Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

"(A) any part of the transportation system was acquired from private ownership after 1936 and prior to 1951, and substantially all service in connection with the operation of the transportation system is, on December 31, 1950, covered under a general retirement system providing benefits which, by reason of a provision of the State constitution dealing specifically with retirement systems of the State or political subdivisions thereof, cannot be diminished or impaired; or

"(B) no part of the transportation system operated by the State or political subdivision on December 31, 1950, was acquired from private ownership after 1936 and prior to 1951;

except that if such State or political subdivision makes an acquisition after 1950 from private ownership of any part of its transportation system, then, in the case of any employee who—

"(C) became an employee of such State or political subdivision in connection with and at the time of its acquisition after 1950 of such part, and

"(D) prior to such acquisition rendered service in employment in connection with the operation of such part of the transportation system acquired by the State or political subdivision,

the service of such employee in connection with the operation of the transportation system shall constitute covered transportation service, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of such part took place, unless on such first day such service of such employee is covered by a general retirement system which does not, with respect to such employee, contain special provisions applicable only to employees described in subparagraph (C).

"(3) All service performed in the employ of a State or political subdivision thereof in connection with its operation of a public transportation system shall constitute covered transportation service if the transportation

system was not operated by the State or political subdivision prior to 1951 and, at the time of its first acquisition (after 1950) from private ownership of any part of its transportation system, the State or political subdivision did not have a general retirement system covering substantially all service performed in connection with the operation of the transportation system.

"(4) For the purposes of this subsection—

"(A) The term 'general retirement system' means any pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof for employees of the State, political subdivision, or both; but such term shall not include such a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

"(B) A transportation system or a part thereof shall be considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or part thereof acquired constituted employment under this title, and some of such employees became employees of the State or political subdivision in connection with and at the time of such acquisition.

"(C) The term 'political subdivision' includes an instrumentality of (i) a State, (ii) one or more political subdivisions of a State, or (iii) a State and one or more of its political subdivisions.

"SELF-EMPLOYMENT

"SEC. 211. For the purposes of this title—

"Net Earnings From Self-Employment

"(a) The term 'net earnings from self-employment' means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183 of such code, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

"(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

"(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;

"(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a) of the Internal Revenue Code) are

received in the course of a trade or business as a dealer in stocks or securities;

"(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

"(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;

"(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"(B) If any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

"(7) In the case of any taxable year beginning on or after the effective date specified in section 219, (A) the term 'possession of the United States' as used in section 251 of the Internal Revenue Code shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252 of such code.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year.

"Self-Employment Income

"(b) The term 'self-employment income' means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after 1950; except that such term shall not include—

"(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

"(2) *The net earnings from self-employment, if such net earnings for the taxable year are less than $400.*

In the case of any taxable year beginning prior to the effective date specified in section 219, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 219) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

"*Trade or Business*

"(c) *The term 'trade or business', when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23 of the Internal Revenue Code, except that such term shall not include—*

"(1) *The performance of the functions of a public office;*

"(2) *The performance of service by an individual as an employee (other than service described in section 210 (a) (16) (B) performed by an individual who has attained the age of eighteen);*

"(3) *The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;*

"(4) *The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or*

"(5) *The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.*

"*Partnership and Partner*

"(d) *The term 'partnership' and the term 'partner' shall have the same meaning as when used in supplement F of chapter 1 of the Internal Revenue Code.*

"*Taxable Year*

"(e) *The term 'taxable year' shall have the same meaning as when used in chapter 1 of the Internal Revenue Code; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of chapter 1 of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such chapter 1.*

"CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR QUARTERS

"SEC. 212. For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year shall be credited to calendar quarters as follows:

"(a) In the case of a taxable year which is a calendar year the self-employment income of such taxable year shall be credited equally to each quarter of such calendar year.

"(b) In the case of any other taxable year the self-employment income shall be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

"QUARTER AND QUARTER OF COVERAGE

"Definitions

"SEC. 213. (a) For the purposes of this title—

"(1) The term 'quarter', and the term 'calendar quarter', mean a period of three calendar months ending on March 31, June 30, September 30, or December 31.

"(2) (A) The term 'quarter of coverage' means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid $50 or more in wages. In the case of any individual who has been paid, in a calendar year prior to 1951, $3,000 or more in wages each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

"(B) The term 'quarter of coverage' means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid $50 or more in wages or for which he has been credited (as determined under section 212) with $100 or more of self-employment income, except that—

"(i) no quarter after the quarter in which such individual died shall be a quarter of coverage;

"(ii) if the wages paid to any individual in a calendar year equal or exceed $3,600, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

"(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such taxable year equals $3,600, each quarter any part of which falls in such year shall be a quarter of coverage; and

"(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

"Crediting of Wages Paid in 1937

"(b) With respect to wages paid to an individual in the six-month periods commencing either January 1, 1937, or July 1, 1937; (A) if wages of not less than $100 were paid in any such period, one-half of the total amount thereof shall be deemed to have been paid in each of the calendar quarters in such period; and (B) if wages of less than $100 were paid in any such period, the total amount thereof shall be deemed to have been paid in the latter quarter of such period, except that if in any

such period, the individual attained age sixty-five, all of the wages paid in such period shall be deemed to have been paid before such age was attained.

"INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

"SEC. 214. For the purposes of this title—

"Fully Insured Individual

"(a) (1) In the case of any individual who died prior to September 1, 1950, the term 'fully insured individual' means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.

"(2) In the case of any individual who did not die prior to September 1, 1950, the term 'fully insured individual' means any individual who had not less than—

"(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

"(B) forty quarters of coverage.

"(3) When the number of elapsed quarters specified in paragraph (1) or (2) (A) is an odd number, for purposes of such paragraph such number shall be reduced by one.

"Currently Insured Individual

"(b) The term 'currently insured individual' means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, or (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section.

"COMPUTATION OF PRIMARY INSURANCE AMOUNT

"SEC. 215. For the purposes of this title—

"Primary Insurance Amount

"(a) (1) The primary insurance amount of an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be 50 per centum of the first $100 of his average monthly wage plus 15 per centum of the next $200 of such wage; except that if his average monthly

wage is less than $50, his primary insurance amount shall be the amount appearing in column II of the following table on the line on which in column I appears his average monthly wage.

I	*II*
Average Monthly Wage	*Primary Insurance Amount*
$30 or less	*$20*
$31	*$21*
$32	*$22*
$33	*$23*
$34	*$24*
$35 to $49	*$25*

"(2) The primary insurance amount of an individual who attained age twenty-two prior to 1951 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be whichever of the following is the larger—

"(A) the amount computed as provided in paragraph (1) of this subsection; or

"(B) the amount determined under subsection (c).

"(3) The primary insurance amount of any other individual shall be the amount determined under subsection (c).

"Average Monthly Wage

"(b) (1) An individual's 'average monthly wage' shall be the quotient obtained by dividing the total of—

"(A) his wages after his starting date (determined under paragraph (2)) and prior to his wage closing date (determined under paragraph (3)), and

"(B) his self-employment income after such starting date and prior to his self-employment income closing date (determined under paragraph (3))

by the number of months elapsing after such starting date and prior to his divisor closing date (determined under paragraph (3)) excluding from such elapsed months any month in any quarter prior to the quarter in which he attained the age of twenty-two which was not a quarter of coverage, except that when the number of such elapsed months thus computed is less than eighteen, it shall be increased to eighteen.

"(2) An individual's 'starting date' shall be December 31, 1950, or, if later, the day preceding the quarter in which he attained the age of twenty-two, whichever results in the higher average monthly wage.

"(3) (A) Except to the extent provided in paragraph (D), an individual's 'wage closing date' shall be the first day of the second quarter preceding the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred.

"(B) Except to the extent provided in paragraph (D), an individual's 'self-employment income closing date' shall be the day following the quarter in which ends his last taxable year (i) which ended before the month in which he died or became entitled to old-age insurance benefits, whichever first occurred, and (ii) during which he derived self-employment income.

"(C) Except to the extent provided in paragraph (D), an individual's 'divisor closing date' shall be the later of his wage closing date and his self-employment income closing date.

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"(D) In the case of an individual who died or became entitled to old-age insurance benefits after the first quarter in which he both was fully insured and had attained retirement age, the determination of his closing dates shall be made as though he became entitled to old-age insurance benefits in such first quarter, but only if it would result in a higher average monthly wage for such individual.

"(4) Notwithstanding the preceding provisions of this subsection, in computing an individual's average monthly wage, there shall not be taken into account any self-employment income of such individual for taxable years ending in or after the month in which he died or became entitled to old-age insurance benefits, whichever first occurred.

"Determinations Made by Use of the Conversion Table

"(c) (1) The amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for an individual shall be the amount appearing in column II of the following table on the line on which in column I appears his primary insurance benefit (determined as provided in subsection (d)); and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing on such line in column III.

"I *If the primary insurance benefit (as determined under subsection (d)) is:*	*II* *The primary insurance amount shall be:*	*III* *And the average monthly wage for purpose of computing maximum benefits shall be:*
$10	$20.00	$40.00
$11	22.00	44.00
$12	24.00	48.00
$13	26.00	52.00
$14	28.00	56.00
$15	30.00	60.00
$16	31.70	63.40
$17	33.20	66.40
$18	34.50	69.00
$19	35.70	71.40
$20	37.00	74.00
$21	38.50	77.00
$22	40.20	80.40
$23	42.20	84.40
$24	44.50	89.00
$25	46.50	93.00
$26	48.30	96.60
$27	50.00	100.00
$28	51.50	110.00
$29	52.80	118.60
$30	54.00	126.60
$31	55.10	134.00
$32	56.20	141.30
$33	57.20	148.00
$34	58.20	154.60
$35	59.20	161.30
$36	60.20	168.00
$37	61.20	174.60
$38	62.20	181.30
$39	63.10	187.30
$40	64.00	195.00
$41	64.90	210.00
$42	65.80	220.00
$43	66.70	230.00
$44	67.60	240.00
$45	68.50	250.00
$46	68.50	250.00

"(2) *In case the primary insurance benefit of an individual (determined as provided in subsection (d)) falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for such individual, and his average monthly wage for purposes of section 203 (a), shall be determined in accordance with regulations of the Administrator designed to obtain results consistent with those obtained for individuals whose primary insurance benefits are shown in column I of the table.*

"(3) *For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Administrator is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.*

"Primary Insurance Benefit for Purposes of Conversion Table

"(d) *For the purposes of subsection (c), the primary insurance benefits of individuals shall be determined as follows:*

"(1) *In the case of any individual who was entitled to a primary insurance benefit for August 1950, his primary insurance benefit shall, except as provided in paragraph (2), be the primary insurance benefit to which he was so entitled.*

"(2) *In the case of any individual to whom paragraph (1) is applicable and who is a World War II veteran or in August 1950 rendered services for wages of $15 or more, his primary insurance benefit shall be whichever of the following is larger: (A) the primary insurance benefit to which he was entitled for August 1950, or (B) his primary insurance benefit for August 1950 recomputed, under section 209 (q) of the Social Security Act as in effect prior to the enactment of this section, in the same manner as if such individual had filed application for and was entitled to a recomputation for August 1950, except that in making such recomputation section 217 (a) shall be applicable if such individual is a World War II veteran.*

"(3) *In the case of any individual who died prior to September 1950, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that section 217 (a) shall be applicable, in lieu of section 210 of this Act as in effect prior to the enactment of this section, but only if it results in a larger primary insurance benefit.*

"(4) *In the case of any other individual, his primary insurance benefit shall be computed as provided in this title as in effect prior to the enactment of this section, except that—*

"(A) *In the computation of such benefit, such individual's average monthly wage shall (in lieu of being determined under section 209 (f) of such title as in effect prior to the enactment of this section) be determined as provided in subsection (b) of this section, except that his starting date shall be December 31, 1936.*

"(B) *For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.*

"(C) *The 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951.*

"(D) *The provisions of subsection (e) shall be applicable to such computation.*

"Certain Wages and Self-Employment Income Not To Be Counted

"(e) *For the purposes of subsections (b) and (d) (4)—*

"*(1) in computing an individual's average monthly wage there shall not be counted, in the case of any calendar year after 1950, the excess over $3,600 of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and*

"*(2) if an individual's average monthly wage computed under subsection (b) or for the purposes of subsection (d) (4) is not a multiple of $1, it shall be reduced to the next lower multiple of $1.*

"Recomputation of Benefits

"(f) *(1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who died prior to July 27, 1954, as provided in section 217 (b).*

"*(2) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recompute his primary insurance amount if application therefor is filed after the twelfth month for which deductions under paragraph (1) or (2) of section 203 (b) have been imposed (within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to September 1950 or prior to the earliest month for which the last previous computation of his primary insurance amount was effective, and if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed such application are quarters of coverage. A recomputation under this paragraph shall be made only as provided in subsection (a) (1) and shall take into account only such wages and self-employment income as would be taken into account under subsection (b) if the month in which application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the month in which such application for recomputation is filed.*

"*(3) (A) Upon application by an individual entitled to old-age insurance benefits, filed at least six months after the month in which he became so entitled, the Administrator shall recompute his primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.*

"*(B) Upon application by a person entitled to monthly benefits on the basis of the wages and self-employment income of an individual who died after August 1950, the Administrator shall recompute such individual's primary insurance amount if such application is filed at least six months after the month in which such individual died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter*

in which he died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be effective for and after the month in which such person who filed the application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph shall affect the amount of the lump-sum death payment under subsection (i) of section 202 and no such recomputation shall render erroneous any such payment certified by the Administrator prior to the effective date of the recomputation.

"(4) Upon the death after August 1950 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Administrator shall recompute the decedent's primary insurance amount, but (except as provided in paragraph (3) (B)) only if—

"(A) the decedent would have been entitled to a recomputation under paragraph (2) if he had filed application therefor in the month in which he died; or

"(B) the decedent during his lifetime was paid compensation which is treated, under section 205 (o), as remuneration for employment.

If the recomputation is permitted by subparagraph (A), the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the divisor closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the divisor closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

"(5) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

"Rounding of Benefits

"(g) The amount of any primary insurance amount and the amount of any monthly benefit computed under section 202 which (after reduction under section 203 (a)) is not a multiple of $0.10 shall be raised to the next higher multiple of $0.10.

"OTHER DEFINITIONS

"SEC. 216. For the purposes of this title—

"Retirement Age

"(a) The term 'retirement age' means age sixty-five.

"Wife

"(b) The term 'wife' means the wife of an individual, but only if she (1) is the mother of his son or daughter, or (2) was married to him for a period of not less than three years immediately preceding the day on which her application is filed.

"Widow

"(c) The term 'widow' (except when used in section 202 (i)) means the surviving wife of an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) was married to him at the time both of them legally adopted a child under the age of eighteen, or (4) was married to him for a period of not less than one year immediately prior to the day on which he died.

"Former Wife Divorced

"(d) The term 'former wife divorced' means a woman divorced from an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (3) was married to him at the time both of them legally adopted a child under the age of eighteen.

"Child

"(e) The term 'child' means (1) the child of an individual, and (2) in the case of a living individual, a stepchild or adopted child who has been such stepchild or adopted child for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, (A) an adopted child, or (B) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. In determining whether an adopted child has met the length of time requirement in clause (2), time spent in the relationship of stepchild shall be counted as time spent in the relationship of adopted child.

"Husband

"(f) The term 'husband' means the husband of an individual, but only if he (1) is the father of her son or daughter, or (2) was married to her for a period of not less than three years immediately preceding the day on which his application is filed.

"Widower

"(g) The term 'widower' (except when used in section 202 (i)) means the surviving husband of an individual, but only if he (1) is the father of her son or daughter, (2) legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (3) was married to her at the time both of them legally adopted a child under the age of eighteen, or (4) was married to her for a period of not less than one year immediately prior to the day on which she died.

"Determination of Family Status

"(h) (1) In determining whether an applicant is the wife, husband, widow, widower, child, or parent of a fully insured or currently insured individual for purposes of this title, the Administrator shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, husband, widow, widower, child, or parent shall be deemed such.

"(2) A wife shall be deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and a widow shall be deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support.

"(3) A husband shall be deemed to be living with his wife if they are both members of the same household, or he is receiving regular contributions from her toward his support, or she has been ordered by any court to contribute to his support; and a widower shall be deemed to have been living with his wife at the time of her death if they were both members of the same household on the date of her death, or he was receiving regular contributions from her toward his support on such date, or she had been ordered by any court to contribute to his support."

(b) The amendment made by subsection (a) shall take effect January 1, 1951, except that sections 214, 215, and 216 of the Social Security Act shall be applicable (1) in the case of monthly benefits for months after August 1950, and (2) in the case of lump-sum death payments with respect to deaths after August 1950.

WORLD WAR II VETERANS

SEC. 105. Effective September 1, 1950, title II of the Social Security Act is amended by striking out section 210 and by adding after section 216 (added by section 104 (a) of this Act) the following:

"BENEFITS IN CASE OF WORLD WAR II VETERANS

"SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States

during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

"(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

"(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

"(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

"(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service during World War II shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

"(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active military or naval service of the United States shall be deemed to have died a fully insured individual whose primary insurance amount is the amount determined under section 215 (c). Notwithstanding section 215 (d), the primary insurance benefit (for purposes of section 215 (c)) of such veteran shall be determined as provided in this title as in effect prior to the enactment of this section, except that the 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

"(A) a larger such benefit or payment, as the case may be, would be payable without its application;

"(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

"(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

"(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

"(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to paragraph (1) (B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Administration by reason of the death of such veteran. The Federal Security Administrator shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U. S. C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Federal Security Administrator, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration shall be deemed by reason of this subsection to have been an erroneous payment.

"(c) In the case of any World War II veteran to whom subsection (a) is applicable, proof of support required under section 202 (h) may be filed by a parent at any time prior to July 1951 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

"(d) For the purposes of this section—

"(1) The term 'World War II' means the period beginning with September 16, 1940, and ending at the close of July 24, 1947;

"(2) The term 'World War II veteran' means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense."

COVERAGE OF STATE AND LOCAL EMPLOYEES

SEC. 106. Title II of the Social Security Act is amended by adding after section 217 (added by section 105 of this Act) the following:

"VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

"Purpose of Agreement

"SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

"(2) Notwithstanding section 210 (a), for the purposes of this title the term 'employment' includes any service included under an agreement entered into under this section.

"Definitions

"(b) For the purposes of this section—

"(1) The term 'State' does not include the District of Columbia.

"(2) The term 'political subdivision' includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

"(3) The term 'employee' includes an officer of a State or political subdivision.

"(4) The term 'retirement system' means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

"(5) The term 'coverage group' means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement.

"Services Covered

"(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

"(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or

pursuant to subsection (d) or paragraph (3), (5), or (6) of this subsection) performed by individuals as members of such group.

"(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

"(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

"(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

"(6) Such agreement shall exclude—

"(A) service performed by an individual who is employed to relieve him from unemployment,

"(B) service performed in a hospital, home, or other institution by a patient or inmate thereof,

"(C) covered transportation service (as determined under section 210 (l)), and

"(D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

"Exclusion of Positions Covered by Retirement Systems

"(d) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group.

"Payments and Reports by States

"(e) Each agreement under this section shall provide—

"(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Administrator may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410 of the Internal Revenue Code if the services of employees covered by the agreement constituted employment as defined in section 1426 of such code; and

"(2) that the State will comply with such regulations relating to payments and reports as the Administrator may prescribe to carry out the purposes of this section.

"Effective Date of Agreement

"(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective

date specified in such agreement or modification, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1953) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

"Termination of Agreement

"(g) (1) Upon giving at least two years' advance notice in writing to the Administrator, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Administrator either—

"(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

"(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

"(2) If the Administrator, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

"(3) If any agreement entered into under this section is terminated in its entirety, the Administrator and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Administrator and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

"Deposits in Trust Fund; Adjustments

"(h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Fund.

"(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Administrator.

"(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Administrator to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any

action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

"Regulations

"(i) Regulations of the Administrator to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and subchapter A or E of chapter 9 of the Internal Revenue Code.

"Failure To Make Payments

"(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Administrator may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Fund.

"Instrumentalities of Two or More States

"(k) The Administrator may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

"Delegation of Functions

"(l) The Administrator is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement."

PUERTO RICO

SEC. 107. Title II of the Social Security Act is amended by adding after section 218 (added by section 106 of this Act) the following:

"EFFECTIVE DATE IN CASE OF PUERTO RICO

"SEC. 219. If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210 (h), 210 (i),

210 (j), 211 (a) (7), and 211 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification."

RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

SEC. 108. (a) Subsection (b) of section 205 of the Social Security Act is amended by inserting "former wife divorced, husband, widower," after "widow,".

(b) Subsection (c) of section 205 of the Social Security Act is amended to read as follows:

"(c) (1) For the purposes of this subsection—

"(A) The term 'year' means a calendar year when used with respect to wages and a taxable year (as defined in section 211 (e)) when used with respect to self-employment income.

"(B) The term 'time limitation' means a period of three years, two months, and fifteen days.

"(C) The term 'survivor' means an individual's spouse, former wife divorced, child, or parent, who survives such individual.

"(2) On the basis of information obtained by or submitted to the Administrator, and after such verification thereof as he deems necessary, the Administrator shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor, or the legal representative of such individual or his estate, of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

"(3) The Administrator's records shall be evidence for the purpose of proceedings before the Administrator or any court of the amounts of wages paid to, and self-employment income derived by, an individual and of the periods in which such wages were paid and such income was derived. The absence of an entry in such records as to wages alleged to have been paid to, or as to self-employment income alleged to have been derived by, an individual in any period shall be evidence that no such alleged wages were paid to, or that no such alleged income was derived by, such individual during such period.

"(4) Prior to the expiration of the time limitation following any year the Administrator may, if it is brought to his attention that any entry of wages or self-employment income in his records for such year is erroneous or that any item of wages or self-employment income for such year has been omitted from such records, correct such entry or include such omitted item in his records, as the case may be. After the expiration of the time limitation following any year—

"(A) the Administrator's records (with changes, if any, made pursuant to paragraph (5)) of the amounts of wages paid to, and self-employment income derived by, an individual during any period in such year shall be conclusive for the purposes of this title;

"(B) the absence of an entry in the Administrator's records as to the wages alleged to have been paid by an employer to an individual during any period in such year shall be presumptive evidence for the purposes of this title that no such alleged wages were paid to such individual in such period; and

"(C) the absence of an entry in the Administrator's records as to the self-employment income alleged to have been derived by an individual in such year shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such year unless it is shown that he filed a tax return of his self-employment income for such year before the expiration of the time limitation following such year, in which case the Administrator shall include in his records the self-employment income of such individual for such year.

"(5) After the expiration of the time limitation following any year in which wages were paid or alleged to have been paid to, or self-employment income was derived or alleged to have been derived by, an individual, the Administrator may change or delete any entry with respect to wages or self-employment income in his records of such year for such individual or include in his records of such year for such individual any omitted item of wages or self-employment income but only—

"(A) if an application for monthly benefits or for a lump-sum death payment was filed within the time limitation following such year; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon the application for monthly benefits or lump-sum death payment;

"(B) if within the time limitation following such year an individual or his survivor makes a request for a change or deletion, or for an inclusion of an omitted item, and alleges in writing that the Administrator's records of the wages paid to, or the self-employment income derived by, such individual in such year are in one or more respects erroneous; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon such request. Written notice of the Administrator's decision on any such request shall be given to the individual who made the request;

"(C) to correct errors apparent on the face of such records;

"(D) to transfer items to records of the Railroad Retirement Board if such items were credited under this title when they should have been credited under the Railroad Retirement Act, or to enter items transferred by the Railroad Retirement Board which have been credited under the Railroad Retirement Act when they should have been credited under this title;

"(E) to delete or reduce the amount of any entry which is erroneous as a result of fraud;

"(F) to conform his records to tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code, or under regulations made under authority of such title or subchapter, and to information returns filed by a State pursuant to an agreement under section 218 or regulations of the Administrator thereunder; except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Administrator's records pursuant to this subparagraph in excess of the amount which has been deleted pursuant to this subparagraph as

payments erroneously included in such records as wages paid to such individual in such taxable year;

"(G) to correct errors made in the allocation, to individuals or periods, of wages or self-employment income entered in the records of the Administrator;

"(H) to include wages paid during any period in such year to an individual by an employer if there is an absence of an entry in the Administrator's records of wages having been paid by such employer to such individual in such period; or

"(I) to enter items which constitute remuneration for employment under subsection (o), such entries to be in accordance with certified reports of records made by the Railroad Retirement Board pursuant to section 5 (k) (3) of the Railroad Retirement Act of 1937.

"(6) Written notice of any deletion or reduction under paragraph (4) or (5) shall be given to the individual whose record is involved or to his survivor, except that (A) in the case of a deletion or reduction with respect to any entry of wages such notice shall be given to such individual only if he has previously been notified by the Administrator of the amount of his wages for the period involved, and (B) such notice shall be given to such survivor only if he or the individual whose record is involved has previously been notified by the Administrator of the amount of such individual's wages and self-employment income for the period involved.

"(7) Upon request in writing (within such period, after any change or refusal of a request for a change of his records pursuant to this subsection, as the Administrator may prescribe), opportunity for hearing with respect to such change or refusal shall be afforded to any individual or his survivor. If a hearing is held pursuant to this paragraph the Administrator shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall include any omitted items, or change or delete any entry, in his records as may be required by such findings and decision.

"(8) Decisions of the Administrator under this subsection shall be reviewable by commencing a civil action in the United States district court as provided in subsection (g)."

(c) Section 205 of the Social Security Act is amended by adding at the end thereof the following subsections:

"Crediting of Compensation Under the Railroad Retirement Act

"(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under section 217 (a) of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages and self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such

employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.

"Special Rules in Case of Federal Service

"(p) (1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the Administrator shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or the periods in which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 1420 (e) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

"(2) The head of any such agency or instrumentality is authorized and directed, upon written request of the Administrator, to make certification to him with respect to any matter determinable for the Administrator by such head or his agents under this subsection, which the Administrator finds necessary in administering this title.

"(3) The provisions of paragraphs (1) and (2) shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; and for purposes of paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality."

(d) The amendments made by subsections (a) and (c) of this section shall take effect on September 1, 1950. The amendment made by subsection (b) of this section shall take effect January 1, 1951, except that, effective on September 1, 1950, the husband or former wife divorced of an individual shall be treated the same as a parent of such individual, and the legal representative of an individual or his estate shall be treated the same as the individual, for purposes of section 205 (c) of the Social Security Act as in effect prior to the enactment of this Act.

MISCELLANEOUS AMENDMENTS

SEC. 109. (a) (1) The second sentence of section 201 (a) of the Social Security Act is amended by striking out "such amounts as may be appropriated to the Trust Fund" and inserting in lieu thereof "such amounts as may be appropriated to, or deposited in, the Trust Fund".

(2) Section 201 (a) of the Social Security Act is amended by striking out the third sentence and by inserting in lieu thereof the following: "There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

"(1) the taxes (including interest, penalties, and additions to the taxes) received under subchapter A of chapter 9 of the Internal Revenue Code (and covered into the Treasury) which are deposited into the Treasury by collectors of internal revenue before January 1, 1951; and

"(2) the taxes certified each month by the Commissioner of Internal Revenue as taxes received under subchapter A of chapter 9 of such code which are deposited into the Treasury by collectors of internal revenue after December 31, 1950, and before January 1, 1953, with respect to assessments of such taxes made before January 1, 1951; and

"(3) the taxes imposed by subchapter A of chapter 9 of such code with respect to wages (as defined in section 1426 of such code) reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of such code after December 31, 1950, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such subchapter to such wages, which wages shall be certified by the Federal Security Administrator on the basis of the records of wages established and maintained by such Administrator in accordance with such reports; and

"(4) the taxes imposed by subchapter E of chapter 1 of such code with respect to self-employment income (as defined in section 481 of such code) reported to the Commissioner of Internal Revenue on tax returns under such subchapter, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such subchapter to such self-employment income, which self-employment income shall be certified by the Federal Security Administrator on the basis of the records of self-employment income established and maintained by the Administrator in accordance with such returns.

The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the taxes, referred to in clauses (3) and (4), paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the amounts of the taxes referred to in such clauses."

(3) Section 201 (a) of the Social Security Act is amended by striking out the following: "There is also authorized to be appropriated to the Trust Fund such additional sums as may be required to finance the benefits and payments provided under this title."

(4) Section 201 (b) of such Act is amended by striking out "Chairman of the Social Security Board" and inserting in lieu thereof "Federal Security Administrator".

(5) Section 201 (b) of such Act is amended by adding after the second sentence thereof the following new sentence: "The Commissioner for Social Security shall serve as Secretary of the Board of Trustees."

(6) Paragraph (2) of section 201 (b) of such Act is amended by striking out "on the first day of each regular session of the Congress" and inserting in lieu thereof "not later than the first day of March of each year".

(7) Section 201 (b) of such Act is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and", and by adding the following new paragraph:

"(4) Recommend improvements in administrative procedures and policies designed to effectuate the proper coordination of the old-age and survivors insurance and Federal-State unemployment compensation programs."

(8) Section 201 (b) of such Act is amended by adding at the end thereof the following: "Such report shall be printed as a House document of the session of the Congress to which the report is made."

(9) Section 201 (f) of such Act is amended to read as follows:

"(f) (1) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him and the Federal Security Administrator which will be expended during a three-month period by the Federal Security Agency and the Treasury Department for the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code.

"(2) The Managing Trustee is directed to pay from time to time from the Trust Fund into the Treasury the amount estimated by him as taxes which are subject to refund under section 1401 (d) of the Internal Revenue Code with respect to wages (as defined in section 1426 of such code) paid after December 31, 1950. Such taxes shall be determined on the basis of the records of wages established and maintained by the Federal Security Administrator in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of such code, and the Administrator shall furnish the Managing Trustee such information as may be required by the Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections.

"(3) Repayments made under paragraph (1) or (2) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appears that the estimates under either such paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments."

(b) (1) Sections 204, 205 (other than subsections (c) and (l)), and 206 of such Act are amended by striking out "Board" wherever appearing therein and inserting in lieu thereof "Administrator"; by striking out "Board's" wherever appearing therein and inserting in lieu thereof "Administrator's"; and by striking out (where they refer to the Social Security Board) "it" and "its" and inserting in lieu thereof "he", "him", or "his", as the context may require.

(2) Section 205 (l) of such Act is amended to read as follows:

"(l) The Administrator is authorized to delegate to any member, officer, or employee of the Federal Security Agency designated by him any of the powers conferred upon him by this section, and is authorized

to be represented by his own attorneys in any court in any case or proceeding arising under the provisions of subsection (e)."

(c) Section 208 of such Act is amended by striking out the words "the Federal Insurance Contributions Act" and inserting in lieu thereof the following: "subchapter E of chapter 1 or subchapter A or E of chapter 9 of the Internal Revenue Code".

SERVICES FOR COOPERATIVES PRIOR TO 1951

SEC. 110. In any case in which—

(1) an individual has been employed at any time prior to 1951 by organizations enumerated in the first sentence of section 101 (12) of the Internal Revenue Code,

(2) the service performed by such individual during the time he was so employed constituted agricultural labor as defined in section 209 (l) of the Social Security Act and section 1426 (h) of the Internal Revenue Code, as in effect prior to the enactment of this Act, and such service would, but for the provisions of such sections, have constituted employment for the purposes of title II of the Social Security Act and subchapter A of chapter 9 of such Code,

(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code have been paid with respect to any part of the remuneration paid to such individual by such organization for such service and the payment of such taxes by such organization has been made in good faith upon the assumption that such service did not constitute agricultural labor as so defined, and

(4) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid shall be deemed to constitute remuneration for employment as defined in section 209 (b) of the Social Security Act as in effect prior to the enactment of this Act (but it shall not constitute wages for purposes of deductions under section 203 of such Act for months for which benefits under title II of such Act have been certified and paid prior to the enactment of this Act).

TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

RATE OF TAX ON WAGES

SEC. 201. (a) Clauses (2) and (3) of section 1400 of the Internal Revenue Code are amended to read as follows:

"(2) With respect to wages received during the calendar years 1950 to 1953, both inclusive, the rate shall be 1½ per centum.

"(3) With respect to wages received during the calendar years 1954 to 1959, both inclusive, the rate shall be 2 per centum.

"(4) With respect to wages received during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"(5) With respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"(6) With respect to wages received after December 31, 1969, the rate shall be 3¼ per centum."

(b) Clauses (2) and (3) of section 1410 of the Internal Revenue Code are amended to read as follows:

"(2) With respect to wages paid during the calendar years 1950 to 1953, both inclusive, the rate shall be 1½ per centum.

"(3) With respect to wages paid during the calendar years 1954 to 1959, both inclusive, the rate shall be 2 per centum.

"(4) With respect to wages paid during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"(5) With respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"(6) With respect to wages paid after December 31, 1969, the rate shall be 3¼ per centum."

FEDERAL SERVICE

SEC. 202. (a) Part II of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding after section 1411 the following new section:

"SEC. 1412. INSTRUMENTALITIES OF THE UNITED STATES.

"Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 1410 unless such other provision of law grants a specific exemption, by reference to section 1410, from the tax imposed by such section."

(b) Section 1420 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(e) FEDERAL SERVICE.—In the case of the taxes imposed by this subchapter with respect to service performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the determination whether an individual has performed service which constitutes employment as defined in section 1426, the determination of the amount of remuneration for such service which constitutes wages as defined in such section, and the return and payment of the taxes imposed by this subchapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 1410 with respect to such service without regard to the $3,600 limitation in section 1426 (a) (1), and he shall not be required to obtain a refund of the tax paid under section 1410 on that part of the remuneration not included in wages by reason of section 1426 (a) (1). The provisions of this subsection shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; and for purposes of this subsection the Secretary of Defense shall be deemed to be the head of such instrumentality."

(c) Section 1411 of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: "For the purposes of this section, in the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the

calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.".

(d) The amendments made by this section shall be applicable only with respect to remuneration paid after 1950.

DEFINITION OF WAGES

SEC. 203. (a) Section 1426 (a) of the Internal Revenue Code is amended to read as follows:

"(a) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,600 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,600 to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

"(2) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(5) Any payment made to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

"(7) (A) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

"(B) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in the quarter for such service is less than $50 or the employee is not regularly employed by the employer in such quarter of payment. For the purposes of this subparagraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some twenty-four days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or (ii) the employee was regularly employed (as determined under clause (i)) by the employer in the performance of such service during the preceding calendar quarter. As used in this subparagraph, the term 'domestic service in a private home of the employer' does not include service described in subsection (h) (5);

"(8) Remuneration paid in any medium other than cash for agricultural labor;

"(9) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made; or

"(10) Remuneration paid by an employer in any calendar quarter to an employee for service described in subsection (d) (3) (C) (relating to home workers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50."

(b) So much of section 1401 (d) (2) of the Internal Revenue Code as precedes the second sentence thereof is amended to read as follows:

"(2) WAGES RECEIVED DURING 1947, 1948, 1949, AND 1950.—If by reason of an employee receiving wages from more than one employer during the calendar year 1947, 1948, 1949, or 1950, the wages received by him during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,000 of such wages received."

(c) Section 1401 (d) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraphs:

"(3) WAGES RECEIVED AFTER 1950.—If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1950, the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund

of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,600 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received with respect to which refund of tax is claimed, and (B) such claim is made within two years after the calendar year in which such wages were received. No interest shall be allowed or paid with respect to any such refund.

"(4) SPECIAL RULES IN THE CASE OF FEDERAL AND STATE EMPLOYEES.—

"(A) Federal Employees.—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for the purposes of subsection (c) and paragraph (3) of this subsection, be deemed a separate employer; and the term 'wages' includes, for the purposes of paragraph (3) of this subsection, the amount, not to exceed $3,600, determined by each such head or agent as constituting wages paid to an employee.

"(B) State Employees.—For the purposes of paragraph (3) of this subsection, in the case of remuneration received during any calendar year after the calendar year 1950, the term 'wages' includes such remuneration for services covered by an agreement made pursuant to section 218 of the Social Security Act as would be wages if such services constituted employment; the term 'employer' includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term 'tax' or 'tax imposed by section 1400' includes, in the case of services covered by an agreement made pursuant to section 218 of the Social Security Act, an amount equivalent to the tax which would be imposed by section 1400, if such services constituted employment as defined in section 1426; and the provisions of paragraph (3) of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary of the Treasury."

(d) The amendment made by subsection (a) of this section shall be applicable only with respect to remuneration paid after 1950. In the case of remuneration paid prior to 1951, the determination under section 1426 (a) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if subsection (a) of this section had not been enacted and without inferences drawn from the fact that the amendment made by subsection (a) is not made applicable to periods prior to 1951.

DEFINITION OF EMPLOYMENT

SEC. 204. (a) Effective January 1, 1951, section 1426 (b) of the Internal Revenue Code is amended to read as follows:

"(b) EMPLOYMENT.—The term 'employment' means any service performed after 1936 and prior to 1951 which was employment for the purposes of this subchapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (i) of this section); except that, in the case of service performed after 1950, such term shall not include—

"(1) (A) Agricultural labor (as defined in subsection (h) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

"(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

"(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term 'qualifying quarter' means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter.

"(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

"(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such em-

ployer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term 'service not in the course of the employer's trade or business' does not include domestic service in a private home of the employer and does not include service described in subsection (h) (5);

"(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

"(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 by virtue of any provision of law which specifically refers to such section in granting such exemption;

"(7) (A) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

"(B) Service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

"(i) service performed in the employ of a corporation which is wholly owned by the United States;

"(ii) service performed in the employ of a national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

"(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

"(iv) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department;

"(C) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

"(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

"(ii) in the legislative branch;

"(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permament or indefinite appointment;

"(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

"(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"(vi) by any individual as an employee receiving nominal compensation of $12 or less per annum;

"(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

"(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

"(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

"(xiii) by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;

"(8) Service (other than service which, under subsection (k), constitutes covered transportation service) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

"(9) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (l), is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organ-

ization under subsection (l), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

"(10) Service performed by an individual as an employee or employee representative as defined in section 1532;

"(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if the remuneration for such service is less than $50;

"(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

"(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

"(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or

is entitled to be credited with the unsold newspapers or magazines turned back; or

"(17) Service performed in the employ of an international organization."

(b) Effective January 1, 1951, section 1426 (e) of the Internal Revenue Code is amended to read as follows:

"(e) STATE, ETC.—

"(1) The term 'State' includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 3810 such term includes Puerto Rico.

"(2) UNITED STATES.—The term 'United States' when used in a geographical sense includes the Virgin Islands; and on and after the effective date specified in section 3810 such term includes Puerto Rico.

"(3) CITIZEN.—An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 3810."

(c) Section 1426 (g) of the Internal Revenue Code is amended by striking out "(g) AMERICAN VESSEL.—" and inserting in lieu thereof "(g) AMERICAN VESSEL AND AIRCRAFT.—", and by striking out the period at the end of such subsection and inserting in lieu thereof the following: "; and the term 'American aircraft' means an aircraft registered under the laws of the United States."

(d) Section 1426 (h) of the Internal Revenue Code is amended to read as follows:

"(h) AGRICULTURAL LABOR.—The term 'agricultural labor' includes all service performed—

"(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

"(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"(C) The provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

"(5) On a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

"As used in this section, the term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards."

(e) Section 1426 of the Internal Revenue Code is amended by striking out subsections (i) and (j) and inserting in lieu thereof the following:

"(i) AMERICAN EMPLOYER.—The term 'American employer' means an employer which is (1) the United States or any instrumentality thereof, (2) an individual who is a resident of the United States, (3) a partnership, if two-thirds or more of the partners are residents of the United States, (4) a trust, if all of the trustees are residents of the United States, or (5) a corporation organized under the laws of the United States or of any State.

"(j) COMPUTATION OF WAGES IN CERTAIN CASES.—For purposes of this subchapter, in the case of domestic service described in subsection (a) (7) (B), any payment of cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this subchapter, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (a) (7) (B).

"(k) COVERED TRANSPORTATION SERVICE.—

"(1) Existing transportation systems—General rule.—Except as provided in paragraph (2), all service performed in the employ of a State or political subdivision in connection with its operation of a public transportation system shall constitute covered transportation service if any part of the transportation system was acquired from private ownership after 1936 and prior to 1951.

"(2) Existing transportation systems—Cases in which no transportation employees, or only certain employees, are covered.—Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

"(A) any part of the transportation system was acquired from private ownership after 1936 and prior to 1951, and sub-

stantially all service in connection with the operation of the transportation system is, on December 31, 1950, covered under a general retirement system providing benefits which, by reason of a provision of the State constitution dealing specifically with retirement systems of the State or political subdivisions thereof, cannot be diminished or impaired; or

"(B) no part of the transportation system operated by the State or political subdivision on December 31, 1950, was acquired from private ownership after 1936 and prior to 1951;

except that if such State or political subdivision makes an acquisition after 1950 from private ownership of any part of its transportation system, then, in the case of any employee who—

"(C) became an employee of such State or political subdivision in connection with and at the time of its acquisition after 1950 of such part, and

"(D) prior to such acquisition rendered service in employment (including as employment service covered by an agreement under section 218 of the Social Security Act) in connection with the operation of such part of the transportation system acquired by the State or political subdivision,

the service of such employee in connection with the operation of the transportation system shall constitute covered transportation service, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of such part took place, unless on such first day such service of such employee is covered by a general retirement system which does not, with respect to such employee, contain special provisions applicable only to employees described in subparagraph (C).

"(3) Transportation systems acquired after 1950.—All service performed in the employ of a State or political subdivision thereof in connection with its operation of a public transportation system shall constitute covered transportation service if the transportation system was not operated by the State or political subdivision prior to 1951 and, at the time of its first acquisition (after 1950) from private ownership of any part of its transportation system, the State or political subdivision did not have a general retirement system covering substantially all service performed in connection with the operation of the transportation system.

"(4) Definitions.—For the purposes of this subsection—

"(A) The term 'general retirement system' means any pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof for employees of the State, political subdivision, or both; but such term shall not include such a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

"(B) A transportion system or a part thereof shall be considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or part thereof acquired constituted employment under this subchapter or was covered by an agreement made pursuant to section 218 of the Social Security Act and some of such em-

ployees became employees of the State or political subdivision in connection with and at the time of such acquisition.

"(C) The term 'political subdivision' includes an instrumentality of (i) a State, (ii) one or more political subdivisions of a State, or (iii) a State and one or more of its political subdivisions.

"(l) EXEMPTION OF RELIGIOUS, CHARITABLE, ETC., ORGANIZATIONS.—

"(1) WAIVER OF EXEMPTION BY ORGANIZATION.—An organization exempt from income tax under section 101 (6) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees and that at least two-thirds of its employees concur in the filing of the certificate. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended, at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is in effect, by filing with such official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this subchapter. The certificate shall be in effect (for the purposes of subsection (b) (9) (B) and for the purposes of section 210 (a) (9) (B) of the Social Security Act) for the period beginning with the first day following the close of the calendar quarter in which such certificate is filed, but in no case shall such period begin prior to January 1, 1951. The period for which the certificate is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter.

"(2) TERMINATION OF WAIVER PERIOD BY COMMISSIONER.—If the Commissioner finds that any organization which filed a certificate pursuant to this subsection has failed to comply substantially with the requirements of this subchapter or is no longer able to comply therewith, the Commissioner shall give such organization not less than sixty days' advance notice in writing that the period covered by such certificate will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Commissioner by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the organization. No notice of termination or of revocation thereof shall be given under this paragraph to an organization without the prior concurrence of the Federal Security Administrator.

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"(3) NO RENEWAL OF WAIVER.—In the event the period covered by a certificate filed pursuant to this subsection is terminated by the organization, no certificate may again be filed by such organization pursuant to this subsection."

(f) Sections 1426 (c) and 1428 of the Internal Revenue Code are each amended by striking out "paragraph (9)" and inserting in lieu thereof "paragraph (10)".

(g) The amendments made by subsections (c), (d), (e), and (f) of this section shall be applicable only with respect to services performed after 1950.

DEFINITION OF EMPLOYEE

SEC. 205. (a) Section 1426 (d) of the Internal Revenue Code is amended to read as follows:

"(d) EMPLOYEE.— The term 'employee' means—

"(1) any officer of a corporation; or

"(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or

"(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

"(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

"(B) as a full-time life insurance salesman;

"(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

"(D) as a traveling or city salesman, other than as an agent-driver or commission-driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term 'employee' under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed."

(b) The amendment made by this section shall be applicable only with respect to services performed after 1950.

RECEIPTS FOR EMPLOYEES; SPECIAL REFUNDS

SEC. 206. (a) Subchapter E of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new sections:

"SEC. 1633. RECEIPTS FOR EMPLOYEES.

"(a) REQUIREMENT.—Every person required to deduct and withhold from an employee a tax under section 1400 or 1622, or who would have been required to deduct and withhold a tax under section 1622 if the employee had claimed no more than one withholding exemption, shall furnish to each such employee in respect of the remuneration paid by such person to such employee during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of remuneration is made, a written statement showing the following: (1) the name of such person, (2) the name of the employee (and his social security account number if wages as defined in section 1426 (a) have been paid), (3) the total amount of wages as defined in section 1621 (a), (4) the total amount deducted and withheld as tax under section 1622, (5) the total amount of wages as defined in section 1426 (a), and (6) the total amount deducted and withheld as tax under section 1400.

"(b) STATEMENTS TO CONSTITUTE INFORMATION RETURNS.—The statements required to be furnished by this section in respect of any remuneration shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe. A duplicate of any such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary shall constitute the return required to be made in respect of such remuneration under section 147.

"(c) EXTENSION OF TIME.—The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any person a reasonable extension of time (not in excess of thirty days) with respect to the statements required to be furnished under this section.

"SEC. 1634. PENALTIES.

"(a) PENALTIES FOR FRAUDULENT STATEMENT OR FAILURE TO FURNISH STATEMENT.—In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1633 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1633, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof, be fined not more than $1,000, or imprisoned for not more than one year, or both.

"(b) ADDITIONAL PENALTY.—In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 1633 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1633, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of $50. Such penalty shall be assessed and collected in the same manner as the tax imposed by section 1410."

(b) (1) Section 322 (a) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraph:

"(4) CREDIT FOR 'SPECIAL REFUNDS' OF EMPLOYEE SOCIAL SECURITY TAX.—The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the tax imposed by this chapter for any taxable year of the amount determined by the taxpayer or the Commissioner to be allowable under section 1401 (d) as a special refund of tax imposed on wages received during the calendar year in which such taxable year begins. If more than one taxable year begins in such calendar year, such amount shall not be allowed under this section as a credit against the tax for any taxable year other than the last taxable year so beginning. The amount allowed as a credit under such regulations shall, for the purposes of this chapter, be considered an amount deducted and withheld at the source as tax under subchapter D of chapter 9."

(2) Section 1403 (a) of the Internal Revenue Code is amended by striking out the first sentence and inserting in lieu thereof the following: "Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee before January 1, 1951. (For corresponding provisions with respect to wages paid after December 31, 1950, see section 1633.)".

(3) Section 1625 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(d) APPLICATION OF SECTION.—This section shall apply only with respect to wages paid before January 1, 1951. For corresponding provisions with respect to wages paid after December 31, 1950, see section 1633."

(c) The amendments made by this section shall be applicable only with respect to wages paid after December 31, 1950, except that the amendment made by subsection (b) (1) of this section shall be applicable only with respect to taxable years beginning after December 31, 1950, and only with respect to "special refunds" in the case of wages paid after December 31, 1950.

PERIODS OF LIMITATION ON ASSESSMENT AND REFUND OF CERTAIN EMPLOYMENT TAXES

SEC. 207. (a) Subchapter E of chapter 9 of the Internal Revenue Code is amended by inserting at the end thereof the following new sections:

"SEC. 1635. PERIOD OF LIMITATION UPON ASSESSMENT AND COLLECTION OF CERTAIN EMPLOYMENT TAXES.

"(a) GENERAL RULE.—The amount of any tax imposed by subchapter A of this chapter or subchapter D of this chapter shall (except as otherwise provided in the following subsections of this section) be assessed within three years after the return was filed, and no proceeding in court without assessment for the collection of such tax shall be begun after the expiration of such period.

"(b) FALSE RETURN OR NO RETURN.—In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

"(c) WILLFUL ATTEMPT TO EVADE TAX.—In case of a willful attempt in any manner to defeat or evade tax, the tax may be assessed, or a pro-

ceeding in court for the collection of such tax may be begun without assessment, at any time.

"(d) COLLECTION AFTER ASSESSMENT.—Where the assessment of any tax imposed by subchapter A of this chapter or subchapter D of this chapter has been made within the period of limitation properly applicable thereto, such tax may be collected by distraint or by a proceeding in court, but only if begun (1) within six years after the assessment of the tax, or (2) prior to the expiration of any period for collection agreed upon in writing by the Commissioner and the taxpayer.

"(e) DATE OF FILING OF RETURN.—For the purposes of this section, if a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be considered filed on March 15 of such succeeding calendar year.

"(f) APPLICATION OF SECTION.—The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, or subchapter D of this chapter, which are required to be collected and paid by making and filing returns.

"(g) EFFECTIVE DATE.—The provisions of this section shall not apply to any tax imposed with respect to remuneration paid during any calendar year before 1951.

"SEC. 1636. PERIOD OF LIMITATION UPON REFUNDS AND CREDITS OF CERTAIN EMPLOYMENT TAXES.

"(a) GENERAL RULE.—In the case of any tax imposed by subchapter A of this chapter or subchapter D of this chapter—

"(1) PERIOD OF LIMITATION.—Unless a claim for credit or refund is filed by the taxpayer within three years from the time the return was filed or within two years from the time the tax was paid, no credit or refund shall be allowed or made after the expiration of whichever of such periods expires the later. If no return is filed, then no credit or refund shall be allowed or made after two years from the time the tax was paid, unless before the expiration of such period a claim therefor is filed by the taxpayer.

"(2) LIMIT ON AMOUNT OF CREDIT OR REFUND.—The amount of the credit or refund shall not exceed the portion of the tax paid—

"(A) If a return was filed, and the claim was filed within three years from the time the return was filed, during the three years immediately preceding the filing of the claim.

"(B) If a claim was filed, and (i) no return was filed, or (ii) if the claim was not filed within three years from the time the return was filed, during the two years immediately preceding the filing of the claim.

"(C) If no claim was filed and the allowance of credit or refund is made within three years from the time the return was filed, during the three years immediately preceding the allowance of the credit or refund.

"(D) If no claim was filed, and (i) no return was filed or (ii) the allowance of the credit or refund is not made within three years from the time the return was filed, during the two years immediately preceding the allowance of the credit or refund.

"(b) PENALTIES, ETC.—The provisions of subsection (a) of this section shall apply to any penalty or sum assessed or collected with respect to the tax imposed by subchapter A of this chapter or subchapter D of this chapter.

"(c) DATE OF FILING RETURN AND DATE OF PAYMENT OF TAX.—For the purposes of this section—

"(1) If a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be considered filed on March 15 of such succeeding calendar year; and

"(2) If a tax with respect to remuneration paid during any period ending with or within a calendar year is paid before March 15 of the succeeding calendar year, such tax shall be considered paid on March 15 of such succeeding calendar year.

"(d) APPLICATION OF SECTION.—The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, or subchapter D of this chapter, which are required to be collected and paid by making and filing returns.

"(e) EFFECTIVE DATE.—The provisions of this section shall not apply to any tax paid or collected with respect to remuneration paid during any calendar year before 1951 or to any penalty or sum paid or collected with respect to such tax."

(b) (1) Section 3312 of the Internal Revenue Code is amended by inserting immediately after the words "gift taxes" (which words immediately precede subsection (a) thereof) a comma and the following: "and except as otherwise provided in section 1635 with respect to employment taxes under subchapters A and D of chapter 9".

(2) Section 3313 of the Internal Revenue Code is amended as follows:

(A) By inserting immediately after the words "and gift taxes,", where those words first appear in the section, the following: "and except as otherwise provided by law in the case of employment taxes under subchapters A and D of chapter 9,"; and

(B) By inserting immediately after the words "and gift taxes", where those words appear in the parenthetical phrase, a comma and the following: "and other than such employment taxes".

(3) Section 3645 of the Internal Revenue Code is amended by striking out "Employment taxes, section 3312." and inserting in lieu thereof the following: "Employment taxes, sections 1635 and 3312."

(4) Section 3714 (a) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"Employment taxes, see sections 1635 (d) and 3312 (d)."

(5) Section 3770 (a) (6) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"Employment taxes, see sections 1636 and 3313."

(6) Section 3772 (c) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"Employment taxes, see sections 1636 and 3313."

SELF-EMPLOYMENT INCOME

SEC. 208. (a) Chapter 1 of the Internal Revenue Code is amended by adding at the end thereof the following new subchapter:

"SUBCHAPTER E—TAX ON SELF-EMPLOYMENT INCOME

"SEC. 480. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid for each taxable year beginning after December 31, 1950, upon the self-employment income of every individual, a tax as follows:

"(1) In the case of any taxable year beginning after December 31, 1950, and before January 1, 1954, the tax shall be equal to 2¼ per centum of the amount of the self-employment income for such taxable year.

"(2) In the case of any taxable year beginning after December 31, 1953, and before January 1, 1960, the tax shall be equal to 3 per centum of the amount of the self-employment income for such taxable year.

"(3) In the case of any taxable year beginning after December 31, 1959, and before January 1, 1965, the tax shall be equal to 3¾ per centum of the amount of the self-employment income for such taxable year.

"(4) In the case of any taxable year beginning after December 31, 1964, and before January 1, 1970, the tax shall be equal to 4½ per centum of the amount of the self-employment income for such taxable year.

"(5) In the case of any taxable year beginning after December 31, 1969, the tax shall be equal to 4⅞ per centum of the amount of the self-employment income for such taxable year.

"SEC. 481. DEFINITIONS.

"For the purposes of this subchapter—

"(a) NET EARNINGS FROM SELF-EMPLOYMENT.—The term 'net earnings from self-employment' means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

"(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

"(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h); and there shall be excluded all deductions attributable to such income;

"(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political

subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a)) are received in the course of a trade or business as a dealer in stocks or securities;

"(4) There shall be excluded any gain or loss (A) which is considered as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

"(5) The deduction for net operating losses provided in section 23 (s) shall not be allowed;

"(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"(B) If any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

"(7) In the case of any taxable year beginning on or after the effective date specified in section 3810, (A) the term 'possession of the United States' as used in section 251 shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to January 1, 1951) ending within or with his taxable year.

"(b) SELF-EMPLOYMENT INCOME.—The term 'self-employment income' means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after December 31, 1950; except that such term shall not include—

"(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

"(2) *The net earnings from self-employment, if such net earnings for the taxable year are less than $400.*

For the purposes of clause (1) the term 'wages' includes such remuneration paid to an employee for services included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees) as would be wages under section 1426 (a) if such services constituted employment under section 1426 (b). In the case of any taxable year beginning prior to the effective date specified in section 3810, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States or of the Virgin Islands during such taxable year shall be considered, for the purposes of this subchapter, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 3810) a resident of Puerto Rico shall not, for the purposes of this subchapter, be considered to be a nonresident alien individual.

"(c) TRADE OR BUSINESS.—*The term 'trade or business', when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23, except that such term shall not include—*

"(1) *The performance of the functions of a public office;*

"(2) *The performance of service by an individual as an employee (other than service described in section 1426 (b) (16) (B) performed by an individual who has attained the age of eighteen);*

"(3) *The performance of service by an individual as an employee or employee representative as defined in section 1532;*

"(4) *The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or*

"(5) *The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.*

"(d) EMPLOYEE AND WAGES.—*The term 'employee' and the term 'wages' shall have the same meaning as when used in subchapter A of chapter 9.*

"SEC. 482. MISCELLANEOUS PROVISIONS.

"(a) RETURNS.—*Every individual (other than a nonresident alien individual) having net earnings from self-employment of $400 or more for the taxable year shall make a return containing such information for the purpose of carrying out the provisions of this subchapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Such return shall be considered a return required under section 51 (a). In the case of a husband and wife filing a joint return under section 51 (b), the tax imposed by this subchapter shall not be computed on the aggregate income but shall be the sum of the taxes computed under this subchapter on the separate self-employment income of each spouse.*

'(b) TITLE OF SUBCHAPTER.—*This subchapter may be cited as the 'Self-Employment Contributions Act'.*

"(c) EFFECTIVE DATE IN CASE OF PUERTO RICO.—*For effective date in case of Puerto Rico, see section 3810.*

"(d) COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO.—*For provisions relating to collection of taxes in Virgin Islands and Puerto Rico, see section 3811.*"

(b) *Chapter 38 of the Internal Revenue Code is amended by adding at the end thereof the following new sections:*

"SEC. 3810. EFFECTIVE DATE IN CASE OF PUERTO RICO.

"*If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of title II of the Social Security Act, the effective date referred to in sections 1426 (e), 481 (a) (7), and 481 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.*

"SEC. 3811. COLLECTION OF TAXES IN VIRGIN ISLANDS AND PUERTO RICO.

"*Notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by subchapter E of chapter 1 and by subchapter A of chapter 9 shall be collected by the Bureau of Internal Revenue under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections. All provisions of the internal revenue laws of the United States relating to the administration and enforcement of the tax imposed by subchapter E of chapter 1 (including the provisions relating to The Tax Court of the United States), and of any tax imposed by subchapter A of chapter 9, shall, in respect of such tax, extend to and be applicable in the Virgin Islands and Puerto Rico in the same manner and to the same extent as if the Virgin Islands and Puerto Rico were each a State, and as if the term "United States" when used in a geographical sense included the Virgin Islands and Puerto Rico.*

"SEC. 3812. MITIGATION OF EFFECT OF STATUTE OF LIMITATIONS AND OTHER PROVISIONS IN CASE OF RELATED TAXES UNDER DIFFERENT CHAPTERS.

"(a) SELF-EMPLOYMENT TAX AND TAX ON WAGES.—*In the case of the tax imposed by subchapter E of chapter 1 (relating to tax on self-employment income) and the tax imposed by section 1400 of subchapter A of chapter 9 (relating to tax on employees under the Federal Insurance Contributions Act)—*

"(1) (i) *if an amount is erroneously treated as self-employment income, or*

"(ii) *if an amount is erroneously treated as wages, and*

"(2) *if the correction of the error would require an assessment of one such tax and the refund or credit of the other tax, and*

"(3) *if at any time the correction of the error is authorized as to one such tax but is prevented as to the other tax by any law or rule of law (other than section 3761, relating to compromises),*

then, if the correction authorized is made, the amount of the assessment, or the amount of the credit or refund, as the case may be, authorized as to the one tax shall be reduced by the amount of the credit or refund, or the amount of the assessment, as the case may be, which would be required with respect to such other tax for the correction of the error if such credit or refund, or such assessment, of such other tax were not prevented by any law or rule of law (other than section 3761, relating to compromises).

"(b) DEFINITIONS.—For the purposes of subsection (a) of this section, the terms 'self-employment income' and 'wages' shall have the same meaning as when used in section 481 (b)."

(c) Section 3801 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"(g) TAXES IMPOSED BY CHAPTER 9.—The provisions of this section shall not be construed to apply to any tax imposed by chapter 9."

(d) (1) Section 3 of the Internal Revenue Code is amended by inserting at the end thereof the following:

"Subchapter E—Tax on Self-Employment Income (the Self-Employment Contributions Act), divided into sections."

(2) Section 12 (g) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"(6) Tax on Self-Employment Income.—For tax on self-employment income, see subchapter E."

(3) Section 31 of the Internal Revenue Code is amended by inserting immediately after the words "the tax" the following: "(other than the tax imposed by subchapter E, relating to tax on self-employment income)"; and section 131 (a) of the Internal Revenue Code is amended by inserting immediately after the words "except the tax imposed under section 102" the following: "and except the tax imposed under subchapter E".

(4) Section 58 (b) (1) of the Internal Revenue Code is amended by inserting immediately after the words "withheld at source" the following: "and without regard to the tax imposed by subchapter E on self-employment income".

(5) Section 107 of the Internal Revenue Code is amended by inserting at the end thereof the following new subsection:

"(e) TAX ON SELF-EMPLOYMENT INCOME.—This section shall be applied without regard to, and shall not affect, the tax imposed by subchapter E, relating to tax on self-employment income."

(6) Section 120 of the Internal Revenue Code is amended by inserting immediately after the words "amount of income" the following: "(determined without regard to subchapter E, relating to tax on self-employment income)".

(7) Section 161 (a) of the Internal Revenue Code is amended by inserting immediately after the words "The taxes imposed by this chapter" the following: "(other than the tax imposed by subchapter E, relating to tax on self-employment income)".

(8) Section 294 (d) of the Internal Revenue Code is amended by inserting at the end thereof the following new paragraph:

"(3) TAX ON SELF-EMPLOYMENT INCOME.—This subsection shall be applied without regard to the tax imposed by subchapter E, relating to tax on self-employment income."

MISCELLANEOUS AMENDMENTS

SEC. 209. (a) (1) Section 1607 (b) of the Internal Revenue Code is amended to read as follows:

"(b) WAGES.—The term 'wages' means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,000 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,000 to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

"(2) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"(5) Any payment made to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an

annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

"(7) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business;

"(8) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made;

"(9) Dismissal payments which the employer is not legally required to make."

(2) The amendment made by paragraph (1) shall be applicable only with respect to remuneration paid after 1950. In the case of remuneration paid prior to 1951, the determination under section 1607 (b) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if paragraph (1) of this subsection had not been enacted and without inferences drawn from the fact that the amendment made by paragraph (1) is not made applicable to periods prior to 1951.

(3) Effective with respect to remuneration paid after December 31, 1951, section 1607 (b) of the Internal Revenue Code is amended by changing the semicolon at the end of paragraph (8) to a period and by striking out paragraph (9) thereof.

(b) (1) Section 1607 (c) (3) of the Internal Revenue Code is amended to read as follows:

"(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter;".

(2) Section 1607 (c) (10) (A) (i) of the Internal Revenue Code is amended by striking out "does not exceed $45" and inserting in lieu thereof "is less than $50".

(3) Section 1607 (c) (10) (E) of the Internal Revenue Code is amended by striking out "in any calendar quarter" and by striking out ", and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition)".

(4) The amendments made by paragraphs (1), (2), and (3) shall be applicable only with respect to service performed after 1950.

(c) (1) Section 1621 (a) (4) of the Internal Revenue Code is amended to read as follows:

"(4) for service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter, or".

(2) Section 1621 (a) of the Internal Revenue Code is amended by striking out paragraph (9) thereof and inserting in lieu thereof the following:

"(9) for services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order, or

"(10) (A) for services performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution, or

"(B) for services performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magzines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back, or

"(11) for services not in the course of the employer's trade or business, to the extent paid in any medium other than cash, or

"(12) to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6)."

(3) The amendments made by paragraphs (1) and (2) shall be applicable only with respect to remuneration paid after 1950.

(d) (1) Section 1631 of the Internal Revenue Code is amended to read as follows:

'SEC. 1631. FAILURE OF EMPLOYER TO FILE RETURN.

"In case of a failure to make and file any return required under this chapter within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not to willful neglect, the addition to the tax or taxes required to be shown on such return shall not be less than $5."

(2) The amendment made by paragraph (1) shall be applicable only with respect to returns filed after December 31, 1950.

(e) If a corporation (hereinafter referred to as a predecessor) incorporated under the laws of one State is succeeded after 1945 and before 1951 by another corporation (hereinafter referred to as a successor) incorporated under the laws of another State, and if immediately upon the succession the business of the successor is identical with that of the predecessor and, except for qualifying shares, the proportionate interest of each shareholder in the successor is identical with his proportionate interest in the predecessor, and if in connection with the succession the predecessor is dissolved or merged into the successor, and if the predecessor and the successor are employers under the Federal Insurance Contributions Act and the Federal Unemployment Tax Act in the calendar year in which the succession takes place, then—

(1) the predecessor and successor corporations, for purposes only of the application of the $3,000 limitation in the definition of wages under such Acts, shall be considered as one employer for such calendar year, and

(2) the successor shall, subject to the applicable statutes of limitations, be entitled to a credit or refund, without interest, of any tax under section 1410 of the Federal Insurance Contributions Act or section 1600 of the Federal Unemployment Tax Act (together with any interest or penalty thereon) paid with respect to remuneration paid by the successor during such calendar year which would not have been subject to tax under such Acts if the remuneration had been paid by the predecessor.

TITLE III—AMENDMENTS TO PUBLIC ASSISTANCE AND MATERNAL AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT

PART 1—OLD-AGE ASSISTANCE

REQUIREMENTS OF STATE OLD-AGE ASSISTANCE PLANS

SEC. 301. (a) Clause (4) of subsection (a) of section 2 of the Social Security Act is amended to read: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for old-age assistance is denied or is not acted upon with reasonable promptness.

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(9) provide that all individuals wishing to make application for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished with reasonable promptness to all eligible individuals; and (10) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(c) The amendments made by subsections (a) and (b) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF OLD-AGE ASSISTANCE

SEC. 302. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals who received old-age assistance for such month; plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

DEFINITION OF OLD-AGE ASSISTANCE

SEC. 303. (a) Section 6 of the Social Security Act is amended to read as follows:

"DEFINITION

"SEC. 6. For the purposes of this title, the term 'old-age assistance' means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are sixty-five years of age or older, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

(b) The amendment made by subsection (a) shall take effect October 1, 1950, except that the exclusion of money payments to needy individuals described in clause (a) or (b) of section 6 of the Social Security Act as so amended shall, in the case of any of such individuals who are not patients in a public institution, be effective July 1, 1952.

PART 2—AID TO DEPENDENT CHILDREN

REQUIREMENTS OF STATE PLANS FOR AID TO DEPENDENT CHILDREN

SEC. 321. (a) Effective July 1, 1951, clause (4) of subsection (a) of section 402 of the Social Security Act is amended to read as follows: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to dependent children is denied or is not acted upon with reasonable promptness;".

(b) Such subsection is further amended by striking out "and" before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(9) provide, effective July 1, 1951, that all individuals wishing to make application for aid to dependent children shall have opportunity to do so, and that aid to dependent children shall be furnished with reasonable promptness to all eligible individuals; (10) effective July 1, 1952, provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children in respect of a child who has been deserted or abandoned by a parent; and (11) provide, effective October 1, 1950, that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act."

(c) Effective July 1, 1952, clause (2) of subsection (b) of section 402 of the Social Security Act is amended to read as follows: "(2) who was born within one year immediately preceding the application, if the parent or other relative with whom the child is living has resided in the State for one year immediately preceding the birth".

COMPUTATION OF FEDERAL PORTION OF AID TO DEPENDENT CHILDREN

SEC. 322. (a) Section 403 (a) of the Social Security Act is amended to read as follows:

"SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $27, or if there is more than one dependent child in the same home, as exceeds $27 with respect to one such dependent child and $18 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $27—

"(A) three-fourths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $12 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 with respect to one such dependent child and $12 with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

DEFINITION OF AID TO DEPENDENT CHILDREN

SEC. 323. (a) Section 406 of the Social Security Act is amended by striking out subsection (b) and inserting in lieu thereof the following:

"(b) The term 'aid to dependent children' means money payments with respect to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, a dependent child or dependent children, and (except when used in clause (2) of section 403 (a)) includes money payments or medical care or any type of remedial care recognized under State law for any month to meet the needs of the relative with whom any dependent child is living if money payments have been made under the State plan with respect to such child for such month;

"(c) The term 'relative with whom any dependent child is living' means the individual who is one of the relatives specified in subsection (a) and with whom such child is living (within the meaning of such subsection) in a place of residence maintained by such individual (himself or together with any one or more of the other relatives so specified) as his (or their) own home."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

PART 3—MATERNAL AND CHILD WELFARE

SEC. 331. (a) Section 501 of the Social Security Act is amended by striking out "there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of $11,000,000" and inserting in lieu thereof "there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of $15,000,000, and for each fiscal year beginning after June 30, 1951, the sum of $16,500,000".

(b) So much of section 502 of the Social Security Act as precedes subsection (c) is amended to read as follows:

"ALLOTMENTS TO STATES

"SEC. 502. (a) (1) Out of the sums appropriated pursuant to section 501 for the fiscal year ending June 30, 1951, the Federal Security Administrator shall allot $7,500,000 as follows: He shall allot to each State $60,000 and shall allot each State such part of the remainder of the $7,500,000 as he finds that the number of live births in such State bore

to the total number of live births in the United States, in the latest calendar year for which the Administrator has available statistics.

"(2) Out of the sums appropriated pursuant to section 501 for each fiscal year beginning after June 30, 1951, the Federal Security Administrator shall allot $8,250,000 as follows: He shall allot to each State $60,000 and shall allot each State such part of the remainder of the $8,250,000 as he finds that the number of live births in such State bore to the total number of live births in the United States, in the latest calendar year for which the Administrator has available statistics.

"(b) Out of the sums appropriated pursuant to section 501 the Administrator shall allot to the States (in addition to the allotments made under subsection (a)) for the fiscal year ending June 30, 1951, the sum of $7,500,000, and for each fiscal year beginning after June 30, 1951, the sum of $8,250,000. Such sums shall be allotted according to the financial need of each State for assistance in carrying out its State plan, as determined by the Administrator after taking into consideration the number of live births in such State."

(c) Section 511 of the Social Security Act is amended by striking out "there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of $7,500,000" and inserting in lieu thereof "there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of $12,000,000, and for each fiscal year beginning after June 30, 1951, the sum of $15,000,000".

(d) So much of section 512 of the Social Security Act as precedes subsection (c) is amended to read as follows:

"ALLOTMENTS TO STATES

"SEC. 512. (a) (1) Out of the sums appropriated pursuant to section 511 for the fiscal year ending June 30, 1951, the Federal Security Administrator shall allot $6,000,000 as follows: He shall allot to each State $60,000, and shall allot the remainder of the $6,000,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

"(2) Out of the sums appropriated pursuant to section 511 for each fiscal year beginning after June 30, 1951, the Federal Security Administrator shall allot $7,500,000 as follows: he shall allot to each State $60,000, and shall allot the remainder of the $7,500,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

"(b) Out of the sums appropriated pursuant to section 511 the Administrator shall allot to the States (in addition to the allotments made under subsection (a)) for the fiscal year ending June 30, 1951, the sum of $6,000,000, and for each fiscal year beginning after June 30, 1951, the sum of $7,500,000. Such sums shall be allotted according to the financial need of each State for assistance in carrying out its State plan, as determined by the Administrator after taking into consideration the number of crippled children in each State in need of the services referred to in section 511 and the cost of furnishing such services to them."

(e) Section 521 (a) of the Social Security Act is amended by striking out "$3,500,000" and inserting in lieu thereof "$10,000,000", by striking

out "$20,000" and inserting in lieu thereof "$40,000", by striking out in the second sentence "as the rural population of such State bears to the total rural population of the United States" and inserting in lieu thereof "as the rural population of such State under the age of eighteen bears to the total rural population of the United States under such age", and by striking out the third sentence thereof and inserting in lieu of such sentence the following: "The amount so allotted shall be expended for payment of part of the cost of district, county, or other local child-welfare services in areas predominantly rural, for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need, and for paying the cost of returning any runaway child who has not attained the age of sixteen to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met: Provided, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the States and local communities as may be authorized by the State."

(f) The amendments made by the preceding subsections of this section shall be effective with respect to fiscal years beginning after June 30, 1950.

PART 4—AID TO THE BLIND

REQUIREMENTS OF STATE PLANS FOR AID TO THE BLIND

SEC. 341. (a) Clause (4) of subsection (a) of section 1002 of the Social Security Act is amended to read as follows: "(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon with reasonable promptness;".

(b) Clause (7) of such subsection is amended to read as follows: "(7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act or aid to dependent children under the State plan approved under section 402 of this Act;".

(c) (1) Effective for the period beginning October 1, 1950, and ending June 30, 1952, clause (8) of such subsection is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that the State agency may, in making such determination, disregard not to exceed $50 per month of earned income;".

(2) Effective July 1, 1952, such clause (8) is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first $50 per month of earned income;".

(d) Such subsection is further amended by striking out "and" before clause (9) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: "(10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist; (11) effective July 1, 1951, provide that all

individuals wishing to make appliaction for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished with reasonable promptness to all eligible individuals; and (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions."

(e) Effective July 1, 1952, clause (10) of such subsection is amended to read as follows: "(10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select;".

(f) The amendments made by subsections (b) and (d) shall take effect October 1, 1950; and the amendment made by subsection (a) shall take effect July 1, 1951.

COMPUTATION OF FEDERAL PORTION OF AID TO THE BLIND

SEC. 342. (a) Section 1003 (a) of the Social Security Act is amended to read as follows:

"SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose."

(b) The amendment made by subsection (a) shall take effect October 1, 1950.

DEFINITION OF AID TO THE BLIND

SEC. 343. (a) Section 1006 of the Social Security Act is amended to read as follows:

"DEFINITION

"SEC. 1006. For the purposes of this title, the term 'aid to the blind' means money payments to, or medical care in behalf of or any type of

remedial care recognized under State law in behalf of, blind individuals who are needy, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

(b) The amendment made by subsection (a) shall take effect October 1, 1950, except that the exclusion of money payments to needy individuals described in clause (a) or (b) of section 1006 of the Social Security Act as so amended shall, in the case of any of such individuals who are not patients in a public institution, be effective July 1, 1952.

APPROVAL OF CERTAIN STATE PLANS

SEC. 344. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950, and ending June 30, 1955.

PART 5—AID TO THE PERMANENTLY AND TOTALLY DISABLED

SEC. 351. The Social Security Act is further amended by adding after title XIII thereof the following new title:

"TITLE XIV—GRANTS TO STATES FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

"APPROPRIATION

"SEC. 1401. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals eighteen years of age or older who are permanently and totally disabled, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of $50,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Administrator, State plans for aid to the permanently and totally disabled.

"STATE PLANS FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

"SEC. 1402. (a) A State plan for aid to the permanently and totally disabled must (1) provide that it shall be in effect in all political sub-

divisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the permanently and totally disabled is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Administrator to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act, aid to dependent children under the State plan approved under section 402 of this Act, or aid to the blind under the State plan approved under section 1002 of this Act; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the permanently and totally disabled; (9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the permanently and totally disabled; (10) provide that all individuals wishing to make application for aid to the permanently and totally disabled shall have opportunity to do so, and that aid to the permanently and totally disabled shall be furnished with reasonable promptness to all eligible individuals; and (11) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.

"(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for aid to the permanently and totally disabled under the plan—

"(1) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for aid to the permanently and totally disabled and has resided therein continuously for one year immediately preceding the application;

"(2) Any citizenship requirement which excludes any citizen of the United States.

"PAYMENT TO STATES

"SEC. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with

the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

"(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose.

"(b) The method of computing and paying such amounts shall be as follows:

"(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of permanently and totally disabled individuals in the State, and (C) such other investigation as the Administrator may find necessary.

"(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the permanently and totally disabled furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: Provided, That any part of the amount recovered from the estate of a deceased recipient which is not

in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall not be considered as a basis for reduction under clause (B) of this paragraph.

"(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

"OPERATION OF STATE PLANS

"SEC. 1404. In the case of any State plan for aid to the permanently and totally disabled which has been approved by the Administrator, if the Administrator after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

"(1) that the plan has been so changed as to impose any residence or citizenship requirement prohibited by section 1402 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

"(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 1402 (a) to be included in the plan;

the Administrator shall notify such State agency that further payments will not be made to the State until he is satified that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

"DEFINITION

"SEC. 1405. For the purposes of this title, the term 'aid to the permanently and totally disabled' means money payments to, or medical care in behalf of, or any type of remedial care recognized under State law in behalf of, needy individuals eighteen years of age or older who are permanently and totally disabled, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

PART 6—MISCELLANEOUS AMENDMENTS

SEC. 361. (a) Section 1 of the Social Security Act is amended by striking out "Social Security Board established by Title VII (hereinafter referred to as the 'Board')" and inserting in lieu thereof "Federal Security Administrator (hereinafter referred to as the 'Administrator')".

(b) Section 1001 of the Social Security Act is amended by striking out "Social Security Board" and inserting in lieu thereof "Administrator".

(c) The following provisions of the Social Security Act are each amended by striking out "Board" and inserting in lieu thereof "Administrator": Sections 2 (a) (5); 2 (a) (6); 2 (b); 3 (b); 4; 402 (a) (5);

402 (a) (6); 402 (b); 403 (b); 404; 702; 703; 1002 (a) (5); 1002 (a) (6); 1002 (b); 1003 (b); and 1004.

(d) The following provisions of the Social Security Act are each amended by striking out (when they refer to the Social Security Board) "it" or "its" and inserting in lieu thereof "he", "him", or "his", as the context may require: Sections 2 (b); 3 (b); 4; 402 (b); 403 (b); 404; 702; 703; 1002 (b); 1003 (b); and 1004.

(e) Title V of the Social Security Act is amended by striking out "Children's Bureau", "Chief of the Children's Bureau", "Secretary of Labor", and (in sections 503 (a) and 513 (a)) "Board" and inserting in lieu thereof "Administrator".

(f) The heading of title VII of the Social Security Act is amended to read "ADMINISTRATION".

(g) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"LIMITATION ON PAYMENTS TO PUERTO RICO AND THE VIRGIN ISLANDS

"SEC. 1108. The total amount certified by the Administrator under titles I, IV, X, and XIV, for payment to Puerto Rico with respect to any fiscal year shall not exceed $4,250,000; and the total amount certified by the Administrator under such titles for payment to the Virgin Islands with respect to any fiscal year shall not exceed $160,000."

TITLE IV—MISCELLANEOUS PROVISIONS

"OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

SEC. 401. (a) Section 701 of the Social Security Act is amended to read:

"OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

"SEC. 701. There shall be in the Federal Security Agency a Commissioner for Social Security, appointed by the Administrator, who shall perform such functions relating to social security as the Administrator shall assign to him."

(b) Section 908 of the Social Security Act Amendments of 1939 is repealed.

REPORTS TO CONGRESS

SEC. 402. (a) Subsection (c) of section 541 of the Social Security Act is repealed.

(b) Section 704 of such Act is amended to read:

"REPORTS

"SEC. 704. The Administrator shall make a full report to Congress, at the beginning of each regular session, of the administration of the functions with which he is charged under this Act. In addition to the number of copies of such report authorized by other law to be printed, there is hereby authorized to be printed not more than five thousand copies of such report for use by the Administrator for distribution to Members of Congress and to State and other public or private agencies or organizations participating in or concerned with the social security program."

AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

SEC. 403. (a) (1) Paragraph (1) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(1) The term 'State' includes Alaska, Hawaii, and the District of Columbia, and when used in titles I, IV, V, X, and XIV includes Puerto Rico and the Virgin Islands."

(2) Paragraph (6) of section 1101 (a) of the Social Security Act is amended to read as follows:

"(6) The term 'Administrator', except when the context otherwise requires, means the Federal Security Administrator."

(3) The amendment made by paragraph (1) of this subsection shall take effect October 1, 1950, and the amendment made by paragraph (2) of this subsection, insofar as it repeals the definition of "employee", shall be effective only with respect to services performed after 1950.

(b) Effective October 1, 1950, section 1101 (a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(7) The terms 'physician' and 'medical care' and 'hospitalization' include osteopathic practitioners or the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law."

(c) Section 1102 of the Social Security Act is amended by striking out "Social Security Board" and inserting in lieu thereof "Federal Security Administrator".

(d) Section 1106 of the Social Security Act is amended to read as follows:

"DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY

"SEC. 1106. (a) No disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code, or under regulations made under authority thereof, which has been transmitted to the Administrator by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Administrator or by any officer or employee of the Federal Security Agency in the course of discharging the duties of the Administrator under this Act, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Administrator or from any officer or employee of the Federal Security Agency, shall be made except as the Administrator may by regulations prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding $1,000, or by imprisonment not exceeding one year, or both.

"(b) Requests for information, disclosure of which is authorized by regulations prescribed pursuant to subsection (a) of this section, may be complied with if the agency, person, or organization making the request agrees to pay for the information requested in such amount, if any (not exceeding the cost of furnishing the information), as may be determined by the Administrator. Payments for information furnished pursuant to this section shall be made in advance or by way of reimbursement, as

may be requested by the Administrator, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-Age and Survivors Insurance Trust Fund) for the unit or units of the Federal Security Agency which prepared or furnished the information."

(e) Section 1107 (a) of the Social Security Act is amended by striking out "the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act," and inserting in lieu thereof the following: "subchapter E of chapter 1 or subchapter A, C, or E of chapter 9 of the Internal Revenue Code,".

(f) Section 1107 (b) of the Social Security Act is amended by striking out "Board" and inserting in lieu thereof "Administrator", and by striking out "wife, parent, or child", wherever appearing therein, and inserting in lieu thereof "wife, husband, widow, widower, former wife divorced, child, or parent".

ADVANCES TO STATE UNEMPLOYMENT FUNDS

SEC. 404. (a) Section 1201 (a) of the Social Security Act is amended by striking out "January 1, 1950" and inserting in lieu thereof "January 1, 1952".

(b) (1) Clause (2) of the second sentence of section 904 (h) of the Social Security Act is amended to read: "(2) the excess of the taxes collected in each fiscal year beginning after June 30, 1946, and ending prior to July 1, 1951, under the Federal Unemployment Tax Act, over the unemployment administrative expenditures made in such year, and the excess of such taxes collected during the period beginning on July 1, 1951, and ending on December 31, 1951, over the unemployment administrative expenditures made during such period."

(2) The third sentence of section 904 (h) of the Social Security Act is amended by striking out "April 1, 1950" and inserting in lieu thereof "April 1, 1952".

(c) The amendments made by subsections (a) and (b) of this section shall be effective as of January 1, 1950.

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

SEC. 405. (a) Section 1603 (c) of the Internal Revenue Code is amended (1) by striking out the phrase "changed its law" and inserting in lieu thereof "amended its law", and (2) by adding before the period at the end thereof the following: "and such finding has become effective. Such finding shall become effective on the ninetieth day after the Governor of the State has been notified thereof unless the State has before such ninetieth day so amended its law that it will comply substantially with the Secretary of Labor's interpretation of the provision of subsection (a), in which event such finding shall not become effective. No finding of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State".

(b) Section 303 (b) of the Social Security Act is amended by inserting before the period at the end thereof the following: ": Provided, That there shall be no finding under clause (1) until the question of entitlement shall have been decided by the highest judicial authority given jurisdiction

under such State law: Provided further, That any costs may be paid with respect to any claimant by a State and included as costs of administration of its law".

SUSPENDING APPLICATION OF CERTAIN PROVISIONS OF CRIMINAL CODE TO CERTAIN PERSONS

SEC. 406. Service or employment of any person to assist the Senate Committee on Finance, or its duly authorized subcommittee, in the investigation ordered by S. Res. 300, agreed to June 20, 1950, shall not be considered as service or employment bringing such person within the provisions of section 281, 283, or 284 of title 18 of the United States Code, or any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

REORGANIZATION PLAN NO. 26 OF 1950

SEC. 407. For the purposes of section 1 (a) of Reorganization Plan No. 26 of 1950, this Act shall be deemed to have been enacted prior to the effective date of such plan.

And the Senate agree to the same.

R. L. Doughton,
W. D. Mills,
A. Sidney Camp,
Daniel A. Reed,
Roy O. Woodruff,
Thomas A. Jenkins,
Managers on the Part of the House.

Walter F. George,
Tom Connally,
Harry F. Byrd,
E. D. Millikin,
Robert A. Taft,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two houses on the amendment of the Senate to the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report.

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute amendment. The conference agreement is a substitute for both the House bill and the Senate amendment. Except for clarifying, clerical, technical, and necessary conforming changes, the following statement explains the differences between the House bill, the Senate amendment, and the substitute agreed to in conference:

OLD-AGE AND SURVIVORS INSURANCE

COVERAGE

Definition of Employment

Agricultural labor

The House bill continued the exclusion under existing law of agricultural labor from the definition of "employment," although the House bill narrowed the definition of "agricultural labor." The Senate amendment excluded from the definition of "employment" agricultural labor performed in any calendar quarter by an employee, but only if the cash remuneration paid for such service is less than $50 or the service is performed by an individual who is not regularly employed by the employer to perform such service. The Senate amendment further provided that for this purpose an individual is deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some 60 days during the calendar quarter such individual performs agricultural labor for such employer for some portion of the day, or (ii) such individual was regularly employed (determined in accordance with the test in the preceding clause) by such employer in the performance of service of the prescribed character during the preceding calendar quarter. The amendment provided that remuneration paid for such service in any medium other than cash would not constitute wages.

The Senate amendment, however, did not apply in the case of service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton. Such service is specifically excepted from employment under the Senate amendment, regardless of the

amount of the remuneration paid for, or the regularity of the performance of, such service. This specific exclusion from employment under the Senate amendment of service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, applies only to service performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, provided such processing is carried on by the original producer of such crude gum.

The conference agreement adopts the Senate provision with a change in the test of when an individual is deemed to be regularly employed in performing agricultural labor for an employer. Under the conference agreement, an individual is deemed to be regularly employed by an employer during a calendar quarter (including the first quarter of 1951) only if (i) such individual performs agricultural labor (other than services in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton) for such employer on a full-time basis on 60 days (whether or not consecutive) during the quarter, and (ii) the quarter was immediately preceded by a qualifying quarter. A qualifying quarter is defined as (I) any quarter during all of which the individual was continuously employed by the employer, or (II) any subsequent quarter meeting the test of clause (i) above if, after the last quarter during all of which the individual was continuously employed by the employer, each intervening quarter met the test of clause (i). An individual is also deemed to be regularly employed by an employer during a calendar quarter if he was regularly employed (upon application of clauses (i) and (ii)) by the employer during the preceding calendar quarter. Under the conference agreement remuneration for services in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, is not counted for purposes of the $50 cash wage test.

The Senate amendment adopted the definition contained in the House bill of the term "agricultural labor" except that the Senate amendment adds to the list of service constituting agricultural labor the following: Service performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes; and service not in the course of the employer's trade or business or domestic service in a private home of the employer, if such service is performed on a farm operated for profit. The conference agreement adopts the House provision with the additions made by the Senate amendment.

Domestic workers

The House bill excluded from employment service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed in any calendar quarter by an employee, but only if the cash remuneration paid to an individual for such service is less than $25, or such service is performed by an

individual who is not regularly employed by the employer to perform such service. For the purposes of the exception, an individual is deemed to be regularly employed by an employer during a calendar quarter only if (i) such individual performs for such employer service of the prescribed character during some portion of at least 26 days during the calendar quarter, or (ii) such individual is regularly employed (determined in accordance with clause (i)) by such employer in the performance of service of the prescribed character during the preceding calendar quarter, The Senate amendment modified the House bill by requiring $50 of cash wages instead of $25 of cash wages earned in the quarter; and providing that the test of regularity be based upon performance of services on each of some 24 days during a quarter rather than 26 days.

The conference agreement adopts the Senate amendment as to service not in the course of the employer's trade or business. The agreement also conforms with the policy of the Senate amendment with respect to domestic service, but the cash test of $50 is changed from a remuneration earned in the quarter basis to a remuneration paid in the quarter basis. Under the conference agreement, cash remuneration received by an employee in a calendar quarter for domestic service in a private home of the employer does not constitute wages unless the cash remuneration for such service received by the employee from the employer in such quarter is $50 or more, and the employee is regularly employed by the employer in such quarter of payment in the performance of such service.

The House bill excepted from employment service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed on a farm operated for profit. The Senate amendment omitted this provision because of its amendment (adopted under the conference agreement) including such service within the definition of agricultural labor. The conference agreement conforms with the Senate action.

Federal employees

The House bill excluded from employment service performed in the employ of the United States Government or in the employ of any instrumentality of the United States Government which is partly or wholly owned by the United States but only if (1) such service is covered by a retirement system established by a law of the United States for employees of the United States or of such instrumentality, or (2) the service is of the character described in any one of a list of 13 special classes of excepted services. The Senate amendment adopted the general policies of the House bill except for one area of Federal employment. The large group covered under the Senate amendment and not under the House bill consists of employees serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment; and the conference agreement extends coverage to this group.

The conference agreement contains three separate subparagraphs. Subparagraph (A) excepts from employment service performed in the employ of the United States or of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States. Determinations as to whether the particular service is covered by a retirement system of the requisite

character are to be made on the basis of whether such service is covered under a law enacted by the Congress of the United States which specifically provides for the establishment of such retirement system. Subparagraph (B) excepts from employment service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code on December 31, 1950. This provision can apply in the case of an instrumentality created after 1950 if such instrumentality, had it been in existence on December 31, 1950, would have been exempt from such tax by reason of a provision of law in effect on that date. The exception from employment under subparagraph (B) does not apply to (i) service performed in the employ of a corporation which is wholly owned by the United States (but such service, of course, is not included as employment if the service is excluded upon application of the rules contained in subparagraph (A) or (C)); (ii) service performed in the employ of a national farm loan association, a production credit association, a Federal Reserve bank, or a Federal credit union; (iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; (iv) service performed by a civilian employee, who is not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force motion picture service, Navy exchanges, Marine Corps exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department. Subparagraph (C) excepts from employment service performed in the employ of the United States or in the employ of any instrumentality of the United States if the service is of the character described in any one of a list of 13 special classes of excepted services. These 13 special classes of excepted services include the 12 special classes of excepted services listed in the Senate amendment and, in addition, service performed by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system (either established by a law of the United States or by the agency or instrumentality for which the service is performed).

Employees of transportation systems operated by a State or political subdivision

The House bill included as employment service performed in the employ of a political subdivision of a State (including an instrumentality of one or more subdivisions) in connection with the operation of a public transportation system if such service is performed by an employee who (i) became an employee of the political subdivision in connection with and at the time of its acquisition after 1936 of the transportation system or any part thereof, and (ii) prior to the acquisition rendered services which constituted employment (for social-security-coverage purposes) in connection with the operation of the transportation system or part thereof acquired by the political subdivision. Under the House provision if a city acquired a transportation system in 1930, and in 1940 acquired from private ownership a bus line which became part of the city transportation system, only the

employees taken over from the privately owned bus line would be covered for social-security purposes. Other employees working for the city in connection with the operation of its transportation system, including employees hired after the acquisition of the bus line, would not have been covered under the House provision.

However, in the case of employees taken over by a political subdivision in connection with an acquisition made prior to the effective date of the provisions in the House bill amending the definition of employment, the House bill provided that if the political subdivision filed with the Commissioner of Internal Revenue prior to such effective date a statement that it did not favor the coverage of any employee who became an employee in connection with acquisitions made before such effective date, then the services of such employees would not constitute employment.

The Senate amendment provided for the inclusion as employment of all service performed in the employ of a State or political subdivision (or instrumentality) in connection with the operation of any public-transportation system the whole or any part of which was acquired after 1936. The Senate amendment did not limit coverage to those employees taken over from private employers at the time of such acquisition.

The conference agreement adopts the provision of the Senate amendment as the general rule to be applied, but the agreement sets forth certain conditions and circumstances under which none, or only some, of the employees will be covered.

Under the conference agreement, if the State or political subdivision acquires a transportation system, or any part thereof, from private ownership after 1936 and before 1951, all employees (with respect to services rendered after 1950 in connection with the operation of the transportation system) will be covered unless—

(i) The State or political subdivision on December 31, 1950, has a general retirement system (a defined term) in effect, covering substantially all services performed in connection with the operation of the transportation system; and

(ii) Such general retirement system provides benefits which are protected from diminution or impairment under the State constitution by reason of an express provision, dealing specifically with retirement systems established by the State or subdivisions of the State, which forbids such diminution or impairment.

A constitutional provision permitting diminution or impairment by action of the legislature would not qualify, under the conference agreement, as a constitutional provision described in clause (ii).

If the State or political subdivision made an acquisition described in the preceding paragraph and the employees are not covered under a general retirement system described in clause (ii) above, all service in connection with the transportation system will constitute employment, including the service of all employees hired after 1950 and including the service of employees who did not work for the private employer from whom the State or political subdivision acquired its transportation system.

If the State or political subdivision which acquired part of its transportation system after 1936 and before 1951 had on December 31, 1950, a general retirement system covering the services of its transpor-

tation employees, and the tests of clause (i) and (ii) are both satisfied, none of the employees (subject to a limited exception set forth in the following paragraph) would be covered. This exclusion from employment will apply even in the case of employees who worked for the private employer from whom the State or political subdivision acquired the transportation system (or part thereof) and who became employees of the State or political subdivision in connection with the acquisition.

The conference agreement provides, however, in the case of a transportation system in which service is not employment by reason of rules set forth in the preceding paragraphs, that if the State or political subdivision makes a new acquisition from private ownership after 1950 of an addition to its transportation system, then in the case of any employee who—

(A) Became an employee of the State or political subdivision in connection with and at the time of its acquisition (after 1950) of the addition to its transportation system, and

(B) Prior to such acquisition rendered service which constituted employment (for social-security-coverage purposes) in connection with the operation of the addition to the transportation system acquired by the State or political subdivision,

the service of such employee (in connection with any part of the transportation system) shall constitute employment, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of the new addition took place, unless on such first day the service of the employee is covered by a general retirement system which does not contain special provisions applicable only to employees taken over by the State or political subdivision in connection with such acquisition.

The rule of the immediately preceding paragraph is, under the conference agreement, applicable in one other situation. If a State or political subdivision is operating a public transportation system on December 31, 1950, but no part of the system was acquired after 1936 and before 1951, none of the service of the employees will constitute employment unless the State or political subdivision makes an acquisition on or after January 1, 1951, from private ownership of an addition to its existing system. In the case of such an acquisition of a part of its transportation system, the employees taken over by a State or political subdivision at the time and in connection with such acquisition will be covered, or not covered, upon application of the rule set forth in the preceding paragraph. Employees of the public transportation system not taken over from private ownership at the time of such acquisition would not be affected at all—their service would remain excluded from employment.

In the case of a State or political subdivision which does not operate on December 31, 1950, a transportation system, but acquires a transportation system after such date, the conference agreement provides that all service performed in connection with the operation of the acquired transportation system will constitute employment, unless at the time the first part of such transportation system is acquired by it from private ownership the State or political subdivision has a general retirement system covering substantially all the service performed in the operation of the transportation system.

The term "general retirement system" is defined to mean any pension, annuity, retirement, or similar fund or system established by a

State or political subdivision for employees of the State, political subdivision, or both, but does not include a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

A transportation system or part thereof is considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or the acquired part constituted employment (for social-security-coverage purposes) and some of such employees became employees of the State or political subdivision in connection with and at the time of such acquisition.

The term "political subdivision" is defined to include an instrumentality of a State, of one or more State political subdivisions, or of a State and one or more of its political subdivisions.

Coverage of State and local employees under compacts

The House bill provided for the extension of old-age and survivors insurance coverage to employees of State and local governments under agreements negotiated between the States and the Federal Security Administrator. The House bill also permitted the employees of State and local governments, covered by State or local government retirement systems, to be included in such agreements if two-thirds of the employees consented to be covered under the program. The Senate amendment modified the House provisions. It excluded from the purview of such agreements employees of States and local governments covered by State and local government retirement systems. The Senate amendment further provided for the establishment of separate coverage groups of employees engaged in the performance of single proprietary functions. The conference agreement adopts the Senate provisions.

Employees of religious, charitable, and certain other nonprofit organizations

Under the House bill, employees of religious, charitable, educational, and other organizations exempt from income tax under section 101 (6) of the Internal Revenue Code were covered on a compulsory basis. The House bill, however, granted an exemption to such organizations from the tax imposed on the employer under section 1410 of such code. Provision was made for waiver by the organization of such exemption. If the exemption from taxation was not waived, the employees of the organization would, for the purpose of computing insured status and average monthly wage, receive wage credits for only one-half of the wages paid. An organization waiving its exemption from tax was permitted, under the House bill, to regain its tax-exempt status by giving a 2 years' notice. Such notice of termination could not be given prior to the expiration of 5 years following the effective date of the waiver period.

The Senate amendment provided for compulsory coverage of organizations which are not organized and operated primarily for religious purposes or which are not owned and operated by one or more organizations operating primarily for religious purposes. The organ-

izations whose employees were covered under the compulsory basis were, under the Senate amendment, subject, on a compulsory basis, to the employers' tax imposed under section 1410 of the Internal Revenue Code. The employees of such organizations were also subject, on a compulsory basis, to the employees' tax imposed under section 1400 of the code. In the case of religious organizations, or organizations owned and operated by religious organizations, provision was made under the Senate amendment for coverage of employees upon filing a statement with the Commissioner of Internal Revenue that the organization desired to have the old-age and survivors insurance system extended to its employees. If such a statement was once filed, it could not thereafter be revoked by the organization.

The conference agreement differs from both the House bill and the Senate amendment. Under the conference agreement service performed in the employ of an organization exempt from income tax under section 101 (6) is excluded from employment unless the organization files a certificate that it desires to have the old-age and survivors insurance system extended to its employees. If it does not file such a certificate, neither the organization nor its employees are subject to the social-security taxes imposed by the Federal Insurance Contributions Act. If it does file such a certificate, both the employer and the employee are, for the period during which the certificate is in effect, subject to such taxes in the same manner as a private employer and his employees. The certificate filed by the organization must certify that at least two-thirds of its employees concur in the filing of the certificate, and the certificate must be accompanied by a list containing the signature, address, and social-security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended, at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is effective, by filing a supplemental list or lists containing the signature, address, and social-security number of each additional employee who concurs in the filing of the certificate. Commencing with the first day following the close of the calendar quarter in which the certificate is filed, the employees who have concurred in the filing of such certificate will be covered for social-security purposes. Any employee who is hired on or after such first day will be covered on a compulsory basis. If an individual, who on such first day was in the employ of the organization, should leave his position and thereafter reenter the employ of such organization, such employee will be covered on and after the date of such reentry, whether or not he concurred in the filing of the certificate when he was previously in the employ of the organization.

The conference agreement further provides that the period for which the certificate is effective may be terminated by the organization upon giving 2 years' advance notice in writing of its desire to terminate the effect of the certificate at the end of a calendar quarter; but only if the certificate has been in effect for a period of not less than 8 years at the time of the receipt of the notice of termination.

The organization may revoke its notice of termination by giving a written notice of such revocation prior to the close of the calendar quarter specified in the notice of termination. The certificate (and any notice of termination or revocation of such notice) must be filed in such form and manner and with such official as may be prescribed by regulations.

Provision is also made, under the conference agreement, for termination of the waiver period upon the initiative of the Commissioner of Internal Revenue. If the Commissioner finds that an organization which filed a certificate has failed to comply substantially with the provisions of the Federal Insurance Contributions Act, or is no longer able to comply with such provisions, the Commissioner can give such organization a 60 days' advance notice in writing that the period covered by the certificate will terminate at the end of the calendar quarter specified in the notice. Such notice by the Commissioner may be revoked by him by giving, prior to the close of the calendar quarter specified in his notice of termination, written notice of the revocation. The Commissioner cannot give notice of termination or revocation thereof without prior concurrence of the Federal Security Administrator.

If the period covered by the certificate is terminated by the organization itself, it may not thereafter file a certificate waiving the exclusion from employment of its employees.

Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order would not constitute employment under the House bill, the Senate amendment, or the conference agreement.

Effective date

The provisions of the conference agreement amending the definition of employment apply only with respect to service performed after December 31, 1950.

Definition of "Wages"

The House bill continued the provisions of existing law which exclude from wages payments made to or on behalf of an employee under a plan or system providing for payments on account of (1) retirement, (2) sickness or accident disability, (3) medical or hospitalization expenses, or (4) death but provided that such payments made for death benefits should be excluded from wages regardless of whether the employee has certain options or rights, such as the option to receive, instead of the provision for such death benefit, any part of such payment made by the employer, or the right to assign the death benefit or to receive a cash consideration in lieu thereof. The Senate amendment adopted the House provision, but in addition excluded from wages any such payment made to or on behalf of any dependents of an employee under a plan or system providing for the employee and his dependents. The conference agreement adopts the Senate provision.

The House bill excluded from wages certain payments made to, or on behalf of, an employee from or to a trust exempt from tax under section 165 (a) of the code or under or to an annuity plan which meets

the requirements of section 165 (a) (3), (4), (5), and (6). The Senate amendment made a clarifying change in the House provision to assure the exclusion from wages of a payment of the prescribed character made to, or on behalf of, a beneficiary of an employee. The conference agreement adopts the Senate provision.

The Senate amendment added a new provision excluding from wages remuneration for agricultural labor paid in any medium other than cash. The Senate provision was necessary because under the Senate amendment agricultural labor may be covered under certain conditions. The House bill contained no comparable provision. The conference agreement adopts the Senate provision.

The House bill contained an express provision relating to tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him. The Senate amendment eliminated this provision of the House bill. The conference agreement conforms to the Senate amendment.

The Senate amendment contained a provision designed to make easier the computation of wages for service not in the course of the employer's trade or business, particularly with respect to wages for domestic service. The House bill contained no comparable provision. The conference agreement adopts the Senate provision, but limits its application to remuneration for domestic service in a private home of the employer. The agreement authorizes the issuance of regulations in appropriate cases for the rounding of remuneration payments for such service to the nearest whole dollar. For example, if a household employee receives a cash remuneration payment of $9.50, or $10.49, or any amount in between, the payment could, if the regulations so provide, be considered to be $10. The rounding of cash wage payments to the nearest whole dollar will ease the householder's part in the social security program for purposes of applying the tax rate to the wage payment, for purposes of any required record keeping, and for purposes of determining whether $50 or more has been paid to the employee in any calendar quarter.

Under the House bill, remuneration paid to certain homeworkers would constitute wages, but the definition of "employee" contained in the Senate amendment resulted in the exclusion of such remuneration from wages. Under the conference agreement, which includes homeworkers as employees, remuneration paid by an employer in any calendar quarter to a homeworker (if such homeworker is an employee under the definition of "employee") will constitute wages, but only if cash remuneration of $50 or more is paid during the calendar quarter by the employer to such homeworker. If $50 or more of cash remuneration is paid by the employer to such homeworker during the calendar quarter, it is immaterial whether the $50 is in payment of services rendered the employer during the quarter of payment or during a previous quarter.

The conference agreement also makes certain amendments in the definition of "wages" for purposes of the Federal Unemployment Tax Act and income-tax withholding to conform such definitions in certain respects with the definition of "wages" under the Federal Insurance Contributions Act.

Effective date

The provisions of the conference agreement amending the definition of wages apply only with respect to remuneration paid after December 31, 1950.

DEFINITION OF "EMPLOYEE"

The definition of the term "employee" in the House bill required that the usual common-law rules be used to determine whether an individual is an employee. The Senate accepted this provision without change but struck out the second sentence of the paragraph in the House bill which was designed to change the effect of the United States Supreme Court's holding in the case of *Bartels* v. *Birmingham* (332 U. S. 126 (1947)). The conference agreement accepts the Senate amendment. With regard to the meaning of the phrase "the usual common law rules applicable in determining the employer-employee relationship," this opportunity is taken to reiterate and endorse the statement made in the Report of the Committee on Ways and Means in connection with the Social Security Act Amendments of 1939:

> A restricted view of the employer-employee relationship should not be taken in the administration of the Federal old-age and survivors insurance system in making coverage determinations. The tests for determining the relationship laid down in cases relating to tort liability and to the common-law concept of master and servant should not be narrowly applied (p. 76).

This statement made in 1939 is equally applicable to the phrase in the bill as agreed upon in the conference agreement, which contemplates a realistic interpretation of the common law rules.

Provisions in both the House bill and the Senate amendment added individuals in certain specified occupational groups who are not necessarily employees under the usual common law rules. However, the Senate amendment made substantial revisions in the additions which were provided in the House bill.

The Senate amendment eliminated entirely the House additions with respect to driver-lessees of taxicabs, contract loggers, mine lessees, and house-to-house salesmen. The conference agreement adopts these Senate amendments.

The Senate amendment struck out the House provision which added outside salesmen in the manufacturing or wholesale trade, substituting a more detailed provision which added city and traveling salesmen performing services under certain specified conditions. Under the conference agreement, city and traveling salesmen are included (subject to the general limitations which appeared in both the House bill and Senate amendment and which are applicable to all of the categories listed in par. (3)) if they are engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, their principals (except for side-line sales activities on behalf of other persons) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations. City and traveling salesmen who sell to retailers or to the others specified, operate off the companies' premises, and are generally compensated on a commission basis, are included within this occupational group. Such salesmen are generally not controlled as to the details of their service or the means by which they cover their territories, but in the ordinary case they are expected to call on regular customers with a fair degree of regularity. The conference agreement requires with respect to a

city or traveling salesman that, in order for him to be included within the term "employee," his entire or principal business activity must be devoted to the solicitation of orders for one principal. Thus, the multiple-line salesman generally will not be within the scope of this subparagraph of the definition. However, the conference agreement specifies that, if the salesman solicits orders primarily for one principal, he shall not be excluded solely because of side-line sales activities on behalf of one or more other persons. In such a case, the salesman would be the employee under paragraph (3) of the definition only of the person for whom he primarily solicits orders and not of such other persons.

The conference agreement specifically excludes agent-drivers and commission-drivers from the scope of this subparagraph of the definition.

The following examples illustrate the application of the paragraph as it relates to city and traveling salesmen:

1. Salesman A's principal business activity is the solicitation of orders from retail pharmacies on behalf of the X wholesale drug company. A also occasionally solicits orders for drugs on behalf of the Y and Z companies. Within the meaning of subparagraph (3) (D), A is the employee of the X company but not of the Y and Z companies.

2. Salesman B's principal business activity is the solicitation of orders from retail hardware stores on behalf of the R tool company and the S cooking utensil company. B regularly solicits orders on behalf of both companies. Within the meaning of subparagraph (3) (D), B is not the employee of either the R or S company.

3. Salesman C's principal business activity is the house-to-house solicitation of orders on behalf of the T brush company. C occasionally solicits such orders from retail stores and restaurants. Within the meaning of subparagraph (3) (D), C is not the employee of the T company.

The Senate amendment added certain agent-drivers and commission-drivers to paragraph (3) of the definition as it appeared in the House bill. Under paragraph (3) (A) as it appears in the conference agreement, the definition of "employee" includes agent-drivers or commission-drivers who are engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for their principals. This category includes an individual who operates his own truck or the truck of the company for which he performs services, serves customers designated by the company as well as those solicited on his own, and whose compensation is a commission on his sales or the difference between the price he charges his customers and the price he pays to the company for the product or service.

The Senate amendment struck out the House provision which added home workers to the definition of "employee." Under paragraph (3) (C) of the definition agreed to by the conferees, a home worker is included in the term if he performs work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed. However, as provided in the definition of "wages" adopted by the conference

agreement, a home worker who meets the requirements of this definition of "employee" still will not be covered unless he is paid remuneration in cash of $50 or more in any calendar quarter by the person for whom the services are performed. It is not required that such remuneration must be paid in the quarter in which the services are performed.

With respect to the requirement that the performance of services by a home worker must be subject to licensing laws in the State in which the work is performed as a prerequisite to the inclusion of such individual in the definition of "employee," the conference agreement intends that this requirement will be met either in the case where the State requires a home-work license on the part of the person for whom the services are performed or in the case where the State requires a home-work certificate on the part of the individual who performs the services.

The House bill contained a paragraph (4) of the definition of "employee" which would have included within the meaning of the term any individual who had the status of an employee as determined by the combined effect of seven enumerated factors. The Senate amendment struck out this paragraph, and the conference agreement follows the Senate amendment with respect to this matter.

Self-Employed

In providing coverage for the self-employed, the House bill excluded from tax (and from benefit coverage) income derived from the performance of service by an individual (or partnership) in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, Christian Science practitioner, or as an aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineer. The Senate amendment added to the list of exclusions the following: naturopaths, architects, certified public accountants, and accountants registered or licensed as accountants under State or municipal law, and funeral directors; and substituted "professional engineers" in lieu of the specific engineers listed in the House bill. The conference agreement adopts the Senate provision, with an addition (to the group excluded) of full-time practicing public accountants.

The House bill also excluded income derived from a trade or business of publishing a newspaper or other publication having a paid circulation. The Senate amendment deleted such exclusion. The conference agreement conforms with the Senate action in extending coverage in this area.

BENEFITS

Individuals Entitled to Benefits

Wife's insurance benefits

The House bill provided for payment of wife's insurance benefits to a wife under age 65 if she has in her care a child entitled to benefits on the basis of the wages and self-employment income of her husband. The Senate amendment contained no such provision. The conference agreement is the same as the House bill.

Husband's insurance benefits

The House bill contained no provision for payment of benefits to aged husbands of insured women. The Senate amendment provided for payment of benefits at age 65 to the husband of a woman who was currently insured when she became entitled to old-age insurance benefits if he had received at least one-half his support from her and filed proof thereof within 2 years after she became entitled to old-age insurance benefits (or prior to September 1952 in respect to women now receiving primary insurance benefits who under the conference agreement became entitled to old-age insurance benefits for September 1950). The amount of benefits payable is one-half the primary insurance benefit, as in the case of wife's benefits based on the husband's wage record. The conference agreement adopts the provision of the Senate amendment.

Child's insurance benefits

The House bill would deem a child dependent upon a natural or adopting mother if she was both fully and currently insured at the time of her death. The Senate amendment would permit a finding of such dependency if the mother was currently insured at her death or entitlement to old-age insurance benefits. Under the Senate amendment children of women possessing such qualifications who died or became entitled to primary insurance benefits prior to September 1950 could become entitled to child's benefits in September 1950. The conference agreement adopts the Senate provision.

Widower's insurance benefits

The House bill provided for no benefits to the aged widowers of insured women. The Senate amendment included a provision parallel to that for aged husbands, permitting payment of benefits at age 65 to the widower of a woman who died after August 1950 and who was both fully and currently insured at her death or entitlement to old-age insurance benefits, if he had been receiving at least one-half his support from her and filed appropriate proof within 2 years either of her death or entitlement to old-age insurance benefits. The widower's benefit, like that for a widow, is three-fourths of the primary insurance amount. The conference agreement is the same as the Senate amendment.

Lump-sum death payments

The House bill provided that a lump-sum death payment should be payable on the death of every insured worker. The Senate amendment would have retained existing law with respect to the circumstances under which a lump-sum death payment would be payable, and in addition provided for a residual lump-sum death payment in certain cases. The conference agreement adopts the provisions of the House bill so that survivors' benefits need not be diverted for payment of burial expenses of an insured worker.

Computation of Benefits Payable

Computation of primary insurance amount

The House bill defined an individual's "primary insurance amount" as the sum of (1) his base amount multiplied by his continuation factor, and (2) one-half of 1 percent of his base amount multiplied

by the number of his years of coverage. The "base amount" would have been defined as an amount equal to 50 percent of the first $100 of his average monthly wage plus 10 percent of the next $200 of such wage. The Senate amendment eliminated the continuation factor and the "increment" for years of coverage, and provided a primary insurance amount equal to 50 percent of the first $100 of average monthly wage plus 15 percent of the next $200 of such wage. Under the House bill, the benefit formula stated above would be applicable to any individual who had not received an insurance benefit for a month prior to 1950, or who had not died prior to 1950, and other persons would have had their benefits raised by a conversion table. The Senate amendment would permit any individual who had six or more quarters of coverage after 1950 to have his primary insurance amount computed either by means of the new benefit formula or by means of the formula in the present law (but without "increment" for years after 1950) with the resulting amount raised by the conversion table (discussed hereafter), whichever results in the larger benefit (except that such an individual who attained age 22 after 1950 would always be given the benefit derived under the new formula). The conference agreement adopts the Senate amendment.

Minimum primary insurance amount

Under the House bill, the minimum primary insurance amount was $25. The Senate amendment provided for a minimum primary insurance amount of $25 in those cases in which the average monthly wage was $34 or more, and of $20 where the average monthly wage was less than $34. The conference agreement provides for a minimum primary insurance amount as follows:

If the average monthly wage is:	The primary insurance amount will be:
$30 or less	$20
$31	$21
$32	$22
$33	$23
$34	$24
$35 to $49	$25

Average monthly wage

Under the House bill, an individual's "average monthly wage" would have been computed by dividing the total of his wages and self-employment income during "years of coverage" after a specified starting date by twelve times the number of such years of coverage. The Senate amendment provides that the average monthly wage should be the total of wages and self-employment income, after a starting date and prior to a closing date, divided by the total number of months in that elapsed period. The conference agreement follows the Senate amendment, thus retaining the method of computation in the present Social Security Act, modified to provide for new starting and closing dates. The conference agreement provides that the average monthly wage may be computed as of the first quarter in which an individual both was fully insured and had attained retirement age if this produces a more favorable result. In the case of individuals age 65 and over on September 1, 1950, who become fully insured under the new insured status provisions and who on such date would not have been fully insured under provisions of present law, the third quarter of 1950 will be considered as such first quarter

rather than any earlier quarter in which they both had obtained six quarters of coverage and had attained retirement age.

Conversion table

The House bill provided for increasing existing benefits according to a conversion table which showed, for each dollar amount of existing primary insurance benefit, a new primary insurance amount and an assumed average monthly wage for the purpose of computing maximum benefits. The increase in the average benefit under this table would have been 70 percent. Under the Senate amendment the increase in the average benefit would have been 85 percent and the conversion table would have been used for the computation of the benefits of some persons who first become entitled to benefits after the date of enactment of the Act. The conference agreement follows the Senate amendment except that it provides a schedule of increases about midway between the increases provided by the House bill and the Senate amendment.

Parent's insurance benefits

The House bill raised the amount of a parent's benefit from one-half the primary insurance amount to three-fourths. The Senate amendment would have retained existing law under which the parent's benefit is one-half the primary insurance amount. The conference agreement adopts the House provision.

Insured Status

Definition of "quarter of coverage"

The House bill provided that after 1950 a quarter of coverage for purposes of insured status would be a calendar quarter in which an individual had been paid $100 in wages or had been credited with $200 of self-employment income. The Senate amendment provided that, for calendar quarters after 1950, wages of $50 or self-employment income of $100 would result in a quarter of coverage. The conference agreement follows the Senate amendment.

Fully insured individual

The House bill provided that an individual would be fully insured if he either met the requirements of the present Social Security Act or had at least 20 quarters of coverage out of the 40-quarter period ending with the quarter in which he attained retirement age or with any subsequent quarter, or ending with the quarter in which he died. The Senate amendment provided that the individual (if living on September 1, 1950) would be fully insured if he had at least 1 quarter of coverage (no matter when acquired) for each 2 quarters elapsing after 1950, or later attainment of age 21, and up to but excluding the quarter in which he attained retirement age or died, whichever first occurred, but in no case less than 6 quarters of coverage or more than 40 quarters of coverage. The conference agreement adopts the Senate language.

Permanent and Total Disability Insurance

The House bill provided insurance benefits for totally and permanently disabled insured individuals. The Senate amendment con-

tained no comparable provision. The conference agreement does not provide for permanent and total disability insurance benefits.

World War II Military Service

The House bill provided wage credits for World War II military service regardless of whether benefits based in whole or in part upon such service became payable under another Federal benefit system, the cost of such credits to be borne by the Federal Treasury. The Senate amendment provided the same wage credits but only if a benefit based in whole or in part upon the veteran's military service during World War II were not payable under another Federal benefit system, and provided that the costs should be borne by the trust fund. The Senate amendment also provided that the Federal Security Administrator should ascertain from the Civil Service Commission whether benefits were payable by other Federal agencies based in whole or in part upon military service. The conference agreement follows the Senate amendment except that it requires the Federal Security Administrator to ascertain the facts with respect to other Federal benefit payments directly from the agency involved rather than through the Civil Service Commission.

Effective Dates

The House bill provided that the effective date for the new benefit provisions would be January 1, 1950. The Senate amendment provided that the new benefit provisions would be effective with respect to months beginning with the second calendar month after the date of enactment of the bill. Under the conference agreement the new benefit provisions will be applicable for months after August 1950.

FINANCING AND ADMINISTRATIVE PROVISIONS

Tax Rates

Rate of tax on wages

The House bill increased the rate of the employees' tax and of the employers' tax under the Federal Insurance Contributions Act from 1½ to 2 percent on January 1, 1951. The Senate amendment postponed the increase in rates until January 1, 1956. The conference agreement increases the rate of each tax to 2 percent on January 1, 1954. Otherwise the rates under the House bill, the Senate amendment, and the conference agreement are the same. Under the agreement the rates of each tax are as follows:

	Percen
For the calendar years 1950 to 1953, inclusive	1½
For the calendar years 1954 to 1959, inclusive	2
For the calendar years 1960 to 1964, inclusive	2½
For the calendar years 1965 to 1969, inclusive	3
For the calendar year 1970 and subsequent calendar years	3¼

Rate of tax on self-employment income

Under the House bill, the Senate amendment, and the conference agreement, the rates of tax on self-employment income are one and one-half times the rates of the employees' tax under the Federal Insurance Contributions Act.

The rates of the tax on such income for the respective taxable years under the conference agreement are as follows:

For taxable years—	*Percent*
Beginning after Dec. 31, 1950, and before Jan. 1, 1954	2¼
Beginning after Dec. 31, 1953, and before Jan. 1, 1960	3
Beginning after Dec. 31, 1959, and before Jan. 1, 1965	3¾
Beginning after Dec. 31, 1964, and before Jan. 1, 1970	4½
Beginning after Dec. 31, 1969	4¾

Appropriations to the Trust Fund

The Senate amendment changed that portion of section 201 (a) of the Social Security Act which appropriates to the trust fund amounts equivalent to 100 percent of the taxes received under the Federal Insurance Contributions Act and covered into the Treasury. Under the amendment amounts appropriated would be determined by reference to the taxes on the total taxable wages and self-employment income reported for tax purposes, rather than by reference to the sum of the collections of such taxes. However, with respect to taxes deposited into the Treasury by collectors of internal revenue before January 1, 1951, the amount appropriated will be determined in the same manner as under the present method. After that date and for an additional period of 2 years ending with the close of 1952, collectors of internal revenue would be required to continue to account separately for collections of such taxes which had been assessed but not collected before January 1, 1951. The House bill contained no comparable provision. The conference agreement adopts the Senate amendment.

The House bill continued the provisions of existing law which appropriate to the trust fund, in addition to the taxes, any interest, penalties, or additions to the taxes collected under the old-age and survivors insurance program. The Senate amendment did not appropriate to the trust fund any such interest, penalties, or additions to the taxes. Nor does the conference agreement appropriate to the trust fund any interest, penalties, or additions to the taxes. It is believed, however, that the fact that no interest, penalties, or additions to the taxes are appropriated to the trust fund should be given consideration in determining the estimated amounts of administrative expenses charged to the trust fund by the Treasury Department for the performance of its duties in collecting the taxes under the old-age and survivors insurance program, although it is recognized that no fixed amount can be assigned to this factor.

Payments of Special Refunds From Trust Fund

The House bill changed section 201 (f) of the Social Security Act to require that refunds of the taxes collected for the old-age and survivors insurance program be made from the trust fund beginning January 1, 1950. The Senate amendment continued the provisions of existing law which appropriate to the trust fund amounts equivalent to 100 percent of the taxes collected for the old-age and survivors insurance program, except that such amounts would be determined by reference to the taxes on the total taxable wages and self-employment income reported for tax purposes, rather than by reference to the sum of the collections of such taxes. The Senate amendment did not expressly authorize refunds of such taxes to be made from the trust fund. An

adjustment for erroneous payments of employer and employee taxes would automatically have been made in the trust fund by means of the new appropriation procedure provided under the Senate amendment.

The conference agreement requires the managing trustee to pay from the trust fund into the Treasury the amount estimated by him as taxes which are subject to refund under section 1401 (d) of the Internal Revenue Code with respect to wages paid after December 31, 1950. Such taxes are to be determined on the basis of the records of wages established and maintained by the Federal Security Administrator in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of the Internal Revenue Code. The Federal Security Administrator is required to furnish the managing trustee such information as may be required by the trustee for making such estimates. The payments by the managing trustee are required to be covered into the Treasury as repayments to the account for refunding internal revenue collections.

Return of Self-Employment Tax

Under the House bill the provisions imposing the tax on self-employment income were included in the Internal Revenue Code as subchapter F of chapter 9, so that such tax was levied as one of the employment taxes subject to the administrative provisions relating to miscellaneous taxes. The Senate amendment included the provisions imposing the self-employment tax as subchapter E of chapter 1 of the code, relating to the income tax. Under the Senate amendment the self-employment tax would be levied, assessed, and collected as part of the income tax imposed by chapter 1 of such code, except that it would not be taken into account for purposes of the estimated tax. In view of the close connection between the self-employment tax and the present income tax, and in the interests of simplicity for taxpayers and economy in administration, your conferees believe that it is preferable to have the tax on self-employment income handled in all particulars as an integral part of the income tax. The conference agreement therefore adopts the provisions of the Senate amendment with respect to the integration of the self-employment tax with the income tax under chapter 1. Thus, except as otherwise expressly provided, the self-employment tax will be included with the normal tax and surtax under chapter 1 in computing any overpayment or deficiency in tax under such chapter and in computing the interest and any additions to such overpayment, deficiency, or tax. The self-employment tax will be subject to the jurisdiction of The Tax Court to the same extent and the same manner as other taxes under chapter 1.

Subsection (a) of section 482 of the code, as added by the Senate amendment, would require every individual (other than a nonresident alien) having net earnings from self-employment of $400 or more for the taxable year to file a return containing such information for the purpose of carrying out the provisions of the subchapter imposing the tax on self-employment income as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury shall by regulations prescribe. Such a return would be considered a return required under section 51 (a), and the provisions applicable to returns under section 51 (a) would be applicable to such return.

However, the tax on self-employment income, in the case of a joint return of husband and wife, is the sum of the taxes computed on the separate self-employment income of each spouse. With respect to the tax on self-employment income, the requirement of section 51 (b)—that in the case of a joint return the tax is computed on the aggregate income of the spouses is not applicable. The conference agreement adopts the Senate provision.

Receipts for Employees

The Senate amendment contained a provision relating to receipts for employees, which is similar to the existing section 1625 of the code, relating to receipts for income tax withheld (the Form W–2 furnished to employees). The provision would supersede section 1625, and section 1403 (relating to employee receipts for social-security tax withheld), of the code with respect to wages paid after December 31, 1950, and would provide for one receipt which would give the employee full information (1) as to his wages subject to employee social-security tax, and the amount deducted and withheld from him as such tax, and (2) as to his wages subject to income-tax withholding and the amount deducted and withheld as such tax. The House bill contained no comparable provision. The conference agreement, by adding a new section 1633 to the code, adopts the provisions of the Senate amendment, relating to receipts, with conforming amendments to reflect the elimination of the Senate provisions relating to combined withholding.

The Senate amendment contained a provision, relating to penalties, which corresponds to the existing section 1626 (a) and (b) of the code. The amendment provided penalties applicable in the case of a fraudulent statement and in the case of a failure to file a statement required under the provision discussed in the preceding paragraph. The provision was applicable with respect to wages paid after December 31, 1950. The House bill contained no provision with respect to this matter. The conference substitute, by adding a new section 1634 to the code, adopts the provision of the Senate amendment.

Special Refunds Creditable Against Income Tax

The Senate amendment authorized the Commissioner of Internal Revenue under regulations to permit "special refunds" to be taken by the taxpayer as a credit against his income tax. The Senate amendment amended section 322 (a) of the code by authorizing the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, to prescribe regulations which would permit the employee-taxpayer to claim credit against his income-tax liability under chapter 1 of the code for employee social-security tax withheld on his wages in excess of $3,600 received during the calendar year by reason of his employment by two or more employers. "Special refunds" so credited would be treated for all purposes in the same manner as amounts withheld as tax under subchapter D of chapter 9 of the code. This provision of the Senate amendment is only applicable with respect to "special refunds" of employee social-security tax on wages paid after December 31, 1950. Nor may "special refunds" be claimed as a

credit against the tax for any taxable year beginning before January 1, 1951.

The House bill contained no comparable provision. The conference agreement adopts the language of the Senate provision.

Periods of Limitation on Assessments and Refunds

Under existing law, the periods of limitations on the taxes imposed by chapter 9 are prescribed in section 3312 of the Internal Revenue Code, relating to assessments and collections, and section 3313, relating to refunds and credits. In general, those sections provide a 4-year period of limitation on both assessments and refunds, and a 5-year period for bringing a proceeding in court for collection without assessment. On the other hand, the general rule of the income tax is that assessment must be made and refund must be claimed in the 3-year period after the return is filed, except that if no return is filed refund must be claimed within 2 years after the tax is paid, and in any event refund may be claimed within such 2-year period. The Senate amendment provided special periods of limitation similar to those provided for income tax in the case of those taxes under the Federal Insurance Contributions Act, the income-tax-withholding provisions, and the combined withholding provisions, which are collected and paid under a return system. The House bill contained no provision with respect to this matter. The conference agreement adopts the provisions of the Senate amendment, with conforming amendments to reflect the elimination of the provisions relating to combined withholding.

The conference agreement provides, by inserting new sections 1635 and 1636 in chapter 9 of the code, special periods of limitation which are applicable to such of the taxes under the Federal Insurance Contributions Act, and the income-tax-withholding provisions, as are collected and paid under a return system. These provisions are in lieu of the provisions of sections 3312 and 3313 with respect to those taxes. However, the provisions of sections 3312 and 3313 will be applicable to any taxes imposed by the Federal Insurance Contributions Act and subchapter D of chapter 9 of the code (relating to income-tax withholding) which the Commissioner of Internal Revenue may require to be collected and paid, not by making and filing returns, but by stamp or by other authorized methods. The periods of limitation prescribed by sections 1635 and 1636 are measured from the date the return is filed, which date is subject to the conclusive presumption described in the next sentence. Returns for any period in a calendar year, such as quarterly returns, which are filed before March 15 of the succeeding calendar year, are deemed filed (and tax paid at the time of filing such returns is deemed paid) on March 15 of such succeeding calendar year, so that the period of limitations with respect to the tax for any part of a calendar year will run uniformly from a date in the succeeding year which corresponds to the filing date for income-tax returns.

The periods of limitation prescribed by sections 1635 and 1636 will be applicable only to taxes imposed with respect to remuneration paid during calendar years after 1950. The taxes under chapter 9 imposed with respect to remuneration paid during any calendar year before 1951 will continue to be subject to sections 3312 and 3313.

Mitigation of Effect of Statute of Limitations, Etc.

The Senate amendment would add to the code a new section (sec. 3812), not included in the House bill, relating to the mitigation of the effect of the statute of limitations and other provisions in case of related taxes under different chapters. This section is made necessary by the fact that adjustments to the wages under the Federal Insurance Contributions Act may, by reason of the effect of such wages on the $3,600 limitation applicable in determining self-employment income, affect the tax under the Self-Employment Contributions Act, and by reason of the fact that an item of income may be erroneously reported as taxable under one act when it should have been taxable under the other act. If adjustment under only one of the two acts is prevented by the statute of limitations or any other law or rule of law (other than sec. 3761 of the code, relating to compromises), then the adjustment (that is, the assessment or the credit or refund) otherwise authorized under the one act will reflect the adjustment which would have been made under the other act but for such law or rule of law. The conference agreement adopts the language of the Senate amendment.

Collection of Taxes in Virgin Islands and Puerto Rico

The House bill and Senate amendment both provided that, notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by the Self-Employment Contributions Act and the Federal Insurance Contributions Act shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury and shall be paid into the Treasury of the United States as internal-revenue collections. This provision is retained in the conference agreement. In addition, the conference agreement provides that all provisions of the internal-revenue laws of the United States relating to the administration and enforcement (such as the provisions relating to the ascertainment, return, determination, redetermination, assessment, collection, remission, credit, and refund) of the tax imposed by the Self-Employment Contributions Act, including the provisions relating to The Tax Court of the United States, and of any tax imposed by the Federal Insurance Contributions Act shall, in respect of such tax, extend to and be applicable in the Virgin Islands and Puerto Rico in the same manner and to the same extent as if the Virgin Islands and Puerto Rico were each a State, and as if the term "United States" when used in a geographical sense included the Virgin Islands and Puerto Rico.

Combined Withholding of Income and Employee Social Security Taxes

The Senate amendment provided under certain conditions for the combined withholding of the income tax at source on wages under subchapter D of chapter 9 of the code and of the employees' tax under the Federal Insurance Contributions Act. The House bill contained no provision with respect to combined withholding. The conference agreement contains no such provision.

PUBLIC ASSISTANCE AND MATERNAL AND CHILD HEALTH AND CHILD WELFARE PROGRAMS

PUBLIC ASSISTANCE

Requirements for State Plans

Opportunity for a fair hearing

The House bill provided with respect to all categories of public assistance for granting an opportunity for a fair hearing before the State agency to any individual whose claim for assistance is denied or is not acted upon within a reasonable time. The Senate amendment provided for granting an opportunity for a fair hearing before the State agency to any individual whose claim for assistance is denied or is not acted upon with reasonable promptness. The conference agreement follows the Senate amendment.

Training program for personnel

The House bill provided with respect to all categories of public assistance for a training program for the personnel necessary to the administration of each plan. The Senate amendment contained no such provision. Most public assistance agencies have developed training programs which are being used to advantage in the efficient expenditure of public funds. The further establishment and expansion of such programs should be encouraged, but this is left as a matter for State initiative. The conference agreement, therefore, contains no such provision.

Opportunity to apply for and to receive assistance promptly

The House bill provided with respect to all categories of public assistance that all individuals wishing to make application for assistance shall have opportunity to do so and that assistance shall be furnished promptly to all eligible individuals. The Senate amendment provided that all individuals wishing to make application for old-age assistance shall have opportunity to do so and that old-age assistance shall be furnished with reasonable promptness to all eligible individuals. The conference agreement follows the Senate amendment.

The requirement to furnish assistance "with reasonable promptness" will still permit the States sufficient time to make adequate investigations but will not permit them to establish waiting lists for individuals eligible for assistance.

Residence provisions

The Senate amendment added a provision to the present residence requirement with respect to aid to dependent children which would prevent the States from denying assistance with respect to any child who was born within 1 year immediately preceding the application for assistance if the parent or other relative with whom the child is living has resided in the State for 1 year immediately preceding the birth. The House bill contained no such provision. The conference agreement follows the Senate amendment.

For aid to the blind, the House bill provided that the State could not, as a condition of eligibility, require residence in the State of more

than 1 year immediately prior to filing the application for aid. The Senate amendment did not contain any such provision. The conference agreement does not contain any such provision.

Special requirements for aid to the blind

The House bill provided that a State might disregard such amount of earned income up to $50 per month as the State vocational rehabilitation agency for the blind certifies will encourage and assist the blind to prepare for or engage in remunerative employment. It also provided that the State must take into consideration the special expenses arising from blindness and must disregard income or resources not predictable or actually available. The Senate amendment provided that prior to July 1, 1952, a State might disregard earned income up to $50 per month in the discretion of each State. After July 1, 1952, the State would be required to disregard earned income up to $50 per month. The conference agreement follows the Senate amendment.

The House bill provided that any State which did not have an approved plan for aid to the blind on January 1, 1949, could have its plan approved even though it did not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act relating to the consideration of income and resources in determining need. It was specified, however, that the Federal participation would be limited to payments made to individuals whose income and resources had been taken into consideration in the manner required by such clause 1002 (a) (8). Under the House bill these provisions would have been effective for the period beginning October 1, 1949, and ending June 30, 1953. Under the Senate amendment they would have been permanent. The conference agreement provides that they shall be effective for the period beginning October 1, 1950, and ending June 30, 1955.

The House bill provided that in determining blindness there must be an examination by a physician skilled in diseases of the eye or by an optometrist. The Senate amendment provided that in determining blindness there must be an examination by a physician skilled in diseases of the eye. It further provided that the services of an optometrist within the scope of the practice of optometry, as prescribed by the laws of the State, shall be made available to recipients of aid to the blind as well as to recipients of any grant-in-aid program for improvement or conservation of vision. The conference agreement follows the House provision with an amendment providing that after June 30, 1952, an applicant for aid to the blind may select either a physician skilled in diseases of the eye or an optometrist to make the examination.

Federal Share of Expenditures

The House bill provided with respect to old-age assistance and aid to the blind for Federal participation to the extent of four-fifths of the first $25 of the State's average monthly payment per recipient, plus one-half of the next $10 of the average, plus one-third of the remainder of the average within the individual maximums of $50. The Senate amendment retained the formula in the present law with the exception of a special provision in the old-age-assistance title reducing the Federal percentage contributed toward assistance payments to certain individuals who were also primary insurance beneficiaries under the old-age and survivors insurance program.

Under existing law the Federal share is three-fourths of the first $20 of the State's average monthly payment plus one-half of the remainder within individual maximums of $50. The conference agreement follows existing law.

With respect to aid to dependent children the House bill provided for Federal participation to the extent of four-fifths of the first $15 of the State's average monthly payment per recipient, plus one-half of the next $6 of the average payment, plus one-third of the remainder of the average payment within the individual maximums of $27 for the relative with whom the children are living, $27 for the first child, and $18 for each additional child. The Senate amendment retained the present formula for determining the Federal percentage contributed toward assistance payments but increased the maximum with respect to individual payments to $30 for the relative with whom the children are living, $30 for the first child and $20 for each additional child. Under existing law the Federal share is three-fourths of the first $12 of the average monthly payment per child, plus one-half of the remainder within individual maximums of $27 for the first child and $18 for each additional child in a family. The conference agreement retains existing law with respect to the maximums for children and the formula and provides a maximum of $27 with respect to the relative with whom the children are living.

Medical Care

The House bill provided with respect to all categories of public assistance that the term "assistance" might include money payments to, or medical care in behalf of, needy individuals. The Senate amendments provided for the inclusion of money payments to, or medical care in behalf of, or any type of remedial care recognized under State law in behalf of, needy individuals. The conference agreement follows the Senate amendment. The addition of remedial care was to make it clear that assistance includes the services of Christian Science practitioners.

Establishment of a New Program of Aid to the Permanently and Totally Disabled

The House bill provided for a new title XIV of the Social Security Act making Federal grants-in-aid available to needy permanently and totally disabled individuals. The Senate amendment contained no such provision.

The conference agreement provides for a new title XIV under which aid would be provided to needy permanently and totally disabled individuals 18 years of age and older. The maximum residence requirement that a State might impose is established at 5 out of the last 9 years and 1 year immediately preceding the application. The plan requirements and provision for medical care are identical with those established by the conference agreement for old-age assistance. Likewise the Federal share of expenditures will be three-fourths of the first $20 of the State's average monthly payment plus one-half of the remainder within an individual maximum of $50, as in the case of old-age assistance.

Although assistance would be confined to those who are permanently and totally disabled, it is recognized that with proper training, some of the individuals aided possibly could be returned to a condition of self-support. With the authorizations for an assistance program to cover this group it is believed that the State public assistance agencies will work even more closely than before with State rehabilitation agencies in developing policies which will assure that every individual for whom vocational rehabilitation is feasible will have an opportunity to be rehabilitated. To the extent that such efforts are successful the assistance rolls will be lowered.

Puerto Rico and the Virgin Islands

The House bill provided that all categories of public assistance be extended to Puerto Rico and the Virgin Islands. The Federal share of expenditures was limited to 50 percent. The maximums on individual payments with respect to old-age assistance, aid to the blind, and aid to the permanently and totally disabled, were $30 per month. For aid to dependent children the maximums were $18 with respect to the first child and $12 with respect to each of the other dependent children in the same home. The Senate amendment contained no such provision. The conference agreement follows the House bill, but limits the total amount authorized to be certified by the Federal Security Administrator in all four categories with respect to any fiscal year to $4,250,000 for Puerto Rico and $160,000 for the Virgin Islands.

MATERNAL AND CHILD HEALTH AND CHILD WELFARE

Maternal and Child Health

The Senate amendment provided for increasing the authorization for annual appropriations for maternal and child health from $11,000,000 to $20,000,000, with the $35,000 uniform allotment to each State increased to $60,000. The House bill contained no such provision. The conference agreement provides for the fiscal year beginning July 1, 1950, an authorization of $15,000,000 and for each fiscal year thereafter $16,500,000, and in each case the uniform allotment to each State is to be $60,000.

Crippled Children

The Senate amendment provided for an increase in the amount authorized to be appropriated annually with respect to crippled children to $15,000,000 with the annual uniform allotment to each State to be increased to $60,000. The House bill contained no such provision. The conference agreement provides for the fiscal year beginning July 1, 1950, for an authorization of $12,000,000 and for each year thereafter $15,000,000. In each case the uniform allotment is to be $60,000.

Child Welfare Services

The House bill provided for an authorization for annual appropriation for child welfare services of $7,000,000, with the $20,000 uniform allotment to each State increased to $40,000. A specific provision

was made authorizing expenditures for returning any run-away child under age 16 from one State to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met. The Senate amendment provided for increasing the amount authorized to be appropriated annually to $12,000,000, with the allotments to the States to be on the basis of rural population under the age of 18. It also provided that in developing the various services under the State plans, the States would be free, but not compelled, to utilize the facilities and experience of voluntary agencies for the care of children in accordance with State and community programs and arrangements. The Senate amendment retained the increased $40,000 allotment and the provision relating to run-away children that were in the House bill. The conference agreement follows the Senate amendment, except that the amount authorized to be appropriated annually is $10,000,000.

MISCELLANEOUS

DEFINITIONS

The Senate amendment contained a provision, not in the House bill, defining for the purposes of the Social Security Act the terms "physician", "medical care", and "hospitalization" to include osteopathic practitioners or the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law. The conference agreement follows the Senate amendment.

DISCLOSURE OF INFORMATION

The House bill retained existing law with respect to disclosure of information and in addition specifically authorized the Federal Security Administrator to release, upon request, and to charge fees for, (1) wage-record information for State unemployment-compensation agencies, (2) special reports on individual wage records, and (3) special statistical studies and compilations of data relating to social-security programs.

The Senate amendment authorized the Administrator to release, upon request, and to charge fees for (1) wage-record information to State agencies administering unemployment-compensation laws, and (2) special statistical studies and compilations of data relating to social-security programs. The Senate amendment required the Administrator to furnish wage-record information to a wage earner or his agent designated in writing (or, after death, his wife, child, or parent). The Senate amendment did not authorize any other disclosures.

The conference agreement retains existing law respecting the authority for disclosure of information and authorizes the Administrator to charge fees for the information furnished. In addition, it requires the Administrator to furnish wage-record information to the legal representative of an individual or to the legal representative of the estate of a deceased individual.

ADVANCES TO STATE UNEMPLOYMENT FUNDS

The Senate amendment contained a provision, not in the House bill, making operative until December 31, 1951, title XII of the Social Security Act providing for advances to the accounts of States in the Unemployment Trust Fund. The conference agreement adopts the Senate provision.

SERVICES FOR COOPERATIVES PRIOR TO 1951

The Senate amendment provided that wages paid to an individual for services performed prior to 1951 in the employ of a farmers cooperative should be deemed to constitute remuneration for employment for benefit purposes if (1) the employer was a farmer cooperative within the meaning of section 101 (12) of the Internal Revenue Code; (2) the services constituted agricultural labor within the meaning of section 209 (l) of existing law and the corresponding section of the Internal Revenue Code and, except for such sections, would have constituted employment under existing law; (3) the employer paid the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code with respect to the remuneration paid for the services upon the assumption that the services did not constitute agricultural labor; and (4) no refund of such taxes had been obtained. The House bill contained no comparable provision. The conference agreement adopts the Senate amendment.

CERTAIN REINCORPORATIONS PRIOR TO 1951

The Senate amendment provided certain limited relief from the taxes under subchapters A and C of chapter 9 of the Internal Revenue Code, where a corporation incorporated under the laws of one State is succeeded by another corporation incorporated under the laws of another State. There was no corresponding provision in the House bill. The conference agreement adopts the provisions of the Senate amendment. The relief is applicable only in the case of successions taking place at some time during the period from January 1, 1946, to December 31, 1950, both dates inclusive. If all of the conditions specified in the provision are met, the successor may count toward the $3,000 limitation in the definition of wages under such subchapters, before applying such limitation to remuneration paid by the successor to its employees in the calendar year in which the succession takes place, the amount of the taxable wages paid by the predecessor in such calendar year to the same employees, as though such wages paid by the predecessor had been paid by the successor; and, subject to the applicable statutes of limitation, the successor may be entitled under the provision to a credit or refund, without interest, of certain taxes (together with any interest or penalty thereon) paid by it with respect to certain remuneration which it paid during such calendar year. The credit or refund is limited to employer tax under section 1410 of subchapter A and employer tax under section 1600 of subchapter C.

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

The Senate added to the House bill a new section 405 relating to findings under section 1603 of the Internal Revenue Code and under section 303 (b) (1) of the Social Security Act. The conference agreement adopts the Senate amendment in this respect. The present authority of the Secretary of Labor under section 1603 of the Internal Revenue Code and section 303 (b) of the Social Security Act is not changed but would merely be delayed in operation by providing:

(1) That no finding shall be made under section 1603 (c) of the Internal Revenue Code that a State law no longer contains the provisions specified in subsection 1603 (a) unless the State has amended its law;

(2) That a finding under section 1603 (c) of the Internal Revenue Code shall become effective on the ninetieth day after the Governor of a State is notified thereof unless the State law is sooner amended to comply substantially with the Secretary's interpretation of the applicable provision of section 1603 (a), thus, where circumstances require, giving retroactive effect to the finding so as to invalidate any intervening temporary certification to the Secretary of the Treasury and at the same time enabling the State to act in the interim to amend its law;

(3) That no finding that the State is failing to comply substantially with the requirements of section 1603 (a) (5) of the Internal Revenue Code shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State, thereby ensuring that no finding may be made unless further appeal or review is impossible in the particular case;

(4) That there shall be no finding under section 303 (b) (1) of the Social Security Act until the question of entitlement to benefits is decided by the highest judicial authority given jurisdiction under State law.

The amendment also permits any costs of litigation to State benefit claimants, if paid by the State, to be included as part of the cost of administration to be paid for from granted funds.

The conference agreement is intended as a temporary measure of a stop gap nature pending reexamination by the appropriate committees during the next session of Congress of the whole field of unemployment insurance legislation to ascertain the desirability of appropriate permanent legislation.

SUSPENDING APPLICATION OF CERTAIN PROVISIONS OF CRIMINAL CODE TO CERTAIN PERSONS

The Senate amendment provided that service or employment of any person to assist the Senate Committee on Finance, or its duly authorized subcommittee, in the investigation of the Social Security Act program ordered by Senate Resolution 300 shall not be considered as service or employment bringing such person within certain provisions

of law relating to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States. The House bill contained no such provision. The conference agreement adopts the Senate amendment.

R. L. DOUGHTON,
W. D. MILLS,
A. SIDNEY CAMP,
DANIEL A. REED,
ROY O. WOODRUFF,
THOMAS A. JENKINS,
Managers on the Part of the House.

O

SOCIAL SECURITY ACT OF 1950

Mr. DOUGHTON. Mr. Speaker, I call up the conference report on the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT (H. REPT. No. 2771)

The committee of conference on the disagreeing votes of the two Houses on the

amendment of the Senate to the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recomend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"That this Act, with the following table of contents, may be cited as the 'Social Security Act Amendments of 1950'.

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"TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

"OLD-AGE AND SURVIVORS INSURANCE BENEFITS

"SEC. 101. (a) Section 202 of the Social Security Act is amended to read as follows:

"'OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

"'*Old-age insurance benefits*

"'SEC. 202. (a) Every individual who—

"'(1) is a fully insured individual (as defined in section 214 (a)),

"'(2) has attained retirement age (as defined in section 216 (a)), and

"'(3) has filed application for old-age insurance benefits,

shall be entitled to an old-age insurance benefit for each month, beginning with the first month after August 1950 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount (as defined in section 215 (a)) for such month.

"'*Wife's insurance benefits*

"'(b) (1) The wife (as defined in section 216 (b)) of an individual entitled to old-age insurance benefits, if such wife—

"'(A) has filed application for wife's insurance benefits,

"'(B) has attained retirement age or has in her care (individually or jointly with her husband) at the time of filing such application a child entitled to a child's insurance benefit on the basis of the wages and self-employment income of her husband,

"'(C) was living with such individual at the time such application was filed, and

"'(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of her husband, shall be entitled to a wife's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs; she dies, her husband dies, they are divorced a vinculo matrimonii, no child of her husband is entitled to a child's insurance benefit and she has not attained retirement age, or she becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of her husband.

"'(2) Such wife's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of her husband for such month.

"'*Husband's insurance benefits*

"'(c) (1) The husband (as defined in section 216 (f)) of a currently insured individual (as defined in section 214 (b)) entitled to old-age insurance benefits, if such husband—

"'(A) has filed application for husband's insurance benefits,

"'(B) has attained retirement age,

"'(C) was living with such individual at the time such application was filed,

"'(D) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled, and

"'(E) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than one-half of an old-age insurance benefit of his wife,

shall be entitled to a husband's insurance benefit for each month, beginning with the first month after August 1950, in which he becomes so entitled to such insurance benefits and ending with the month preceding the month in which any of the following occurs: he dies, his wife dies, they are divorced a vinculo matrimonii, or he becomes entitled to an old-age insurance benefit equal to or exceeding one-half of an old-age insurance benefit of his wife.

"'(2) Such husband's insurance benefit for each month shall be equal to one-half of the old-age insurance benefit of his wife for such month.

"'*Child's insurance benefits*

"'(d) (1) Every child (as defined in section 216 (e) of an individual entitled to old-age insurance benefits, or of an individual

who died a fully or currently insured individual after 1939, if such child—

"'(A) has filed application for child's insurance benefits,

"'(B) at the time such application was filed was unmarried and had not attained the age of eighteen, and

"'(C) was dependent upon such individual at the time such application was filed, or, if such individual has died, was dependent upon such individual at the time of such individual's death,

shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950, in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), or attains the age of eighteen.

" (2) Such child's insurance benefit for each month shall, if the individual on the basis of whose wages and self-employment income the child is entitled to such benefit has not died prior to the end of such month, be equal to one-half of the old-age insurance benefit of such individual for such month. Such child's insurance benefit for each month shall, if such individual has died in or prior to such month, be equal to three-fourths of the primary insurance amount of such individual, except that, if there is more than one child entitled to benefits on the basis of such individual's wages and self-employment income, each such child's insurance benefit for such month shall be equal to the sum of (A) one-half of the primary insurance amount of such individual, and (B) one-fourth of such primary insurance amount divided by the number of such children.

"'(3) A child shall be deemed dependent upon his father or adopting father at the time specified in paragraph (1) (C) unless, at such time, such individual was not living with or contributing to the support of such child and—

"'(A) such child is neither the legitimate nor the adopted child of such individual, or

"'(B) such child had been adopted by some other individual, or

"'(C) such child was living with and was receiving more than one-half of his support from his stepfather.

"'(4) A child shall be deemed dependent upon his stepfather at the time specified in paragraph (1) (C) if, at such time, the child was living with or was receiving at least one-half of his support from such stepfather.

"'(5) A child shall be deemed dependent upon his natural or adopting mother at the time specified in paragraph (1) (C) if such mother or adopting mother was a currently insured individual. A child shall also be deemed dependent upon his natural or adopting mother, or upon his stepmother, at the time specified in paragraph (1) (C) if, at such time, (A) she was living with or contributing to the support of such child, and (B) either (i) such child was neither living with nor receiving contributions from his father or adopting father, or (ii) such child was receiving at least one-half of his support from her.

"'*Widow's insurance benefits*

"'(e) (1) The widow (as defined in section 216 (c)) of an individual who died a fully insured individual after 1939, if such widow—

"'(A) has not remarried,

"'(B) has attained retirement age,

"'(C) has filed application for widow's insurance benefits or was entitled, after attainment of retirement age, to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which he died,

"'(D) was living with such individual at the time of his death, and

"'(E) is not entitled to old age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of her deceased husband,

shall be entitled to a widow's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of her deceased husband.

"'(2) Such widow's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of her deceased husband.

"'*Widower's insurance benefits*

"'(f) (1) The widower (as defined in section 216 (g) of an individual who died a fully and currently insured individual after August 1950, if such widower—

"'(A) has not remarried,

"'(B) has attained retirement age,

"'(C) has filed application for widower's insurance benefits or was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which she died,

"'(D) was living with such individual at the time of her death,

"'(E) (i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual at the time of her death and filed proof of such support within two years of such date of death, or (ii) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Administrator, from such individual, and she was a currently insured individual, at the time she became entitled to old-age insurance benefits and filed proof of such support within two years after the month in which she became so entitled, and

"'(F) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of his deceased wife,

shall be entitled to a widower's insurance benefit for each month, beginning with the first month after August 1950 in which he becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of his deceased wife.

"'(2) Such widower's insurance benefits for each month shall be equal to three-fourths of the primary insurance amount of his deceased wife.

"'*Mother's insurance benefits*

"'(g) (1) The widow and every former wife divorced (as defined in section 216 (d)) of an individual who died a fully or currently insured individual after 1939, if such widow or former wife divorced—

"'(A) has not remarried,

"'(B) is not entitled to a widow's insurance benefit,

"'(C) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such individual,

"'(D) has filed application for mother's insurance benefits,

"'(E) at the time of filing such application has in her care a child of such individual entitled to a child's insurance benefit, and

"'(F) (i) in the case of a widow, was living with such individual at the time of his death, or (ii) in the case of a former wife divorced, was receiving from such individual (pursuant to agreement or court order) at least one-half of her support at the time of his death, and the child referred to in clause (E) is her son, daughter, or legally adopted child and the benefits referred to in such clause are payable on the basis of such individual's wages and self-employment income,

shall be entitled to a mother's insurance benefit for each month, beginning with the first month after August 1950 in which she becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: no child of such deceased individual is entitled to a child's insurance benefit, such widow or former wife divorced becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual, she becomes entitled to a widow's insurance benefit, she remarries, or she dies. Entitlement to such benefits shall also end, in the case of a former wife divorced, with the month immediately preceding the first month in which no son, daughter, or legally adopted child of such former wife divorced is entitled to a child's insurance benefit on the basis of the wages and self-employment income of such deceased individual.

"'(2) Such mother's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

"'*Parent's insurance benefits*

"'(h) (1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after 1939, if such individual did not leave a widow who meets the conditions in subsection (e) (1) (D) and (E), a widower who meets the conditions in subsection (f) (1) (D), (E), and (F), or an unmarried child under the age of eighteen deemed dependent on such individual under subsection (d) (3), (4), or (5), and if such parent—

"'(A) has attained retirement age,

"'(B) was receiving at least one-half of his support from such individual at the time of such individual's death and filed proof of such support within two years of such date of death,

"'(C) has not married since such individual's death,

"'(D) is not entitled to old-age insurance benefits, or is entitled to old-age insurance benefits each of which is less than three-fourths of the primary insurance amount of such deceased individual, and

"'(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month beginning with the first month after August 1950 in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs: such parent dies, marries, or becomes entitled to an old-age insurance benefit equal to or exceeding three-fourths of the primary insurance amount of such deceased individual.

"'(2) Such parent's insurance benefit for each month shall be equal to three-fourths of the primary insurance amount of such deceased individual.

"'(3) As used in this subsection, the term "parent" means the mother or father of an individual, a stepparent of an individual by a marriage contracted before such individual attained the age of sixteen, or an adopting parent by whom an individual was adopted before he attained the age of sixteen.

"'*Lump-sum death payments*

"'(i) Upon the death, after August 1950, of an individual who died a fully or currently insured individual, an amount equal to three times such individual's primary insurance amount shall be paid in a lump sum to the person, if any, determined by the Administrator to be the widow or widower of the deceased and to have been living with the deceased at the time of death. If there is no such person, or if such person dies before receiving payment, then such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of such insured individual. No payment shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual.

"'*Application for monthly insurance benefits*

"'(j) (1) An individual who would have been entitled to a benefit under subsection (a), (b), (c), (d), (e), (f), (g), or (h) for any month after August 1950 had he filed application therefor prior to the end of such month shall be entitled to such benefit for such month if he files application therefor prior to the end of the sixth month immediately succeeding such month. Any benefit for a month prior to the month in which application is filed shall be reduced, to any extent that may be necessary, so that it will not render erroneous any benefit which, before the filing of such application, the Administrator has certified for payment for such prior month.

"'(2) No application for any benefit under this section for any month after August 1950 which is filed prior to three months before the first month for which the applicant becomes entitled to such benefit shall be accepted as an application for the purposes of this section; and any application filed within such three months' period shall be deemed to have been filed in such first month.

"'*Simultaneous entitlements to benefits*

"'(k) (1) A child, entitled to child's insurance benefits on the basis of the wages and self-employment income of an insured individual, who would be entitled, on filing application, to child's insurance benefits on the basis of the wages and self-employment income of some other insured individual, shall be deemed entitled, subject to the provisions of paragraph (2) hereof, to child's insurance benefits on the basis of the wages and self-employment income of such other individual if an application for child's insurance benefits on the basis of the wages and self-employment income of such other individual has been filed by any other child who would, on filing application, be entitled to child's insurance benefits on the basis of the wages and self-employment income of both such insured individuals.

"'(2) (A) Any child who under the preceding provisions of this section is entitled for any month to more than one child's insurance benefit shall, notwithstanding such provisions, be entitled to only one of such child's insurance benefits for such month, such benefit to be the one based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount.

"'(B) Any individual who under the preceding provisions of this section is entitled for any month to more than one monthly insurance benefit (other than an old-age insurance benefit) under this title shall be entitled to only one such monthly benefit for such month, such benefit to be the largest of the monthly benefits to which he (but for this subparagraph (B)) would otherwise be entitled for such month.

"'(3) If an individual is entitled to an old-age insurance benefit for any month and to any other monthly insurance benefit for such month, such other insurance benefit for such month shall be reduced (after any reduction under section 203 (a)) by an amount equal to such old-age insurance benefit.

"'*Entitlement to survivor benefits under Railroad Retirement Act*

"'(l) If any person would be entitled, upon filing application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), no lump-sum death payment, and no monthly benefit for the month in which such employee died or for any month thereafter, shall be paid under this section to any person on the basis of the wages and self-employment income of such employee.'

"(b) (1) Except as provided in paragraph (3), the amendment made by subsection (a) of this section shall take effect September 1, 1950."

"(2) Section 205 (m) of the Social Security Act is repealed effective with respect to monthly benefits under section 202 of the Social Security Act, as amended by this Act, for months after August 1950."

"(3) Section 202 (j) (2) of the Social Security Act, as amended by this Act, shall take effect on the date of enactment of this Act."

"(c) (1) Any individual entitled to primary insurance benefits or widow's current insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for September 1950 shall be deemed to be entitled to old-age insurance benefits or mother's insurance benefits (as the case may be) under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in such month."

"(2) Any individual entitled to any other monthly insurance benefits under section 202 of the Social Security Act as in effect prior to its amendment by this Act who would, but for the enactment of this Act, be entitled to such benefits for September 1950 shall be deemed to be entitled to such benefits under section 202 of the Social Security Act, as amended by this Act, as though such individual became entitled to such benefits in such month."

"(3) Any individual who files application after August 1950 for monthly benefits under any subsection of section 202 of the Social Security Act who would, but for the enactment of this Act, be entitled to benefits under such subsection (as in effect prior to such enactment) for any month prior to September 1950 shall be deemed entitled to such benefits for such month prior to September 1950 to the same extent and in the same amounts as though this Act had not been enacted.

"(d) Lump-sum death payments shall be made in the case of individuals who died prior to September 1950 as though this Act had not been enacted; except that in the case of any individual who died outside the forty-eight States and the District of Columbia after December 6, 1941, and prior to August 10, 1946, the last sentence of section 202 (g) of the Social Security Act as in effect prior to the enactment of this Act shall not be applicable if application for a lump-sum death payment is filed prior to September 1952.

"MAXIMUM BENEFITS

"SEC. 102. (a) So much of section 203 of the Social Security Act as precedes subsection (d) is amended to read as follows:

"'REDUCTION OF INSURANCE BENEFITS

"'*Maximum benefits*

"'SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual exceeds $150, or is more than $40 and exceeds 80 per centum of his average monthly wage (as determined under subsection (b) or (c) of section 215, whichever is applicable), such total of benefits shall, after any deductions under this section, be reduced to $150 or to 80 per centum of his average monthly wage, whichever is the lesser, but in no case to less than $40, except that when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall, after any deductions under this section, be reduced to $150 or to 80 per centum of the sum of the average monthly wages of all such insured individuals, whichever is the lesser, but in no case to less than $40. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased.'

"(b) The amendment made by subsection (a) of this section shall be applicable with respect to benefits for months after August 1950.

"DEDUCTIONS FROM BENEFITS

"SEC. 103. (a) Subsections (d), (e), (f), (g), and (h) of section 203 of the Social Security Act are amended to read as follows:

"'*Deductions on account of work or failure to have child in care*

"'(b) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month—

"'(1) in which such individual is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than $50; or

"'(2) in which such individual is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than $50; or

"'(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or

"'(4) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

"'(5) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child, of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.

"'*Deductions from dependents' benefits because of work by old-age insurance beneficiary*

"'(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—

"'(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) or more than $50; or

"'(2) in which the individual referred to in paragraph (1) is under the age of 75 and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than $50.

"'*Occurrence of more than one event*

"'(d) If more than one of the events specified in subsections (b) and (c) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefits shall be deducted. The charging of net earnings from self-employment to any month shall be treated as an event occurring in the month to which such net earnings are charged.

"'*Months to which net earnings from self-employment are charged*

"'(e) For the purposes of subsections (b) and (c)—

"'(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of $50 times the number of months in such year, no month in such year shall be charged with more than $50 of net earnings from self-employment.

"'(2) If an individual's net earnings from self-employment for his taxable year are more than the product of $50 times the number of months in such year, each month of such year shall be charged with $50 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first $50 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of $50 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title, (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.

"'(3) (A) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

"'(B) For the purposes of clause (D) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

"'*Penalty for failure to report certain events*

"'(f) Any individual in receipt of benefits subject to deduction under subsection (b) or (c) (or who is in receipt of such benefits on behalf of another individual), because of the occurrence of an event specified therein (other than an event described in subsection (b) (2) or (c) (2)), shall report such occurrence to the Administrator prior to the receipt and acceptance of an insurance benefit for the second month following the month in which such event occurred. Any such individual having knowledge thereof, who fails to report any such occurrence, shall suffer an additional deduction equal to that imposed under subsection (b) or (c), except that the first additional deduction imposed by this subsection in the case of any individual shall not exceed an amount equal to one month's benefit even though the failure to report is with respect to more than one month.

"'*Report to Administrator of net earnings from self-employment*

"'(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of $50 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

"'(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings—

"'(A) such individual shall suffer one additional deduction in an amount equal to his benefit or benefits for the last month in such taxable year for which he was entitled to a benefit under section 202; and

"'(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed under this paragraph with respect to a failure by an individual to file a report required by paragraph (1) and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

"'(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.

"'*Circumstances under which deductions not required*

"'(h) Deductions by reason of subsection (b), (f), or (g) shall, notwithstanding the provisions of such subsection, be made from the benefits to which an individual is entitled only to the extent that they reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to him and the other individuals living in the same household.

"'*Deductions with respect to certain lump sum payments*

"'(i) Deductions shall also be made from any old-age insurance benefit to which an individual is entitled, or from any other insurance benefit payable on the basis of such individual's wages and self-employment income, until such deductions total the amount of any lump sum paid to such individual under section 204 of the Social Security Act in force prior to the date of enactment of the Social Security Act Amendments of 1939.

"'*Attainment of age seventy-five*

"'(j) For the purposes of this section, an individual shall be considered as seventy-five years of age during the entire month in which he attains such age.'

"(b) The amendments made by this section shall take effect September 1, 1950, except that the provisions of subsections (d), (e), and (f) of section 203 of the Social Security Act as in effect prior to the enactment of this Act shall be applicable for months prior to September 1950.

"DEFINITIONS

"SEC. 104. (a) Title II of the Social Security Act is amended by striking out section 209 and inserting in lieu thereof the following:

"'DEFINITION OF WAGES

"'SEC. 209. For the purposes of this title, the term "wages" means remuneration paid prior to 1951 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1950 for employment, including the cash value of all remuneration paid in any medium other than cash; except that, in the case of remuneration paid after 1950, such term shall not include—

"'(a) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $3,600 with respect to employment has been paid to an individual during any calendar year, is paid to such individual during such calendar year;

"'(b) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (1) retirement, or (2) sickness or accident disability, or (3) medical or hospitalization expenses in connection with sickness or accident disability, or (4) death;

"'(c) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"'(d) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"'(e) Any payment made to, or on behalf of, an employee or his beneficiary (1) from or to a trust exempt from tax under section 165 (a) of the Internal Revenue Code at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6) of such code:

"'(f) The payment by an employer (without deduction from the remuneration of the employee) (1) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code, or (2) of any payment required from an employee under a State unemployment compensation law;

"'(g) (1) Remuneration paid in any medium other than cash to an employee for services not in the course of the employer's trade or business or for domestic service in a private home of the employer;

"'(2) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in the quarter for such service is less than $50 or the employee is not regularly employed by the employer in such quarter of payment. For the purposes of this paragraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or (B) the employee was regularly employed (as determined under clause (A)) by the employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term 'domestic service in a private home of the employer' does not include service described in section 210 (f) (5);

"'(h) Remuneration paid in any medium other than cash for agricultural labor;

"'(i) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains retirement age (as defined in section 216 (a)), if he did not work for the employer in the period for which such payment is made; or

" (j) Remuneration paid by an employer in any quarter to an employee for service described in section 210 (k) (3) (C) (relating to home workers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50.

"'For purposes of this title, in the case of domestic service described in subsection (g) (2), any payment of cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this title, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (g) (2).

"'DEFINITION OF EMPLOYMENT

"'SEC. 210. For the purposes of this title—

"'*Employment*

"'(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1950, such term shall not include—

"'(1) (A) Agricultural labor (as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

"'(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

"'(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term "qualifying quarter" means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter.

"'(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

"'(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

"'(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in subsection (f) (5);

"'(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

"'(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"'(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any provision of law which specifically refers to such section in granting such exemption;

"'(7) (A) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

"'(B) Service performed in the employ of an instrumentality of the United States such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

"'(i) service performed in the employ of a corporation which is wholly owned by the United States;

"'(ii) service performed in the employ of of a national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

"'(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

"'(iv) Service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department;

"'(C) Service permormed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

"'(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

"'(ii) in the legislative branch;

"'(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

"'(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

"'(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"'(vi) by any individual as an employee receiving nominal compensation of $12 or less per annum;

"'(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"'(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"'(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"'(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

"'(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

"'(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

"'(xiii) by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;

"'(8) Service (other than service included under an agreement under section 218 and other than service which, under subsection (l), constitutes covered transportation service) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

"'(9) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"'(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6) of the Internal Revenue Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 1426 (l) of the Internal Revenue Code, is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under such section 1426 (l), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

"'(10) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

"'(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if the remuneration for such service is less than $50;

"'(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"'(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"'(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"'(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"'(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

"'(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law.

"'(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"'(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"'(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

"'(17) Service performed in the employ of an international organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (59 Stat. 669).

"'*Included and excluded service*

"'(b) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection, the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (10) of subsection (a).

"'*American vessel*

"'(c) The term "American vessel" means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

"'*American aircraft*

"'(d) The term "American aircraft" means an aircraft registered under the laws of the United States.

"'*American employer*

"'(e) The term "American employer" means an employer which is (1) the United States or any instrumentality thereof, (2) a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing, (3) an individual who is a resident of the United States, (4) a partnership, if two-thirds or more of the partners are residents of the United States, (5) a trust, if all of the trustees are residents of the United States, or (6) a corporation organized under the laws of the United States or of any State.

"'*Agricultural labor*

"'(f) The term "agricultural labor" includes all service performed—

"'(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

"'(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"'(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

"'(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"'(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"'(5) On a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

The provisions of subparagraphs (A) and (B) of paragraph (4) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

"'*Farm*

"'(g) The term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

"'*State*

"'(h) The term "State" includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

"'*United States*

"'(i) The term "United States" when used in a geographical sense means the States, Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 219 such term includes Puerto Rico.

"'*Citizen of Puerto Rico*

"'(j) An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 219.

"'*Employee*

"'(k) The term "employee" means—

"'(1) any officer of a corporation; or

"'(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or

"'(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

"'(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

"'(B) as a full-time life insurance salesman;

"'(C) as a home worker performing work according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

"'(D) as a traveling or city salesman, other than as an agent-driver or commission-driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

"'*Covered transportation service*

"'(l) (1) Except as provided in paragraph (2), all service performed in the employ of a State or political subdivision in connection with its operation of a public transportation system shall constitute covered transportation service if any part of the transportation system was acquired from private ownership after 1936 and prior to 1951.

"'(2) Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

"'(A) any part of the transportation system was acquired from private ownership after 1936 and prior to 1951, and substantially all service in connection with the operation of the transportation system is, on December 31, 1950, covered under a general retirement system providing benefits which, by reason of a provision of the State constitution dealing specifically with retirement systems of the State or political subdivisions thereof, cannot be diminished or impaired; or

"'(B) no part of the transportation system operated by the State or political subdivision on December 31, 1950, was acquired from private ownership after 1936 and prior to 1951;

except that if such State or political subdivision makes an acquisition after 1950 from private ownership of any part of its transportation system, then, in the case of any employee who—

"'(C) became an employee of such State or political subdivision in connection with and at the time of its acquisition after 1950 of such part, and

"'(D) prior to such acquisition rendered service in employment in connection with the operation of such part of the transportation system acquired by the State or political subdivision,

the service of such employee in connection with the operation of the transportation system shall constitute covered transportation service, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of such part took place, unless on such first day such service of such employee is covered by a general retirement system which does not, with respect to such employee, contain special provisions applicable only to employees described in subparagraph (C).

"'(3) All service performed in the employ of a State or political subdivision thereof in connection with its operation of a public transportation system shall constitute covered transportation service if the transportation system was not operated by the State or political subdivision prior to 1951 and, at the time of its first acquisition (after 1950) from private ownership of any part of its transportation system, the State or political subdivision did not have a general retirement system covering substantially all service performed in connection with the operation of the transportation system.

"'(4) For the purposes of this subsection—

"'(A) The term "general retirement system" means any pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision, thereof for employees of the State, political subdivision, or both; but such term shall not include such a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

"'(B) A transportation system or a part thereof shall be considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or part thereof acquired constituted employment under this title, and some of such employees became employees of the State or political subdivision in connection with and at the time of such acquisition.

"'(C) The term "political subdivision" includes an instrumentality of (i) a State, (ii) one or more political subdivisions of a State, or (iii) a State and one or more of its political subdivisions.

"'SELF-EMPLOYMENT

"'SEC. 211. For the purposes of this title—

"'*Net earnings from self-employment*

"'(a) The term "net earnings from self-employment" means the gross income, as computed under chapter 1 of the Internal Revenue Code, derived by an individual from any trade or business carried on by such individual, less the deductions allowed under such chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183 of such code, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

"'(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

"'(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 210 (f); and there shall be excluded all deductions attributable to such income;

"'(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a) of the Internal Revenue Code) are received in the course of a trade or business as a dealer in stocks or securities;

"'(4) There shall be excluded any gain or loss (A) which is considered under chapter 1 of the Internal Revenue Code as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) of such code is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

"'(5) The deduction for net operating losses provided in section 23 (s) of such code shall not be allowed;

"'(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"'(B) If any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

"'(7) In the case of any taxable year beginning on or after the effective date specified in section 219, (A) the term "possession of the United States" as used in section 251 of the Internal Revenue Code shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252 of such code.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to 1951) ending within or with his taxable year.

"'*Self-employment income*

"'(b) The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after 1950; except that such term shall not include—

"'(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

"'(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.

In the case of any taxable year beginning prior to the effective date specified in section 219, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States during such taxable year shall be considered, for the purposes of this subsection, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 219) a resident of Puerto Rico shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.

"'*Trade or business*

"'(c) The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23 of the Internal Revenue Code, except that such term shall not include—

"'(1) The performance of the functions of a public office;

"'(2) The performance of service by an individual as an employee (other than service described in section 210 (a) (16) (B) performed by an individual who has attained the age of eighteen);

"'(3) The performance of service by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

"'(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"'(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.

"'*Partnership and partner*

"'(d) The term "partnership" and the term "partner" shall have the same meaning as when used in supplement F of chapter 1 of the Internal Revenue Code.

"'*Taxable year*

"'(e) The term "taxable year" shall have the same meaning as when used in chapter 1 of the Internal Revenue Code; and the taxable year of any individual shall be a calendar year unless he has a different taxable year for the purposes of chapter 1 of such code, in which case his taxable year for the purposes of this title shall be the same as his taxable year under such chapter 1.

"'CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR QUARTERS

"'SEC. 212. For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year shall be credited to calendar quarters as follows:

"'(a) In the case of a taxable year which is a calendar year the self-employment income of such taxable year shall be credited equally to each quarter of such calendar year.

"'(b) In the case of any other taxable year the self-employment income shall be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

"'QUARTER AND QUARTER OF COVERAGE

"'*Definitions*

"'SEC. 213. (a) For the purposes of this title—

"'(1) The term "quarter", and the term "calendar quarter", mean a period of three calendar months ending on March 31, June 30, September 30, or December 31.

"'(2) (A) The term "quarter of coverage" means, in the case of any quarter occurring prior to 1951, a quarter in which the individual has been paid $50 or more in wages. In the case of any individual who has been paid, in a calendar year prior to 1951, $3,000 or more in wages each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual died or became entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

"'(B) The term "quarter of coverage" means, in the case of a quarter occurring after 1950, a quarter in which the individual has been paid $50 or more in wages or for which he has been credited (as determined under section 212) with $100 or more of self-employment income, except that—

"'(i) no quarter after the quarter in which such individual died shall be a quarter of coverage;

"'(ii) if the wages paid to any individual in a calendar year equal or exceed $3,600, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

"'(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such taxable year equals $3,600, each quarter any part of which falls in such year shall be a quarter of coverage; and

"'(iv) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter.

"'*Crediting of wages paid in 1937*

"'(b) With respect to wages paid to an individual in the six-month periods commencing either January 1, 1937, or July 1, 1937; (A) if wages of not less than $100 were paid in any such period, one-half of the total amount thereof shall be deemed to have been paid in each of the calendar quarters in such period; and (B) if wages of less than $100 were paid in any such period, the total amount thereof shall be deemed to have been paid in the latter quarter of such period, except that if in any such period, the individual attained age sixty-five, all of the wages paid in such period shall be deemed to have been paid before such age was attained.

"'INSURED STATUS FOR PURPOSES OF OLD-AGE AND SURVIVORS INSURANCE BENEFITS

"'SEC. 214. For the purposes of this title—

"'*Fully insured individual*

"'(a) (1) In the case of any individual who died prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than one quarter of coverage (whenever acquired) for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage.

"'(2) In the case of any individual who did not die prior to September 1, 1950, the term "fully insured individual" means any individual who had not less than—

"'(A) one quarter of coverage (whether acquired before or after such day) for each two of the quarters elapsing after 1950, or after the quarter in which he attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he attained retirement age, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

"'(B) forty quarters of coverage.

"'(3) When the number of elapsed quarters specified in paragraph (1) or (2) (A) is an odd number, for purposes of such paragraph such number shall be reduced by one.

"'*Currently insured individual*

"'(b) The term "currently insured individual" means any individual who had not less than six quarters of coverage during the thirteen-quarter period ending with (1) the quarter in which he died, (2) the quarter in which he became entitled to old-age insurance benefits, or (3) the quarter in which he became entitled to primary insurance benefits under this title as in effect prior to the enactment of this section.

"'COMPUTATION OF PRIMARY INSURANCE AMOUNT

"'SEC. 215. For the purposes of this title—

"'*Primary insurance amount*

"'(a) (1) The primary insurance amount of an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be 50 per centum of the first $100 of his average monthly wage plus 15 per centum of the next $200 of such wage; except that if his average monthly wage is less than $50, his primary insurance amount shall be the amount appearing in column II of the following table on the line on which in column I appears his average monthly wage.'

"I *Average monthly wage*	II *Primary insurance amount*
$30 or less	$20
$31	$21
$32	$22
$33	$23
$34	$24
$35 to $49	$25

"'(2) The primary insurance amount of an individual who attained age twenty-two prior to 1951 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be whichever of the following is the larger—

"'(A) the amount computed as provided in paragraph (1) of this subsection; or

"'(B) the amount determined under subsection (c).

"'(3) The primary insurance amount of any other individual shall be the amount determined under subsection (c).

"'*Average monthly wage*

"'(b) (1) An individual's "average monthly wage" shall be the quotient obtained by dividing the total of—

"'(A) his wages after his starting date (determined under paragraph (2)) and prior to his wage closing date (determined under paragraph (3)), and

"'(B) his self-employment income after such starting date and prior to his self-employment income closing date (determined under paragraph (3))

by the number of months elapsing after such starting date and prior to his divisor closing date (determined under paragraph (3)) excluding from such elapsed months any month in any quarter prior to the quarter in which he attained the age of twenty-two which was not a quarter of coverage, except that when the number of such elapsed months thus computed is less than eighteen, it shall be increased to eighteen.

"'(2) An individual's "starting date" shall be December 31, 1950, or, if later, the day preceding the quarter in which he attained the age of twenty-two, whichever results in the higher average monthly wage.

"'(3) (A) Except to the extent provided in paragraph (D), an individual's "wage closing date" shall be the first day of the second quarter preceding the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred.

"'(B) Except to the extent provided in paragraph (D), an individual's "self-employment income closing date" shall be the day following the quarter in which ends his last taxable year (i) which ended before the month in which he died or became entitled to old-age insurance benefits, whichever first occurred, and (ii) during which he derived self-employment income.

"'(C) Except to the extent provided in paragraph (D), an individual's "divisor closing date" shall be the later of his wage closing date and his self-employment income closing date.

"'(D) In case of an individual who died or became entitled to old-age insurance benefits after the first quarter in which he both was fully insured and had attained retirement age, the determination of his closing dates shall be made as though he became entitled to old-age insurance benefits in such first quarter, but only if it would result in a higher average monthly wage for such individual.

"'(4) Notwithstanding the preceding provisions of this subsection, in computing an individual's average monthly wage, there shall not be taken into account any self-employment income of such individual for taxable years ending in or after the month in which he died or became entitled to old-age insurance benefits, whichever first occurred.

"'*Determinations made by use of the conversion table*

"'(c) (1) The amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for an individual shall be the amount appearing in column II of the following table on the line on which in column I appears his primary insurance benefit (determined as provided in subsection (d)); and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing on such line in column III.

"I If the primary insurance benefit (as determined under subsection (d)) is:	II The primary insurance amount shall be:	III And the average monthly wage for purpose of computing maximum benefits shall be:
$10	$20.00	$40.00
$11	22.00	44.00
$12	24.00	48.00
$13	26.00	52.00
$14	28.00	56.00
$15	30.00	60.00
$16	31.70	63.40
$17	33.20	66.40
$18	34.50	69.00
$19	35.70	71.40
$20	37.00	74.00
$21	38.50	77.00
$22	40.20	80.40
$23	42.20	84.40
$24	44.50	89.00
$25	46.50	93.00
$26	48.30	96.60
$27	50.00	100.00
$28	51.50	110.00
$29	52.80	118.60
$30	54.00	126.60
$31	55.10	134.00
$32	56.20	141.30
$33	57.20	148.00
$34	58.20	154.60
$35	59.20	161.30
$36	60.20	168.00
$37	61.20	174.60
$38	62.20	181.30
$39	63.10	187.30
$40	64.00	195.00
$41	64.90	210.00
$42	65.80	220.00
$43	66.70	230.00
$44	67.60	240.00
$45	68.50	250.00
$46	68.50	250.00

"'(2) In case the primary insurance benefit of an individual (determined as provided in subsection (d) falls between the amounts of any two consecutive lines in column I of the table, the amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for such individual, and his average monthly wage for purposes of section 203 (a), shall be determined in accordance with regulations of the Administrator designed to obtain results consistent with those obtained for individuals whose primary insurance benefits are shown in column I of the table.

"'(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Administrator is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

"'*Primary insurance benefit for purposes of conversion table*

"'(d) For the purposes of subsection (c), the primary insurance benefits of individuals shall be determined as follows:

"'(1) In the case of any individual who was entitled to a primary insurance benefit for August 1950, his primary insurance benefit shall, except as provided in paragraph (2), be the primary insurance benefit to which he was so entitled.

"'(2) In the case of any individual to whom paragraph (1) is applicable and who is a World War II veteran or in August 1950 rendered services for wages of $15 or more, his primary insurance benefit shall be whichever of the following is larger: (A) the primary insurance benefit to which he was entitled for August 1950, or (B) his primary insurance benefit for August 1950 recomputed, under section 209 (q) of the Social Security Act as in effect prior to the enactment of this section, in the same manner as if such individual had filed application for and was entitled to a recomputation for August 1950, except that in making such recomputation section 217 (a) shall be applicable if such individual is a World War II veteran.

"'(3) In the case of any individual who died prior to September 1950, his primary insurance benefit shall be determined as provided in this title as in effect prior to the enactment of this section, except that section 217 (a) shall be applicable, in lieu of section 210 of this Act as in effect prior to the enactment of this section, but only if it results in a larger primary insurance benefit.

"'(4) In the case of any other individual, his primary insurance benefit shall be computed as provided in this title as in effect prior to the enactment of this section, except that—

"'(A) In the computation of such benefit, such individual's average monthly wage shall (in lieu of being determined under section 209 (f) of such title as in effect prior to the enactment of this section) be determined as provided in subsection (b) of this section, except that his starting date shall be December 31, 1936.

"'(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.

"'(C) The 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951.

"'(D) The provisions of subsection (c) shall be applicable to such computation.

"'*Certain wages and self-employment income not to be counted*

"'(e) For the purposes of subsections (b) and (d) (4)—

"'(1) in computing an individual's average monthly wage there shall not be counted, in the case of any calendar year after 1950, the excess over $3,600 of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and

"'(2) if an individual's average monthly wage computed under subsection (b) or for the purposes of subsection (d) (4) is not a multiple of $1, it shall be reduced to the next lower multiple of $1.

"'*Recomputation of benefits*

"'(f) (1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who died prior to July 27, 1954, as provided in section 217 (b).

"'(2) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recompute his primary insurance amount if application therefor is filed after the twelfth month for which deductions under paragraph (1) or (2) of section 203 (b) have been imposed (within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to September 1950 or prior to the earliest month for which the last previous computation of his primary insurance amount was effective, and if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed such application are quarters of coverage. A recomputation under this paragraph shall be made only as provided in subsection (a) (1) and shall take into account only such wages and self-employment income as would be taken into account under subsection (b) if the month in which application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the

month in which such application for recomputation is filed.

"'(3) (A) Upon application by an individual entitled to old-age insurance benefits, filed at least six months after the month in which he became so entitled, the Administrator shall recompute his primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

"'(B) Upon application by a person entitled to monthly benefits on the basis of the wages and self-employment income of an individual who died after August 1950, the Administrator shall recompute such individual's primary insurance amount if such application is filed at least six months after the month in which such individual died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be effective for and after the month in which such person who filed the application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph shall affect the amount of the lump-sum death payment under subsection (1) of section 202 and no such recomputation shall render erroneous any such payment certified by the Administrator prior to the effective date of the recomputation.

"'(4) Upon the death after August 1950 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Administrator shall recompute the decedent's primary insurance amount, but (except as provided in paragraph (3) (B)) only if—

"'(A) the decedent would have been entitled to a recomputation under paragraph (2) if he had filed application therefor in the month in which he died; or

"'(B) the decedent during his lifetime was paid compensation which is treated, under section 205 (o), as remuneration for employment.

If the recomputation is permitted by subparagraph (A), the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the divisor closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the divisor closing date applicable to such computation. If both of the preceding sentences are applicable to an individual, only the recomputation which results in the larger primary insurance amount shall be made.

"'(5) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

"'*Rounding of benefits*

"'(g) The amount of any primary insurance amount and the amount of any monthly benefit computed under section 202 which (after reduction under section 203 (a)) is not a multiple of $0.10 shall be raised to the next higher multiple of $0.10.

"'OTHER DEFINITIONS

"'SEC. 216. For the purposes of this title—

"'*Retirement age*

"'(a) The term "retirement age" means age sixty-five.

"'*Wife*

"'(b) The term "wife" means the wife of an individual, but only if she (1) is the mother of his son or daughter, or (2) was married to him for a period of not less than three years immediately preceding the day on which her application is filed.

"'*Widow*

"'(c) The term "widow" (except when used in section 202 (i) means the surviving wife of an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) was married to him at the time both of them legally adopted a child under the age of eighteen, or (4) was married to him for a period of not less than one year immediately prior to the day on which he died.

"'*Former wife divorced*

"'(d) The term "former wife divorced" means a woman divorced from an individual, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (3) was married to him at the time both of them legally adopted a child under the age of eighteen.

"'*Child*

"'(e) The term "child" means (1) the child of an individual, and (2) in the case of a living individual, a stepchild or adopted child who has been such stepchild or adopted child for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, (A) an adopted child, or (B) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. In determining whether an adopted child has met the length of time requirement in clause (2), time spent in the relationship of stepchild shall be counted as time spent in the relationship of adopted child.

"'*Husband*

"'(f) The term "husband" means the husband of an individual, but only if he (1) is the father of her son or daughter, or (2) was married to her for a period of not less than three years immediately preceding the day on which his application is filed.

"'*Widower*

"'(g) The term "widower" (except when used in section 202 (i)) means the surviving husband of an individual, but only if he (1) is the father of her son or daughter, (2) legally adopted her son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (3) was married to her at the time both of them legally adopted a child under the age of eighteen, or (4) was married to her for a period of not less than one year immediately prior to the day on which she died.

"'*Determination of family status*

"'(h) (1) In determining whether an applicant is the wife, husband, widow, widower, child, or parent of a fully insured or currently insured individual for purposes of this title, the Administrator shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured individual is dead, by the courts of the State, in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, husband, widow, widower, child, or parent shall be deemed such.

"'(2) A wife shall be deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and a widow shall be deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support.

"'(3) A husband shall be deemed to be living with his wife if they are both members of the same household, or he is receiving regular contributions from her toward his support, or she has been ordered by any court to contribute to his support; and a widower shall be deemed to have been living with his wife at the time of her death if they were both members of the same household on the date of her death, or he was receiving regular contributions from her toward his support on such date, or she had been ordered by any court to contribute to his support.'

"(b) The amendment made by subsection (a) shall take effect January 1, 1951, except that sections 214, 215, and 216 of the Social Security Act shall be applicable (1) in the case of monthly benefits for months after August 1950, and (2) in the case of lump-sum death payments with respect to deaths after August 1950.

"WORLD WAR II VETERANS

"SEC. 105. Effective September 1, 1950, title II of the Social Security Act is amended by striking out section 210 and by adding after section 216 (added by section 104 (a) of this Act), the following:

"'BENEFITS IN CASE OF WORLD WAR II VETERANS

"'SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

"'(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

"'(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

"'(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

"'(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service during World War II shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

"'(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active military or naval service of the United States shall be deemed to have died a fully insured individual whose primary insurance amount is the amount determined under section 215 (c). Notwithstanding section 215 (d), the primary insurance benefit (for purposes of section 215 (c)) of such veteran shall be determined as provided in this title as in effect prior to the enactment of this section, except that the 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

"'(A) a larger such benefit or payment, as the case may be, would be payable without its application;

"'(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

"'(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

"'(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

"'(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to paragraph (1) (B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Administration by reason of the death of such veteran. The Federal Security Administrator shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law adminstered by it, it shall notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U. S. C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Federal Security Administrator, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration shall be deemed by reason of this subsection to have been an erroneous payment.

"'(c) In the case of any World War II veteran to whom subsection (a) is applicable, proof of support required under section 202 (h) may be filed by a parent at any time prior to July 1951 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

"'(d) For the purposes of this section—

"'(1) The term "World War II" means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.

"'(2) The term "World War II veteran" means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.'

"COVERAGE OF STATE AND LOCAL EMPLOYEES

"SEC. 106. Title II of the Social Security Act is amended by adding after section 217 (added by section 105 of this Act) the following:

"'VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

"'*Purpose of agreement*

"'SEC. 218. (a) (1) The Administrator shall, at the request of any State, enter into an agreement with such State for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such State or any political subdivision thereof. Each such agreement shall contain such provisions, not inconsistent with the provisions of this section, as the State may request.

"'(2) Notwithstanding section 210 (a), for the purposes of this title the term "employment" includes any service included under an agreement entered into under this section.

"'*Definitions*

"'(b) For the purposes of this section—

"'(1) The term "State" does not include the District of Columbia.

"'(2) The term "political subdivision" includes an instrumentality of (A) a State, (B) one or more political subdivisions of a State, or (C) a State and one or more of its political subdivisions.

"'(3) The term "employee" includes an officer of a State or political subdivision.

"'(4) The term "retirement system" means a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof.

"'(5) The term "coverage group" means (A) employees of the State other than those engaged in performing service in connection with a proprietary function; (B) employees of a political subdivision of a State other than those engaged in performing service in connection with a proprietary function; (C) employees of a State engaged in performing service in connection with a single proprietary function; or (D) employees of a political subdivision of a State engaged in performing service in connection with a single proprietary function. If under the preceding sentence an employee would be included in more than one coverage group by reason of the fact that he performs service in connection with two or more proprietary functions or in connection with both a proprietary function and a nonproprietary function, he shall be included in only one such coverage group. The determination of the coverage group in which such employee shall be included shall be made in such manner as may be specified in the agreement.

"'*Services covered*

"'(c) (1) An agreement under this section shall be applicable to any one or more coverage groups designated by the State.

"'(2) In the case of each coverage group to which the agreement applies, the agreement must include all services (other than services excluded by or pursuant to subsection (d) or paragraph (3),)(5), or (6) of this subsection) performed by individuals as members of such group.

"'(3) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any services of an emergency nature or all services in any class or classes of elective positions, part-time positions, or positions the compensation for which is on a fee basis.

"'(4) The Administrator shall, at the request of any State, modify the agreement with such State so as to (A) include any coverage group to which the agreement did not previously apply, or (B) include, in the case of any coverage group to which the agreement applies, services previously excluded from the agreement; but the agreement as so modified may not be inconsistent with the provisions of this section applicable in the case of an original agreement with a State.

"'(5) Such agreement shall, if the State requests it, exclude (in the case of any coverage group) any agricultural labor, or service performed by a student, designated by the State. This paragraph shall apply only with respect to service which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

"'(6) Such agreement shall exclude—

"'(A) service performed by an individual who is employed to relieve him from unemployment,

"'(B) service performed in a hospital, home, or other institution by a patient or inmate thereof,

"'(C) covered transportation service (as determined under section 210 (1)), and

"'(D) service (other than agricultural labor or service performed by a student) which is excluded from employment by any provision of section 210 (a) other than paragraph (8) of such section.

"'*Exclusion of positions covered by retirement systems*

"'(d) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date

such agreement is made applicable to such coverage group.

"'*Payments and reports by States*

"'(e) Each agreement under this section shall provide—

"'(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Administrator may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 1400 and 1410 of the Internal Revenue Code if the services of employees covered by the agreement constituted employment as defined in section 1426 of such code; and

"'(2) that the State will comply with such regulations relating to payments and reports as the Administrator may prescribe to carry out the purposes of this section.

"'*Effective date of agreement*

"'(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, 1953) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the Senate.

"'*Termination of agreement*

"'(g) (1) Upon giving at least two years' advance notice in writing to the Administrator, a State may terminate, effective at the end of a calendar quarter specified in the notice, its agreement with the Administrator either—

"'(A) in its entirety, but only if the agreement has been in effect from its effective date for not less than five years prior to the receipt of such notice; or

"'(B) with respect to any coverage group designated by the State, but only if the agreement has been in effect with respect to such coverage group for not less than five years prior to the receipt of such notice.

"'(2) If the Administrator, after reasonable notice and opportunity for hearing to a State with whom he has entered into an agreement pursuant to this section, finds that the State has failed or is no longer legally able to comply substantially with any provision of such agreement or of this section, he shall notify such State that the agreement will be terminated in its entirety, or with respect to any one or more coverage groups designated by him, at such time, not later than two years from the date of such notice, as he deems appropriate, unless prior to such time he finds that there no longer is any such failure or that the cause for such legal inability has been removed.

"'(3) If any agreement entered into under this section is terminated in its entirety, the Administrator and the State may not again enter into an agreement pursuant to this section. If any such agreement is terminated with respect to any coverage group, the Administrator and the State may not thereafter modify such agreement so as to again make the agreement applicable with respect to such coverage group.

"'*Deposits in Trust Fund; adjustments*

"'(h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Fund.

"'(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Administrator.

"'(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Administrator to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Administrator.

"'*Regulations*

"'(i) Regulations of the Administrator to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and subchapter A or E of chapter 9 of the Internal Revenue Code.

"'*Failure to make payments*

"'(j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Administrator may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Fund.

"'*Instrumentalities of two or more States*

"'(k) The Administrator may, at the request of any instrumentality of two or more States, enter into an agreement with such instrumentality for the purpose of extending the insurance system established by this title to services performed by individuals as employees of such instrumentality. Such agreement, to the extent practicable, shall be governed by the provisions of this section applicable in the case of an agreement with a State.

"'*Delegation of functions*

"'(l) The Administrator is authorized, pursuant to agreement with the head of any Federal agency, to delegate any of his functions under this section to any officer or employee of such agency and otherwise to utilize the services and facilities of such agency in carrying out such functions, and payment therefor shall be in advance or by way of reimbursement, as may be provided in such agreement.'

"PUERTO RICO

"SEC. 107. Title II of the Social Security Act is amended by adding after section 218 (added by section 106 of this Act) the following:

"'EFFECTIVE DATE IN CASE OF PUERTO RICO

"'SEC. 219. If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of this title, the effective date referred to in sections 210 (h), 210 (i), 210 (j), 211 (a) (7), and 211 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.'

"RECORDS OF WAGES AND SELF-EMPLOYMENT INCOME

"SEC. 108. (a) Subsection (b) of section 205 of the Social Security Act is amended by inserting 'former wife divorced, husband, widower,' after 'widow,'.

"(b) Subsection (c) of section 205 of the Social Security Act is amended to read as follows:

"'(c) (1) For the purposes of this subsection—

"'(A) The term "year" means a calendar year when used with respect to wages and a taxable year (as defined in section 211 (e)) when used with respect to self-employment income.

"'(B) The term "time limitation" means a period of three years, two months, and fifteen days.

"'(C) The term "survivor" means an individual's spouse, former wife divorced, child, or parent, who survives such individual.

"'(2) On the basis of information obtained by or submitted to the Administrator, and after such verification thereof as he deems necessary, the Administrator shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor, or the legal representative of such individual or his estate, of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

"'(3) The Administrator's records shall be evidence for the purpose of proceedings before the Administrator or any court of the amounts of wages paid to, and self-employment income derived by, an individual and of the periods in which such wages were paid and such income was derived. The absence of an entry in such records as to wages alleged to have been paid to, or as to self-employment income alleged to have been derived by, an individual in any period shall be evidence that no such alleged wages were paid to, or that no such alleged income was derived by, such individual during such period.

"'(4) Prior to the expiration of the time limitation following any year the Administrator may, if it is brought to his attention that any entry of wages or self-employment income in his records for such year is erroneous or that any item of wages or self-employment income for such year has been omitted from such records, correct such entry or include such omitted item in his records, as the case may be. After the expiration of the time limitation following any year—

"'(A) the Administrator's records (with changes, if any, made pursuant to paragraph (5)) of the amounts of wages paid to, and self-employment income derived by, an individual during any period in such year shall be conclusive for the purposes of this title;

"'(B) the absence of an entry in the Administrator's records as to the wages alleged to have been paid by an employer to an individual during any period in such year shall be presumptive evidence for the purposes of this title that no such alleged wages were paid to such individual in such period; and

"'(C) the absence of an entry in the Administrator's records as to the self-employment income alleged to have been derived by an individual in such year shall be conclusive for the purposes of this title that no such alleged self-employment income was derived by such individual in such year unless it is shown that he filed a tax return of his self-employment income for such year before the expiration of the time limitation following such year, in which case the Administrator shall include in his records the self-employment income of such individual for such year.

"'(5) After the expiration of the time limitation following any year in which wages were paid or alleged to have been paid to, or self-employment income was derived or alleged to have been derived by, an individual, the Administrator may change or delete any entry with respect to wages or self-employment income in his records of such year for such

individual or include in his records of such year for such individual any omitted item of wages or self-employment income but only—

"'(A) if an application for monthly benefits or for a lump-sum death payment was filed within the time limitation following such year; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon the application for monthly benefits or lump-sum death payment;

"'(B) if within the time limitation following such year an individual or his survivor makes a request for a change or deletion, or for an inclusion of an omitted item, and alleges in writing that the Administrator's records of the wages paid to, or the self-employment income derived by, such individual in such year are in one or more respects erroneous; except that no such change, deletion, or inclusion may be made pursuant to this subparagraph after a final decision upon such request. Written notice of the Administrator's decision on any such request shall be given to the individual who made the request;

"'(C) to correct errors apparent on the face of such records;

"'(D) to transfer items to records of the Railroad Retirement Board if such items were credited under this title when they should have been credited under the Railroad Retirement Act, or to enter items transferred by the Railroad Retirement Board which have been credited under the Railroad Retirement Act when they should have been credited under this title;

"'(E) to delete or reduce the amount of any entry which is erroneous as a result of fraud;

"'(F) to conform his records to tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code, or under regulations made under authority of such title or subchapter, and to information returns filed by a State pursuant to an agreement under section 218 or regulations of the Administrator thereunder; except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Administrator's records pursuant to this subparagraph in excess of the amount which has been deleted pursuant to this subparagraph as payments erroneously included in such records as wages paid to such individual in such taxable year;

"'(G) to correct errors made in the allocation, to individuals or periods, of wages or self-employment income entered in the records of the Administrator;

"'(H) to include wages paid during any period in such year to an individual by an employer if there is an absence of an entry in the Administrator's records of wages having been paid by such employer to such individual in such period; or

"'(I) to enter items which constitute remuneration for employment under subsection (o), such entries to be in accordance with certified reports of records made by the Railroad Retirement Board pursuant to section 5 (k) (3) of the Railroad Retirement Act of 1937.

"'(6) Written notice of any deletion or reduction under paragraph (4) or (5) shall be given to the individual whose record is involved or to his survivor, except that (A) in the case of a deletion or reduction with respect to any entry of wages such notice shall be given to such individual only if he has previously been notified by the Administrator of the amount of his wages for the period involved, and (B) such notice shall be given to such survivor only if he or the individual whose record is involved has previously been notified by the Administrator of the amount of such individual's wages and self-employment income for the period involved.

"'(7) Upon request in writing (within such period, after any change or refusal of a request for a change of his records pursuant to this subsection, as the Administrator may prescribe), opportunity for hearing with respect to such change or refusal shall be afforded to any individual or his survivor. If a hearing is held pursuant to this paragraph the Administrator shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall include any omitted items, or change or delete any entry, in his records as may be required by such findings and decision.

"'(8) Decisions of the Administrator under this subsection shall be reviewable by commencing a civil action in the United States district court as provided in subsection (g).'

"(c) Section 205 of the Social Security Act is amended by adding at the end thereof the following subsections:

"'*Crediting of compensation under the Railroad Retirement Act*

"'(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under section 217 (a) of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages and self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.

"'*Special rules in case of Federal service*

"'(p) (1) With respect to service included as employment under section 210 which is performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the Administrator shall not make determinations as to whether an individual has performed such service, the periods of such service, the amounts of remuneration for such service which constitute wages under the provisions of section 209, or the periods in which or for which such wages were paid, but shall accept the determinations with respect thereto of the head of the appropriate Federal agency or instrumentality, and of such agents as such head may designate, as evidenced by returns filed in accordance with the provisions of section 1420 (e) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

"'(2) The head of any such agency or instrumentality is authorized and directed, upon written request of the Administrator, to make certification to him with respect to any matter determinable for the Administrator by such head or his agents under this subsection, which the Administrator finds necessary in administering this title.

"'(3) The provisions of paragraphs (1) and (2) shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; and for purposes of paragraphs (1) and (2) the Secretary of Defense shall be deemed to be the head of such instrumentality.'

"(d) The amendments made by subsections (a) and (c) of this section shall take effect on September 1, 1950. The amendment made by subsection (b) of this section shall take effect January 1, 1951, except that, effective on September 1, 1950, the husband or former wife divorced of an individual shall be treated the same as a parent of such individual, and the legal representative of an individual or his estate shall be treated the same as the individual, for purposes of section 205 (c) of the Social Security Act as in effect prior to the enactment of this Act.

"MISCELLANEOUS AMENDMENTS

"SEC. 109. (a) (1) The second sentence of section 201 (a) of the Social Security Act is amended by striking out 'such amounts as may be appropriated to the Trust Fund' and inserting in lieu thereof 'such amounts as may be appropriated to, or deposited in, the Trust Fund.'

"(2) Section 201 (a) of the Social Security Act is amended by striking out the third sentence and by inserting in lieu thereof the following: "'There is hereby appropriated to the Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

"'(1) the taxes (including interest, penalties, and additions to the taxes) received under subchapter A of chapter 9 of the Internal Revenue Code (and covered into the Treasury) which are deposited into the Treasury by collectors of internal revenue before January 1, 1951; and

"'(2) the taxes certified each month by the Commissioner of Internal Revenue as taxes received under subchapter A of chapter 9 of such code which are deposited into the Treasury by collectors of internal revenue after December 31, 1950, and before January 1, 1953, with respect to assessments of such taxes made before January 1, 1951; and

"'(3) the taxes imposed by subchapter A of chapter 9 of such code with respect to wages (as defined in section 1426 of such code) reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of such code after December 31, 1950, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such subchapter to such wages, which wages shall be certified by the Federal Security Administrator on the basis of the records of wages established and maintained by such Administrator in accordance with such reports; and

"'(4) the taxes imposed by subchapter E of chapter 1 of such code with respect to self-employment income (as defined in section 481 of such code) reported to the Commissioner of Internal Revenue on tax returns under such subchapter, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such subchapter to such self-employment income, which self-employment income shall be cer-

tified by the Federal Security Administrator on the basis of the records of self-employment income established and maintained by the Administrator in accordance with such returns.

The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the taxes, referred to in clauses (3) and (4), paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the amounts of the taxes referred to in such clauses.'

"(3) Section 201 (a) of the Social Security Act is amended by striking out the following: 'There is also authorized to be appropriated to the Trust Fund such additional sums as may be required to finance the benefits and payments provided under this title.'

"(4) Section 201 (b) of such Act is amended by striking out 'Chairman of the Social Security Board' and inserting in lieu thereof 'Federal Security Administrator'.

"(5) Section 201 (b) of such Act is amended by adding after second sentence thereof the following new sentence: 'The Commissioner for Social Security shall serve as Secretary of the Board of Trustees.'

"(6) Paragraph (2) of section 201 (b) of such Act is amended by striking out 'on the first day of each regular session of the Congress' and inserting in lieu thereof 'not later than the first day of March of each year'.

"(7) Section 201 (b) of such Act is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof '; and', and by adding the following new paragraph:

"'(4) Recommend improvements in administrative procedures and policies designed to effectuate the proper coordination of the old-age and survivors insurance and Federal-State unemployment compensation programs.'

"(8) Section 201 (b) of such Act is amended by adding at the end thereof the following: 'Such report shall be printed as a House document of the session of the Congress to which the report is made.'

"(9) Section 201 (f) of such Act is amended to read as follows:

"'(f) (1) The Managing Trustee is directed to pay from the Trust Fund into the Treasury the amount estimated by him and the Federal Security Administrator which will be expended during a three-month period by the Federal Security Agency and the Treasury Department for the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of title II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code.

"'(2) The Managing Trustee is directed to pay from time to time from the Trust Fund into the Treasury the amount estimated by him as taxes which are subject to refund under section 1401 (d) of the Internal Revenue Code with respect to wages (as defined in section 1426 of such code) paid after December 31, 1950. Such taxes shall be determined on the basis of the records of wages established and maintained by the Federal Security Administrator in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of such code, and the Administrator shall furnish the Managing Trustee such information as may be required by the Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections.

"'(3) Repayments made under paragraph (1) or (2) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appears that the estimates under either such paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.'

"(b) (1) Sections 204, 205 (other than subsections (c) and (l)), and 206 of such Act are amended by striking out 'Board' wherever appearing therein and inserting in lieu thereof 'Administrator'; by striking out 'Board's' wherever appearing therein and inserting in lieu thereof 'Administrator's'; and by striking out (where they refer to the Social Security Board) 'it' and 'its' and inserting in lieu thereof 'he', 'him', or 'his', as the context may require.

"(2) Section 205 (l) of such Act is amended to read as follows:

"'(2) The Administrator is authorized to delegate to any member, officer, or employee of the Federal Security Agency designated by him any of the powers conferred upon him by this section, and is authorized to be represented by his own attorneys in any court in any case or proceeding arising under the provisions of subsection (e).'

"(c) Section 208 of such Act is amended by striking out the words 'the Federal Insurance Contributions Act' and inserting in lieu thereof the following: 'subchapter E of chapter 1 or subchapter A or E, of chapter 9 of the Internal Revenue Code'.

"SERVICES FOR COOPERATIVES PRIOR TO 1951

"SEC. 110. In any case in which—

"(1) an individual has been employed at any time prior to 1951 by organizations enumerated in the first sentence of section 101 (12) of the Internal Revenue Code,

"(2) the service performed by such individual during the time he was so employed constituted agricultural labor as defined in section 209 (l) of the Social Security Act and section 1426 (h) of the Internal Revenue Code, as in effect prior to the enactment of this Act, and such service would, but for the provisions of such sections, have constituted employment for the purposes of title II of the Social Security Act and subchapter A of chapter 9 of such Code.

"(3) the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code have been paid with respect to any part of the remuneration paid to such individual by such organization for such service and the payment of such taxes by such organization has been made in good faith upon the assumption that such service did not constitute agricultural labor as so defined, and

"(4) no refund of such taxes has been obtained,

the amount of such remuneration with respect to which such taxes have been paid shall be deemed to constitute remuneration for employment as defined in section 209 (b) of the Social Security Act as in effect prior to the enactment of this Act (but it shall not constitute wages for purposes of deductions under section 203 of such Act for months for which benefits under title II of such Act have been certified and paid prior to the enactment of this Act).

"TITLE II—AMENDMENTS TO INTERNAL REVENUE CODE

"RATE OF TAX ON WAGES

"SEC. 201. (a) Clauses (2) and (3) of section 1400 of the Internal Revenue Code are amended to read as follows:

"'(2) With respect to wages received during the calendar years 1950 to 1953, both inclusive, the rate shall be 1½ per centum.

"'(3) With respect to wages received during the calendar years 1954 to 1959, both inclusive, the rate shall be 2 per centum.

"'(4) With respect to wages received during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"'(5) With respect to wages received during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"'(6) With respect to wages received after December 31, 1969, the rate shall be 3¼ per centum.'

"(b) Clauses (2) and (3) of section 1410 of the Internal Revenue Code are amended to read as follows:

"'(2) With respect to wages paid during the calendar years 1950 to 1953, both inclusive, the rate shall be 1½ per centum.

"'(3) With respect to wages paid during the calendar years 1954 to 1959, both inclusive, the rate shall be 2 per centum.

"'(4) With respect to wages paid during the calendar years 1960 to 1964, both inclusive, the rate shall be 2½ per centum.

"'(5) With respect to wages paid during the calendar years 1965 to 1969, both inclusive, the rate shall be 3 per centum.

"'(6) With respect to wages paid after December 31, 1969, the rate shall be 3¼ per centum.'

"FEDERAL SERVICE

"SEC. 202. (a) Part II of subchapter A of chapter 9 of the Internal Revenue Code is amended by adding after section 1411 the following new section:

"'SEC. 1412. Instrumentalities of the United States.

"'Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 1410 unless such other provision of law grants a specific exemption, by reference to section 1410, from the tax imposed by such section.'

"(b) Section 1420 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"'(e) Federal service.—In the case of the taxes imposed by this subchapter with respect to service performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, the determination whether an individual has performed service which constitutes employment as defined in section 1426, the determination of the amount of remuneration for such service which constitutes wages as defined in such section, and the return and payment of the taxes imposed by this subchapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 1410 with respect to such service without regard to the $3,600 limitation in section 1426 (a) (1), and he shall not be required to obtain a refund of the tax paid under section 1410 on that part of the remuneration not included in wages by reason of section 1426 (a) (1). The provisions of this subsection shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; and for purposes of this subsection the Secretary of Defense shall be deemed to be the head of such instrumentality.'

"(c) Section 1411 of the Internal Revenue Code is amended by adding at the end thereof the following new sentence: 'For the purposes of this section, in the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall be deemed a separate employer.'.

"(d) The amendments made by this section shall be applicable only with respect to remuneration paid after 1950.

"DEFINITION OF WAGES

"SEC. 203. (a) Section 1426 (a) of the Internal Revenue Code is amended to read as follows:

"'(a) WAGES.—The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"'(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,600 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,600 to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding pragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

"'(2) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"'(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"'(4) Any payment on account of sickness or accident disability of medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"'(5) Any payment made to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"'(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

"'(7) (A) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of the employer;

"'(B) Cash remuneration paid by an employer in any calendar quarter to an employee for domestic service in a private home of the employer, if the cash remuneration paid in the quarter for such service is less than $50 or the employee is not regularly employed by the employer in such quarter of payment. For the purposes of this subparagraph, an employee shall be deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some twenty-four days during the quarter the employee performs for the employer for some portion of the day domestic service in a private home of the employer, or (ii) the employee was regularly employed (as determined under clause (i)) by the employer in the performance of such service during the preceding calendar quarter. As used in this subparagraph, the term "domestic service in a private home of the employer" does not include service described in subsection (h) (5);

"'(8) Remuneration paid in any medium other than cash for agricultural labor;

"'(9) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made; or

"'(10) Remuneration paid by an employer in any calendar quarter to an employee for service described in subsection (d) (3) (C) (relating to home workers), if the cash remuneration paid in such quarter by the employer to the employee for such service is less than $50.'

"(b) So much of section 1401 (d) (2) of the Internal Revenue Code as precedes the second sentence thereof is amended to read as follows:

"'(2) Wages received during 1947, 1948, 1949, and 1950: If by reason of an employee receiving wages from more than one employer during the calendar year 1947, 1948, 1949, or 1950, the wages received by him during such year exceed $3,000, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,000 of such wages received.'

"(c) Section 1401 (d) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraphs:

"'(3) Wages received after 1950: If by reason of an employee receiving wages from more than one employer during any calendar year after the calendar year 1950, the wages received by him during such year exceed $3,600, the employee shall be entitled to a refund of any amount of tax, with respect to such wages, imposed by section 1400 and deducted from the employee's wages (whether or not paid to the collector), which exceeds the tax with respect to the first $3,600 of such wages received. Refund under this section may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax; except that no such refund shall be made unless (A) the employee makes a claim, establishing his right thereto, after the calendar year in which the wages were received with respect to which refund of tax is claimed, and (B) such claim is made within two years after the calendar year in which such wages were received. No interest shall be allowed or paid with respect to any such refund.

"'(4) Special rules in the case of Federal and State employees:

"'(A) Federal employees: In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year after the calendar year 1950, each head of a Federal agency or instrumentality who makes a return pursuant to section 1420 (e) and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for the purposes of subsection (c) and paragraph (3) of this subsection, be deemed a separate employer; and the term "wages" includes, for the purposes of paragraph (3) of this subsection, the amount, not to exceed $3,600, determined by each such head or agent as constituting wages paid to an employee.

"'(B) State employees: For the purposes of paragraph (3) of this subsection, in the case of remuneration received during any calendar year after the calendar year 1950, the term "wages" includes such remuneration for services covered by an agreement made pusuant to section 218 of the Social Security Act as would be wages if such services constituted employment; the term "employer" includes a State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing; the term "tax" or "tax imposed by section 1400" includes, in the case of services covered by an agreement made pursuant to section 218 of the Social Security Act, an amount equivalent to the tax which would be imposed by section 1400, if such services constituted employment as defined in section 1426; and the provisions of paragraph (3) of this subsection shall apply whether or not any amount deducted from the employee's remuneration as a result of an agreement made pursuant to section 218 of the Social Security Act has been paid to the Secretary of the Treasury.'

"(d) The amendment made by subsection (a) of this section shall be applicable only with respect to remuneration paid after 1950. In the case of remuneration paid prior to 1951, the determination under section 1426 (a) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if subsection (a) of this section had not been enacted and without inferences drawn from the fact that the amendment made by subsection (a) is not made applicable to periods prior to 1951.

"DEFINITION OF EMPLOYMENT

"SEC. 204. (a) Effective January 1, 1951, section 1426 (b) of the Internal Revenue Code is amended to read as follows:

"'(b) Employment: The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this subchapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) out-

side the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (i) of this section); except that, in the case of service performed after 1950, such term shall not include—

"'(1) (A) Agricultural labor (as defined in subsection (h) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

"'(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

"'(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term "qualifying quarter" means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i): Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii) by such employer during the preceding calendar quarter.

"'(B) Services performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

"'(2) Domestic service performed in a local college club, or local chapter of a college fraternity or sorority, by a student who is enrolled and is regularly attending classes at a school, college, or university;

"'(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter. As used in this paragraph, the term "service not in the course of the employer's trade or business" does not include domestic service in a private home of the employer and does not include service described in subsection (h) (5);

"'(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

"'(5) Service performed by an individual on or in connection with a vessel not an American vessel, or on or in connection with an aircraft not an American aircraft, if the individual is employed on and in connection with such vessel or aircraft when outside the United States;

"'(6) Service performed in the employ of any instrumentality of the United States, if such instrumentality is exempt from the tax imposed by section 1410 by virtue of any provision of law which specifically refers to such section in granting such exemption;

"'(7) (A) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States;

"'(B) Service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 on December 31, 1950, except that the provisions of this subparagraph shall not be applicable to—

"'(i) service performed in the employ of a corporation which is wholly owned by the United States;

"'(ii) service performed in the employ of a national farm loan association, a production credit association, a Federal Reserve Bank, or a Federal Credit Union;

"'(iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; or

"'(iv) service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department;

"'(C) Service performed in the employ of the United States or in the employ of any instrumentality of the United States, if such service is performed—

"'(i) as the President or Vice President of the United States or as a Member, Delegate, or Resident Commissioner, of or to the Congress;

"'(ii) in the legislative branch;

"'(iii) in the field service of the Post Office Department unless performed by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment;

"'(iv) in or under the Bureau of the Census of the Department of Commerce by temporary employees employed for the taking of any census;

"'(v) by any individual as an employee who is excluded by Executive order from the operation of the Civil Service Retirement Act of 1930 because he is paid on a contract or fee basis;

"'(vi) by any individual as an employee receiving nominal compensation of $12 or less per annum;

"'(vii) in a hospital, home, or other institution of the United States by a patient or inmate thereof;

"'(viii) by any individual as a consular agent appointed under authority of section 551 of the Foreign Service Act of 1946 (22 U. S. C., sec. 951);

"'(ix) by any individual as an employee included under section 2 of the Act of August 4, 1947 (relating to certain interns, student nurses, and other student employees of hospitals of the Federal Government; 5 U. S. C., sec. 1052);

"'(x) by any individual as an employee serving on a temporary basis in case of fire, storm, earthquake, flood, or other similar emergency;

"'(xi) by any individual as an employee who is employed under a Federal relief program to relieve him from unemployment;

"'(xii) as a member of a State, county, or community committee under the Production and Marketing Administration or of any other board, council, committee, or other similar body, unless such board, council, committee, or other body is composed exclusively of individuals otherwise in the full-time employ of the United States; or

"'(xiii) by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system;

"'(8) Service (other than service which, under subsection (k), constitutes covered transportation service) performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions;

"'(9) (A) Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"'(B) Service performed in the employ of a religious, charitable, educational, or other organization exempt from income tax under section 101 (6), but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to subsection (l), is in effect if such service is performed by an employee (i) whose signature appears on the list filed by such organization under subsection (l), or (ii) who became an employee of such organization after the calendar quarter in which the certificate was filed;

"'(10) Service performed by an individual as an employee or employee representative as defined in section 1532;

"'(11) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if the remuneration for such service is less than $50;

"'(B) Service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;

"'(12) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

"'(13) Service performed in the employ of an instrumentality wholly owned by a foreign government—

"'(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

"'(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

"'(14) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an intern in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

"'(15) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection

with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States);

"'(16) (A) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution;

"'(B) Service performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back; or

"'(17) Service performed in the employ of an international organization.'

"(b) Effective January 1, 1951, section 1426 (e) of the Internal Revenue Code is amended to read as follows:

"'(e) State, etc.:

"'(1) The term "State" includes Alaska, Hawaii, the District of Columbia, and the Virgin Islands; and on and after the effective date specified in section 3810 such term includes Puerto Rico.

"'(2) United States: The term "United States" when used in a geographical sense includes the Virgin Islands; and on and after the effective date specified in section 3810 such term includes Puerto Rico.

"'(3) Citizen: An individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States shall not be considered, for the purposes of this section, as a citizen of the United States prior to the effective date specified in section 3810.'"

"(c) Section 1426 (g) of the Internal Revenue Code is amended by striking out '(g) American vessel.—' and inserting in lieu thereof '(g) American vessel and aircraft'—, and by striking out the period at the end of such subsection and inserting in lieu thereof the following: '; and the term "American aircraft" means an aircraft registered under the laws of the United States.'"

"(d) Section 1426 (h) of the Internal Revenue Code is amended to read as follows:

"'(h) Agricultural labor: The term "agricultural labor" includes all service performed—

"'(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife .

"'(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

"'(3) In connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes.

"'(4) (A) In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity; but only if such operator produced more than one-half of the commodity with respect to which such service is performed.

"'(B) In the employ of a group of operators of farms (other than a cooperative organization) in the performance of service described in subparagraph (A), but only if such operators produced all of the commodity with respect to which such service is performed. For the purposes of this subparagraph, any unincorporated group of operators shall be deemed a cooperative organization if the number of operators comprising such group is more than twenty at any time during the calendar quarter in which such service is performed.

"'(C) The provisions of subparagraphs (A) and (B) shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

"'(5) On a farm operated for profit if such service is not in the course of the employer's trade or business or is domestic service in a private home of the employer.

"'As used in this section, the term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.'

"(e) Section 1426 of the Internal Revenue Code is amended by striking out subsections (i) and (j) and inserting in lieu thereof the following:

"'(i) American employer: The term 'American employer' means an employer which is (1) the United States or any instrumentality thereof. (2) an individual who is a resident of the United States, (3) a partnership, if two-thirds or more of the partners are residents of the United States, (4) a trust, if all of the trustees are residents of the United States, or (5) a corporation organized under the laws of the United States or of any State.

"'(j) Computation of wages in certain cases: For purposes of this subchapter, in the case of domestic service described in subsection (a) (7) (B), any payment of cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this subchapter, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remunerations for purposes of subsection (a) (7) (B).

"'(k) Covered transportation service:

"'(1) Existing transportation systems—General rule: Except as provided in paragraph (2), all service performed in the employ of a State or political subdivision in connection with its operation of a public transportation system shall constitute covered transportation service if any part of the transportation system was acquired from private ownership after 1936 and prior to 1951.

"'(2) Existing transportation systems—Cases in which no transportation employees, or only certain employees, are covered: Service performed in the employ of a State or political subdivision in connection with the operation of its public transportation system shall not constitute covered transportation service if—

"'(A) Any part of the transportation system was acquired from private ownership after 1936 and prior to 1951, and substantially all service in connection with the operation of the transportation system is, on December 31, 1950, covered under a general retirement system providing benefits which, by reason of a provision of the State constitution dealing specifically with retirement systems of the State or political subdivisions thereof, cannot be diminished or impaired; or

"'(B) no part of the transportation system operated by the State or political subdivision on December 31, 1950, was acquired from private ownership after 1936 and prior to 1951;

except that if such State or political subdivision makes an acquisition after 1950 from private ownership of any part of its transportation system, then, in the case of any employee who—

"'(C) became an employee of such State or political subdivision in connection with and at the time of its acquisition after 1950 of such part, and

"'(D) prior to such acquisition rendered service in employment (including as employment service covered by an agreement under section 218 of the Social Security Act) in connection with the operation of such part of the transportation system acquired by the State or political subdivision,

the service of such employee in connection with the operation of the transportation system shall constitute covered transportation service, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of such part took place, unless on such first day such service of such employee is covered by a general retirement system which does not, with respect to such employee, contain special provisions applicable only to employees described in subparagraph (C).

"'(3) Transportation systems acquired after 1950.—All service performed in the employ of a State or political subdivision thereof in connection with its operation of a public transportation system shall constitute covered transportation service if the transportation system was not operated by the State or political subdivision prior to 1951 and, at the time of its first acquisition (after 1950) from private ownership of any part of its transportation system, the State or political subdivision did not have a general retirement system covering substantially all service performed in connection with the operation of the transportation system.

"'(4) Definitions: For the purposes of this subsection—

"'(A) The term "general retirement system" means any pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof for employees of the State, political subdivision, or both; but such term shall not include such a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

"'(B) A transportation system or a part thereof shall be considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or part thereof acquired constituted employment under this subchapter or was covered by an agreement made pursuant to section 218 of the Social Security Act and some of such employees became employees of the

State or political subdivision in connection with and at the time of such acquisition.

"'(C) The term "political subdivision" includes an instrumentality of (i) a State, (ii) one or more political subdivisions of a State, or (iii) a State and one or more of its political subdivisions.

"'(1) Exemption of religious, charitable, etc., organizations:

"'(1) Waiver of exemption by organization: An organization exempt from income tax under section 101 (6) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees and that at least two-thirds of its employees concur in the filing of the certificate. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended, at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is in effect, by filing with such official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this subchapter. The certificate shall be in effect (for the purposes of subsection (b) (9) (B) and for the purposes of section 210 (a) (9) (B) of the Social Security Act) for the period beginning with the first day following the close of the calendar quarter in which such certificate is filed, but in no case shall such period begin prior to January 1, 1951. The period for which the certificate is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving two years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than eight years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this subchapter.

"'(2) Termination of waiver period by Commissioner: If the Commissioner finds that any organization which filed a certificate pursuant to this subsection has failed to comply substantially with the requirements of this subchapter or is no longer able to comply therewith, the Commissioner shall give such organization not less than sixty days' advance notice in writing that the period covered by such certificate will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Commissioner by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the organization. No notice of termination or of revocation thereof shall be given under this paragraph to an organization without the prior concurrence of the Federal Security Administrator.

"'(3) No renewal of waiver: In the event the period covered by a certificate filed pursuant to this subsection is terminated by the organization, no certificate may again be filed by such organization pursuant to this subsection.'

"(f) Sections 1426 (c) and 1428 of the Internal Revenue Code are each amended by striking out 'paragraph (9)' and inserting in lieu thereof 'paragraph (10)'.

"(g) The amendments made by subsections (c), (d), (e), and (f) of this section shall be applicable only with respect to services performed after 1950.

"DEFINITION OF EMPLOYEE

"SEC. 205. (a) Section 1426 (d) of the Internal Revenue Code is amended to read as follows:

"'(d) Employee: The term "employee" means—

"'(1) any officer of a corporation; or

"'(2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or

"'(3) any individual (other than an individual who is an employee under paragraph (1) or (2) of this subsection) who performs services for remuneration for any person—

"'(A) as an agent-driver or commission-driver engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for his principal;

"'(B) as a full-time life insurance salesman;

"'(C) as a home worker performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

"'(D) as a traveling or city salesman, other than as an agent-driver or commission-driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for side-line sales activities on behalf of some other person) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations;

if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services (other than in facilities for transportation), or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.'

"(b) The amendment made by this section shall be applicable only with respect to services performed after 1950.

"RECEIPTS FOR EMPLOYEES; SPECIAL REFUNDS

"SEC. 206. (a) Subchapter E of chapter 9 of the Internal Revenue Code is amended by adding at the end thereof the following new sections:

"'SEC. 1633. Receipts for employees.

"'(a) Requirement: Every person required to deduct and withhold from an employee a tax under section 1400 or 1622, or who would have been required to deduct and withhold a tax under section 1622 if the employee had claimed no more than one withholding exemption, shall furnish to each such employee in respect of the remuneration paid by such person to such employee during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of remuneration is made, a written statement showing the following: (1) the name of such person, (2) the name of the employee (and his social security account number if wages as defined in section 1426 (a) have been paid), (3) the total amount of wages as defined in section 1621 (a), (4) the total amount deducted and withheld as tax under section 1622, (5) the total amount of wages as defined in section 1426 (a), and (6) the total amount deducted and withheld as tax under section 1400.

"'(b) Statements to constitute information returns: The statements required to be furnished by this section in respect of any remuneration shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe. A duplicate of any such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary shall constitute the return required to be made in respect of such remuneration under section 147.

"'(c) Extension of time: The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any person a reasonable extension of time (not in excess of thirty days) with respect to the statements required to be furnished under this section.

"'SEC. 1634. Penalties.

"'(a) Penalties for fraudulent statement or failure to furnish statement: In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1633 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1633, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof, be fined not more than $1,000, or imprisoned for not more than one year, or both.

"'(b) Additional penalty: In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 1633 to furnish a statement who willfully furnishes a false or fraudulent statement, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required under section 1633, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of $50. Such penalty shall be assessed and collected in the same manner as the tax imposed by section 1410.'

"(b) (1) Section 322 (a) of the Internal Revenue Code is amended by adding at the end thereof the following new paragraph:

"'(4) Credit for "special refunds" of employee social security tax: The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the tax imposed by this chapter for any taxable year of the amount determined by the taxpayer or the Commissioner to be allowable under section 1401 (d) as a special refund of tax imposed on wages received during the calendar year in which such taxable year begins. If more than one taxable year begins in such calendar year, such amount shall not be allowed under this section as a credit against the tax for any taxable year other than the last taxable year so beginning. The amount allowed as a credit under such regulations shall, for the purposes of this chapter, be considered an amount deducted and withheld at the source as tax under subchapter D of chapter 9.'

"(2) Section 1403 (a) of the Internal Revenue Code is amended by striking out the first sentence and inserting in lieu thereof the following: 'Every employer shall furnish to each of his employees a written statement or statements, in a form suitable for retention by the employee, showing the wages paid by him to the employee before January 1, 1951. (For corresponding provisions with

respect to wages paid after December 31, 1950, see section 1633.)'.

"(3) Section 1625 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"'(d) Application of section.—This section shall apply only with respect to wages paid before January 1, 1951. For corresponding provisions with respect to wages paid after December 31, 1950, see section 1633.'

"(c) The amendments made by this section shall be applicable only with respect to wages paid after December 31, 1950, except that the amendment made by subsection (b) (1) of this section shall be applicable only with respect to taxable years beginning after December 31, 1950, and only with respect to 'special refunds' in the case of wages paid after December 31, 1950.

"PERIODS OF LIMITATION ON ASSESSMENT AND REFUND OF CERTAIN EMPLOYMENT TAXES

"SEC. 207. (a) Subchapter E of chapter 9 of the Internal Revenue Code is amended by inserting at the end thereof the following new sections:

"'SEC. 1635. Period of limitation upon assessment and collection of certain employment taxes.

"'(a) General rule: The amount of any tax imposed by subchapter A of this chapter or subchapter D of this chapter shall (except as otherwise provided in the following subsections of this section) be assessed within three years after the return was filed, and no proceeding in court without assessment for the collection of such tax shall be begun after the expiration of such period.

"'(b) False return or no return: In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

"'(c) Willful attempt to evade tax: In case of a willful attempt in any manner to defeat or evade tax, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

"'(d) Collection after assessment: Where the assessment of any tax imposed by subchapter A of this chapter or subchapter D of this chapter has been made within the period of limitation properly applicable thereto, such tax may be collected by distraint or by a proceeding in court, but only if begun (1) within six years after the assessment of the tax, or (2) prior to the expiration of any period for collection agreed upon in writing by the Commissioner and the taxpayer.

"'(e) Date of filing of return: For the purposes of this section, if a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be considered filed on March 15 of such succeeding calendar year.

"'(f) Application of section: The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, or subchapter D of this chapter, which are required to be collected and paid by making and filing returns.

"'(g) Effective date: The provisions of this section shall not apply to any tax imposed with respect to remuneration paid during any calendar year before 1951.

"'SEC. 1636. Period of limitation upon refunds and credits of certain employment taxes.

"'(a) General rule: In the case of any tax imposed by subchapter A of this chapter or subchapter D of this chapter—

"'(1) Period of limitation: Unless a claim for credit or refund is filed by the taxpayer within three years from the time the return was filed or within two years from the time the tax was paid, no credit or refund shall be allowed or made after the expiration of whichever of such periods expires the later. If no return is filed, then no credit or refund shall be allowed or made after two years from the time the tax was paid, unless before the expiration of such period a claim therefor is filed by the taxpayer.

"'(2) Limit on amount of credit or refund: The amount of the credit or refund shall not exceed the portion of the tax paid—

"'(A) If a return was filed, and the claim was filed within three years from the time the return was filed, during the three years immediately preceding the filing of the claim.

"'(B) If a claim was filed, and (i) no return was filed, or (ii) if the claim was not filed within three years from the time the return was filed, during the two years immediately preceding the filing of the claim.

"'(C) If no claim was filed and the allowance of credit or refund is made within three years from the time the return was filed, during the three years immediately preceding the allowance of the credit or refund.

"'(D) If no claim was filed, and (i) no return was filed or (ii) the allowance of the credit or refund is not made within three years from the time the return was filed, during the two years immediately preceding the allowance of the credit or refund.

"'(b) Penalties, etc: The provisions of subsection (a) of this section shall apply to any penalty or sum assessed or collected with respect to the tax imposed by subchapter A of this chapter or subchapter D of this chapter.

"'(c) Date of filing return and date of payment of tax: For the purposes of this section—

"'(1) If a return for any period ending with or within a calendar year is filed before March 15 of the succeeding calendar year, such return shall be considered filed on March 15 of such succeeding calendar year; and

"'(2) If a tax with respect to remuneration paid during any period ending with or within a calendar year is paid before March 15 of the succeeding calendar year, such tax shall be considered paid on March 15 of such succeeding calendar year.

"'(d) Application of section: The provisions of this section shall apply only to those taxes imposed by subchapter A of this chapter, or subchapter D of this chapter, which are required to be collected and paid by making and filing returns.

"'(e) Effective date: The provisions of this section shall not apply to any tax paid or collected with respect to remuneration paid during any calendar year before 1951 or to any penalty or sum paid or collected with respect to such tax.'

"(b) (1) Section 3312 of the Internal Revenue Code is amended by inserting immediately after the words 'gift taxes' (which words immediately precede subsection (a) thereof) a comma and the following: 'and except as otherwise provided in section 1635 with respect to employment taxes under subchapters A and D of chapter 9,'

"(2) Section 3313 of the Internal Revenue Code is amended as follows:

"(A) By inserting immediately after the words 'and gift taxes,', where those words first appear in the section, the following: 'and except as otherwise provided by law in case of employment taxes under subchapters A and D of chapter 9,'; and

"(B) By inserting immediately after the words 'and gift taxes', where those words appear in the parenthetical phrase, a comma and the following: 'and other than such employment taxes'.

"(3) Section 3645 of the Internal Revenue Code is amended by striking out 'Employment taxes, section 3312.' and inserting in lieu thereof the following: 'Employment taxes, sections 1635 and 3312.'

"(4) Section 3714 (a) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"'Employment taxes, see sections 1635 (d) and 3312 (d).'

"(5) Section 3770 (a) (6) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"'Employment taxes, see sections 1636 and 3313.'

"(6) Section 3772 (c) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"'Employment taxes, see sections 1636 and 3313.'

"SELF-EMPLOYMENT INCOME

"SEC. 208. (a) Chapter 1 of the Internal Revenue Code is amended by adding at the end thereof the following new subchapter:

"'SUBCHAPTER E—TAX ON SELF-EMPLOYMENT INCOME

"'SEC. 480. Rate of tax.

"'In addition to other taxes, there shall be levied, collected, and paid for each taxable year beginning after December 31, 1950, upon the self-employment income of every individual, a tax as follows:

"'(1) In the case of any taxable year beginning after December 31, 1950, and before January 1, 1954, the tax shall be equal to 2¼ per centum of the amount of the self-employment income for such taxable year.

"'(2) In the case of any taxable year beginning after December 31, 1953, and before January 1, 1960, the tax shall be equal to 3 per centum of the amount of the self-employment income for such taxable year.

"'(3) In the case of any taxable year beginning after December 31, 1959, and before January 1, 1965, the tax shall be equal to 3¾ per centum of the amount of the self-employment income for such taxable year.

"'(4) In the case of any taxable year beginning after December 31, 1964, and before January 1, 1970, the tax shall be equal to 4½ per centum of the amount of the self-employment income for such taxable year.

"'(5) In the case of any taxable year beginning after December 31, 1969, the tax shall be equal to 4⅞ per centum of the amount of the self-employment income for such taxable year.

"'SEC. 481. Definitions.

"'For the purposes of this subchapter—

"'(a) Net earnings from self-employment: The term "net earnings from self-employment" means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this chapter which are attributable to such trade or business, plus his distributive share (whether or not distributed) of the ordinary net income or loss, as computed under section 183, from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary net income or loss—

"'(1) There shall be excluded rentals from real estate (including personal property leased with the real estate) and deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer;

"'(2) There shall be excluded income derived from any trade or business in which, if the trade or business were carried on exclusively by employees, the major portion of the services would constitute agricultural labor as defined in section 1426 (h); and there shall be excluded all deductions attributable to such income;

"'(3) There shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with inter-

est coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest (other than interest described in section 25 (a)) are received in the course of a trade or business as a dealer in stocks or securities;

"'(4) There shall be excluded any gain or loss (A) which is considered as gain or loss from the sale or exchange of a capital asset, (B) from the cutting or disposal of timber if section 117 (j) is applicable to such gain or loss, or (C) from the sale, exchange, involuntary conversion, or other disposition of property if such property is neither (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, nor (ii) property held primarily for sale to customers in the ordinary course of the trade or business;

"'(5) The deduction for net operating losses provided in section 23 (s) shall not be allowed;

"'(6) (A) If any of the income derived from a trade or business (other than a trade or business carried on by a partnership) is community income under community property laws applicable to such income, all of the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business, in which case all of such gross income and deductions shall be treated as the gross income and deductions of the wife;

"'(B) If any portion of a partner's distributive share of the ordinary net income or loss from a trade or business carried on by a partnership is community income or loss under the community property laws applicable to such share, all of such distributive share shall be included in computing the net earnings from self-employment of such partner, and no part of such share shall be taken into account in computing the net earnings from self-employment of the spouse of such partner;

"'(7) In the case of any taxable year beginning on or after the effective date specified in section 3810, (A) the term "possession of the United States" as used in section 251 shall not include Puerto Rico, and (B) a citizen or resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States and without regard to the provisions of section 252.

If the taxable year of a partner is different from that of the partnership, the distributive share which he is required to include in computing his net earnings from self-employment shall be based upon the ordinary net income or loss of the partnership for any taxable year of the partnership (even though beginning prior to January 1, 1951) ending within or with his taxable year.

"'(b) Self-employment income: The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year beginning after December 31, 1950; except that such term shall not include—

"'(1) That part of the net earnings from self-employment which is in excess of: (A) $3,600, minus (B) the amount of the wages paid to such individual during the taxable year; or

"'(2) The net earnings from self-employment, if such net earnings for the taxable year are less than $400.

For the purposes of clause (1) the term "wages" includes such remuneration paid to an employee for services included under an agreement entered into pursuant to the provisions of section 218 of the Social Security Act (relating to coverage of State employees) as would be wages under section 1426 (a) if such services constituted employment under section 1426 (b). In the case of any taxable year beginning prior to the effective date specified in section 3810, an individual who is a citizen of Puerto Rico (but not otherwise a citizen of the United States) and who is not a resident of the United States or of the Virgin Islands during such taxable year shall be considered, for the purposes of this subchapter, as a nonresident alien individual. An individual who is not a citizen of the United States but who is a resident of the Virgin Islands or (after the effective date specified in section 3810) a resident of Puerto Rico shall not, for the purposes of this subchapter, be considered to be a nonresident alien individual.

"'(c) Trade or business: The term "trade or business", when used with reference to self-employment income or net earnings from self-employment, shall have the same meaning as when used in section 23, except that such term shall not include—

"'(1) The performance of the functions of a public office;

"'(2) The performance of service by an individual as an employee (other than service described in section 1426 (b) (16) (B) performed by an individual who has attained the age of eighteen);

"'(3) The performance of service by an individual as an employee or employee representative as defined in section 1532;

"'(4) The performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"'(5) The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.

"'(d) Employee and wages: The term "employee" and the term "wages" shall have the same meaning as when used in subchapter A of chapter 9.

"'SEC. 482. Miscellaneous provisions.

"'(a) Returns: Every individual (other than a nonresident alien individual) having net earnings from self-employment of $400 or more for the taxable year shall make a return containing such information for the purpose of carrying out the provisions of this subchapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Such return shall be considered a return required under section 51 (a). In the case of a husband and wife filing a joint return under section 51 (b), the tax imposed by this subchapter shall not be computed on the aggregate income but shall be the sum of the taxes computed under this subchapter on the separate self-employment income of each spouse.

"'(b) Title of subchapter: This subchapter may be cited as the "Self-Employment Contributions Act".

"'(c) Effective date in case of Puerto Rico: For effective date in case of Puerto Rico, see section 3810.

"'(d) Collection of taxes in Virgin Islands and Puerto Rico: For provisions relating to collection of taxes in Virgin Islands and Puerto Rico, see section 3811.'"

"(b) Chapter 38 of the Internal Revenue Code is amended by adding at the end thereof the following new sections:

"'SEC. 3810. Effective date in case of Puerto Rico.

"'If the Governor of Puerto Rico certifies to the President of the United States that the legislature of Puerto Rico has, by concurrent resolution, resolved that it desires the extension to Puerto Rico of the provisions of title II of the Social Security Act, the effective date referred to in sections 1426 (e), 481 (a) (7), and 481 (b) shall be January 1 of the first calendar year which begins more than ninety days after the date on which the President receives such certification.

"'SEC. 3811. Collection of taxes in Virgin Islands and Puerto Rico.

"'Notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by subchapter E of chapter 1 and by subchapter A of chapter 9 shall be collected by the Bureau of Internal Revenue under the Direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections. All provisions of the internal revenue laws of the United States relating to the administration and enforcement of the tax imposed by subchapter E of chapter 1 (including the provisions relating to the Tax Court of the United States), and of any tax imposed by subchapter A of chapter 9, shall, in respect of such tax, extend to and be applicable in the Virgin Islands and Puerto Rico in the same manner and to the same extent as if the Virgin Islands and Puerto Rico were each a State, and as if the term "United States" when used in a geographical sense included the Virgin Islands and Puerto Rico.

"'SEC. 3812. Mitigation of effect of statute of limitations and other provisions in case of related taxes under different chapters.

"'(a) Self-employment tax and tax on wages: In the case of the tax imposed by subchapter E of chapter 1 (relating to tax on self-employment income) and the tax imposed by section 1400 of subchapter A of chapter 9 (relating to tax on employees under the Federal Insurance Contributions Act)—

"'(1) (i) if an amount is erroneously treated as self-employment income, or

"'(ii) if an amount is erroneously treated as wages, and

"'(2) if the correction of the error would require an assessment of one such tax and the refund or credit of the other tax, and

"'(3) if at any time the correction of the error is authorized as to one such tax but is prevented as to the other tax by any law or rule of law (other than section 3761, relating to compromises),

then, if the correction authorized is made, the amount of the assessment, or the amount of the credit or refund, as the case may be, authorized as to the one tax shall be reduced by the amount of the credit or refund, or the amount of the assessment, as the case may be, which would be required with respect to such other tax for the correction of the error if such credit or refund, or such assessment, of such other tax were not prevented by any law or rule of law (other than section 3761, relating to compromises).

"'(b) Definitions: For the purposes of subsection (a) of this section, the terms "self-employment income" and "wages" shall have the same meaning as when used in section 481 (b).'

"(c) Section 3801 of the Internal Revenue Code is amended by adding at the end thereof the following new subsection:

"'(g) Taxes imposed by chapter 9: The provisions of this section shall not be construed to apply to any tax imposed by chapter 9.'

"(d) (1) Section 3 of the Internal Revenue Code is amended by inserting at the end thereof the following:

"'Subchapter E—Tax on Self-Employment Income (the Self-Employment Contributions Act), divided into sections.'

"(2) Section 12 (g) of the Internal Revenue Code is amended by inserting at the end thereof the following:

"'(6) Tax on self-employment income: For tax on self-employment income, see subchapter E.'

"(3) Section 31 of the Internal Revenue Code is amended by inserting immediately after the words 'the tax' the following: '(other than the tax imposed by subchapter E, relating to tax on self-employment income)'; and section 131 (a) of the Internal Revenue Code is amended by inserting immediately after the words 'except the tax imposed under section 102' the following: 'and except the tax imposed under subchapter E'.

"(4) Section 58 (b) (1) of the Internal Revenue Code is amended by inserting immediately after the words 'withheld at source' the following: 'and without regard to the tax imposed by subchapter E on self-employment income'.

"(5) Section 107 of the Internal Revenue Code is amended by inserting at the end thereof the following new subsection:

"'(e) Tax on self-employment income: This section shall be applied without regard to, and shall not affect, the tax imposed by subchapter E, relating to tax on self-employment income.'

"(6) Section 120 of the Internal Revenue Code is amended by inserting immediately after the words 'amount of income' the following: '(determined without regard to subchapter E, relating to tax on self-employment income)'.

"(7) Section 161 (a) of the Internal Revenue Code is amended by inserting immediately after the words 'The taxes imposed by this chapter' the following: '(other than the tax imposed by subchapter E, relating to tax on self-employment income)'.

"(8) Section 294 (d) of the Internal Revenue Code is amended by inserting at the end thereof the following new paragraph:

"'(3) Tax on self-employment income: This subsection shall be applied without regard to the tax imposed by subchapter E, relating to tax on self-employment income.'

"MISCELLANEOUS AMENDMENTS

"SEC. 209. (a) (1) Section 1607 (b) of the Internal Revenue Code is amended to read as follows:

"'(b) Wages: The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

"'(1) That part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to $3,000 with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to $3,000 to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

"'(2) The amount of any payment (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) made to, or on behalf of, an employee or any of his dependents under a plan or system established by an employer which makes provision for his employees generally (or for his employees generally and their dependents) or for a class or classes of his employees (or for a class or classes of his employees and their dependents), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical or hospitalization expenses in connection with sickness or accident disability, or (D) death;

"'(3) Any payment made to an employee (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment) on account of retirement;

"'(4) Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employer to, or on behalf of, an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employer;

"'(5) Any payment made to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6);

"'(6) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400, or (B) of any payment required from an employee under a State unemployment compensation law;

"'(7) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business;

"'(8) Any payment (other than vacation or sick pay) made to an employee after the month in which he attains the age of sixty-five, if he did not work for the employer in the period for which such payment is made;

"'(9) Dismissal payments which the employer is not legally required to make.'

"(2) The amendment made by paragraph (1) shall be applicable only with respect to remuneration paid after 1950. In the case of remuneration paid prior to 1951, the determination under section 1607 (b) (1) of the Internal Revenue Code (prior to its amendment by this Act) of whether or not such remuneration constituted wages shall be made as if paragraph (1) of this subsection had not been enacted and without inferences drawn from the fact that the amendment made by paragraph (1) is not made applicable to periods prior to 1951.

"(3) Effective with respect to remuneration paid after December 31, 1951, section 1607 (b) of the Internal Revenue Code is amended by changing the semicolon at the end of paragraph (8) to a period and by striking out paragraph (9) thereof.

"(b) (1) Section 1607 (c) (3) of the Internal Revenue Code is amended to read as follows:

"'(3) Service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A) by such employer in the performance of such service during the preceding calendar quarter;'.

"(2) Section 1607 (c) (10) (A) (i) of the Internal Revenue Code is amended by striking out 'does not exceed $45' and inserting in lieu thereof 'is less than $50'.

"(3) Section 1607 (c) (10) (E) of the Internal Revenue Code is amended by striking out 'in any calendar quarter' and by striking out ', and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition)'.

"(4) The amendments made by paragraphs (1), (2), and (3) shall be applicable only with respect to service performed after 1950.

"(c) (1) Section 1621 (a) (4) of the Internal Revenue Code is amended to read as follows:

"'(4) for service not in the course of the employer's trade or business performed in any calendar quarter by an employee, unless the cash remuneration paid for such service is $50 or more and such service is performed by an individual who is regularly employed by such employer to perform such service. For the purposes of this paragraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if (A) on each of some twenty-four days during such quarter such individual performs for such employer for some portion of the day service not in the course of the employer's trade or business, or (B) such individual was regularly employed (as determined under clause (A)) by such employer in the performance of such service during the preceding calendar quarter, or'.

"(2) Section 1621 (a) of the Internal Revenue Code is amended by striking out paragraph (9) thereof and inserting in lieu thereof the following:

"'(9) for services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order, or

"'(10) (A) for services performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution, or

"'(B) for services performed by an individual in, and at the time of, the sale of newspapers or magazines to ultimate consumers, under an arrangement under which the newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which the newspapers or magazines are charged to him, whether or not he is guaranteed a minimum amount of compensation for such service, or is entitled to be credited with the unsold newspapers or magazines turned back, or

"'(11) for services not in the course of the employer's trade or business, to the extent paid in any medium other than cash, or

"'(12) to, or on behalf of, an employee or his beneficiary (A) from or to a trust exempt from tax under section 165 (a) at the time of such payment unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (B) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165 (a) (3), (4), (5), and (6).'

"(3) The amendments made by paragraphs (1) and (2) shall be applicable only with respect to remuneration paid after 1950.

"(d) (1) Section 1631 of the Internal Revenue Code is amended to read as follows:

"'SEC. 1631. Failure of employer to file return.

"'In case of a failure to make and file any return required under this chapter within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not to willful neglect, the addition to the tax or taxes required to be shown on such return shall not be less than $5.'

"(2) The amendment made by paragraph (1) shall be applicable only with respect to returns filed after December 31, 1950.

"(e) If a corporation (hereinafter referred to as a predecessor) incorporated under the laws of one State is succeeded after 1945 and before 1951 by another corporation (hereinafter referred to as a successor) incorporated under the laws of another State, and if immediately upon the succession the business of the successor is identical with that of the predecessor and, except for qualifying shares, the proportionate interest of each shareholder in the successor is identical with his proportionate interest in the predecessor, and if in connection with the succession the predecessor is dissolved or merged into the successor, and if the predecessor and the successor are employers under the Federal Insurance Contributions Act and the Federal Unemployment Tax Act in the calendar year in which the succession takes place, then—

"(1) the predecessor and successor corporations, for purposes only of the application of the $3,000 limitation in the definition of wages under such Acts, shall be considered as one employer for such calendar year, and

"(2) the successor shall, subject to the applicable statutes of limitations, be entitled to a credit or refund, without interest, of any tax under section 1410 of the Federal Insurance Contributions Act or section 1600 of the Federal Unemployment Tax Act (together with any interest or penalty thereon) paid with respect to remuneration paid by the successor during such calendar year which would not have been subject to tax under such Acts if the remuneration had been paid by the predecessor.

"TITLE III—AMENDMENTS TO PUBLIC ASSISTANCE AND MATERNAL AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT

"PART 1—OLD-AGE ASSISTANCE

"Requirements of State old-age assistance plans

"SEC. 301. (a) Clause (4) of subsection (a) of section 2 of the Social Security Act is amended to read '(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for old-age assistance is denied or is not acted upon with reasonable promptness.'

"(b) Such subsection is further amended by striking out 'and' before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: '(9) provide that all individuals wishing to make application for old-age assistance shall have opportunity to do so, and that old-age assistance shall be furnished with reasonable promptness to all eligible individuals; and (10) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.'

"(c) The amendments made by subsections (a) and (b) shall take effect July 1, 1951.

"Computation of Federal portion of old-age assistance

"SEC. 302. (a) Section 3 (a) of the Social Security Act is amended to read as follows:

"'SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"'(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals who received old-age assistance for such month; plus

"'(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose.'

"(b) The amendment made by subsection (a) shall take effect October 1, 1950.

"Definition of old-age assistance

"SEC. 303. (a) Section 6 of the Social Security Act is amended to read as follows:

"'*Definition*

"'SEC. 6. For the purposes of this title, the term "old-age assistance" means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, needy individuals who are sixty-five years of age or older, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof."

"(b) The amendment made by subsection (a) shall take effect October 1, 1950, except that the exclusion of money payments to needy individuals described in clause (a) or (b) of section 6 of the Social Security Act as so amended shall, in the case of any of such individuals who are not patients in a public institution, be effective July 1, 1952.

"PART 2—AID TO DEPENDENT CHILDREN

"Requirements of State plans for aid to dependent children

"SEC. 321. (a) Effective July 1, 1951, clause (4) of subsection (a) of section 402 of the Social Security Act is amended to read as follows: '(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to dependent children is denied or is not acted upon with reasonable promptness;' ".

"(b) Such subsection is further amended by striking out 'and' before clause (8) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: '(9) provide, effective July 1, 1951, that all individuals wishing to make application for aid to dependent children shall have opportunity to do so, and that aid to dependent children shall be furnished with reasonable promptness to all eligible individuals; (10) effective July 1, 1952, provide for prompt notice to appropriate law-enforcement officials of the furnishing of aid to dependent children in respect of a child who has been deserted or abandoned by a parent; and (11) provide, effective October 1, 1950, that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act.'

"(c) Effective July 1, 1952, clause (2) of subsection (b) of section 402 of the Social Security Act is amended to read as follows: '(2) who was born within one year immediately preceding the application, if the parent or other relative with whom the child is living has resided in the State for one year immediately preceding the birth.'

"Computation of Federal portion of aid to dependent children

"SEC. 322. (a) Section 403 (a) of the Social Security Act is amended to read as follows:

"'SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $27, or if there is more than one dependent child in the same home, as exceeds $27 with respect to one such dependent child and $18 with respect to each of the other dependent children, and not counting so much of such expenditure for any month with respect to a relative with whom any dependent child is living as exceeds $27—

"'(A) three-fourths of such expenditures, not counting so much of the expenditures with respect to any month as exceeds the product of $12 multiplied by the total number of dependent children and other individuals with respect to whom aid to dependent children is paid for such month, plus

"'(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to dependent children, equal to one-half of the total of the sums expended during such quarter as aid to dependent children under the State plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds $18, or if there is more than one dependent child in the same home, as exceeds $18 with respect to one such dependent child and $12 with respect to each of the other dependent children; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to dependent children, or both, and for no other purpose.'

"(b) The amendment made by subsection (a) shall take effect October 1, 1950.

"Definition of aid to dependent children

"SEC. 323. (a) Section 406 of the Social Security Act is amended by striking out subsection (b) and inserting in lieu thereof the following:

"'(b) The term "aid to dependent children" means money payments with respect to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, a dependent child or dependent

children, and (except when used in clause (2) of section 403 (a)) includes money payments or medical care or any type of remedial care recognized under State law for any month to meet the needs of the relative with whom any dependent child is living if money payments have been made under the State plan with respect to such child for such month;

"'(c) The term "relative with whom any dependent child is living" means the individual who is one of the relatives specified in subsection (a) and with whom such child is living (within the meaning of such subsection) in a place of residence maintained by such individual (himself or together with any one or more of the other relatives so specified) as his (or their) own home.'

"(b) The amendment made by subsection (a) shall take effect October 1, 1950.

"PART 3—MATERNAL AND CHILD WELFARE

"SEC. 331. (a) Section 501 of the Social Security Act is amended by striking out 'there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of $11,000,000' and inserting in lieu thereof 'there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of $15,000,000, and for each fiscal year beginning after June 30, 1951, the sum of $16,500,000.'

"(b) So much of section 502 of the Social Security Act as precedes subsection (c) is amended to read as follows:

"'*Allotments to States*

"'SEC. 502. (a) (1) Out of the sums appropriated pursuant to section 501 for the fiscal year ending June 30, 1951, the Federal Security Administrator shall allot $7,500,000 as follows: He shall allot to each State $60,000 and shall allot each State such part of the remainder of the $7,500,000 as he finds that the number of live births in such State bore to the total number of live births in the United States, in the latest calendar year for which the Administrator has available statistics.

"'(2) Out of the sums appropriated pursuant to section 501 for each fiscal year beginning after June 30, 1951, the Federal Security Administrator shall allot $8,250,000 as follows: He shall allot to each State $60,000 and shall allot each State such part of the remainder of the $8,250,000 as he finds that the number of live births in such State bore to the total number of live births in the United States, in the latest calendar year for which the Administrator has available statistics.

"'(b) Out of the sums appropriated pursuant to section 501 the Administrator shall allot to the States (in addition to the allotments made under subsection (a)) for the fiscal year ending June 30, 1951, the sum of $7,500,000, and for each fiscal year beginning after June 30, 1951, the sum of $8,250,000. Such sums shall be allotted according to the financial need of each State for assistance in carrying out its State plan, as determined by the Administrator after taking into consideration the number of live births in such State.'

"(c) Section 511 of the Social Security Act is amended by striking out 'there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of $7,500,000' and inserting in lieu thereof 'there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of $12,000,000, and for each fiscal year beginning after June 30, 1951, the sum of $15,000,000'.

"(d) So much of section 512 of the Social Security Act as precedes subsection (c) is amended to read as follows:

"'*Allotments to States*

"'SEC. 512. (a) (1) Out of the sums appropriated pursuant to section 511 for the fiscal year ending June 30, 1951, the Federal Security Administrator shall allot $6,000,000 as follows: He shall allot to each State $60,000, and shall allot the remainder of the $6,000,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

"'(2) Out of the sums appropriated pursuant to section 511 for each fiscal year beginning after June 30, 1951, the Federal Security Administrator shall allot $7,500,000 as follows: he shall allot to each State $60,000, and shall allot the remainder of the $7,500,000 to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

"'(b) Out of the sums appropriated pursuant to section 511 the Administrator shall allot to the States (in addition to the allotments made under subsection (a)) for the fiscal year ending June 30, 1951, the sum of $6,000,000, and for each fiscal year beginning after June 30, 1951, the sum of $7,500,000. Such sums shall be allotted according to the financial need of each State for assistance in carrying out its State plan, as determined by the Administrator after taking into consideration the number of crippled children in each State in need of the services referred to in section 511 and the cost of furnishing such services to them.'

"(e) Section 521 (a) of the Social Security Act is amended by striking out '$3,500,000' and inserting in lieu thereof '$10,000,000', by striking out '$20,000' and inserting in lieu thereof '$40,000', by striking out in the second sentence 'as the rural population of such State bears to the total rural population of the United States' and inserting in lieu thereof 'as the rural population of such State under the age of eighteen bears to the total rural population of the United States under such age', and by striking out the third sentence thereof and inserting in lieu of such sentence the following: 'The amount so allotted shall be expended for payment of part of the cost of district, county, or other local child-welfare services in areas predominantly rural, for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need, and for paying the cost of returning any runaway child who has not attained the age of sixteen to his own community in another State in cases in which such return is in the interest of the child and the cost thereof cannot otherwise be met: *Provided*, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the States and local communities as may be authorized by the State.'

"(f) The amendments made by the preceding subsections of this section shall be effective with respect to fiscal years beginning after June 30, 1950.

"PART 4—AID TO THE BLIND

"*Requirements of State plans for aid to the blind*

"SEC. 341. (a) Clause (4) of subsection (a) of section 1002 of the Social Security Act is amended to read as follows: '(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon with reasonable promptness;'.

"(b) Clause (7) of such subsection is amended to read as follows: '(7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act or aid to dependent children under the State plan approved under section 402 of this Act;'.

"(c) (1) Effective for the period beginning October 1, 1950, and ending June 30, 1952, clause (8) of such subsection is amended to read as follows: '(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the blind; except that the State agency may, in making such determination, disregard not to exceed $50 per month of earned income;'.

"(2) Effective July 1, 1952, such clause (8) is amended to read as follows: '(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first $50 per month of earned income;'.

"(d) Such subsection is further amended by striking out 'and' before clause (9) thereof, and by striking out the period at the end of such subsection and inserting in lieu thereof a semicolon and the following new clauses: '(10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished with reasonable promptness to all eligible individuals; and (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.'

"(e) Effective July 1, 1952, clause (10) of such subsection is amended to read as follows: '(10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select;'.

"(f) The amendments made by subsections (b) and (d) shall take effect October 1, 1950; and the amendment made by subsection (a) shall take effect July 1, 1951.

"COMPUTATION OF FEDERAL PORTION OF AID TO THE BLIND

"SEC. 342. (a) Section 1003 (a) of the Social Security Act is amended to read as follows:

"'SEC. 1003. (a) From the sum appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

"'(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals who received aid to the blind for such month, plus

"'(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan, not counting so much of such expenditure with respect to

any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.'

"(b) The amendment made by subsection (a) shall take effect October 1, 1950.

"Definition of aid to the blind

"SEC. 343. (a) Section 1006 of the Social Security Act is amended to read as follows:

" Definition

" 'SEC. 1006. For the purposes of this title, the term "aid to the blind" means money payments to, or medical care in behalf of or any type of remedial care recognized under State law in behalf of, blind individuals who are needy, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof.'

"(b) The amendment made by subsection (a) shall take effect October 1, 1950, except that the exclusion of money payments to needy individuals described in clause (a) or (b) of section 1006 of the Social Security Act as so amended shall, in the case of any of such individuals who are not patients in a public institution, be effective July 1, 1952.

"Approval of certain State plans

"SEC. 344. (a) In the case of any State (as defined in the Social Security Act, but excluding Puerto Rico and the Virgin Islands) which did not have on January 1, 1949, a State plan for aid to the blind approved under title X of the Social Security Act, the Administrator shall approve a plan of such State for aid to the blind for the purposes of such title X, even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act, if it meets all other requirements of such title X for an approved plan for aid to the blind; but payments under section 1003 of the Social Security Act shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of such section under a plan approved under such title X without regard to the provisions of this section.

"(b) The provisions of subsection (a) shall be effective only for the period beginning October 1, 1950, and endinge June 30, 1955.

"PART 5—AID TO THE PERMANENTLY AND TOTALLY DISABLED

"SEC. 351. The Social Security Act is further amended by adding after title XIII thereof the following new title:

" 'TITLE XIV—GRANTS TO STATES FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

" 'APPROPRIATION

" 'SEC. 1401. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals eighteen years of age or older who are permanently and totally disabled, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1951, the sum of $50,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Administrator, State plans for aid to the permanently and totally disabled.

" 'STATE PLANS FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

" 'SEC. 1402. (a) A State plan for aid to the permanently and totally disabled must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the permanently and totally disabled is denied or is not acted upon with reasonable promptness; (5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Administrator to be necessary for the proper and efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Administrator may from time to time require, and comply with such provisions as the Administrator may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act, aid to dependent children under the State plan approved under section 402 of this Act, or aid to the blind under the State plan approved under section 1002 of this Act; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the permanently and totally disabled; (9) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of aid to the permanently and totally disabled; (10) provide that all individuals wishing to make application for aid to the permanently and totally disabled shall have opportunity to do so, and that aid to the permanently and totally disabled shall be furnished with reasonable promptness to all eligible individuals; and (11) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.

" '(b) The Administrator shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for aid to the permanently and totally disabled under the plan—

" '(1) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for aid to the permanently and totally disabled and has resided therein continuously for one year immediately preceding the application;

" '(2) Any citizenship requirement which excludes any citizen of the United States.

" 'PAYMENT TO STATES

" 'SEC. 1403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1950, (1) in the case of any State other than Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $50—

" '(A) three-fourths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $20 multiplied by the total number of such individuals who received aid to the permanently and totally disabled for such month, plus

" '(B) one-half of the amount by which such expenditures exceed the maximum which may be counted under clause (A);

and (2) in the case of Puerto Rico and the Virgin Islands, an amount, which shall be used exclusively as aid to the permanently and totally disabled, equal to one half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan, not counting so much of such expenditure with respect to any individual for any month as exceeds $30; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Administrator for the proper and efficient administration of the State plan, which amount shall be used for paying the costs of administering the State plan or for aid to the permanently and totally disabled, or both, and for no other purpose.

" '(b) The method of computing and paying such amounts shall be as follows:

" '(1) The Administrator shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of permanently and totally disabled individuals in the State, and (C) such other investigation as the Administrator may find necessary.

" '(2) The Administrator shall then certify to the Secretary of the Treasury the amount so estimated by the Administrator, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State under subsection (a) for such quarter, and (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Administrator, of the net amount recovered during a prior quarter by the State or any political subdivision thereof with respect to aid to the permanently and totally disabled furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Administrator for such prior quarter: *Provided*, That any part of the amount recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased shall

not be considered as a basis for reduction under clause (B) of this paragraph.

"'(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Administrator, the amount so certified.

"'OPERATION OF STATE PLANS

"'SEC. 1404. In the case of any State plan for aid to the permanently and totally disabled which has been approved by the Administrator, if the Administrator after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

"'(1) that the plan has been so changed as to impose any residence or citizenship requirement prohibited by section 1402 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

"'(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 1402 (a) to be included in the plan;

the Administrator shall notify such State agency that further payments will not be made to the State until he is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

"'DEFINITION

"'SEC. 1405. For the purposes of this title, the term "aid to the permanently and totally disabled" means money payments to, or medical care in behalf of, or any type of remedial care recognized under State law in behalf of, needy individuals eighteen years of age or older who are permanently and totally disabled, but does not include any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual (a) who is a patient in an institution for tuberculosis or mental diseases, or (b) who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof.'

"PART 6—MISCELLANEOUS AMENDMENTS

"SEC. 361. (a) Section 1 of the Social Security Act is amended by striking out 'Social Security Board established by Title VII (hereinafter referred to as the "Board")' and inserting in lieu thereof 'Federal Security Administrator (hereinafter referred to as the "Administrator")'.

"(b) Section 1001 of the Social Security Act is amended by striking out 'Social Security Board' and inserting in lieu thereof 'Administrator'.

"(c) The following provisions of the Social Security Act are each amended by striking out 'Board' and inserting in lieu thereof 'Administrator': Sections 2 (a) (5); 2 (a) (6); 2 (b); 3 (b); 4; 402 (a) (5); 402 (a) (6); 402 (b); 403 (b); 404; 702; 703; 1002 (a) (5); 1002 (a) (6); 1002 (b); 1003 (b); and 1004.

"(d) The following provisions of the Social Security Act are each amended by striking out (when they refer to the Social Security Board) 'it' or 'its' and inserting in lieu thereof 'he', 'him', or 'his', as the context may require: Sections 2 (b); 3 (b); 4; 402 (b); 403 (b); 404; 702; 703; 1002 (b); 1003 (b); and 1004.

"(e) Title V of the Social Security Act is amended by striking out 'Children's Bureau', 'Chief of the Children's Bureau', 'Secretary of Labor', and (in sections 503 (a) and 513 (a)) 'Board' and inserting in lieu thereof 'Administrator'.

"(f) The heading of title VII of the Social Security Act is amended to read 'ADMINISTRATION'.

"(g) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"'*Limitation on payments to Puerto Rico and the Virgin Islands*

"'SEC. 1108. The total amount certified by the Administrator under titles I, IV, X, and XIV, for payment to Puerto Rico with respect to any fiscal year shall not exceed $4,250,000; and the total amount certified by the Administrator under such titles for payment to the Virgin Islands with respect to any fiscal year shall not exceed $160,000.'

"TITLE IV—MISCELLANEOUS PROVISIONS

"OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

"SEC. 401. (a) Section 701 of the Social Security Act is amended to read:

"'OFFICE OF COMMISSIONER FOR SOCIAL SECURITY

"'SEC. 701. There shall be in the Federal Security Agency a Commissioner for Social Security, appointed by the Administrator, who shall perform such functions relating to social security as the Administrator shall assign to him.'

"(b) Section 908 of the Social Security Act Amendments of 1939 is repealed.

"REPORTS TO CONGRESS

"SEC. 402. (a) Subsection (c) of section 541 of the Social Security Act is repealed.

"(b) Section 704 of such Act is amended to read:

"'REPORTS

"'SEC. 704. The Administrator shall make a full report to Congress, at the beginning of each regular session, of the administration of the functions with which he is charged under this Act. In addition to the number of copies of such report authorized by other law to be printed, there is hereby authorized to be printed not more than five thousand copies of such report for use by the Administrator for distribution to Members of Congress and to State and other public or private agencies or organizations participating in or concerned with the social security program.'

"AMENDMENTS TO TITLE XI OF THE SOCIAL SECURITY ACT

"SEC. 403. (a) (1) Paragraph (1) of section 1101 (a) of the Social Security Act is amended to read as follows:

"'(1) The term "State" includes Alaska, Hawaii, and the District of Columbia, and when used in titles I, IV, V, X, and XIV includes Puerto Rico and the Virgin Islands.'"

"(2) Paragraph (6) of section 1101 (a) of the Social Security Act is amended to read as follows:

"'(6) The term "Administrator", except when the context otherwise requires, means the Federal Security Administrator.'"

"(3) The amendment made by paragraph (1) of this subsection shall take effect October 1, 1950, and the amendment made by paragraph (2) of this subsection, insofar as it repeals the definition of 'employee', shall be effective only with respect to services performed after 1950.

"(b) Effective October 1, 1950, section 1101 (a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"'(7) The terms "physician" and "medical care" and "hospitalization" include osteopathic practitioners or the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law.'

"(c) Section 1102 of the Social Security Act is amended by striking out 'Social Security Board' and inserting in lieu thereof 'Federal Security Administrator.'

"(d) Section 1106 of the Social Security Act is amended to read as follows:

"'DISCLOSURE OF INFORMATION IN POSSESSION OF AGENCY

"'SEC. 1106. (a) No disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code, or under regulations made under authority thereof, which has been transmitted to the Administrator by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Administrator or by any officer or employee of the Federal Security Agency in the course of discharging the duties of the Administrator under this Act, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Administrator or from any officer or employee of the Federal Security Agency, shall be made except as the Administrator may by regulations prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding $1,000, or by imprisonment not exceeding one year, or both.

"'(b) Requests for information, disclosure of which is authorized by regulations prescribed pursuant to subsection (a) of this section, may be complied with if the agency, person, or organization making the request agrees to pay for the information requested in such amount, if any (not exceeding the cost of furnishing the information), as may be determined by the Administrator. Payments for information furnished pursuant to this section shall be made in advance or by way of reimbursement, as may be requested by the Administrator, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-Age and Survivors Insurance Trust Fund) for the unit or units of the Federal Security Agency which prepared or furnished the information.'

"(e) Section 1107 (a) of the Social Security Act is amended by striking out 'the Federal Insurance Contributions Act, or the Federal Unemployment Tax Act,' and inserting in lieu thereof the following: 'subchapter E of chapter 1 or subchapter A, C, or E of chapter 9 of the Internal Revenue Code,'.

"(f) Section 1107 (b) of the Social Security Act is amended by striking out 'Board' and inserting in lieu thereof 'Administrator', and by striking out 'wife, parent, or child', wherever appearing therein, and inserting in lieu thereof 'wife, husband, widow, widower, former wife divorced, child, or parent'.

"ADVANCES TO STATE UNEMPLOYMENT FUNDS

"SEC. 404. (a) Section 1201 (a) of the Social Security Act is amended by striking out 'January 1, 1950' and inserting in lieu thereof 'January 1, 1952'.

"(b) (1) Clause (2) of the second sentence of section 904 (h) of the Social Security Act is amended to read: '(2) the excess of the taxes collected in each fiscal year beginning after June 30, 1946, and ending prior to July 1, 1951, under the Federal Unemployment Tax Act, over the unemployment administrative expenditures made in such year, and the excess of such taxes collected during the period beginning on July 1, 1951, and ending on December 31, 1951, over the unemployment administrative expenditures made during such period.'

"(2) The third sentence of section 904 (h) of the Social Security Act is amended by

striking out 'April 1, 1950' and inserting in lieu thereof 'April 1, 1952'.

"(c) The amendments made by subsections (a) and (b) of this section shall be effective as of January 1, 1950.

"PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

"SEC. 405. (a) Section 1603 (c) of the Internal Revenue Code is amended (1) by striking out the phrase 'changed its law' and inserting in lieu thereof 'amended its law', and (2) by adding before the period at the end thereof the following: 'and such finding has become effective. Such finding shall become effective on the ninetieth day after the Governor of the State has been notified thereof unless the State has before such ninetieth day so amended its law that it will comply substantially with the Secretary of Labor's interpretation of the provision of subsection (a), in which event such finding shall not become effective. No finding of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State'.

"(b) Section 303 (b) of the Social Security Act is amended by inserting before the period at the end thereof the following: ': *Provided*, That there shall be no finding under clause (1) until the question of entitlement shall have been decided by the highest judicial authority given jurisdiction under such State law: *Provided further*, That any costs may be paid with respect to any claimant by a State and included as costs of administration of its law' '.

"SUSPENDING APPLICATION OF CERTAIN PROVISIONS OF CRIMINAL CODE TO CERTAIN PERSONS

"SEC. 406. Service or employment of any person to assist the Senate Committee on Finance, or its duly authorized subcommittee, in the investigation ordered by S. Res. 360, agreed to June 20, 1950, shall not be considered as service or employment bringing such person within the provisions of section 281, 283, or 284 of title 18 of the United States Code, or any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

"REORGANIZATION PLAN NO. 26 OF 1950

"SEC. 407. For the purposes of section 1 (a) of Reorganization Plan No. 26 of 1950, this Act shall be deemed to have been enacted prior to the effective date of such plan."

And the Senate agree to the same.

R. L. DOUGHTON,
W. D. MILLS,
A. SIDNEY CAMP,
DANIEL A. REED,
ROY O. WOODRUFF,
THOMAS A. JENKINS,
Managers on the Part of the House.

WALTER F. GEORGE,
TOM CONNALLY,
HARRY F. BYRD,
E. D. MILLIKIN,
ROBERT A. TAFT,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two houses on the amendment of the Senate to the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report.

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute amendment. The conference agreement is a substitute for both the House bill and the Senate amendment. Except for clarifying, clerical, technical, and necessary conforming changes, the following statement explains the differences between the House bill, the Senate amendment, and the substitute agreed to in conference:

OLD-AGE AND SURVIVORS INSURANCE

COVERAGE

Definition of employment

Agricultural Labor

The House bill continued the exclusion under existing law of agricultural labor from the definition of "employment," although the House bill narrowed the definition of "agricultural labor." The Senate amendment excluded from the definition of "employment" agricultural labor performed in any calendar quarter by an employee, but only if the cash remuneration paid for such service is less than $50 or the service is performed by an individual who is not regularly employed by the employer to perform such service. The Senate amendment further provided that for this purpose an individual is deemed to be regularly employed by an employer during a calendar quarter only if (i) on each of some 60 days during the calendar quarter such individual performs agricultural labor for such employer for some portion of the day, or (ii) such individual was regularly employed (determined in accordance with the test in the preceding clause) by such employer in the performance of service of the prescribed character during the preceding calendar quarter. The amendment provided that remuneration paid for such service in any medium other than cash would not constitute wages.

The Senate amendment, however, did not apply in the case of service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton. Such service is specifically excepted from employment under the Senate amendment, regardless of the amount of the remuneration paid for, or the regularity of the performance of, such service. This specific exclusion from employment under the Senate amendment of service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, applies only to service performed in connection with the production or harvesting of crude gum (oleoresin) from a living tree or the processing of such crude gum into gum spirits of turpentine and gum resin, provided such processing is carried on by the original producer of such crude gum.

The conference agreement adopts the Senate provision with a change in the test of when an individual is deemed to be regularly employed in performing agricultural labor for an employer. Under the conference agreement, an individual is deemed to be regularly employed by an employer during a calendar quarter (including the first quarter of 1951) only if (I) such individual performs agricultural labor (other than services in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton) for such employer on a full-time basis on 60 days (whether or not consecutive) during the quarter, and (II) the quarter was immediately preceded by a qualifying quarter. A qualifying quarter is defined as (I) any quarter during all of which the individual was continuously employed by the employer, or (II) any subsequent quarter meeting the test of clause (I) above, if, after the last quarter during all of which the individual was continuously employed by the employer, each intervening quarter met the test of clause (I). An individual is also deemed to be regularly employed by an employer during a calendar quarter if he was regularly employed (upon application of clauses (I) and (II) by the employer during the preceding calendar quarter. Under the conference agreement remuneration for services in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton, is not counted for purposes of the $50 cash wage test.

The Senate amendment adopted the definition contained in the House bill of the term "agricultural labor" except that the Senate amendment adds to the list of service constituting agricultural labor the following: Service performed in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, used exclusively for supplying and storing water for farming purposes; and service not in the course of the employer's trade or business or domestic service in a private home of the employer, if such service is performed on a farm operated for profit. The conference agreement adopts the House provision with the additions made by the Senate amendment.

Domestic Workers

The House bill excluded from employment service not in the course of the employer's trade or business (including domestic service in a private home of the employer) performed in any calendar quarter by an employee, but only if the cash remuneration paid to an individual for such service is less than $25, or such service is performed by an individual who is not regularly employed by the employer to perform such service. For the purposes of the exception, an individual is deemed to be regularly employed by an employer during a calendar quarter only if (I) such individual performs for such employer service of the prescribed character during some portion of at least 26 days during the calendar quarter, or (II) such individual is regularly employed (determined in accordance with clause (I) by such employer in the performance of service of the prescribed character during the preceding calendar quarter. The Senate amendment modified the House bill by requiring $50 of cash wages instead of $25 of cash wages earned in the quarter; and providing that the test of regularity be based upon performance of services on each of some 24 days during a quarter rather than 26 days.

The conference agreement adopts the Senate amendment as to service not in the course of the employer's trade or business. The agreement also conforms with the policy of the Senate amendment with respect to domestic service, but the cash test of $50 is changed from a remuneration earned in the quarter basis to a remuneration paid in the quarter basis. Under the conference agreement, cash remuneration received by an employee in a calendar quarter for domestic service in a private home of the employer does not constitute wages unless the cash remuneration for such service received by the employee from the employer in such quarter is $50 or more, and the employee is regularly employed by the employer in such quarter of payment in the performance of such service.

The House bill excepted from employment service not in the course of the employer's trade or business (including domestic service

in a private home of the employer) performed on a farm operated for profit. The Senate amendment omitted this provision because of its amendment (adopted under the conference agreement) including such service within the definition of agricultural labor. The conference agreement conforms with the Senate action.

Federal Employees

The House bill excluded from employment service performed in the employ of the United States Government or in the employ of any instrumentality of the United States Government which is partly or wholly owned by the United States but only if (1) such service is covered by a retirement system established by a law of the United States for employees of the United States or of such instrumentality, or (2) the service is of the character described in any one of a list of 13 special classes of excepted services. The Senate amendment adopted the general policies of the House bill except for one area of Federal employment. The large group covered under the Senate amendment and not under the House bill consists of employees serving under a temporary appointment pending final determination of eligibility for permanent or indefinite appointment; and the conference agreement extends coverage to this group.

The conference agreement contains three separate subparagraphs. Subparagraph (A) excepts from employment service performed in the employ of the United States or of any instrumentality of the United States, if such service is covered by a retirement system established by a law of the United States. Determinations as to whether the particular service is covered by a retirement system of the requisite character are to be made on the basis of whether such service is covered under a law enacted by the Congress of the United States which specifically provides for the establishment of such retirement system. Subparagraph (B) excepts from employment service performed in the employ of an instrumentality of the United States if such an instrumentality was exempt from the tax imposed by section 1410 of the Internal Revenue Code on December 31, 1950. This provision can apply in the case of an instrumentality created after 1950 if such instrumentality, had it been in existence on December 31, 1950, would have been exempt from such tax by reason of a provision of law in effect on that date. The exception from employment under subparagraph (B) does not apply to (i) service performed in the employ of a corporation which is wholly owned by the United States (but such service, of course, is not included as employment if the service is excluded upon application of the rules contained in subparagraph (A) or (C); (ii) service performed in the employ of a national farm loan association, a production credit association, a Federal Reserve bank, or a Federal credit union; (iii) service performed in the employ of a State, county, or community committee under the Production and Marketing Administration; (iv) service performed by a civilian employee, who is not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force motion picture service, Navy exchanges, Marine Corps exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department. Subparagraph (C) excepts from employment service performed in the employ of the United States or in the employ of any instrumentality of the United States if the service is of the character described in any one of a list of 13 special classes of excepted services. These 13 special classes of excepted services include the 12 special classes of excepted services listed in the Senate amendment and, in addition, service performed by an individual to whom the Civil Service Retirement Act of 1930 does not apply because such individual is subject to another retirement system (either established by a law of the United States or by the agency or instrumentality for which the service is performed).

Employees of Transportation Systems Operated by a State or Political Subdivision

The House bill included as employment service performed in the employ of a political subdivision of a State (including an instrumentality of one or more subdivisions) in connection with the operation of a public transportation system if such service is performed by an employee who (i) became an employee of the political subdivision in connection with and at the time of its acquisition after 1936 of the transportation system or any part thereof, and (ii) prior to the acquisition rendered services which constituted employment (for social-security-coverage purposes) in connection with the operation of the transportation system or part thereof acquired by the political subdivision. Under the House provision if a city acquired a transportation system in 1930, and in 1940 acquired from private ownership a bus line which became part of the city transportation system, only the employees taken over from the privately owned bus line would be covered for social-security purposes. Other employees working for the city in connection with the operation of its transportation system, including employees hired after the acquisition of the bus line, would not have been covered under the House provision.

However, in the case of employees taken over by a political subdivision in connection with an acquisition made prior to the effective date of the provisions in the House bill amending the definition of employment, the House bill provided that if the political subdivision filed with the Commissioner of Internal Revenue prior to such effective date a statement that it did not favor the coverage of any employee who became an employee in connection with acquisitions made before such effective date, then the services of such employees would not constitute employment.

The Senate amendment provided for the inclusion as employment of all service performed in the employ of a State or political subdivision (or instrumentality) in connection with the operation of any public-transportation system the whole or any part of which was acquired after 1936. The Senate amendment did not limit coverage to those employees taken over from private employers at the time of such acquisition.

The conference agreement adopts the provision of the Senate amendment as the general rule to be applied, but the agreement sets forth certain conditions and circumstances under which none, or only some, of the employees will be covered.

Under the conference agreement, if the State or political subdivision acquires a transportation system, or any part thereof, from private ownership after 1936 and before 1951, all employees (with respect to services rendered after 1950 in connection with the operation of the transportation system) will be covered unless—

(i) The State or political subdivision on December 31, 1950, has a general retirement system (a defined term) in effect, covering substantially all services performed in connection with the operation of the transportation system; and

(ii) Such general retirement system provides benefits which are protected from diminution or impairment under the State constitution by reason of an express provision, dealing specifically with retirement systems established by the State or subdivisions of the State, which forbids such diminution or impairment.

A constitutional provision permitting diminution or impairment by action of the legislature would not qualify, under the conference agreement, as a constitutional provision described in clause (ii).

If the State or political subdivision made an acquisition described in the preceding paragraph and the employees are not covered under a general retirement system described in clause (ii) above, all service in connection with the transportation system will constitute employment, including the service of all employees hired after 1950 and including the service of employees who did not work for the private employer from whom the State or political subdivision acquired its transportation system.

If the State or political subdivision which acquired part of its transportation system after 1936 and before 1951 had on December 31, 1950, a general retirement system covering the services of its transportation employees, and the tests of clauses (i) and (ii) are both satisfied, none of the employees (subject to a limited exception set forth in the following paragraph) would be covered. This exclusion from employment will apply even in the case of employees who worked for the private employer from whom the State or political subdivision acquired the transportation system (or part thereof) and who became employees of the State or political subdivision in connection with the acquisition.

The conference agreement provides, however, in the case of a transportation system in which service is not employment by reason of rules set forth in the preceding paragraphs, that if the State or political subdivision makes a new acquisition from private ownership after 1950 of an addition to its transportation system, then in the case of any employee who—

(A) Became an employee of the State or political subdivision in connection with and at the time of its acquisition (after 1950) of the addition to its transportation system, and

(B) Prior to such acquisition rendered service which constituted employment (for social-security-coverage purposes) in connection with the operation of the addition to the transportation system acquired by the State or political subdivision,

the service of such employee (in connection with any part of the transportation system) shall constitute employment, commencing with the first day of the third calendar quarter following the calendar quarter in which the acquisition of the new addition took place, unless on such first day the service of the employee is covered by a general retirement system which does not contain special provisions applicable only to employees taken over by the State or political subdivision in connection with such acquisition.

The rule of the immediately preceding paragraph is, under the conference agreement, applicable in one other situation. If a State or political subdivision is operating a public transportation system on December 31, 1950, but no part of the system was acquired after 1936 and before 1951, none of the service of the employees will constitute employment unless the State or political subdivision makes an acquisition on or after January 1, 1951, from private ownership of an addition to its existing system. In the case of such an acquisition of a part of its transportation system, the employees taken over by a State or political subdivision at the time and in connection with such acquisition will be covered, or not covered, upon application of the rule set forth in the pre-

ceding paragraph. Employees of the public transportation system not taken over from private ownership at the time of such acquisition would not be affected at all—their service would remain excluded from employment.

In the case of a State or political subdivision which does not operate on December 31, 1950, a transportation system, but acquires a transportation system after such date, the conference agreement provides that all service performed in connection with the operation of the acquired transportation system will constitute employment, unless at the time the first part of such transportation system is acquired by it from private ownership the State or political subdivision has a general retirement system covering substantially all the service performed in the operation of the transportation system,

The term "general retirement system" is defined to mean any pension, annuity, retirement, or similar fund or system established by a State or political subdivision for employees of the State, political subdivision, or both, but does not include a fund or system which covers only service performed in positions connected with the operation of its public transportation system.

A transportation system or part thereof is considered to have been acquired by a State or political subdivision from private ownership if prior to the acquisition service performed by employees in connection with the operation of the system or the acquired part constituted employment (for social-security-coverage purposes) and some of such employees became employees of the State or political subdivision in connection with and at the time of such acquisition.

The term "political subdivision" is defined to include an instrumentality of a State, of one or more State political subdivisions, or of a State and one or more of its political subdivisions.

Coverage of State and Local Employees Under Compacts

The House bill provided for the extension of old-age and survivors insurance coverage to employees of State and local governments under agreements negotiated between the States and the Federal Security Administrator. The House bill also permitted the employees of State and local governments, covered by State or local government retirement systems, to be included in such agreements if two-thirds of the employees consented to be covered under the program. The Senate amendment modified the House provisions. It excluded from the purview of such agreements employees of States and local governments covered by State and local government retirement systems. The Senate amendment further provided for the establishment of separate coverage groups of employees engaged in the performance of single proprietary functions. The conference agreement adopts the Senate provisions.

Employees of Religious, Charitable, and Certain Other Nonprofit Organizations

Under the House bill, employees of religious, charitable, educational, and other organizations exempt from income tax under section 101 (6) of the Internal Revenue Code were covered on a compulsory basis. The House bill, however, granted an exemption to such organizations from the tax imposed on the employer under section 1410 of such code. Provision was made for waiver by the organization of such exemption. If the exemption from taxation was not waived, the employees of the organization would, for the purpose of computing insured status and average monthly wage, receive wage credits for only one-half of the wages paid. An organization waiving its exemption from tax was permitted, under the House bill, to regain its tax-exempt status by giving a 2 years' notice. Such notice of termination could not be given prior to the expiration of 5 years following the effective date of the waiver period.

The Senate amendment provided for compulsory coverage of organizations which are not organized and operated primarily for religious purposes or which are not owned and operated by one or more organizations operating primarily for religious purposes. The organizations whose employees were covered under the compulsory basis were, under the Senate amendment, subject, on a compulsory basis, to the employers' tax imposed under section 1410 of the Internal Revenue Code. The employees of such organizations were also subject, on a compulsory basis, to the employees' tax imposed under section 1400 of the code In the case of religious organizations, or organizations owned and operated by religious organizations, provision was made under the Senate amendment for coverage of employees upon filing a statement with the Commissioner of Internal Revenue that the organization desired to have the old-age and survivors insurance system extended to its employees. If such a statement was once filed, it could not thereafter be revoked by the organization.

The conference agreement differs from both the House bill and the Senate amendment. Under the conference agreement service performed in the employ of an organization exempt from income tax under section 101 (6) is excluded from employment unless the organization files a certificate that it desires to have the old-age and survivors insurance system extended to its employees. If it does not file such a certificate, neither the organization nor its employees are subject to the social-security taxes imposed by the Federal Insurance Contributions Act. If it does file such a certificate, both the employer and the employee are, for the period during which the certificate is in effect, subject to such taxes in the same manner as a private employer and his employees. The certificate filed by the organization must certify that at least two-thirds of its employees concur in the filing of the certificate, and the certificate must be accompanied by a list containing the signature, address, and social-security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended, at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is effective, by filing a supplemental list or lists containing the signature, address, and social-security number of each additional employee who concurs in the filing of the certificate. Commencing with the first day following the close of the calendar quarter in which the certificate is filed, the employees who have concurred in the filing of such certificate will be covered for social-security purposes. Any employee who is hired on or after such first day will be covered on a compulsory basis. If an individual, who on such first day was in the employ of the organization, should leave his position and thereafter reenter the employ of such organization, such employee will be covered on and after the date of such reentry, whether or not he concurred in the filing of the certificate when he was previously in the employ of the organization.

The conference agreement further provides that the period for which the certificate is effective may be terminated by the organization upon giving 2 years' advance notice in writing of its desire to terminate the effect of the certificate at the end of a calendar quarter; but only if the certificate has been in effect for a period of not less than 8 years at the time of the receipt of the notice of termination. The organization may revoke its notice of termination by giving a written notice of such revocation prior to the close of the calendar quarter specified in the notice of termination. The certificate (and any notice of termination or revocation of such notice) must be filed in such form and manner and with such official as may be prescribed by regulations.

Provision is also made, under the conference agreement, for termination of the waiver period upon the initiative of the Commissioner of Internal Revenue. If the Commissioner finds that an organization which filed a certificate has failed to comply substantially with the provisions of the Federal Insurance Contributions Act, or is no longer able to comply with such provisions, the Commissioner can give such organization a 60 days' advance notice in writing that the period covered by the certificate will terminate at the end of the calendar quarter specified in the notice. Such notice by the Commissioner may be revoked by him by giving, prior to the close of the calendar quarter specified in his notice of termination, written notice of the revocation. The Commissioner cannot give notice of termination or revocation thereof without prior concurrence of the Federal Security Administrator.

If the period covered by the certificate is terminated by the organization itself, it may not thereafter file a certificate waiving the exclusion from employment of its employees.

Service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order would not constitute employment under the House bill, the Senate amendment, or the conference agreement.

Effective Date

The provisions of the conference agreement amending the definition of employment apply only with respect to service performed after December 31, 1950.

Definition of "wages"

The House bill continued the provisions of existing law which exclude from wages payments made to or on behalf of an employee under a plan or system providing for payments on account of (1) retirement, (2) sickness or accident disability, (3) medical or hospitalization expenses, or (4) death but provided that such payments made for death benefits should be excluded from wages regardless of whether the employee has certain options or rights, such as the option to receive, instead of the provision for such death benefit, any part of such payment made by the employer, or the right to assign the death benefit or to receive a cash consideration in lieu thereof. The Senate amendment adopted the House provision, but in addition excluded from wages any such payment made to or on behalf of any dependents of an employee under a plan or system providing for the employee and his dependents. The conference agreement adopts the Senate provision.

The House bill excluded from wages certain payments made to, or on behalf of, an employee from or to a trust exempt from tax under section 165 (a) of the code or under or to an annuity plan which meets the requirements of section 165 (a) (3), (4), (5), and (6). The Senate amendment made a clarifying change in the House provision to assure the exclusion from wages of a payment of the prescribed character made to, or on behalf of, a beneficiary of an employee. The conference agreement adopts the Senate provision.

The Senate amendment added a new provision excluding from wages remuneration for agricultural labor paid in any medium other than cash. The Senate provision was necessary because under the Senate amendment agricultural labor may be covered under certain conditions. The House bill contained no comparable provision. The conference agreement adopts the Senate provision.

The House bill contained an express provision relating to tips and other cash remuneration customarily received by an employee in the course of his employment from persons other than the person employing him. The Senate amendment eliminated this provision of the House bill. The conference agreement conforms to the Senate amendment.

The Senate amendment contained a provision designed to make easier the computation of wages for services not in the course of the employer's trade or business, particularly with respect to wages for domestic service. The House bill contained no comparable provision. The conference agreement adopts the Senate provision, but limits its application to remuneration for domestic service in a private home of the employer. The agreement authorizes the issuance of regulations in appropriate cases for the rounding of remuneration payments for such service to the nearest whole dollar. For example, if a household employee receives a cash remuneration payment of $9.50, or $10.49, or any amount in between, the payment could, if the regulations so provide, be considered to be $10. The rounding of cash wage payments to the nearest whole dollar will ease the householder's part in the social security program for purposes of applying the tax rate to the wage payment, for purposes of any required record keeping, and for purposes of determining whether $50 or more has been paid to the employee in any calendar quarter.

Under the House bill, remuneration paid to certain home workers would constitute wages, but the definition of "employee" contained in the Senate amendment resulted in the exclusion of such remuneration from wages. Under the conference agreement, which includes home workers as employees, remuneration paid by an employer in any calendar quarter to a home worker (if such home worker is an employee under the definition of "employee") will constitute wages, but only if cash remuneration of $50 or more is paid during the calendar quarter by the employer to such home worker. If $50 or more of cash remuneration is paid by the employer to such home worker during the calendar quarter, it is immaterial whether the $50 is in payment of services rendered the employer during the quarter of payment or during a previous quarter.

The conference agreement also makes certain amendments in the definition of "wages" for purposes of the Federal Unemployment Tax Act and income-tax withholding to conform such definitions in certain respects with the definition of "wages" under the Federal Insurance Contributions Act.

Effective Date

The provisions of the conference agreement amending the definition of wages apply only with respect to remuneration paid after December 31, 1950.

Definition of "employee"

The definition of the term "employee" in the House bill required that the usual common-law rules be used to determine whether an individual is an employee. The Senate accepted this provision without change but struck out the second sentence of the paragraph in the House bill which was designed to change the effect of the United States Supreme Court's holding in the case of *Bartels* v. *Birmingham* (332 U. S. 126 (1947)). The conference agreement accepts the Senate amendment. With regard to the meaning of the phrase "the usual common law rules applicable in determining the employer-employee relationship," this opportunity is taken to reiterate and endorse the statement made in the Report of the Committee on Ways and Means in connection with the Social Security Act Amendments of 1939:

"A restricted view of the employer-employee relationship should not be taken in the administration of the Federal old-age and survivors insurance system in making coverage determinations. The tests for determining the relationship laid down in cases relating to tort liability and to the common-law concept of master and servant should not be narrowly applied (p. 76)."

This statement made in 1939 is equally applicable to the phrase in the bill as agreed upon in the conference agreement, which contemplates a realistic interpretation of the common law rules.

Provisions in both the House bill and the Senate amendment added individuals in certain specified occupational groups who are not necessarily employees under the usual common law rules. However, the Senate amendment made substantial revisions in the additions which were provided in the House bill.

The Senate amendment eliminated entirely the House additions with respect to driver-lessees of taxicabs, contract loggers, mine lessees, and house-to-house salesmen. The conference agreement adopts these Senate amendments.

The Senate amendment struck out the House provision which added outside salesmen in the manufacturing or wholesale trade, substituting a more detailed provision which added city and traveling salesmen performing services under certain specified conditions. Under the conference agreement, city and traveling salesmen are included (subject to the general limitations which appeared in both the House bill and Senate amendment and which are applicable to all of the categories listed in par. (3) if they are engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, their principals (except for side-line sales activities on behalf of other persons) of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations. City and traveling salesmen who sell to retailers or to the others specified, operate off the companies' premises, and are generally compensated on a commission basis are included within this occupational group. Such salesmen are generally not controlled as to the details of their service or the means by which they cover their territories, but in the ordinary case they are expected to call on regular customers with a fair degree of regularity. The conference agreement requires with respect to a city or traveling salesman that, in order for him to be included within the term "employee," his entire or principal business activity must be devoted to the solicitation or orders for one principal. Thus, the multiple-line salesman generally will not be within the scope of this subparagraph of the definition. However, the conference agreement specifies that, if the salesman solicits orders primarily for one principal, he shall not be excluded solely because of side-line sales activities on behalf of one or more other persons. In such a case, the salesman would be the employee under paragraph (3) of the definition only of the person for whom he primarily solicits orders and not of such other persons.

The conference agreement specifically excludes agent-drivers and commission-drivers from the scope of this subparagraph of the definition.

The following examples illustrate the application of the paragraph as it relates to city and traveling salesmen:

1. Salesman A's principal business activity is the solicitation of orders from retail pharmacies on behalf of the X wholesale drug company. A also occasionally solicits orders for drugs on behalf of the Y and Z companies. Within the meaning of subparagraph (3) (D), A is the employee of the X company but not of the Y and Z companies.

2. Salesman B's principal business activity is the solicitation of orders from retail hardware stores on behalf of the R tool company and the S cooking utensil company. B regularly solicits orders on behalf of both companies. Within the meaning of subparagraph (3) (D), B is not the employee of either the R or S company.

3. Salesman C's principal business activity is the house-to-house solicitation of orders on behalf of the T brush company. C occasionally solicits such orders from retail stores and restaurants. Within the meaning of subparagraph (3) (D), C is not the employee of the T company.

The Senate amendment added certain agent-drivers and commission-drivers to paragraph (3) of the definition as it appeared in the House bill. Under paragraph (3) (A) as it appears in the conference agreement, the definition of "employee" includes agent-drivers or commission-drivers who are engaged in distributing meat products, vegetable products, fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services, for their principals. This category includes an individual who operates his own truck or the truck of the company for which he performs services, serves customers designated by the company as well as those solicited on his own, and whose compensation is a commission on his sales or the difference between the price he charges his customers and the price he pays to the company for the product or service.

The Senate amendment struck out the House provision which added home workers to the definition of "employee." Under paragraph (3) (C) of the definition agreed to by the conferees, a home worker is included in the term if he performs work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed. However, as provided in the definition of "wages" adopted by the conference agreement, a home worker who meets the requirements of this definition of "employee" still will not be covered unless he is paid remuneration in cash of $50 or more in any calendar quarter by the person for whom the services are performed. It is not required that such remuneration must be paid in the quarter in which the services are performed.

With respect to the requirement that the performance of services by a home worker must be subject to licensing laws in the State in which the work is performed as a prerequisite to the inclusion of such individual in the definition of "employee," the conference agreement intends that this requirement will be met either in the case where the State requires a home-work license on the part of the person for whom the services are performed or in the case where the State requires a home-work certificate on the part of the individual who performs the services.

The House bill contained a paragraph (4) of the definition of "employee" which would have included within the meaning of the term any individual who had the status of an employee as determined by the combined effect of seven enumerated factors. The Senate amendment struck out this paragraph, and the conference agreement follows the Senate amendment with respect to this matter.

Self-employed

In providing coverage for the self-employed, the House bill excluded from tax (and from benefit coverage) income derived from the performance of service by an individual (or partnership) in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, Christian Science practitioner, or as an aeronautical,

chemical, civil, electrical, mechanical, metallurgical, or mining engineer. The Senate amendment added to the list of exclusions the following: naturopaths, architects, certified public accountants, and accountants registered or licensed as accountants under State or municipal law, and funeral directors; and substituted "professional engineers" in lieu of the specific engineers listed in the House bill. The conference agreement adopts the Senate provision, with an addition (to the group excluded) of full-time practicing public accountants.

The House bill also excluded income derived from a trade or business of publishing a newspaper or other publication having a paid circulation. The Senate amendment deleted such exclusion. The conference agreement conforms with the Senate action in extending coverage in this area.

BENEFITS

Individuals entitled to benefits

Wife's Insurance Benefits

The House bill provided for payment of wife's insurance benefits to a wife under age 65 if she has in her care a child entitled to benefits on the basis of the wages and self-employment income of her husband. The Senate amendment contained no such provision. The conference agreement is the same as the House bill.

Husband's Insurance Benefits

The House bill contained no provision for payment of benefits to aged husbands of insured women. The Senate amendment provided for payment of benefits at age 65 to the husband of a woman who was currently insured when she became entitled to old-age insurance benefits if he had received at least one-half his support from her and filed proof thereof within 2 years after she became entitled to old-age insurance benefits (or prior to September 1952 in respect to women now receiving primary insurance benefits who under the conference agreement became entitled to old-age insurance benefits for September 1950). The amount of benefits payable is one-half the primary insurance benefit, as in the case of wife's benefits based on the husband's wage record. The conference agreement adopts the provision of the Senate amendment.

Child's Insurance Benefits

The House bill would deem a child dependent upon a natural or adopting mother if she was both fully and currently insured at the time of her death. The Senate amendment would permit a finding of such dependency if the mother was currently insured at her death or entitlement to old-age insurance benefits. Under the Senate amendment children of women possessing such qualifications who died or became entitled to primary insurance benefits prior to September 1950 could become entitled to child's benefits in September 1950. The conference agreement adopts the Senate provision.

Widower's Insurance Benefits

The House bill provided for no benefits to the aged widowers of insured women. The Senate amendment included a provision parallel to that for aged husbands, permitting payment of benefits at age 65 to the widower of a woman who died after August 1950 and who was both fully and currently insured at her death or entitlement to old-age insurance benefits, if he had been receiving at least one-half his support from her and filed appropriate proof within 2 years either of her death or entitlement to old-age insurance benefits. The widower's benefit, like that for a widow, is three-fourths of the primary insurance amount. The conference agreement is the same as the Senate amendment.

Lump-Sum Death Payments

The House bill provided that a lump-sum death payment should be payable on the death of every insured worker. The Senate amendment would have retained existing law with respect to the circumstances under which a lump-sum death payment would be payable, and in addition provided for a residual lump-sum death payment in certain cases. The conference agreement adopts the provisions of the House bill so that survivors' benefits need not be diverted for payment of burial expenses of an insured worker.

Computation of benefits payable

Computation of Primary Insurance Amount

The House bill defined an individual's "primary insurance amount" as the sum of (1) his base amount multiplied by his continuation factor, and (2) one-half of 1 percent of his base amount multiplied by the number of his years of coverage. The "base amount" would have been defined as an amount equal to 50 percent of the first $100 of his average monthly wage plus 10 percent of the next $200 of such wage. The Senate amendment eliminated the continuation factor and the "increment" for years of coverage, and provided a primary insurance amount equal to 50 percent of the first $100 of average monthly wage plus 15 percent of the next $200 of such wage. Under the House bill, the benefit formula stated above would be applicable to any individual who had not received an insurance benefit for a month prior to 1950, or who had not died prior to 1950, and other persons would have had their benefits raised by a conversion table. The Senate amendment would permit any individual who had six or more quarters of coverage after 1950 to have his primary insurance amount computed either by means of the new benefit formula or by means of the formula in the present law (but without "increment" for years after 1950) with the resulting amount raised by the conversion table (discussed hereafter), whichever results in the larger benefit (except that such an individual who attained age 22 after 1950 would always be given the benefit derived under the new formula). The conference agreement adopts the Senate amendment.

Minimum Primary Insurance Amount

Under the House bill, the minimum primary insurance amount was $25. The Senate amendment provided for a minimum primary insurance amount of $25 in those cases in which the average monthly wage was $34 or more, and of $20 where the average monthly wage was less than $34. The conference agreement provides for a minimum primary insurance amount as follows:

If the average monthly wage is:	The primary insurance amount will be:
$30 or less	$20
$31	$21
$32	$22
$33	$23
$34	$24
$35 to $49	$25

Average Monthly Wage

Under the House bill, an individual's "average monthly wage" would have been computed by dividing the total of his wages and self-employment income during "years of coverage" after a specified starting date by twelve times the number of such years of coverage. The Senate amendment provides that the average monthly wage should be the total of wages and self-employment income, after a starting date and prior to a closing date, divided by the total number of months in that elapsed period. The conference agreement follows the Senate amendment, thus retaining the method of computation in the present Social Security Act, modified to provide for new starting and closing dates. The conference agreement provides that the average monthly wage may be computed as of the first quarter in which an individual both was fully insured and had attained retirement age if this produces a more favorable result. In the case of individuals age 65 and over on September 1, 1950, who become fully insured under the new insured status provisions and who on such date would not have been fully insured under provisions of present law, the third quarter of 1950 will be considered as such first quarter rather than any earlier quarter in which they both had obtained six quarters of coverage and had attained retiremen age.

Conversion Table

The House bill provided for increasing existing benefits according to a conversion table which showed, for each dollar amount of existing primary insurance benefit, a new primary insurance amount and an assumed average monthly wage for the purpose of computing maximum benefits. The increase in the average benefit under this table would have been 70 percent. Under the Senate amendment the increase in the average benefit would have been 85 percent and the conversion table would have been used for the computation of the benefits of some persons who first become entitled to benefits after the date of enactment of the Act. The conference agreement follows the Senate amendment except that it provides a schedule of increases about midway between the increases provided by the House bill and the Senate amendment.

Parent's Insurance Benefits

The House bill raised the amount of a parent's benefit from one-half the primary insurance amount to three-fourths. The Senate amendment would have retained existing law under which the parent's benefit is one-half the primary insurance amount. The conference agreement adopts the House provision.

Insured status

Definition of "Quarter of Coverage"

The House bill provided that after 1950 a quarter of coverage for purposes of insured status would be a calendar quarter in which an individual had been paid $100 in wages or had been credited with $200 of self-employment income. The Senate amendment provided that, for calendar quarters after 1950, wages of $50 or self-employment income of $100 would result in a quarter of coverage. The conference agreement follows the Senate amendment.

Fully Insured Individual

The House bill provided that an individual would be fully insured if he either met the requirements of the present Social Security Act or had at least 20 quarters of coverage out of the 40-quarter period ending with the quarter in which he attained retirement age or with any subsequent quarter, or ending with the quarter in which he died. The Senate amendment provided that the individual (if living on September 1, 1950) would be fully insured if he had at least 1 quarter of coverage (no matter when acquired) for each 2 quarters elapsing after 1950, or later attainment of age 21, and up to but excluding the quarter in which he attained retirement age or died, whichever first occurred, but in no case less than 6 quarters of coverage or more than 40 quarters of coverage. The conference agreement adopts the Senate language.

Permanent and total disability insurance

The House bill provided insurance benefits for totally and permanently disabled insured individuals. The Senate amendment contained no comparable provision. The conference agreement does not provide for permanent and total disability insurance benefits.

World War II military service

The House bill provided wage credits for World War II military service regardless of whether benefits based in whole or in part upon such service became payable under

another Federal benefit system, the cost of such credits to be borne by the Federal Treasury. The Senate amendment provided the same wage credits but only if a benefit based in whole or in part upon the veteran's military service during World War II were not payable under another Federal benefit system, and provided that the costs should be borne by the trust fund. The Senate amendment also provided that the Federal Security Administrator should ascertain from the Civil Service Commission whether benefits were payable by other Federal agencies based in whole or in part upon military service. The conference agreement follows the Senate amendment except that it requires the Federal Security Administrator to ascertain the facts with respect to other Federal benefit payments directly from the agency involved rather than through the Civil Service Commission.

Effective dates

The House bill provided that the effective date for the new benefit provisions would be January 1, 1950. The Senate amendment provided that the new benefit provisions would be effective with respect to months beginning with the second calendar month after the date of enactment of the bill. Under the conference agreement the new benefit provisions will be applicable for months after August 1950.

FINANCING AND ADMINISTRATIVE PROVISIONS

Tax rates

Rate of Tax on Wages

The House bill increased the rate of the employees' tax and of the employers' tax under the Federal Insurance Contributions Act from 1½ to 2 percent on January 1, 1951. The Senate amendment postponed the increase in rates until January 1, 1956. The conference agreement increases the rate of each tax to 2 percent on January 1, 1954. Otherwise the rates under the House bill, the Senate amendment, and the conference agreement are the same. Under the agreement the rates of each tax are as follows:

	Percent
For the calendar years 1950 to 1953, inclusive	1½
For the calendar years 1954 to 1959, inclusive	2
For the calendar years 1960 to 1964, inclusive	2½
For the calendar years 1965 to 1969, inclusive	3
For the calendar year 1970 and subsequent calendar years	3¼

Rate of Tax on Self-Employment Income

Under the House bill, the Senate amendment, and the conference agreement, the rates of tax on self-employment income are one and one-half times the rates of the employees' tax under the Federal Insurance Contributions Act.

The rates of the tax on such income for the respective taxable years under the conference agreement are as follows:

For taxable years—	Percent
Beginning after Dec. 31, 1950, and before Jan. 1, 1954	2¼
Beginning after Dec. 31, 1953, and before Jan. 1, 1960	3
Beginning after Dec. 31, 1959, and before Jan. 1, 1965	3¾
Beginning after Dec. 31, 1964, and before Jan. 1, 1970	4½
Beginning after Dec. 31, 1969	4⅞

Appropriations to the trust fund

The Senate amendment changed that portion of section 201 (a) of the Social Security Act which appropriates to the trust fund amounts equivalent to 100 percent of the taxes received under the Federal Insurance Contributions Act and covered into the Treasury. Under the amendment amounts appropriated would be determined by reference to the taxes on the total taxable wages and self-employment income reported for tax purposes, rather than by reference to the sum of the collections of such taxes. However, with respect to taxes deposited into the Treasury by collectors of internal revenue before January 1, 1951, the amount appropriated will be determined in the same manner as under the present method. After that date and for an additional period of 2 years ending with the close of 1952, collectors of internal revenue would be required to continue to account separately for collections of such taxes which had been assessed but not collected before January 1, 1951. The House bill contained no comparable provision. The conference agreement adopts the Senate amendment.

The House bill continued the provisions of existing law which appropriate to the trust fund, in addition to the taxes, any interest, penalties, or additions to the taxes collected under the old-age and survivors insurance program. The Senate amendment did not appropriate to the trust fund any such interest, penalties, or additions to the taxes. Nor does the conference agreement appropriate to the trust fund any interest, penalties, or additions to the taxes. It is believed, however, that the fact that no interest, penalties, or additions to the taxes are appropriated to the trust fund should be given consideration in determining the estimated amounts of administrative expenses charged to the trust fund by the Treasury Department for the performance of its duties in collecting the taxes under the old-age and survivors insurance program, although it is recognized that no fixed amount can be assigned to this factor.

Payments of special refunds from trust fund

The House bill changed section 201 (f) of the Social Security Act to require that refunds of the taxes collected for the old-age and survivors insurance program be made from the trust fund beginning January 1, 1950. The Senate amendment continued the provisions of existing law which appropriate to the trust fund amounts equivalent to 100 percent of the taxes collected for the old-age and survivors insurance program, except that such amounts would be determined by reference to the taxes on the total taxable wages and self-employment income reported for tax purposes, rather than by reference to the sum of the collections of such taxes. The Senate amendment did not expressly authorize refunds of such taxes to be made from the trust fund. An adjustment for erroneous payments of employer and employee taxes would automatically have been made in the trust fund by means of the new appropriation procedure provided under the Senate amendment.

The conference agreement requires the managing trustee to pay from the trust fund into the Treasury the amount estimated by him as taxes which are subject to refund under section 1401 (d) of the Internal Revenue Code with respect to wages paid after December 31, 1950. Such taxes are to be determined on the basis of the records of wages established and maintained by the Federal Security Administrator in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420 (c) of the Internal Revenue Code. The Federal Security Administrator is required to furnish the managing trustee such information as may be required by the trustee for making such estimates. The payments by the managing trustee are required to be covered into the Treasury as repayments to the account for refunding internal revenue collections.

Return of self-employment tax

Under the House bill the provisions imposing the tax on self-employment income were included in the Internal Revenue Code as subchapter F of chapter 9, so that such tax was levied as one of the employment taxes subject to the administrative provisions relating to miscellaneous taxes. The Senate amendment included the provisions imposing the self-employment tax as subchapter E of chapter 1 of the code, relating to the income tax. Under the Senate amendment the self-employment tax would be levied, assessed, and collected as part of the income tax imposed by chapter 1 of such code, except that it would not be taken into account for purposes of the estimated tax. In view of the close connection between the self-employment tax and the present income tax, and in the interests of simplicity for taxpayers and economy in administration, your conferees believe that it is preferable to have the tax on self-employment income handled in all particulars as an integral part of the income tax. The conference agreement therefore adopts the provisions of the Senate amendment with respect to the integration of the self-employment tax with the income tax under chapter 1. Thus, except as otherwise expressly provided, the self-employment tax will be included with the normal tax and surtax under chapter 1 in computing any overpayment or deficiency in tax under such chapter and in computing the interest and any additions to such overpayment, deficiency, or tax. The self-employment tax will be subject to the jurisdiction of The Tax Court to the same extent and the same manner as other taxes under chapter 1.

Subsection (a) of section 482 of the code, as added by the Senate amendment, would require every individual (other than a nonresident alien) having net earnings from self-employment of $400 or more for the taxable year to file a return containing such information for the purpose of carrying out the provisions of the subchapter imposing the tax on self-employment income as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury shall by regulations prescribe. Such a return would be considered a return required under section 51 (d), and the provisions applicable to returns under section 51 (a) would be applicable to such return. However, the tax on self-employment income, in the case of a joint return of husband and wife, is the sum of the taxes computed on the separate self-employment income of each spouse. With respect to the tax on self-employment income, the requirement of section 51 (b) that in the case of a joint return the tax is computed on the aggregate income of the spouses is not applicable. The conference agreement adopts the Senate provision.

Receipts for employees

The Senate amendment contained a provision relating to receipts for employees, which is similar to the existing section 1625 of the code, relating to receipts for income tax withheld (the Form W–2 furnished to employees). The provision would supersede section 1625, and section 1403 (relating to employee receipts for social-security tax withheld), of the code with respect to wages paid after December 31, 1950, and would provide for one receipt which would give the employee full information (1) as to his wages subject to employee social-security tax, and the amount deducted and withheld from him as such tax, and (2) as to his wages subject to income tax withholding and the amount deducted and withheld as such tax. The House bill contained no comparable provision. The conference agreement, by adding a new section 1633 to the code, adopts the provisions of the Senate amendment, relating to receipts, with conforming amendments to reflect the elimination of the Senate provisions relating to combined withholding.

The Senate amendment contained a provision, relating to penalties, which corresponds to the existing section 1626 (a) and (b) of the code. The amendment provided penalties applicable in the case of a fraudu-

lent statement and in the case of a failure to file a statement required under the provision discussed in the preceding paragraph. The provision was applicable with respect to wages paid after December 31, 1950. The House bill contained no provision with respect to this matter. The conference substitute, by adding a new section 1634 to the code, adopts the provision of the Senate amendment.

Special refunds creditable against income tax

The Senate amendment authorized the Commissioner of Internal Revenue under regulations to permit "special refunds" to be taken by the taxpayer as a credit against his income tax. The Senate amendment amended section 322 (a) of the code by authorizing the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, to prescribe regulations which would permit the employee-taxpayer to claim credit against his income-tax liability under chapter 1 of the code for employee social-security tax withheld on his wages in excess of $3,600 received during the calendar year by reason of his employment by two or more employers. "Special refunds" so credited would be treated for all purposes in the same manner as amounts withheld as tax under subchapter D of chapter 9 of the code. This provision of the Senate amendment is only applicable with respect to "special refunds" of employee social-security tax on wages paid after December 31, 1950. Nor may "special refunds" be claimed as a credit against the tax for any taxable year beginning before January 1, 1951.

The House bill contained no comparable provision. The conference agreement adopts the language of the Senate provision.

Periods of limitation on assessments and refunds

Under the existing law, the periods of limitations on the taxes imposed by chapter 9 are prescribed in section 3312 of the Internal Revenue Code, relating to assessments and collections, and section 3313, relating to refunds and credits. In general, those sections provide a 4-year period of limitation on both assessments and refunds, and a 5-year period for bringing a proceeding in court for collection without assessment. On the other hand, the general rule of the income tax is that assessment must be made and refund must be claimed in the 3-year period after the return is filed, except that if no return is filed refund must be claimed within 2 years after the tax is paid, and in any event refund may be claimed within such 2-year period. The Senate amendment provided special periods of limitation similar to those provided for income tax in the case of those taxes under the Federal Insurance Contributions Act, the income-tax-withholding provisions, and the combined withholding provisions, which are collected and paid under a return system. The House bill contained no provision with respect to this matter. The conference agreement adopts the provisions of the Senate amendment, with conforming amendments to reflect the elimination of the provisions relating to combined withholding.

The conference agreement provides, by inserting new sections 1635 and 1636 in chapter 9 of the code, special periods of limitation which are applicable to such of the taxes under the Federal Insurance Contributions Act, and the income-tax-withholding provisions, as are collected and paid under a return system. These provisions are in lieu of the provisions of sections 3312 and 3313 with respect to those taxes. However, the provisions of sections 3312 and 3313 will be applicable to any taxes imposed by the Federal Insurance Contributions Act and subchapter D of chapter 9 of the code (relating to income-tax withholding) which the Commissioner of Internal Revenue may require to be collected and paid, not by making and filing returns, but by stamp or by other authorized methods. The periods of limitation prescribed by sections 1635 and 1636 are measured from the date the return is filed, which date is subject to the conclusive presumption described in the next sentence. Returns for any period in a calendar year, such as quarterly returns, which are filed before March 15 of the succeeding calendar year, are deemed filed (and tax paid at the time of filing such returns is deemed paid) on March 15 of such succeeding calendar year, so that the period of limitations with respect to the tax for any part of a calendar year will run uniformly from a date in the succeeding year which corresponds to the filing date for income-tax returns.

The periods of limitation prescribed by sections 1635 and 1636 will be applicable only to taxes imposed with respect to remuneration paid during calendar years after 1950. The taxes under chapter 9 imposed with respect to remuneration paid during any calendar year before 1951 will continue to be subject to sections 3312 and 3313.

Mitigation of effect of statute of limitations, etc.

The Senate amendment would add to the code a new section (sec. 3812), not included in the House bill, relating to the mitigation of the effect of the statute of limitations and other provisions in case of related taxes under different chapters. This section is made necessary by the fact that adjustments to the wages under the Federal Insurance Contributions Act may, by reason of the effect of such wages on the $3,600 limitation applicable in determining self-employment income, affect the tax under the Self-Employment Contributions Act, and by reason of the fact that an item of income may be erroneously reported as taxable under one act when it should have been taxable under the other act. If adjustment under only one of the two acts is prevented by the statute of limitations or any other law or rule of law (other than sec. 3761 of the code, relating to compromises), then the adjustment (that is, the assessment or the credit or refund) otherwise authorized under the one act will reflect the adjustment which would have been made under the other act but for such law or rule of law. The conference agreement adopts the language of the Senate amendment.

Collection of taxes in Virgin Islands and Puerto Rico

The House bill and Senate amendment both provided that, notwithstanding any other provision of law respecting taxation in the Virgin Islands or Puerto Rico, all taxes imposed by the Self-Employment Contributions Act and the Federal Insurance Contributions Act shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury and shall be paid into the Treasury of the United States as internal-revenue collections. This provision is retained in the conference agreement. In addition, the conference agreement provides that all provisions of the internal-revenue laws of the United States relating to the administration and enforcement (such as the provisions relating to the ascertainment, return, determination, redetermination, assessment, collection, remission, credit, and refund) of the tax imposed by the Self-Employment Contributions Act, including the provisions relating to The Tax Court of the United States, and of any tax imposed by the Federal Insurance Contributions Act shall, in respect of such tax, extend to and be applicable in the Virgin Islands and Puerto Rico in the same manner and to the same extent as if the Virgin Islands and Puerto Rico were each a State, and as if the term "United States" when used in a geographical sense included the Virgin Islands and Puerto Rico.

Combined withholding of income and employee social security taxes

The Senate amendment provided under certain conditions for the combined withholding of the income tax at source on wages under subchapter D of chapter 9 of the code and of the employees' tax under the Federal Insurance Contributions Act. The House bill contained no provision with respect to combined withholding. The conference agreement contains no such provision.

PUBLIC ASSISTANCE AND MATERNAL AND CHILD HEALTH AND CHILD WELFARE PROGRAMS

PUBLIC ASSISTANCE

Requirements for State plans

Opportunity for a Fair Hearing

The House bill providing with respect to all categories of public assistance for granting an opportunity for a fair hearing before the State agency to any individual whose claim for assistance is denied or is not acted upon within a reasonable time. The Senate amendment provided for granting an opportunity for a fair hearing before the State agency to any individual whose claim for assistance is denied or is not acted upon with reasonable promptness. The conference agreement follows the Senate amendment.

Training Program for Personnel

The House bill provided with respect to all categories of public assistance for a training program for the personnel necessary to the administration of each plan. The Senate amendment contained no such provision. Most public assistance agencies have developed training programs which are being used to advantage in the efficient expenditure of public funds. The further establishment and expansion of such programs should be encouraged, but this is left as a matter for State initiative. The conference agreement, therefore, contains no such provision.

Opportunity To Apply for and To Receive Assistance Promptly

The House bill provided with respect to all categories of public assistance that all individuals wishing to make application for assistance shall have opportunity to do so and that assistance shall be furnished promptly to all eligible individuals. The Senate amendment provided that all individuals wishing to make application for old-age assistance shall have opportunity to do so and that old-age assistance shall be furnished with reasonable promptness to all eligible individuals. The conference agreement follows the Senate amendment.

The requirement to furnish assistance "with reasonable promptness" will still permit the States sufficient time to make adequate investigations but will not permit them to establish waiting lists for individuals eligible for assistance.

Residence Provisions

The Senate amendment added a provision to the present residence requirement with respect to aid to dependent children which would prevent the States from denying assistance with respect to any child who was born within 1 year immediately preceding the application for assistance if the parent or other relative with whom the child is living has resided in the State for 1 year immediately preceding the birth. The House bill contained no such provision. The conference agreement follows the Senate amendment.

For aid to the blind, the House bill provided that the State could not, as a condition of eligibility, require residence in the State of more than 1 year immediately prior to filing the application for aid. The Senate amendment did not contain any such provision. The conference agreement does not contain any such provision.

Special Requirements for Aid to the Blind

The House bill provided that a State might disregard such amount of earned income up to $50 per month as the State vocational rehabilitation agency for the blind certifies will encourage and assist the blind to prepare for or engage in remunerative employment. It also provided that the State must take into consideration the special expenses arising from blindness and must disregard income or resources not predictable or actually available. The Senate amendment provided that prior to July 1, 1952, a State might disregard earned income up to $50 per month in the discretion of each State. After July 1, 1952, the State would be required to disregard earned income up to $50 per month. The conference agreement follows the Senate amendment.

The House bill provided that any State which did not have an approved plan for aid to the blind on January 1, 1949, could have its plan approved even though it did not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act relating to the consideration of income and resources in determining need. It was specified, however, that the Federal participation would be limited to payments made to individuals whose income and resources had been taken into consideration in the manner required by such clause 1002 (a) (8). Under the House bill these provisions would have been effective for the period beginning October 1, 1949, and ending June 30, 1953. Under the Senate amendment they would have been permanent. The conference agreement provides that they shall be effective for the period beginning October 1, 1950, and ending June 30, 1955.

The House bill provided that in determining blindness there must be an examination by a physician skilled in diseases of the eye or by an optometrist. The Senate amendment provided that in determining blindness there must be an examination by a physician skilled in diseases of the eye. It further provided that the services of an optometrist within the scope of the practice of optometry, as prescribed by the laws of the State, shall be made available to recipients of aid to the blind as well as to recipients of any grant-in-aid program for improvement or conservation of vision. The conference agreement follows the House provision with an amendment providing that after June 30, 1952, an applicant for aid to the blind may select either a physician skilled in diseases of the eye or an optometrist to make the examination.

Federal share of expenditures

The House bill provided with respect to old-age assistance and aid to the blind for Federal participation to the extent of four-fifths of the first $25 of the State's average monthly payment per recipient, plus one-half of the next $10 of the average, plus one-third of the remainder of the average within the individual maximums of $50. The Senate amendment retained the formula in the present law with the exception of a special provision in the old-age-assistance title reducing the Federal percentage contributed toward assistance payments to certain individuals who were also primary insurance beneficiaries under the old-age and survivors insurance program. Under existing law the Federal share is three-fourths of the first $20 of the State's average monthly payment plus one-half of the remainder within individual maximums of $50. The conference agreement follows existing law.

With respect to aid to dependent children the House bill provided for Federal participation to the extent of four-fifths of the first $15 of the State's average monthly payment per recipient, plus one-half of the next $6 of the average payment, plus one-third of the remainder of the average payment within the individual maximums of $27 for the relative with whom the children are living, $27 for the first child, and $18 for each additional child. The Senate amendment retained the present formula for determining the Federal percentage contributed toward assistance payments but increased the maximum with respect to individual payments to $30 for the relative with whom the children are living, $30 for the first child and $20 for each additional child. Under existing law the Federal share is three-fourths of the first $12 of the average monthly payments per child, plus one-half of the remainder within individual maximums of $27 for the first child and $18 for each additional child in a family. The conference agreement retains existing law with respect to the maximums for children and the formula and provides a maximum of $27 with respect to the relative with whom the children are living.

Medical care

The House bill provided with respect to all categories of public assistance that the term "assistance" might include money payments to, or medical care in behalf of, needy individuals. The Senate amendments provided for the inclusion of money payments to, or medical care in behalf of, or any type of remedial care recognized under State law in behalf of, needy individuals. The conference agreement follows the Senate amendment. The addition of remedial care was to make it clear that assistance includes the services of Christian Science practitioners.

Establishment of a new program of aid to the permanently and totally disabled

The House bill provided for a new title XIV of the Social Security Act making Federal grants-in-aid available to needy permanently and totally disabled individuals. The Senate amendment contained no such provision.

The conference agreement provides for a new title XIV under which aid would be provided to needy permanently and totally disabled individuals 18 years of age and older. The maximum residence requirement that a State might impose is established at 5 out of the last 9 years and 1 year immediately preceding the application. The plan requirements and provisions for medical care are identical with those established by the conference agreement for old-age assistance. Likewise the Federal share of expenditures will be three-fourths of the first $20 of the State's average monthly payment plus one-half of the remainder within an individual maximum of $50, as in the case of old-age assistance.

Although assistance would be confined to those who are permanently and totally disabled, it is recognized that with proper training, some of the individuals aided possibly could be returned to a condition of self-support. With the authorizations for an assistance program to cover this group it is believed that the State public assistance agencies will work even more closely than before with State rehabilitation agencies in developing policies which will assure that every individual for whom vocational rehabilitation is feasible will have an opportunity to be rehabilitated. To the extent that such efforts are successful the assistance rolls will be lowered.

Puerto Rico and the Virgin Islands

The House bill provided that all categories of public assistance be extended to Puerto Rico and the Virgin Islands. The Federal share of expenditures was limited to 50 percent. The maximums on individual payments with respect to old-age assistance, aid to the blind, and aid to the permanently and totally disabled, were $30 per month. For aid to dependent children the maximums were $18 with respect to the first child and $12 with respect to each of othe other dependent children in the same home. The Senate amendment contained no such provision. The conference agreement follows the House bill, but limits the total amount authorized to be certified by the Federal Security Administrator in all four categories with respect to any fiscal year to $4,250,000 for Puerto Rico and $160,000 for the Virgin Islands.

MATERNAL AND CHILD HEALTH AND CHILD WELFARE

Maternal and child health

The Senate amendment provided for increasing the authorization for annual appropriations for maternal and child health from $11,000,000 to $20,000,000, with the $35,000 uniform allotment to each State increased to $60,000. The House bill contained no such provision. The conference agreement provides for the fiscal year beginning July 1, 1950, an authorization of $15,000,000 and for each fiscal year thereafter $16,500,000, and in each case the uniform allotment to each State is to be $60,000.

Crippled children

The Senate amendment provided for an increase in the amount authorized to be appropriated annually with respect to crippled children to $15,000,000 with the annual uniform allotment to each State to be increased to $60,000. The House bill contained no such provision. The conference agreement provides for the fiscal year beginning July 1, 1950, for an authorization of $12,000,000 and for each year thereafter $15,000,000. In each case the uniform allotment is to be $60,000.

Child welfare services

The House bill provided for an authorization for annual appropriation for child welfare services of $7,000,000, with the $20,000 uniform allotment to each State increased to $40,000. A specific provision was made authorizing expenditures for returning any run-away child under age 16 from one State to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met. The Senate amendment provided for increasing the amount authorized to be appropriated annually to $12,000,000, with the allotments to the States to be on the basis of rural population under the age of 18. It also provided that in developing the various services under the State plans, the States would be free, but not compelled, to utilize the facilities and experience of voluntary agencies for the care of children in accordance with State and community programs and arrangements. The Senate amendment retained the increased $40,000 allotment and the provision relating to run-away children that were in the House bill. The conference agreement follows the Senate amendment, except that the amount authorized to be appropriated annually is $10,000,000.

MISCELLANEOUS

DEFINITIONS

The Senate amendment contained a provision, not in the House bill, defining for the purposes of the Social Security Act the terms "physician", "medical care", and "hospitalization" to include osteopathic practitioners or the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law. The conference agreement follows the Senate amendment.

DISCLOSURE OF INFORMATION

The House bill retained existing law with respect to disclosure of information and in addition specifically authorized the Federal Security Administrator to release, upon request, and to charge fees for, (1) wage-record information for State unemployment-compensation agencies, (2) special reports on individual wage records, and (3) special statistical studies and compilations of data relating to social-security programs.

The Senate amendment authorized the Administrator to release, upon request, and to charge fees for (1) wage-record information to State agencies administering unemployment-compensation laws, and (2) special statistical studies and compilations of data relating to social-security programs. The Senate amendment required the Administrator to furnish wage-record information to a wage earner or his agent designated in writing (or, after death, his wife, child, or parent). The Senate amendment did not authorize any other disclosures.

The conference agreement retains existing law respecting the authority for disclosure of information and authorizes the Administrator to charge fees for the information furnished. In addition, it requires the Administrator to furnish wage-record information to the legal representative of an individual or to the legal representative of the estate of a deceased individual.

ADVANCES TO STATE UNEMPLOYMENT FUNDS

The Senate amendment contained a provision, not in the House bill, making operative until December 31, 1951, title XII of the Social Security Act ; roviding for advances to the accounts of States in the Unemployment Trust Fund. The conference agreement adopts the Senate provision.

SERVICES FOR COOPERATIVES PRIOR TO 1951

The Senate amendment provided that wages paid to an individual for services performed prior to 1951 in the employ of a farmers' cooperative should be deemed to constitute remuneration for employment for benefit purposes if (1) the employer was a farmer cooperative within the meaning of section 101 (12) of the Internal Revenue Code; (2) the services constituted agricultural labor within the meaning of section 209 (1) of existing law and the corresponding section of the Internal Revenue Code and, except for such sections, would have constituted employment under existing law; (3) the employer paid the taxes imposed by sections 1400 and 1410 of the Internal Revenue Code with respect to the remuneration paid for the services upon the assumption that the services did not constitute agricultural labor; and (4) no refund of such taxes had been obtained. The House bill contained no comparable provision. The conference agreement adopts the Senate amendment.

CERTAIN REINCORPORATIONS PRIOR TO 1951

The Senate amendment provided certain limited relief from the taxes under subchapters A and C of chapter 9 of the Internal Revenue Code, where a corporation incorporated under the laws of one State is succeeded by another corporation incorporated under the laws of another State. There was no corresponding provision in the House bill. The conference agreement adopts the provisions of the Senate amendment. The relief is applicable only in the case of successions taking place at some time during the period from January 1, 1946, to December 31, 1950, both dates inclusive. If all of the conditions specified in the provision are met, the successor may count toward the $3,000 limitation in the definition of wages under such subchapters, before applying such limitation to remuneration paid by the successor to its employees in the calendar year in which the succession takes place, the amount of the taxable wages paid by the predecessor in such calendar year to the same employees, as though such wages paid by the predecessor had been paid by the successor; and, subject to the applicable statutes of limitation, the successor may be entitled under the provision to a credit or refund, without interest, of certain taxes (together with any interest or penalty thereon) paid by it with respect to certain remuneration which it paid during such calendar year. The credit or refund is limited to employer tax under section 1410 of subchapter A and employer tax under section 1600 of subchapter C.

PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAWS

The Senate added to the House bill a new section 405 relating to findings under section 1603 of the Internal Revenue Code and under section 303 (b) (1) of the Social Security Act. The conference agreement adopts the Senate amendment in this respect. The present authority of the Secretary of Labor under section 1603 of the Internal Revenue Code and section 303 (b) of the Social Security Act is not changed but would merely be delayed in operation by providing:

(1) That no finding shall be made under section 1603 (c) of the Internal Revenue Code that a State law no longer contains the provisions specified in subsection 1603 (a) unless the State has amended its law;

(2) That a finding under section 1603 (c) of the Internal Revenue Code shall become effective on the ninetieth day after the Governor of a State is notified thereof unless the State law is sooner amended to comply substantially with the Secretary's interpretation of the applicable provision of section 1603 (a), thus, where circumstances require, giving retroactive effect to the finding so as to invalidate any intervening temporary certification to the Secretary of the Treasury and at the same time enabling the State to act in the interim to amend its law;

(3) That no finding that the State is failing to comply substantially with the requirements of section 1603 (a) (5) of the Internal Revenue Code shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State, thereby ensuring that no finding may be made unless further appeal or review is impossible in the particular case;

(4) That there shall be no finding under section 303 (b) (1) of the Social Security Act until the question of entitlement to benefits is decided by the highest judicial authority given jurisdiction under State law.

The amendment also permits any costs of litigation to State benefit claimants, if paid by the State, to be included as part of the cost of administration to be paid for from granted funds.

The conference agreement is intended as a temporary measure of a stop gap nature pending reexamination by the appropriate committees during the next session of Congress of the whole field of unemployment insurance legislation to ascertain the desirability of appropriate permanent legislation.

SUSPENDING APPLICATION OF CERTAIN PROVISIONS OF CRIMINAL CODE TO CERTAIN PERSONS

The Senate amendment provided that service or employment of any person to assist the Senate Committee on Finance, or its duly authorized subcommittee, in the investigation of the Social Security Act program ordered by Senate Resolution 300 shall not be considered as service or employment bringing such person within certain provisions of law relating to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States. The House bill contained no such provision. The conference agreement adopts the Senate amendment.

R. L. DOUGHTON,
W. D. MILLS,
A. SIDNEY CAMP,
DANIEL A. REED,
ROY O. WOODRUFF,
THOMAS A. JENKINS,
Managers on the Part of the House.

Mr. DOUGHTON (interrupting the reading of the statement). Mr. Speaker, I ask unanimous consent to dispense with the further reading of the statement and that the statement be printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON. Of the hour to which I am entitled, under the rules, I yield 26 minutes to the gentleman from New York [Mr. REED], and now yield myself 10 minutes.

(Mr. DOUGHTON asked and was given permission to revise and extend his remarks and include a summary of the principal provisions of H. R. 6000.)

Mr. DOUGHTON. Mr. Speaker, 15 years ago last Monday the original Social Security Act first became law.

I am proud of the fact that as chairman of the Committee on Ways and Means in 1935 I had the honor and privilege of initiating that law which has been of such great help to thousands of families throughout the length and breadth of this land.

Although we have made a number of changes in the social-security law since that time I believe that the Congress has a right to be proud of the humanitarian motives and basic decisions made 15 years ago in the Social Security Act. Today we are considering amendments to the social-security law as a result of nearly 18 months of careful deliberation in the Congress. I believe that the changes which have been incorporated in the conference report before us today make a tremendous improvement in our social-security system. Perhaps these improvements do not go as far as some people would like them to go—perhaps in some respects they go farther than other people would like them to go.

Undoubtedly experience will show the need for making further changes in the law as time goes on. Those of us who have been in Congress a long period of time know that all legislation is a matter of compromise between different points of view.

I had hoped that we could make further improvements in the insurance program so that we might have been able to reduce the amount of Federal grants to the States for assistance purposes. I supported the provisions in the bill, as passed by the House, for paying insurance benefits to individuals permanently and totally disabled in the hope that by such a provision we could help to reduce the number of persons on the assistance rolls. These and other related matters will continue to be studied by our committee in the hope that we can make the insurance program as effective as possible, and also reduce the mounting cost of public assistance.

The conference report deals primarily with four main programs as follows:

First. The Federal old-age and survivors insurance program.

Second. Federal grants to the States for public assistance to needy persons.

Third. Federal grants to the States for maternal and child health, crippled children, and child welfare service; and

Fourth. The Federal provisions relating to State unemployment insurance systems.

FEDERAL OLD-AGE AND SURVIVORS INSURANCE

With respect to Federal old-age and survivors insurance the conference report extends coverage to about 10,000,000 additional persons. Included in this group are nearly 5,000,000 self-employed persons; about one million domestic employees; 850,000 regularly employed farm workers; one and one-half million employees of State and local governments not covered under any retirement plan; 600,000 employees of nonprofit organizations; 400,000 persons employed in Puerto Rico and the Virgin Islands; and about 200,000 Federal civilian employees not covered under a retirement system. The conference report therefore takes a long step toward the goal of universal coverage under the insurance system of all persons who work for a living.

Benefits are liberalized very substantially in the conference agreement. For those persons who have already retired and for widows and orphans already on the rolls the average increase in benefits will be about 77½ percent. For future beneficiaries the increase in benefits will be more than doubled. The conference report therefore is a major contribution toward making the benefits of the insurance program more adequate.

The conference report greatly liberalized the eligibility for insurance benefits so that many persons now 65 or over will be able to draw retirement benefits immediately, and many persons close to 65 will be able to qualify for insurance benefits much more quickly.

The conference report provides for the payment of benefits on a more liberal basis to the surviving children of married women. Benefits for dependent husbands of deceased or retired women workers are added to the law.

The conference report provides for a lump-sum payment to be made at the death of every insurance worker. This should help very materially in making it possible for the family of the deceased worker to pay the medical bills and funeral expenses of the deceased person.

A most important provision in the conference report is the provision for the revision of the retirement test under which a beneficiary may earn in covered employment without loss of benefits $50 a month instead of $14.99, and also receive full benefits at age 75 regardless of the amount of earnings.

The conference report provides for giving World War II veterans wage credits under the insurance system of $160 per month for the time spent in service.

The conference report provides that the benefit increases for persons now on the benefit rolls will be effective for the month of September 1950. The effective date for new coverage provisions is January 1, 1951.

Under the conference agreement the contribution tax rate will remain at 1½ percent on the employee and 1½ percent on the employer through 1953. The rate will then increase in four step-ups so that in the year 1970 and thereafter the rate will be 3¼ percent each. The contribution rate for self-employed will be three-fourths of the combined employee-employer rate. In other words the initial rate on the self-employed will be 2¼ percent. The maximum taxable wage base has been increased in the conference report from the present $3,000 to $3,600 a year.

PUBLIC ASSISTANCE

The conference report provides for increasing Federal funds to the States for public assistance. On a full-year basis it is estimated that the conference report will provide an additional one hundred and fifty to two hundred million dollars Federal aid to the States annually for public-assistance purposes.

The conference report provides for the establishment of a new category of Federal grants to the States of assistance to needy permanently and totally disabled persons.

Provision is also made for increasing the Federal share of expenditures for aid to dependent children by including one adult relative in a family as a recipient for Federal matching purposes.

The conference report authorizes Federal grants to the States for direct payments to doctors, hospitals, and other persons or institutions furnishing medical care. Provision is also made for the Federal Government sharing the cost of assistance to needy aged and blind persons in public medical institutions.

The conference report makes a number of amendments to the blind-assistance program. The existing law is amended to disregard earned income up to $50 per month of recipients of aid to the blind.

The conference report also provides that in determining blindness there must be an examination by a physician skilled in the diseases of the eye or by an optometrist.

The conference report provides for extending the four categories of public assistance to Puerto Rico and the Virgin Islands.

MATERNAL AND CHILD HEALTH, CRIPPLED CHILDREN, AND CHILD WELFARE

The conference report provides for an increase of $19,500,000 a year for maternal and child health and child-welfare services. These additional amounts should help crippled children particularly and also help the States to meet the problems of run-away and delinquent children.

UNEMPLOYMENT INSURANCE

The conference report extends the provision for making loans to State unemployment insurance agencies for the 2 years 1950 and 1951. The report also adopts the so-called Knowland amendment, which is a States'-rights amendment prepared by the State administrators of unemployment compensation to meet a threat of premature interference by the Secretary of Labor in regard to the conformity of provisions of State laws with Federal standards and substantial compliance by States with such provisions. This amendment will prevent the Secretary of Labor from holding a State out of compliance with Federal standards in State law unless and until the application or interpretation complained of has been passed on by the highest State court having jurisdiction. This rule is deemed essential as a minimum protection to orderly appeals procedure under a State unemployment-compensation system pending further study of the authority of the Secretary of Labor to disqualify a State unemployment-insurance program. The conference report makes clear that the amendment is intended "as a temporary measure of a stopgap nature pending reexamination by the appropriate committees during the next session of Congress of the whole field of unemployment-insurance legislation to ascertain the desirability of appropriate permanent legislation."

CONCLUSION

Mr. Speaker, in my opinion the conference report is better than either the House bill or the Senate bill. At the very least the conference agreement would make such substantial improvements in social security that it would be a major legislative tragedy if it were not to become law. Those who would insist upon their own idea of perfection by moving to recommit this conference report would, in my opinion, seriously jeopardize the ultimate enactment of a social-security bill during this Congress.

Therefore, I trust that any motion to recommit the report will be voted down and that the previous question will be ordered on the motion to recommit.

I trust the conference report will be adopted.

SUMMARY OF PRINCIPAL PROVISIONS OF H. R. 6000, THE SOCIAL SECURITY ACT AMENDMENTS OF 1950, AS AGREED TO BY THE JOINT CONFERENCE COMMITTEE

BRIEF SUMMARY OF THE MAJOR PROVISIONS

The conference committee has completed action on H. R. 6000 and has announced agreement on 28 major points of difference between the two bills.

Federal old-age and survivors insurance

There were 16 major points in the insurance program. The decisions reached on these points are as follows:

1. Elimination of the House provision for permanent and total disability insurance.

2. Elimination of the House provision for increment for years of contributions to the insurance program.

3. Elimination of the House provision specifically including tips in covered wages.

4. Coverage of some salesmen, some home workers, certain kinds of agent-drivers, and certain other groups as employees (compromise between Senate and House).

5. Exclusion of State and local governmental employees covered under retirement plans from obtaining coverage under voluntary agreements (Senate provision).

6. Exclusion of naturopaths, architects, full-time practicing public accountants, funeral directors, and all professional engineers from coverage as self-employed persons.

7. Increase in the second step in the benefit formula from 10 percent to 15 percent (Senate provision).

8. A substantial increase in benefits for current beneficiaries averaging 77½ percent.

9. Liberalization of the eligibility provisions so as to make it easier for persons to become insured for benefits during the next decade (Senate provision).

10. Liberalization of the method of computing the "average monthly wage" for benefit purposes (Senate provision).

11. Inclusion of regularly employed agricultural labor (substantially the same as Senate provision).

12. Inclusion of publishers as self-employed persons (Senate provision).

13. Inclusion on a compulsory basis of employees of certain transit systems taken over in whole or in part by State or local governments after 1936.

14. Payment of benefits to dependent husbands and widowers of insured women workers (Senate provision).

15. Liberalization of survivors' insurance benefits with respect to deaths of insured married women (Senate provision).

16. Provision for voluntary coverage of employees of nonprofit organizations through an election by the employer and a referendum of the employees.

Public assistance

There were eight major points of difference in the assistance program. Decisions on these were as follows:

1. Elimination of the House provision which would have increased assistance payments by providing a higher percentage of Federal funds under a formula weighted in favor of States with low payments.

2. Acceptance of the House provision for Federal grants to the States for the needy permanently and totally disabled, with amendments.

3. Acceptance, with amendments, of the House provision extending Federal grants for public assistance to Puerto Rico and the Virgin Islands.

4. Elimination of the Senate provision for Federal matching of State supplementary old-age assistance payments on a 50-50 basis in cases where a person becomes an insurance beneficiary after the effective date of bill.

5. Elimination of the Senate provision increasing the maximum payments for aid to dependent children in which the Federal Government would share, from $27 to $30 a month for the first child and from $18 to $20 for each additional child.

6. Acceptance of the Senate provision for mandatory exemption of $50 earned income for the blind, beginning July 1952.

7. Acceptance of the Senate provision for continuing the present maximum 5-year residence requirement for aid to the blind instead of the 1-year requirement in the House bill.

8. Extending to 1955 the provisions in the House-approved bill for Federal grants to aid-to-the-blind programs in Pennsylvania, Missouri, and Nevada (compromise between Senate and House).

Other programs

There were four other major points of difference, decisions on which were as follows:

1. Increase in Federal grants for maternal and child health from $11,000,000 to $16,500,000 annually (except that for present fiscal year the grant would be $15,000,000); for cripped children from $7,500,000 to $15,000,000 (for present fiscal year, $12,000,000); and for child welfare services, from $3,500,000 to $10,000,000 (compromise between Senate and House).

2. Amendment of the child-welfare program by adding the following Senate provision:

"*Provided*, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the State and local communities as may be authorized by the State."

3. Continuation for two additional years of the George loan fund for State unemployment insurance funds which run low.

4. Provision for reveiw by State courts of administrative decisions by State agencies in certain cases prior to a ruling by the Secretary of Labor on conformity questions under the Federal unemployment insurance law.

The following summary explains in more detail the decisions reached by the conference committee:

OLD-AGE AND SURVIVORS INSURANCE (TITLE II)

I. Coverage

Under the House bill, compulsory coverage would have been extended to about 7,000,000 persons and voluntary coverage would have been available for about 4,000,000 State and local government employees. The conference committee's decisions, like the Senate bill, would extend compulsory coverage to about 7,500,000 persons, but voluntary coverage would be available only for about 2,000,000 employees of State and local governments and nonprofit organizations. Table 1 shows the number of persons covered in the new groups.

The specific decisions on coverage are as follows:

A. Self-employed: The conference committee agreed to cover approximately 4,750,000 self-employed persons whose annual net income from self-employment is at least $400, except for farmers, physicians, lawyers, dentists, osteopaths, chiropractors, optometrists, Christian Science practitioners, naturopaths, professional engineers, veterinarians, architects, funeral directors, and certified, registered, licensed, and full-time practicing public accountants. The provision is the same as the provision of the House bill except that (a) publishers would be covered, and, (b) naturopaths, architects, accountants, funeral directors, and all professional engineers would be excluded.

TABLE 1.—*Extension of coverage under the conference committee's decision*

Category:	Number covered
Nonfarm self-employed	4,700,000
Agricultural workers	850,000
Border-line employment	(200,000)
Regularly employed on farms	(650,000)
Domestic workers	1,000,000
Employees of nonprofit organizations (voluntary coverage)	600,000
Employees of State and local governments (voluntary coverage)	[1] 1,450,000
Federal civilian employees not under a retirement system	200,000
Employees outside the United States	150,000
Employment in Puerto Rico and Virgin Islands	400,000
New definition of "employee"	350,000
Total under compulsory coverage	2,050,000
Total under voluntary coverage	7,650,000
Grand total	9,700,000

[1] Exclusive of a relatively small number of transit workers who would be compulsorily covered.

NOTE.—Figures in parentheses are subtotal figures.

B. Agricultural workers: Both the Senate and House had voted to cover border-line agricultural labor, such as processing workers. In addition, the conference committee agreed to cover regularly employed agricultural workers, as in the Senate bill. However, the definition of regularly employed in the Senate bill is changed to require 8 months continuous service for one employer before coverage starts, and thereafter employment by that employer for at least 60 days in a calendar quarter with cash wages of at least $50 for services in the quarter.

C. Domestic workers: The conference committee accepted the Senate provision to cover approximately 1,000,000 domestic employees not in farm homes (those in farm homes would be covered as agricultural workers) if employed by a single employer for at least 24 days in a calendar quarter with cash wages of at least $50 for services in the quarter.

D. Employees of nonprofit organizations: The conference committee agreed on the following provisions for voluntary coverage of employees of nonprofit organizations:

1. If the employer did not agree to pay his share of the contribution, the employees could not be covered.

2. If the employer was willing to pay his share, a referendum among the employees on the question of coverage would be held.

3. If less than two-thirds of the employees voted in favor of coverage, none of the employees could be covered.

4. If two-thirds or more of the employees voted in favor of coverage, those employees who did so vote, plus any employees hired in the future, would be covered.

5. Coverage would have to be for an additional period of at least 8 years, and in addition 2 years' advance notice would have to be given before coverage could be terminated. Thus the minimum period of coverage would be 10 years.

This provision differs considerably from both the House and Senate provisions. Under the Senate provision, employees of religious denominations and of institutions owned and operated by religious denominations would continue to be excluded unless the religious denomination elected to pay the employer contribution; in that event its employees would be subject to the employee contribution. Other nonprofit employment would be covered on a compulsory basis both as to employers and employees. Under the House bill, all nonprofit employees would be covered on a compulsory basis, but their employees would be covered voluntarily (if the employer did not pay the tax, the employee would receive credit for only half of his wages).

Under all three versions of the bill ministers and members of religious orders would continue to be excluded.

E. Employees of State and local governments.

The conference committee agreed to provide voluntary coverage for approximately 1,400,000 State and local government employees through agreements between the States and the Federal Government, but excluded public employees covered under a retirement system on the date when the agreement is made applicable to the governmental unit which employs them (unless the retirement plan already contains a provision making it supplementary to old-age and survivors insurance). Under the House bill, employees under a retirement system could have been covered if they elected coverage by a two-thirds vote in a written referendum.

The conference committee also agreed to extend compulsory coverage to employees of transit systems taken over by State or local governments after 1936 unless they are covered by a general retirement system which is protected by the State constitution. The Senate bill would have covered all such employees. Under the House bill, transit employees working for the transit system on the date when it was taken over would be covered voluntarily if the system was taken over after 1936 and before 1950, or compulsorily if the system was taken over after 1949.

F. Tips: The conference committee accepted the Senate provision which leaves tips as in present law. The House bill would have included tips in the amount reported in writing to the employer by the employee.

G. Definition of employee:

The conference committee agreed to define an employee as "any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee," and also covered as employees (1) full-time life insurance salesmen, (2) agent-drivers or commission drivers engaged in distributing meat or bakery products, vegetables or fruit products, beverages (other than milk) or laundry or dry-cleaning services, (3) full-time traveling or city salesmen (other than house-to-house salesmen) taking orders from retailers, hotels, wholesalers, jobbers, and contractors, and (4) industrial home workers who earn at least $50 in a calendar quarter if they are subject to regulation under State law and work in accordance with specifications prescribed by the employer.

This provision is a compromise between the Senate and House bills. The Senate bill would not have covered home workers or agent-drivers distributing vegetables or fruit products or beverages. The House bill would have covered several additional groups, who under the committee's decision will be covered as self-employed individuals.

H. Federal civilian employees not under a retirement system.

The committee agreed to cover employees of the United States Government or wholly owned corporations of the United States who are not covered under any Federal retirement system. This results in covering most short-term Federal employees, including those serving under temporary appointment pending final determination of eligibility for permanent or indefinite appointment. In addition, employees of the following instrumentalities of the Federal Government would be covered: national farm loan associations; production credit associations; Federal credit unions; the Tennessee Valley Authority (if not under the TVA retirement system); post exchanges and similar activities under the National Defense Establishment; State, county, and community committees under the Production and Marketing Administration, and certain employees of the Federal Reserve System.

I. Effective date: The conference committee agreed that the effective date for coverage changes would be January 1, 1951.

II. Benefit amounts

A. Current beneficiaries: The conference committee agreed that persons currently receiving benefits would have their benefits increased on the average by about 77½ percent (or midway between the 85 percent agreed to in the Senate and the 70 percent under the House bill). Increases would range from about 50 percent for highest benefit groups to about 100 percent for low-benefit groups. The average primary benefit of approximately $26 per month for a retired insured worker would be increased to about $46. Table 2 shows the increased amounts which will be payable:

TABLE 2

Present primary insurance benefit:	*New primary insurance amount*
$10	$20.00
$15	30.00
$20	37.00
$25	46.50
$30	54.00
$35	59.20
$40	64.00
$45	68.50
$46	68.50

B. Future beneficiaries: The conference committee accepted the Senate version providing for a new benefit formula for persons retiring in the future, which would be applicable to those who have at least six quarters of coverage after 1950. The new formula is 50 percent of the first $100 of average monthly wage, plus 15 percent of the next $200 (based on a maximum wage base of $3,600 per year), with no increase in benefits for years of coverage. The House bill would have provided only 10 percent of the wages above $100 but would have included a one-half-percent increase in the benefit for each year of coverage. However, benefits for those not constantly in covered employment would have been reduced by a so-called continuation factor.

Under the conference committee's action the present minimum primary benefit of $10 is increased to $25, except that for those with wages averaging under $35 per month the minimum might be as low as $20. Under the House bill the minimum for all cases would have been $25. As in both the House and Senate bills, the present maximum family benefit of $85 is increased by the conference committee to $150 (but not more than 80 percent of the average monthly wage).

Under the committee action, as under the Senate bill, average benefit amounts in the next decade will be about 110 percent higher than under existing law, whereas under the House bill benefits would have been about 100 percent higher.

Table 3 compares the benefits payable under the House bill and under the conference committee action (which is the same as the Senate bill).

TABLE 3

A. Benefit for a retired single man

5 YEARS OF COVERAGE

Average monthly wage	House bill	Committee action	Increase or decrease from House bill
$100	$51.30	$50.00	−$1.30
$200	61.50	65.00	+3.50
$250	66.70	72.50	+5.80
$300	71.80	80.00	+8.20

30 YEARS OF COVERAGE

$100	$57.50	$50.00	−$7.50
$200	69.00	65.00	−4.00
$250	74.80	72.50	−2.30
$300	80.50	80.00	−.50

B. Benefits for retired man and wife

5 YEARS OF COVERAGE

$100	$77.00	$75.00	−$2.00
$200	92.30	97.50	+5.20
$250	100.10	108.80	+8.70
$300	107.70	120.00	+12.30

30 YEARS OF COVERAGE

$100	$80.00	$75.00	−$5.00
$200	103.50	97.50	−6.00
$250	112.20	108.80	−3.40
$300	120.80	120.00	−.80

C. Computation of average wage: The conference committee accepted the Senate provision under which the average monthly wage would be computed as under present law except that if the individual had six quarters of coverage after 1950 and if a larger benefit would result, his average wage would be computed over the period following 1950 rather than from 1936 on.

III. Eligibility for benefits

The conference committee accepted the Senate provision under which future eligibility requirements are greatly liberalized by requiring quarters of coverage for only one-half of the number of quarters since 1950, instead of since 1936 as under existing law. Quarters of coverage earned before 1951 may be counted toward the requirement. Thus a person aged 62 or over on the effective date of the bill would be fully insured for benefits at age 65 if he had at least six quarters of coverage acquired at any time. The maximum requirement for fully insured status would remain at 40 quarters of coverage, and the minimum at 6 quarters, as in existing law. Also as in existing law, a quarter of coverage would be a calendar quarter with $50 or more in wages.

This liberalization would enable many people now 65 or over to draw retirement benefits immediately and also would enable the newly covered groups to qualify much more quickly. About 500,000 additional persons would be paid benefits in the first year of operation. The House bill would have liberalized eligibility conditions, but only to a slight extent, since the only change in present law would be to provide a new alternative requiring 20 quarters of coverage in the 10 years prior to age 65. Furthermore, that bill would have increased the present requirement of $50 for a quarter of coverage to $100.

Table 4 indicates the number of quarters of coverage required by individuals in various age groups:

TABLE 4.—*Quarters of coverage required to be fully insured*

Age attained in first half of 1951	Present law	Committee action
76 or over	6	6
75	8	6
74	10	6
73	12	6
72	14	6
71	16	6
70	18	6
69	20	6
68	22	6
67	24	6
66	26	6
65	28	6
64	30	6
63	32	6
62	34	6
61	36	8
60	38	10
59	40	12
58	40	14
57	40	16
56	40	18
55	40	20
50	40	30
45 or under	40	40

IV. Benefit categories

A. Dependents of women workers: The conference committee agreed to the provision of the Senate bill under which benefits are payable on a more liberal basis to the survivors of married women, and benefits for dependent husbands of deceased or retired women workers are added. If a woman has 6 quarters of coverage out of the 13-quarter period ending with the quarter of her death, her children will be eligible for monthly survivor benefits even though living with their father. Under existing law and the House bill such children would be ineligible for benefits.

B. Wives of retired workers: The committee accepted the House provision under which a wife under 65 may draw benefits if she has a child in her care. Under the Senate bill, as under existing law, benefits would not be payable to a wife until she attains age 65.

C. Dependent parents: The committee accepted the House provision increasing the benefit for a dependent parent to 75 percent of the primary benefit. Under the Senate bill the benefit for a dependent parent would have been retained at 50 percent of the primary benefit, as in present law.

D. Lump-sum payments: The committee accepted the provision in the House bill under which the lump-sum payment would be made at the death of every insured worker. Under the Senate bill, as in present law, the lump sum would be paid only when no survivor is immediately eligible for monthly payments.

V. Permanent and total disability insurance

Under the committee action, as under the Senate bill, no benefits would be pro-

vided for this category, whereas under the House bill such benefits would be provided.

VI. Limitation on earnings of beneficiaries

Both the Senate and the House had adopted a provision under which the amount a beneficiary may earn in covered employment without loss of benefits would be increased from $14.99 to $50 per month, and after age 75 benefits would be payable regardless of the amount of earnings. This point, therefore, did not require action by the conference committee.

VII. Veterans

Both the Senate and the House had provided for granting World War II veterans wage credits of $160 per month for time spent in service. However, the Senate had made two changes in the House provisions. First, under the Senate bill wage credits would not be provided if the period of service is credited toward any other Federal retirement benefits. Second, the Senate bill provided that the additional cost of the benefits arising from the wage credits would be borne by the contributions of covered workers and their employers to the trust fund, rather than from the General Treasury. Both of these provisions were accepted by the conference committee.

VIII. Effective date

The conference committee agreed on the following effective dates:

1. As previously indicated, the effective date for the new coverage provisions would be January 1, 1951.

2. The benefit increases for persons now on the benefit rolls would be effective for the month of September 1950.

3. Benefits based on the new benefit formula would first be paid in May 1952. Persons coming on the rolls before that time will have their benefits computed under the present formula with the increases provided for those now receiving benefits.

IX. Financing of old-age and survivors insurance

A. Taxable wage base: Both the Senate and the House had approved provisions increasing to $3,600 the limit on total annual earnings on which benefits would be computed and contributions paid. Therefore this point did not require action by the conference committee. The present law provides a limit of $3,000.

B. Contribution schedule: Under the committee action employers and employees will continue to share equally. The rate on each will be as follows:

Calendar years:	Rate (percent)
1950–53	1½
1954–59	2
1960–64	2½
1965–69	3
1970 and thereafter	3¼

The self-employed would pay one and one-half times the above rates.

Under both the House and Senate bills the same schedule would apply except that the increase to 2 percent would be effective in 1951 in the House bill and 1956 in the Senate bill.

C. Level premium cost: The level premium cost (on an intermediate basis) of the bill as approved by the conference committee is about 6 percent of payroll, as compared with 6.25 percent for the House bill.

PUBLIC ASSISTANCE

The conference committee did not accept the provisions of the House bill which would have increased the Federal share of public assistance expenditures by providing a higher percentage of Federal funds under formulas weighted in favor of those States making low assistance payments.

The other major decisions of the conference committee relating to public assistance are as follows:

I. Old-age assistance (title I)

The conference committee eliminated the Senate provision under which State old-age assistance payments would be shared by the Federal Government on only a 50–50 basis in cases where a retired worker becomes an old-age and survivors insurance beneficiary after the effective date of the bill.

II. Aid to dependent children (title IV)

A. The conference committee did not accept the Senate provision which would have increased the maximum payments in which the Federal Government shares from $27 to $30 per month for the first child and from $18 to $20 for each additional child in a family.

B. Both the Senate and House bills included a provision increasing the Federal share of expenditures by including one adult relative in aid to dependent children families as a recipient for Federal matching purposes. No action was required, therefore, on this point by the committee.

III. Aid to the blind (title X)

A. Beginning July 1952 all States administering federally approved aid-to-the-blind programs would be required to disregard earned income, up to $50 per month, of recipients of aid to the blind in determining eligibility for and the amount of aid. Prior to July 1952 the exemption of earnings is discretionary with each State. Under the House bill the exemption of earnings for aid-to-the-blind claimants was not mandatory, and related to cases involving vocational rehabilitation.

B. The temporary provisions for Pennsylvania, Missouri, and Nevada were extended to July 1, 1955, instead of indefinitely, as in the Senate bill, or until July 1, 1953, as in the House bill.

C. The committee accepted the House provision adding to the other requirements of State plans for aid to the blind a clause requiring the State plan to provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist.

IV. Aid to the needy permanently and totally disabled

The conference committee agreed to the establishment of Federal grants-in-aid for a fourth category of assistance—aid to the needy permanently and totally disabled. The matching formula for this category is the same as is provided under present law and under the committee bill for old-age assistance and aid to the blind payments, i. e., three-fourths of the first $20 of a State's average monthly payment per recipient, plus one-half of the remainder, within individual maximums of $50.

V. Inclusion of Puerto Rico and the Virgin Islands

The conference committee agreed to extend the four categories of public assistance to Puerto Rico and the Virgin Islands under the following matching formula: The Federal share for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is limited to one-half of the amounts expended under an approved plan up to a maximum payment for any individual of $30 per month. For aid to dependent children the Federal share is limited to one-half of the expenditures under an approved plan up to individual maximums of $18 for the first child and $12 for each additional child in a family. The total Federal share for Puerto Rico for the four programs is limited to $4,250,000 a year, and for the Virgin Islands to $160,000 a year.

VI. Direct payment for medical care

The Senate had concurred in the provisions of the House bill under which States would be authorized to make direct payments to doctors or others furnishing medical care, except that technical amendments were added to make it clear that the States would be authorized to make direct payments to anyone providing recipients with remedial care as authorized under State law. The committee accepted these amendments. Under existing law the Federal Government does not participate in the cost of medical care unless payment for such care is made to the recipient.

VII. Medical institutions

The Senate had concurred in the provisions of the House bill under which the Federal Government would share the costs of assistance to needy aged and blind persons in public medical institutions, so no action by the conference committee was required on this point. Existing law limits Federal participation to residents of private institutions.

MATERNAL AND CHILD HEALTH, CRIPPLED CHILDREN AND CHILD WELFARE

The conference committee agreed to increase substantially (though to a somewhat smaller extent than provided for in the Senate bill) the Federal grants to States for the service programs provided for in title V of the Social Security Act.

I. Child welfare services (part 3 of title V)

The committee agreed to increase the authorization for child welfare services from the $7,000,000 per year authorized in the House bill to $10,000,000 (rather than $12,000,000 as in the Senate bill). The committee also accepted the following Senate amendment to the child welfare provisions of the act:

"*Provided*, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the State and local communities as may be authorized by the State."

II. Maternal and child health services (part 1 of title V)

The conference committee agreed to increase the authorization for Federal grants for maternal and child health services from the $11,000,000 per year in existing law to $16,500,000 ($15,000,000 in the present fiscal year), rather than to $20,000,000 as in the Senate bill.

III. Services for crippled children (part 2 of title V)

The conference committee agreed to increase the authorization for Federal grants for services for crippled children from the $7,500,000 per year in existing law to $15,000,000, as in the Senate bill (but only $12,000,000 in the current fiscal year).

Table 5 compares the provisions in the present law, the House bill, the Senate bill, and the conference committee's action:

TABLE 5

[Amounts in millions]

Provision in title V	Present law	House bill	Senate bill	Committee action
Maternal and child health.	$11.0	No change	$20.0	[1] $16.5
Crippled children.	7.5	No change	15.0	[2] 15.0
Child welfare services.	3.5	$7.0	12.0	10.0
Total	22.0	25.5	47.0	41.5

[1] $15,000,000 in current fiscal year.
[2] $12,000,000 in current fiscal year.

GENERAL

Osteopaths

The conference committee accepted the Senate provision which amends section 1101 of the Social Security Act by the addition of a definition of the terms "physician," "medical care," and "hospitalization." These terms are defined to include osteopathic practitioners and the services of osteopathic practitioners and hospitals within the scope of their practice as defined by State law.

The effect of this definition is to leave the States free to utilize the services of the osteopathic profession and its institutions.

Costs of changes in public assistance and service programs to children

Under the House bill the additional cost to the Federal Government for public assistance and child-welfare services above existing law would have been $275,000,000 annually. Under the Senate bill this additional cost would have been reduced to about $112,000,000, of which $25,000,000 would have been for the service programs for children under title V and practically all of the balance for assistance payments to dependent children under title IV. Under the conference committee's action the additional cost will be about $180,000,000 to $200,000,000 annually.

Unemployment insurance (title XII)

A. The conference committee accepted the Senate provision for reestablishment and continuation of the George loan fund, which permits advances to State unemployment insurance funds which might run low. The loan fund is continued for the 2 years 1950 and 1951 by amending the appropriate provisions of title XII of the Social Security Act.

B. The conference committee accepted the Senate provision for review by State courts of administrative decisions of State agencies prior to a ruling in certain cases by the Secretary of Labor on conformity questions under the Federal unemployment insurance law.

Mr. McCORMACK. I understand from the conferees that the Knowland amendment was to be very broadly construed by the Secretary of Labor; is that correct?

Mr. DOUGHTON. I should say, rather, that the Knowland amendment should be fairly and reasonably construed by all interested parties. It is a controversy that is very serious. I think there is more fuss and feathers about it than anything else. It provides that the question of compliance with State law shall not be determined by the Secretary of Labor until passed upon by the State courts. In other words, it is a States' rights amendment, pure and simple.

Mr. REED of New York. Mr. Speaker, I yield 6½ minutes to the gentleman from Michigan [Mr. WOODRUFF].

Mr. WOODRUFF. Mr. Speaker, the time being so short, I will discuss briefly only two items, the coverage provisions.

Mr. Speaker, the long-awaited H. R. 6000 was passed by the House on October 5, 1949, and an amended version was passed by the Senate on June 20, 1950. It is of paramount importance that the conference report on this legislation be adopted by the House so that the meager benefits now paid under the old-age and survivors insurance program will be increased, additional groups will be brought under the system and the eligibility requirements for benefits will be relaxed. The conference report achieves these objectives and is a forward step in the imperative need to strengthen the insurance program and thereby reduce the need for public-assistance payments.

Today Federal expenditures for public assistance amount to over $2,000,000,000 annually; whereas the benefits paid under the insurance program amount to less than $800,000,000. Each year the cost to the Federal Government for assistance payments has steadily increased and more than three-fourths of this cost is for dependent old people. This is a serious indictment against the present program and the passage of this legislation will go far in bringing the two programs more nearly in balance.

Every Member of the House can probably find one or two provisions in the conference report with which he may not fully agree. But viewed as a whole, the over-all product is most satisfactory.

The following are the main old-age and survivors insurance provisions of H. R. 6000 as agreed to by the conferees:

First. Extension of coverage to all gainful employment, except railroad, casual domestic service, casual agricultural service, farmers, certain professional self-employed persons, service in the Armed Forces, and Federal, State, and local government service covered by a retirement system—except for a few instances. State and local government employees not under a retirement system are covered on a voluntary basis, but all such employees already covered under their own retirement systems are specifically excluded. Employees of nonprofit organizations are covered if two-thirds so elect and the employer agrees to coverage. The net effect is to increase the number of covered jobs by about 30 percent.

Second. Maximum annual wage base of $3,600. Requirement for quarter of coverage is $50 for wages and $100 for self-employment income.

Third. Average monthly wage determined over all years after 1936, or after 1950—if having six quarters of coverage since then—whichever yields the larger benefit.

Fourth. Monthly primary benefit based on 50 percent of the first $100 of average monthly wage—determined from wages after 1950—plus 15 percent of the next $200. Minimum monthly primary benefit of $25, unless average wage is less than $35—then graded down to $20 for average monthly wage of $30 or less. Maximum family benefits of $150, or 80 percent of average wage, if less. Beneficiaries on the roll are to be given an increase—such increase ranging from 100 percent for the lowest benefits to 50 percent for the highest, and with the average benefit rising 77½ percent—by means of a conversion table—which is also applicable for those retiring in the future, on the basis of average wage after 1936, if more favorable.

Fifth. Lump-sum death payment to be three times the monthly primary benefit and payable for all insured deaths.

Sixth. New-start provision introduced for insured status, permitting many more to be eligible immediately.

Seventh. Benefits for parents and youngest survivor child increased to 75 percent of primary benefit.

Eighth. Work clause of $50 per month on an all-or-none basis for wages and on a reduction basis for self-employment income in excess of $600 per year. Work clause not applicable after 75 years of age.

Ninth. Child-survivor benefits in respect to married women workers liberalized. Dependent husband's and widower's benefits added.

Tenth. Wage credits of $160 for each month of military service given to World War II veterans—including those who died in service. The cost of veterans' benefits to be met from trust fund.

Eleventh. The retention of the common-law rule for determining employee-employer relationships with specific groups added as employees.

Twelfth. Federal grants in aid made available to the States for needy permanently and totally disabled individuals. No disability program under the insurance system.

Thirteenth. Puerto Rico and the Virgin Islands are included under both the old-age and survivors insurance programs and the public-assistance programs.

Fourteenth. Limitation on the premature arbitrary exercise by the Secretary of Labor of his power to find a State's unemployment insurance law out of conformity.

Fifteenth. Matching formula of Federal share of public-assistance expenditures contingent as under existing law, except that relative with whom children are living will be included for Federal matching purposes within individual maximums of $27 per month.

Sixteenth. Increase in the annual authorization for maternal and child-health services, child-welfare services and services for crippled children.

Seventeenth. The contribution rate on employer and employee is 1½ percent each in 1950–53, 2 percent in 1954–59, 2½ percent in 1960–64, 3 percent in 1965–69, and 3¼ percent thereafter. Contribution rate for self-employed is 1½ times the employee rate.

I think the question which is most frequently asked is the extent to which benefit payments will be increased for those persons now receiving them and the amount of benefits which a person may expect to receive in the future. The following table shows the increased benefits which will be paid to present beneficiaries:

Present benefit	*New benefit*
$10	$20.00
11	22.00
12	24.00
13	26.00
14	28.00
15	30.00
16	31.70
17	33.20
18	34.50
19	35.70
20	37.00
21	38.50
22	40.20
23	42.20
24	44.50
25	46.50
26	48.30
27	50.00
28	51.50
29	52.80
30	54.00
31	55.10
32	56.20
33	57.20
34	58.20
35	59.20
36	60.20
37	61.20
38	62.20
39	63.10
40	64.00
41	64.90
42	65.80
43	66.70
44	67.60
45	68.50
46	68.50

Under the House bill, the minimum primary insurance amount was $25. The Senate amendment provided for a minimum primary insurance amount of $25 in those cases in which the average monthly wage was $34 or more, and of $20 where the average monthly wage was less than $24. The conference agreement provides for a minimum primary insurance amount as follows:

If the average monthly wage is $30 or less, the primary insurance amount will be $20.

If the average monthly wage is $31, the primary insurance amount will be $21.

If the average monthly wage is $32, the primary insurance amount will be $22.

If the average monthly wage is $33, the primary insurance amount will be $23.

If the average monthly wage is $34, the primary insurance amount will be $24.

If the average monthly wage is $35 to $49, the primary insurance amount will be $25.

In the future, the wage base used for determining benefits will be $3,600 instead of $3,000 as under existing law. The percentage formula applied against the average monthly wage used in determining the benefits is raised to 50 percent of the first $100 of the average monthly wage plus 15 percent of the next $200 of such wage.

Under existing law the average monthly wage is obtained by dividing the individual's total taxable wages by the number of months beginning in 1937, excluding the months occurring any quarter before the individual attained the age of 22 in which his wages were less than $50 and up to the time his benefit is calculated at the age of 65 or later, or death. The conference agreement continues this method of calculation, the average monthly wage, and adopts the Senate amendment for an alternate new start. The new start provision eliminates the disadvantage to any covered groups which would otherwise result. This results from the fact that a worker, who has been in employment which was not covered under the system, would have his wages from the newly covered employment averaged over all the months elapsed since 1936 or since he reached the age of 22, if later. His average wage would, therefore, be considerably lower and would result in low benefit payments. Under the new start provision, contained in the conference agreement, any person, aged 62 or over on the effective date of the bill, would be fully insured for benefits at 65 if he had at least 6 quarters of coverage acquired at any time. Persons aged 61 would need 8 quarters of coverage; those aged 60, 10 quarters of coverage; those aged 59, 12 quarters; those aged 58, 14 quarters, and so on down the line, with the maximum requirement for fully insured status never exceeding the 40-quarter provision under existing law. As a result of the new-start provision, approximately 500,000 additional persons will become immediately eligible for benefits, thereby greatly reducing the public assistance rolls and strengthening the entire insurance system. The following are some illustrations of the amount of primary benefits which individuals will receive under varying periods of covered employment:

1. Illustrative primary benefits for 10 years of coverage, no period of noncoverage

Level monthly wage	Present law	H. R. 6000
$100	$27.50	$50.00
$150	33.00	57.50
$200	38.50	65.00
$250	44.00	72.50
$300	44.00	80.00

2. Illustrative primary benefits for 40 years of coverage, no periods of noncoverage

Level monthly wage	Present law	H. R. 6000
$100	$35	$50.00
$150	42	57.50
$200	49	65.00
$250	56	72.50
$300	56	80.00

3. Illustrative primary benefits for 5 years of coverage, 5 years of noncoverage, all after 1950

Level monthly wage	Present law	H. R. 6000
$100	$21.00	$25.00
$150	23.63	37.50
$200	26.25	50.00
$250	28.88	53.80
$300	28.88	57.50

4. Illustrative primary benefits for 20 years of coverage, 20 years of noncoverage, all after 1950

Level monthly wage	Present law	H. R. 6000
$100	$24	$25.00
$150	27	37.50
$200	30	50.00
$250	33	53.80
$300	33	57.50

5. Illustrative primary benefits for 10 years of coverage, 30 years of noncoverage, all after 1950

Level monthly wage	Present law	H. R. 6000
$100	$11.00	$20.00
$150	16.50	25.00
$200	22.00	25.00
$250	23.38	31.30
$300	23.38	37.50

The other changes in the benefits paid to a worker's dependents or survivors are as follows:

Existing Law	H. R. 6000
(a) Wife, one-half primary.	No change.
(b) Widow, three-quarters of primary.	No change.
(c) Child, one-half of primary.	No change, except for deceased worker family, first child gets three-quarters of primary.
(d) Parent, one-half of primary.	Three-quarters of primary.
(e) Lump sum at death, six times primary benefit.	Three times primary benefit.

COVERAGE

The coverage provisions of the conference report are different from the House bill in the following respects:

(a) Agricultural labor: Farm workers were not covered in the House bill, but the Senate extended coverage to this group, provided the farm worker was employed by a single employer for at least 60 days in a calendar quarter and earned cash wages of at least $50 for services in the quarter. The House conferees agreed to the coverage of this additional group with a restrictive amendment providing for a prior 3-month period of continuous employment with the same employer as a part of the eligibility test. The conference report provides, therefore, for the coverage of farm workers under the social-security system if the worker is employed continuously for 3 months by one employer and works 60 full days and earns at least $50 in wages in the calendar quarters immediately following the 3 months of continuous employment for the same employer.

(b) Firemen, policemen, teachers, and other groups having their own retirement systems: One of the objectionable features of the House bill which was opposed by the Republican minority was the inclusion of firemen, policemen, teachers, and other State and local government employees who are already covered under their own retirement systems. The conference report follows Senate amendment and our recommendation eliminating this group completely from coverage. The elimination of this group is typical of the specific recommendations made by the Republican minority for improving this bill when it was debated on the floor. Unfortunately, however, we were forced to consider this legislation under a gag rule and no amendments could, therefore, be made. This was an unfortunate procedure and much time could have been saved in the passage of this legislatior of an opportunity had been given to perfect it on the floor of the House.

(c) Self-employed: In providing coverage for the self-employed, the House bill excluded from tax—and from benefit coverage—income derived from the performance of service by an individual—or partnership—in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, Christian Science practitioner, or as an aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining engineer. The Senate amendment added to the list of exclusions the following: Naturopaths, architects, certified public accountants, and accountants registered or licensed as accountants under State or municipal law, and funeral directors; and substituted professional engineers in lieu of the specific engineers listed in the House bill. The conference report adopts the Senate provision, with an addition—to the group excluded—of full-time practicing public accountants.

The House bill also excluded income derived from a trade or business of publishing a newspaper or other publication having a paid circulation. The Senate amendment deleted such exclusion.

The conference agreement conforms with the Senate action in extending coverage in this area.

(d) Employees of nonprofit organizations: The conference agreement differs from both the House bill and the Senate amendment. Under the conference agreement service performed in the employ of an organization exempt from income tax under section 101 (6) is excluded from employment, unless the organization files a certificate that it desires to have the old-age and survivors insurance system extended to its employees. If it does not file such a certificate, neither the organization nor its employees are subject to the social-security taxes imposed by the Federal Insurance Contributions Act. If it does file such a certificate, both the employer and the employee are, for the period during which the certificate is in effect, subject to such taxes in the same manner as a private employer and the employees. The certificate filed by the organization must certify that at least two-thirds of its employees concur in the filing of the certificate, and the certificate must be accompanied by a list containing the signature, address, and social-security account number—if any—of each employee who concurs in the filing of the certificate. Such list may be amended at any time prior to the expiration of the first month following the first calendar quarter for which the certificate is effective by filing a supplemental list or lists containing the signature, address, and social-security number of each additional employee who concurs in the filing of the certificate. Commencing with the first day following the close of the calendar quarter in which the certificate is filed, the employees who have concurred in the filing of such certificate will be covered for social-security purposes. Any employee who is hired on or after such first day will be covered on a compulsory basis. If an individual, who on such first day was in the employ of the organization, should leave his position and thereafter reenter the employ of such organization, such employee will be covered on and after the date of such reentry, whether or not he concurred in the filing of the certificate when he was previously in the employ of the organization.

The conference report further provides that the period for which the certificate is effective may be terminated by the organization upon giving 2 years' advance notice in writing of its desire to terminate the effect of the certificate at the end of a calendar quarter; but only if the certificate has been in effect for a period of not less than 8 years at the time of the receipt of the notice of termination.

DISABILITY BENEFITS

The emotional appeal for broadening the old-age and survivors program to include benefits to permanently and totally disabled persons is strong, but the problem is too important to permit emotionalism to be our guide, and I believe that anyone who realistically studies the problem will come to the inevitable conclusion that the disability program contained in the House bill was unsound.

In my opinion, the fundamental object of any disability program should be in the field of rehabilitation. We are just beginning to realize the great proportion of people who are considered to be totally disabled who can be brought back into productive activity through rehabilitation programs. I am proud to say that Michigan is one of the progressive and far-seeing States that for many years has done a magnificent job in bringing back to usefulness and happiness many former hopeless citizens of that State. The House bill not only contained no rehabilitation program, but its whole emphasis was away from rehabilitation and toward the actual encouragement of permanent and total disability cases. By providing benefits as a matter of right and without even any safeguarding periodic review of individual cases, the House bill would have positively discouraged any attempt by persons receiving disability payments from reentering the labor force.

Under the present old-age and survivors insurance program benefits are payable under fixed conditions and to a great extent beyond the control of the individual. Age is the determining factor. But, under the House bill, disability payments would be paid under a purely subjective test, and it is perfectly obvious that an ailment which disables one person may not disable another. Nervous conditions, arthritis, imaginary heart ailments—all of these could, and undoubtedly would, be claimed as disabling conditions, particularly in times of depressed employment when the urge to get on the benefit rolls would be magnified. Rather than embark on a program offering millions of workers a potential life income from the Federal Government, the sounder approach is to meet the problem of disability through increased Federal participation in rehabilitation programs.

Another basic objection to the disability program contained in the House bill is that permanent and total disability is not related to age or conditions of employment. The person who is disabled at 30, and who has worked only 4 years, may be just as much in need of disability payments as a worker who has worked for 10 years and meets the arbitrary eligibility requirements contained under the House bill. It is obvious that tremendous and constant pressure would be brought on the Congress to relax the eligibility requirements, and, instead of moving toward the desirable social objective of an effective rehabilitation program, we would move swiftly toward the encouragement of all persons, however capable of rehabilitation, remaining inactive in order to receive their monthly disability payment from the Government.

There is no question that the problem of disability, with its vast ramifications and its subjective characteristics, is a problem which can more effectively be met at a local rather than a Federal level. Moreover, the facts presented to the Ways and Means Committee on which a decision to make disability payments was reached consisted only of the vague recommendations of the Social Security Administration.

The whole field of loss of earnings from disability is one which should be carefully studied and explored, and it should be the subject of a special study. Until this is done, and until facts and not emotional appeal deliberately fostered by the Social Security Administration serve as the foundation for congressional action, the disability program contained in the House bill should not be undertaken. Constructive rehabilitation, and not a vast program of Federal paternalism, based on arbitrary requirements unrelated to the problem of disability, should be our objective.

UNEMPLOYMENT COMPENSATION

Seldom, if ever, has adroit bureaucratic husbandry produced such a raging lion from a mild-mannered mouse, as has happened in the case of the so-called Knowland amendment. Using numerous propaganda channels available to them, opponents of this item have endeavored—and with considerable success, judging from the many remarks we have heard here—to completely distort the situation. They have given it a significance completely out of perspective with the fundamental and important provisions of the measure we are here considering.

It is charged that the adoption of this amendment will completely nullify the power of the Secretary of Labor over the performances of unemployment compensation agencies with the consequence that State officials in my State and other States represented here will immediately indulge in an orgy of breaking strikes and the promotion of "yellow dog" contracts through the withholding of unemployment compensation benefits to those justly entitled.

Mr. Speaker, these charges are absolutely without foundation. I suggest you refer to the conference report before you for a proper interpretation. On page 122 it is stated that "present authority of the Secretary of Labor under section 1603 of the Internal Revenue Code and section 303 (b) of the Social Security Act is not changed, but would merely be delayed in operation." The referred to delay in operation of the Secretary's authority was brought about by the requirement that any party aggrieved by the decision of a State administrator must pursue the remedies provided in the law of his State before the Secretary of Labor can act in the situation. Bear in mind that all State unemployment compensation laws are by the Social Security Act required to provide administrative and judicial procedure for remedying improper administrative determinations.

The Knowland amendment simply prevents the assumed authority of the Secretary from intervening in an issue arising under the law of a State until the courts of the State have pronounced what the law is. Is this not eminently reasonable and in the interest of the orderly administration of State laws as required by the Congress in the "fair hearings procedures" which all State laws must contain?

Bear in mind this fact—after State courts have spoken, the power of the Secretary to exercise the sanctions to

compel State adherence to Federal standards is in no manner impaired.

At this time, when the full attention of the Congress and all Federal officials should be directed to strengthening our international and domestic positions, there is a basis for questioning the wisdom and the proper sense of direction of those who have been earnestly bent during this crisis in producing this lion from an inconsequential mouse.

Mr. Speaker, I most sincerely hope the House will approve the conference report as submitted.

Mr. DOUGHTON. Mr. Speaker, I yield 8 minutes to the gentleman from New York [Mr. LYNCH].

Mr. LYNCH. Mr. Speaker, I ask unanimous consent that the gentleman from Michigan [Mr. DINGELL] may be permitted to extend his remarks at the conclusion of the remarks I am about to make.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. LYNCH. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. The gentleman from Michigan [Mr. WOODRUFF] a moment ago said it would only delay the power of the Secretary of Labor a short while. I want to ask how long the delay?

Mr. LYNCH. About 3 or 4 years.

Mr. McCORMACK. Every employee who is out of work, who goes to get other work in any State that the regulation is changed will be compelled to bring suit?

Mr. LYNCH. Yes.

Mr. McCORMACK. And would have to hire his own lawyer?

Mr. LYNCH. Yes.

Mr. McCORMACK. That is the thing they are glossing over, yet it is one of the most destructive blows against the compensation laws that could be dealt and it is being done by two of the most vicious lobbyists in the country.

Mr. LYNCH. Mr. Speaker, it was with great reluctance that I refused to sign the conference report on the social-security bill, H. R. 6000. I did this in spite of the fact that I believe that most of the bill represents a great step forward in providing social security for the American people. However, the failure of the House conferees to insist upon the House provision for total and permanent disability insurance and their acceptance of the Knowland provision in the Senate amendment made it impossible for me, in good conscience, to sign the report.

In my address before the House on August 9 under a special order I discussed total and permanent disability insurance, knowing that in the time allotted to me today I would be unable to cover both points. Therefore, I shall confine my remarks this afternoon to my opposition to the Knowland amendment.

I took the liberty of sending each Member of the House, under date of August 8, a letter outlining my objections to the Knowland amendment. And so that you might, if you so desire now, to refer to that letter, it appears also on page A5721 of the CONGRESSIONAL RECORD of August 8.

I desire to call to your attention that the Knowland amendment was never considered by the Committee on Ways and Means; that it was rejected by the Senate Finance Committee and was finally put into the bill by an amendment on the floor of the other legislative body. It is the only provision, with but a minor exception, in this social-security bill that has to do with unemployment compensation. To my mind it has no place in this bill. It should be noted that of the scant 10 minutes of debate upon the floor of the other body, 7½ of them were taken up by proponents of the bill and only 2½ minutes in opposition on a piece of legislation that vitally affects the whole unemployment insurance program.

The author of this amendment has said that—

> It is very limited and the changes it makes in existing law are more of a clarifying and procedural than a substantive nature.

Actually this amendment basically affects the Federal-State relationship in the unemployment insurance program. It is a real threat to the rights which labor has gained over the years through collective bargaining and progressive legislation. This threat is buried under technical legal language revising the procedure under which the Secretary of Labor is to determine whether the States are meeting the Federal requirements in their unemployment insurance laws. Special restrictions are placed in the amendment on the power of the Secretary of Labor to find whether a State is conforming with the requirements of the Federal Unemployment Tax Act. These requirements were imposed by Congress to make sure that unemployment insurance would not be used as a strike-breaking weapon or as a means of forcing a worker to sign a yellow-dog contract or as a means of forcing sweat-shop wages, hours, and working conditions upon the worker.

The present law provides that a State cannot deny unemployment compensation to an otherwise eligible worker for refusing new work under any of the following conditions—and I quote:

> (A) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization.

When workers become unemployed and file claims for unemployment compensation, they are also required to register for work at their local public employment office, and make such other searches for work as the agency may require. If they are offered work that is suited to their abilities and experience and the wages, hours, and working conditions are such as they could be reasonably expected to accept, they are required to accept such work. If they refuse such suitable work, they are disqualified from benefits. However, the unemployed worker can turn down the job if any of the conditions exist which are enumerated in the Federal requirement just quoted: that is, if he would have to scab by taking a job vacant because of a labor dispute, if he could not belong to a bona fide union and would have to sign a yellow-dog contract, or if the wages, hours, or working conditions were substantially below those prevailing in the community. For example, if the job was not covered by the 75-cents-an-hour minimum prescribed by the Fair Labor Standards Act and paid only 50 cents an hour, he could refuse it. A worker's right to refuse a job under such circumstances is so firmly written into law and accepted by the public that one may wonder why Congress felt it necessary to put such prohibitions into the Social Security Act. But that it was a wise provision is demonstrated by the fact that the enemies of labor are today trying to get the requirement nullified by subterfuge, when they would not dare come out and directly ask that this provision be repealed.

These enemies of decent labor standards also know that they can no longer get away with forcing workers who have jobs to be scabs or sign "yellow-dog contracts" or accept sweat-shop conditions. So they aim to hit workers below the belt when they are in the weakest position to maintain their hard-earned gains—when they are unemployed. Through the Knowland amendment, they are seeking to nullify the ability of the Federal Government to keep the State unemployment insurance agencies from forcing unemployed workers to take jobs under these conditions under the threat that they will otherwise lose their unemployment benefits. Knowing that they cannot force Congress to break down these labor standards, they are hoping to be left free to throw their weight around on the State agencies and break down these standards.

The Knowland amendment specifically prohibits the Secretary of Labor from raising any conformity question on standards required in State unemployment insurance laws by the Federal Unemployment Tax Act except where the State legislature has actually changed the law by amendment. A change in State law by regulation or by administrative or judicial interpretation, no matter how generally applied, could not be the basis of the Secretary's finding a State out of conformity unless it has the final determination of the highest appeals court in the State. If the State law contains the words required by the Federal act, no conformity question could be raised, no matter how these words are interpreted by State administrative or judicial bodies. This could result in 51 different interpretations of the same Federal requirements in the 51 State and Territorial jurisdictions having unemployment insurance laws. The effect of this provision would be to make it virtually impossible for the Secretary

of Labor to require that the States meet the Federal standards.

The amendment would prohibit the Secretary of Labor from raising any question as to whether the State was complying with the so-called labor standards required in State laws until an interpretation had gone through all the administrative appeals and court reviews prescribed by the State law. If claimants, due to a lack of understanding of their rights had failed to appeal decisions or the time for review had expired so that no appeal could be taken, nothing could be done. If any interpretation by an administrative appeals tribunal or a lower court contrary to Federal standards had become final and was being generally applied, nothing could be done. In the meantime, hundreds or thousands of claims could be denied. This would particularly hurt the unorganized unemployed man, who has neither the technical knowledge nor resources to fight his case through the courts. The amendment provides that the State may pay the litigation costs for the claimant, but it does not say that the State shall do so. Who is so naive as to believe that an unemployed worker aggrieved by an unjust and unfair decision of a State agency is going to hire a lawyer, appeal the decision through whatever appeal procedure the agency provides and then, in addition, start an action in the State court and pursue his case to the highest court, until his every legal remedy is exhausted? Where would he get the money? What would he be doing meanwhile? Who would pay his lawyer and who would pay the costs of the appeal? There is no requirement that the State must pay and there is certainly no power in the Federal Government to direct the State to make an appropriation for the legal fees incurred. Mr. Speaker, by the time he got a final decision he probably would not only be entitled to his unemployment compensation benefits, but in all likelihood he would have reached the age when he would receive his old-age and survivors insurance.

It is the enforcement of these labor standards that the proponents of the Knowland amendment are particularly aiming at. These standards protect an unemployed claimant from having to accept new work, on penalty of otherwise losing his benefit, when the job is on struck work, when the pay, hours, or other conditions of work are substantially below those prevailing in the community, or when he would have to sign a yellow-dog contract as a condition of getting the job.

Thus it is clearly evident what caused this amendment to be cooked up. On the west coast, employers got two State agencies to rule that when a strike was called, all members of the union that called the strike were disqualified from drawing unemployment benefits, whether or not they were involved in the strike or were even unemployed and drawing unemployment compensation when the strike was called. Unemployment compensation is not paid to workers actually on strike—no one is arguing about that. But to deny to workers who were unemployed at the time the strike was called, unemployment benefits just because they carried the same union card is another matter. Having gotten the rule applied to four striking maritime unions—and not Harry Bridges' union, either—the employers proceeded to get the ruling applied to a carpenter's strike. Their aim was twofold: To save themselves money by preventing unemployment benefits being paid to their employees that they had previously laid off, and to put pressure on these workers to take struck jobs—to scab, in plain words—by having them cut off from their unemployment benefits.

When the Secretary of Labor raised a question as to whether this did not constitute breaking down the labor standards required by the Federal act, the employers howled to high heaven and hired high-priced lawyers to try to prevent the Secretary of Labor from finding these two States out of conformity with the Federal act. The State ruling was so raw that in one State the State administrator did not even follow the ruling of the State appeals tribunal and the Secretary of Labor, therefore, dropped the proceeding against that State. When, however, he stuck by his guns and found the other State out of conformity, the employers took another tack. They worked up this slyly worded amendment and got it slipped into H. R. 6000 through a floor amendment in the other House without hearings and with scarcely any debate. To make it stick, they put this House under a barrage of telegrams and letters which did not mention the real issue—that the labor standards against scabbing, yellow-dog contracts, and sweatshop wages would be undermined—but rather sought to arouse our emotions and prejudices by shouting to the high heavens that this was an issue of States' rights.

Mr. Speaker, it is absolutely necessary that there be, on the part of the States, uniform adherence to the standards laid down by Congress in the original act as essential features of the whole unemployment compensation insurance plan. It is interesting to note that in his annual report in 1949, Mr. Milton O'Loysen, then president of the Interstate Conference of Employment Security Agencies, and then, as now, executive director of the division of placement and unemployment insurance of the State of New York, made the following statement:

> There is no basis, and from what I know of the administration of the laws, there is no sound reason for attacks upon the labor standards in the laws, nor for attacks on the people appointed to enforce and uphold these standards which were adopted by Congress in the Federal Social Security Act.
>
> These basic rules are essential to a good plan; they are in fact, rules that guarantee protection of the rights of the individual, but it takes wise and expert administration of the laws to prevent abuses and slants to the favored groups.

It has been said that this is stopgap legislation. It is nothing of the kind. It has no termination date or cut-off time. It is permanent legislation—so permanent that it will remain on the statute books until we have repeal legislation. The fact that a subcommittee of the Ways and Means Committee will shortly study the whole question of unemployment compensation insurance is beside the question. The House conferees should not have accepted this amendment, in my judgment, until they had the benefit of the study of their own subcommittee. I believe that the conference report should be sent back into conference with instructions to the managers on the part of the House that they insist on the House provision for total and permanent disability insurance and that they refuse to accept the Knowland provision which strikes a blow at the very foundation of the entire unemployment insurance program.

Let's get the record straight. The Knowland amendment is a flank attack on labor rights and standards that we thought were settled for all time. It is aimed at making it possible to use unemployment insurance as a club to force unemployed men, who have hungry wives and children to feed, to take jobs in struck plants, for starvation wages or under yellow-dog contracts. Let's stop this cowardly attack on labor standards through the unemployed. I urge as strongly as I can that this House recommit the conference report on H. R. 6000 with instructions that this nefarious so-called Knowland amendment be stricken from the bill, and that the House conferees refuse to recede from the House provision on total and permanent disability insurance.

Mr. DINGELL. Mr. Speaker, disappointment and fear pervade my entire being as I contemplate the dangerous result inherent in the so-called Knowland proposal. This vicious scheme, in the form of a Senate floor amendment, was fastened like a death pall upon the liberalized social-security bill, which had been perfected through the long and painstaking deliberations of the Ways and Means Committee.

The practice of the other body in tacking on dangerous floor amendments without hearings, and often without any understanding as to what is involved, may be in line with their philosophy, prevailing custom, and legislative practice, but concurrence by the House does violence to the conscience, practice, and rules of this body. The House must not take such a dangerous and corrosive action in abject subserviency. This House is at least coequal in power and prestige, and it must not supinely surrender or in any way jeopardize its own position. Especially must we insist upon our constitutional responsibilities and right of origin when we are so certain that the Knowland amendment is the most dangerous and devastating thrust ever made against the unemployment compensation of the Social Security Act.

It is ironic, indeed, Mr. Speaker, that this iniquitous proposal should originate with a distinguished Senator from a State that has received, perhaps, a proportionately greater reinforcement to its erratic economy, due to alternating peak and depression and the resultant unemployment, than any other State in the Union.

As one who has labored long and faithfully in the creation and the perfection of the entire social-security system, over the many years since its enactment, it is

very depressing and disappointing to me to observe that, instead of maintaining the minimal standards prescribed by the Federal law—and God knows they are reasonable and low enough for compliance by any State—we discover that unwittingly or intentionally attempts are being made to progressively undermine and destroy the entire system.

Mr. Speaker, I believe I might state for the benefit of the House that a similar subtle attempt to destroy the effectiveness of the minimum Federal standards by a round-about and equally devious procedure was made at the Conference of Governors in Chicago in 1947, which I was privileged to attend. It was at this meeting that the thrust was parried, and the plot subsequently was squelched at the conference held in the city of Washington.

The proposal then advanced to undermine Federal unemployment insurance standards was "that the Federal Government should relinquish to the States the Federal tax on employers levied to cover the administrative expenses of the State employment security programs, and the States will assume the responsibility for the administration of the unemployment-compensation and employment-service programs." In other words, it was proposed that the States be excused from compliance with Federal standards in order to obtain their share of the Federal tax for administration of the unemployment-insurance program.

This is another slick trick of Frank Bane, of that I am sure. It did not fool the governors at their several conferences, so the attack was made where no one need be fooled. I am never surprised by such tactics, but did not expect them to be proposed by a Californian. This is a low, foul blow which should not be applauded by the House. If we cannot instruct the conferees to try once again to eliminate this blackjack amendment it will be too bad for the millions of workers who heretofore enjoyed the protection of existing law.

I remember very distinctly the luncheon meeting held at the Hôtel Mayflower where I sat and discussed the problem with Gov. Earl Warren, of California, whose philosophy and attitude paralleled my own views. But the organized influence of some State unemployment-insurance directors under the domination of organized groups of employers continued to bore in. And I surmised that an attempt would be made at the meeting held in Detroit, and a later one held in Colorado Springs, to reduce these standards. So I undertook to write the attached letter to the following list of governors warning them of the impending danger: Hon. William Lee Knous, Governor of Colorado; Hon. Earl Warren, Governor of California; Hon. Chester Bowles, Governor of Connecticut; Hon. Adlai E. Stevenson, Governor of Illinois; Hon. William Preston Lane, Jr., Governor of Maryland; Hon. Paul A. Dever, Governor of Massachusetts; Hon. G. Mennen Williams, Governor of Michigan; Hon. Thomas E. Dewey, Governor of New York; Hon. W. Kerr Scott, Governor of North Carolina; Hon. Frank J. Lausche, Governor of Ohio.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., June 19, 1949.

Hon. WILLIAM LEE KNOUS,
Governor of Colorado,
Care of Governors' Conference,
Colorado Springs, Colo.

DEAR GOVERNOR KNOUS: I am vitally concerned about administrative financing proposals relating to unemployment compensation and the employment service.

The 100-percent offset is extremely dangerous, emanates from doubtful or unfriendly sources, and as occurred once before, should again be defeated. The same proposals deferred at the Chicago conference, and at my initiative disapproved at the Washington conference, are again being advanced in new garb but with the same objective to remove Federal Government from participation in present Federal-State cooperation. Basically this involves the wiping out of the minimal standards of existing law and jeopardizes the welfare of workers and of industry by creating a competitive advantage in States which would then lower benefits, impose insurmountable conditions and in devious other ways undermine the present system. Stagnant pools of unemployed in backward States would tend materially to reduce the high standards in force in the more progressive and industrialized States. The general tendency would be reversed from advancement to retrogression.

These proposals to disrupt essential Federal-State cooperation come at a most critical time when rising unemployment and economic uncertainty call for the closest possible understanding and cooperation.

I regard the Lynch bill as less objectionable than the original 100 percent tax offset, but I am opposed to the proposition of distributing excess Federal collections among States for purposes other than administrative emergency expenditures, and use of such excess funds for reinsurance to pay benefits to workers when State funds may become insolvent.

The proponents of the idea to sabotage unemployment in devious and appealing ways have presented their plan to the people not the least of which is the demand for State control—which ignores the fatal implications that will follow to annihilate the present system.

The proponents according to Associated Press dispatches have already jumped the gun and loosed their barrage upon all forms of Federal-State cooperation with emphasis upon the alleged gross abuse in unemployment compensation payments which of course can be corrected by the complaining States wherein such abuses occur without voiding Federal-State cooperation so essential to the maintenance of the higher standards protecting workers and industry in all States.

I trust your views coincide with mine and that you will assume a forthright position when the matter is presented to the conference.

I subscribe myself,
Cordially and sincerely yours,
JOHN D. DINGELL,
Member of Congress.

I might add, parenthetically, that when my attitude became known to the master mind of the governors' conference, Frank Bane, who as secretary brags publicly about his powerful position and claims to run, not serve, the governors he did not invite me either to the Detroit conference in my home town or to the Colorado Springs conference. The reasons are obvious. Nevertheless, despite my absence this move through the governors' conferences was killed.

But now, Mr. Speaker, the attack has been launched within Congress itself and takes form in the California Senator's proposal, known as the Knowland amendment, which ought to be ripped out of the bill. The membership of this House should define its position clearly by instructing its conferees to stand firmly against this amendment.

If there is to be any modification in existing law so far-reaching, and in an area where there is so much apprehension about the corrosive effect and even possible destruction, such proposals should be presented for separate study which the junior Senator from California could do by introducing his amendment in the form of a bill. Changes are sometimes made by way of amendments in the other body because under the Constitution they do not have the jurisdiction to originate a revenue measure, but why hearings are not held to thoroughly examine such a destructive amendment as this transcends comprehension. For myself, personally, I have reached the point of outright rebellion against this practice which, to me, is more than short-sighted, it is downright vicious.

Those who have had nothing whatsoever to do with the creation and the perfection of the Social Security Act are now attempting to destroy it. Labor generally, and in California particularly, will not take this dagger thrust lying down.

It may be more than a mere coincidence that the only social-security bill passed by the Republican Eightieth Congress was the infamous Gearhart resolution depriving nearly 750,000 workers and their families of social-security coverage. Now another Republican from the same great State—but this time a Member of the other body—sponsors legislation to cripple another vital part of the social-security program. And this is done despite Republican promises and protests in support of a stronger social-security law.

Aside from the Knowland amendment which is as sinful as anything could be, the social-security bill in the liberalized form presented to you by the conferees merits approval. It is not, as a matter of fact, the same bill that the House proposed. It has been narrowed in some respects and liberalized in others. We could well be proud of the advances made in the completed bill were it not for the Knowland amendment for which we will have to make everlasting apologies and hang our heads in shame until it is eventually repealed.

The simple and the easy way would be to instruct the House conferees to insist upon the removal of this iniquitous amendment. Should the House refuse to do this, thereafter, each Member must vote according to the dictates of his own conscience. But should the bill in the present form with the Knowland amendment retained become law,

then the fight begins immediately to bring about its repeal, and in that fight there will be many political casualties. A roll call should be had to record the individual sentiments of the friends and the enemies of the worker and of unemployment compensation. We must separate the sheep from the goats.

Mr. REED of New York. Mr. Speaker, I yield such time as he may require to the gentleman from New Jersey [Mr. KEAN].

Mr. KEAN. Mr. Speaker, I am more than delighted that at long last sharp increases in benefits and a broadening of the coverage under the old-age and survivors insurance law seems to be finally in sight. I have been working toward this end for a long time. I introduced three bills to attain this objective in the last few years, and so I am supporting the conference report with enthusiasm.

Of course no legislation is perfect. The proposed law is not exactly as I would have written it, but the matters to which I object are of minor importance as compared to the great good which will be accomplished by the other sections of the bill. In fact, in its present form it is much closer to H. R. 6297 which I introduced last October, than it is to H. R. 6000, the bill which passed the House.

In my bill which was supported on the floor by a majority of the Republicans, I provided for more adequate protection for those irregularly employed. This is provided in the bill before us.

My bill called for elimination of the "increment" factor which would have benefited only the "economic royalists" among workers. This provision is eliminated in the bill before us and the benefits which would have gone to the less needy workers have been given to the more needy.

My bill provided that those suffering from total and permanent disability be taken care of through the assistance program rather than under the insurance program. This is incorporated in the bill before us.

My bill provided for the elimination of the authority for the Treasury to extend the definition of "employee." This is in the bill before us.

My bill provided a more realistic coverage for household workers. Though I do not think that the present bill goes far enough in this line, at least it is a step in the right direction.

My bill provided complete exemption for State and municipal employees having their own pension systems, which provision is included in the bill before us.

I criticized the proposed formula for assistance which would have reduced the incentives of the States to provide adequate payments, by discriminating against States which were doing their part and in favor of States which were not meeting their full responsibility. The bill before us does not change the formula as did H. R. 6000.

I have continually advocated broader coverage and this bill for the first time does include regularly employed farm workers, a great step in the right direction.

I do feel that there is one important mistake in the bill before us and that is—that the conferees have eliminated the provision which was in the House bill for increasing the payroll tax to 2 percent on January 1, 1951. It is true that perhaps the trust fund does not need this additional amount in the next 3 years. But it seems to me that it is of the utmost importance that beneficiaries realize that they cannot have greatly increased benefits without paying increased taxes and, therefore, I have felt that it is important that at the time we sharply increase benefits we increase the tax so that the public will realize that there is a close relationship between benefits and taxes.

If we had increased the tax now, instead of 1954, it would have been possible to put off the further increase to 2½ percent, say to 1965 instead of 1959 as provided in this conference report.

However, this is a comparatively minor matter and, as I said before, I am supporting this conference report with enthusiasm.

Mr. REED of New York. Mr. Speaker, I yield myself 6½ minutes.

Mr. Speaker, the attempt to defeat the Knowland amendment is another drive for excessive centralization of power for a Washington bureaucrat.

There is too much bureaucracy constantly creeping into our Federal Government.

This drive to defeat the Knowland amendment is an interference with the rights of the State and the liberties of the individual citizen.

Let us not revert to bureaucratic tyranny instead of trusting to our State courts.

The State courts are close to the problems of unemployment and are trained and skilled in the interpretation of State laws.

It should be remembered that each State enacts its own unemployment insurance law and operates its own program.

Is State compliance with a State statute to be determined by an arbitrary bureaucrat in Washington in utter disregard of the State courts?

If such is the case then the State system of unemployment insurance becomes a Federal bureaucratic system of unemployment. It transforms home rule into a farce.

It is the 48 sovereign States that do not want to be penalized by a far distant bureaucrat without an opportunity to have their laws of compliance tested in their own courts. The State administrators have been called here from the four corners of the United States by the Secretary of Labor to listen to his appeal for power to bypass the State courts by his personal edict. Conference after conference has been held, and all the pressure the Secretary of Labor could bring to bear on the State administrators to yield to him the arbitrary power to refuse benefits to a State without any hearing before the courts of the State has been had.

The State administrators refused to insult their governors, administrators, and the courts of the respective States by yielding to such a bureaucratic proposal.

All of the conferees except one signed the conference report. Thus 11 conferees favor the Knowland amendment.

Every Member of the House should know that if this legislation is not signed by the President on or before August 26, approximately 3,000,000 persons now receiving social-security benefits will be denied the benefit increase for the month of September promised them under this legislation. If this legislation does not become law on or before August 26, it means that the Congress is deliberately depriving 3,000,000 persons—old people, widows, dependent children of $50,000,000 in benefits promised them under the bill.

It is unthinkable that the Congress would deliberately breach this promise in playing party politics. That this denial of increased benefits for the month of September will result if this legislation is not signed by the President on or before August 26 is confirmed by the Federal Security Agency which advised my distinguished colleague, the gentleman from Pennsylvania [Mr. SIMPSON] by letter yesterday as follows:

FEDERAL SECURITY AGENCY,
SOCIAL SECURITY ADMINISTRATION,
Washington, D. C., August 15, 1950.

HON. RICHARD M. SIMPSON,
House of Representatives,
Washington, D. C.

DEAR CONGRESSMAN SIMPSON: This is in reply to your request for information concerning the operating schedule involved in the issuance of old-age and survivors insurance checks for the month of September.

The conference committee included in the final version of H. R. 6000 provision for the payment of benefits for the month of September on the basis that the law would be signed by the President on or before August 26, 1950. Our administrative plans have likewise been based upon that assumption * * *

Sincerely yours,
WILLIAM L. MITCHELL,
Deputy Commissioner.

Moreover, the Congress should fully realize that a direction by the House to the House conferees to insist on the permanent and total disability provisions contained in the House bill is tantamount to a direction to the House conferees to completely rewrite the whole social security system around the new disability program. It would be impossible for the House and Senate conferees to get together on any disability insurance program without considering an enormous number of complicated problems including the various conditions under which payments would be made, the method of computing such payments, the place of vocational rehabilitation in the disability scheme, the effect of the adoption of such a scheme on the presently agreed approach of disability assistance, and numerous revisions in other parts of the bill. For example, a new tax rate would have to be worked out and estimates obtained of the prospective cost of the particular compromise agreed upon would have to be computed. This is a long and complicated process and would have to be done at intervals between the necessary actions of the Senate Finance Committee and the Ways and Means Committee on the pending tax and renegotiation legislation which

in itself will constitute a full time activity for both these committees.

Bear in mind that the conference agreement is the final product of work on the part of the Ways and Means Committee and the Senate Finance Committee which began on February 28, 1949. The effect of directing the House conferees to now insist on a disability insurance program will be to start the whole proceedings again, and most certainly the result will be to sign the death knell of any social security legislation for this year. This means that—

There will be no increase in benefit payments.

There will be no increased coverage.

The work-clause will remain at only $15—this is the amount which a worker may earn without losing his benefits.

Benefits for parents and the youngest survivor child would not be increased.

No wage credits for each month of military service would be provided for World War II veterans.

No Federal funds would be made available to the States for needy permanently and totally disabled individuals.

There would be no increase in the annual authorization for maternal and child health services, child-welfare services, and services for crippled children.

There would be no increased benefits for the blind.

Now let me tell you in simple language what the Knowland amendment is all about. Clear your mind of all the charges and countercharges which have been made concerning this Senate amendment and picture yourself in the local office of a State unemployment compensation claims examiner. The door to the claims examiner's office opens and a claimant walks in and makes a claim for unemployment compensation benefits. The claims examiner denies the claim on the ground that under the State law which has been approved by the Federal Government the claimant is not entitled to benefits. Thereupon the individual claimant appeals to the Board of Review and supposing the Board of Review upholds the State claims examiner's decision that the claimant is not entitled to benefits. The sole issue in the Knowland amendment is whether at that point the claimant walks across to the local courthouse or whether he makes a long-distance call to the Department of Labor in Washington. All the Knowland amendment does is to say that a claimant must give his State courts an opportunity to pass on the validity of the ruling by the Board of Review before the Secretary of Labor can hold the whole State program out of conformity with the Federal minimum specifications. There is nothing more to it than that. It is simply a question of whether the review procedure of the State courts provided in every State unemployment-compensation law should have a chance to operate before the Secretary of Labor steps in. The Knowland amendment in no way limits the power of the Secretary of Labor. It simply restricts his arbitrary exercise of this power until the State courts have had a chance to speak. Those who attack the Knowland amendment are in essence attacking our State systems, our State employees, and our State courts.

Mr. Speaker, the statement of the managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill, H. R. 6000, contain a detailed explanation of all the provisions of the conference agreement on this highly complex legislation. I will not, therefore, attempt to discuss each provision of the conference agreement in detail but will confine my remarks to showing the major points of difference between the House bill and Senate amendments to H. R. 6000 and the solution of these differences arrived at in the conference agreement.

At the outset I wish to state that in my opinion, and in the opinion of the other Republican conferees, the conference agreement represents a considerable improvement over both the House and Senate version of H. R. 6000, and I urge that the conference report be adopted by the House.

Of course, not all the agreements reached in conference are entirely satisfactory, and our whole social-security system should be completely overhauled if we are ever to have a system which is fair and equitable to everyone and one which is built on a sound financial basis.

COVERAGE

(a) Farm workers: Farm workers were not covered in the House bill, but the Senate extended coverage to this group provided the farm worker was employed by a single employer for at least 60 days in a calendar quarter and earned cash wages of at least $50 for services in the quarter. The House conferees agreed to the coverage of this additional group with a restrictive amendment providing for a prior 3-month period of continuous employment with the same employer as a part of the eligibility test. The conference agreement provides, therefore, for the coverage of farm workers under the Social Security System if the worker is employed continuously for 3 months by one employer and works 60 full days and earns at least $50 in wages in the calendar quarters immediately following the 3 months of continuous employment for the same employer.

(b) Employees of State and local governments: Under the House bill employees of State and local governments were covered under a voluntary Federal-State compact agreement and even all employees already covered by an existing retirement system of their own would have been brought under social security if such employees and beneficiaries of the existing system elected to be covered by a two-thirds vote. On behalf of all our teachers, firemen, policemen and other groups already covered under their own State and local retirement systems the Republican Minority protested vigorously against the inclusion of these groups in the House bill on the ground that it would jeopardize their own systems. The merit of the Republican position has been recognized and accordingly all State and local government employees who are already covered by an existing retirement system are excluded from social security under the conference agreement.

(c) Employees of nonprofit organizations: The conference agreement provides for the coverage of employees of all nonprofit institutions on an elective basis. In order to obtain coverage the nonprofit organization must certify that it desires to have the old-age and survivors insurance program extended to the services performed by its employees and at least two-thirds of the employees must concur in the filing of the certificate. Those employees who do not concur in the filing of the certificate will not be covered, but all employees engaged after the effective date of the certificate will be covered on a compulsory basis. Once an employer has elected coverage concurred in by two-thirds of the employees the employer cannot withdraw the certificate for a minimum period of 10 years. The purpose of the 10-year requirement is to prevent an employer from jeopardizing the opportunity of a worker to achieve a fully insured status. I personally believe that this solution to the troublesome problem of extension of coverage to employees of nonprofit organizations will be generally satisfactory and will not raise any constitutional issue nor involve difficult questions of interpretation. As you know the social-security tax is an income tax on the employee and an excise tax on the employer, and the Senate provision for coverage at the election of the employer therefore raised a question as to whether the imposition of a tax on the employee at the election of the employer would not be an unconstitutional delegation by the Congress of its taxing power. On the other hand the House version providing for compulsory coverage to all employees of organizations exempt from the Federal income tax under section 101 of the Internal Revenue Code and voluntary election on the part of the employers to pay the tax met with vigorous opposition in the Senate by certain religious denominations and organizations owned and operated by religious denominations. The conference agreement is an attempt to meet these two basic difficulties, and to avoid making any distinction in the application of the law between religious and other charitable organizations.

(d) Domestic workers: The House conferees receded and concurred in the Senate amendment extending coverage to domestic workers in private homes—but not on a farm operated for profit—if the worker is employed 24 days or more in a calendar quarter by one employer and is paid cash wages of at least $50 for the services rendered in the quarter. The Senate amendment differed only from the House version in that it reduced from 26 to 24 the necessary days of employment and raised the amount of cash wages required from $25 to $50. This is an improvement over the House bill in that it eliminates the objection to the House provision which would have required many domestic workers to have paid the social-security tax even though they did not receive wage credits.

In addition to the above coverage provisions the conference agreement provides a satisfactory solution to the problem of coverage of public transportation workers, the self-employed, Federal employees, and other miscellaneous groups whose status was either not clearly defined in the House or Senate version, or about which there were minor shades of disagreement between the two bills.

DEFINITION OF "EMPLOYEE"

One of the principal objections to the House version of H. R. 6000 was the new definition of "employee." The Republican minority opposed the definition of "employee" contained in the House version on the ground that it left the determination of social-security tax liability to the unbridled discretion of the Treasury Department and the Federal Security Agency. The Senate amendment eliminated the objectionable paragraph (4) of the House definition, and the conference agreement follows the Senate definition with only minor modifications. The conference report provides that an "employee," for social-security purposes, will continue to be determined under the usual common-law rules, and the following individuals who perform services under prescribed conditions are also included as "employees."

First. Agent-drivers or commission-drivers engaged in distributing meat, vegetable, or fruit products, bakery products, beverages—other than milk—or laundry or dry-cleaning services for his principal;

Second. Full-time life-insurance salesmen;

Third. Home workers performing work, according to specifications furnished by the person for whom the services are performed, on materials or goods furnished by such person which are required to be returned to such person or a person designated by him, if the performance of such services is subject to licensing requirements under the laws of the State in which such services are performed; or

Fourth. Traveling or city salesmen, other than as an agent-driver or commission-driver, engaged upon a full-time basis in the solicitation on behalf of, and the transmission to, his principal—except for side-line sales activities on behalf of some other person—of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments for merchandise for resale or supplies for use in their business operations; if the contract of service contemplates that substantially all of such services are to be performed personally by such individual; except that an individual shall not be included in the term "employee" under the provisions of this paragraph if such individual has a substantial investment in facilities used in connection with the performance of such services—other than in facilities for transportation—or if the services are in the nature of a single transaction not part of a continuing relationship with the person for whom the services are performed.

The Senate amendment of the definition of "employee" did not seek to nullify the Bartels case—*Bartels* v. *Birmingham* (332 U. S. 126 (1–947))—which the House definition did, and the House conferees receded and concurred in the Senate amendment on this point.

INCREASED BENEFITS

Both the House bill and Senate amendments increased benefit amounts received by present beneficiaries and for beneficiaries retiring in the future. The Republican minority actively supported and urged this increase. In general the House bill provided average increases of approximately 70 percent and the Senate bill provided average increases of about 85 percent. The conference agreement represents a compromise between the two bills so that the average benefit increase provided for by the conference agreement is approximately 77 percent. The following is an indication of the increased benefits that will be paid under the conference agreement:

Present primary insurance program:	*New primary insurance amount*
$10	$20.00
$15	30.00
$20	37.00
$25	46.50
$30	54.00
$35	59.20
$40	64.00
$45	68.50

The minimum primary benefit was raised from $10 to $25 in both versions but the Senate provided a $20 minimum for individuals with an average wage of under $34 per month. The Senate conferees agreed to a modification of this $5 differential in the minimum benefit so that individuals with an average wage of $34 or less will receive minimum primary benefits on a sliding scale as follows:

Average wage:	*Minimum primary benefit*
$35 to $49	$25
$34	24
$33	23
$32	22
$31	21
$30 or less	20

WORLD WAR II VETERANS

Under both the House and Senate versions veterans of World War II, including those who died in service, are granted wage credits of $160 for each month of military or naval service in World War II, and the House conferees agreed to the Senate provision that service credits will not be provided if the period of service in the Armed Forces is credited for civil service, military, railroad, or any other Federal retirement system. The House conferees also agreed to the Senate provision that the cost of these benefits will be paid from the trust fund and not from the general Treasury as provided in the House bill.

INSURED STATUS

In order to qualify for old-age and survivors insurance benefits under existing law, an individual must have either (a) one quarter of coverage for each two calendar quarters elapsing after 1936—or after attainment of age 21, if later—and before age 65 or death, or (b) 40 quarters of coverage. The House bill continued existing law but provided that a fully insured status could also be acquired by obtaining 20 quarters of coverage. The required quarters could be acquired either before or after extension of coverage. The Senate provision, which was agreed to by the House conferees, provides for a "new start"—that is, one quarter of coverage for each two calendar quarters elapsing after 1950—with a minimum of 6 quarters of coverage required—but in no case more than 40 quarters. Quarters of coverage obtained any time after 1936 count toward meeting the requirement. As the result of this provision any person aged 62 or over on the effective date of the bill would be fully insured for benefits at age 65 if he had at least 6 quarters of coverage acquired at any time. The following table shows the required number of quarters for fully insured status which individuals of varying ages must have under the conference agreement:

Age attained in first half of 1951	Present law	Conference agreement
76 or over	6	6
75	8	6
74	10	6
73	12	6
72	14	6
71	16	6
70	18	6
69	20	6
68	22	6
67	24	6
66	26	6
65	28	6
64	30	6
63	32	6
62	34	6
61	36	8
60	38	10
59	40	12
58	40	14
57	40	16
56	40	18
55	40	20
50	40	30
45 or under	40	40

BENEFIT FORMULA

The House conferees receded and concurred in the Senate provisions for computing the amount of benefits, thereby eliminating the objectionable ½ percent increment provided in the House version together with the "continuation factor" and the resulting complexities which it introduced. Under the Senate version adopted by the conference agreement a worker's average monthly wage is computed as under existing law except that any worker who has 6 or more quarters of coverage after 1950 would have his average wage based either on the wages and elapsed time counted as under present law or on the wages and elapsed time after 1950, whichever gives the higher benefit. His primary insurance benefit is then arrived at by taking 50 percent of the first $100 of this average monthly wage plus 15 percent of the next $200. For example, take a worker who retires at 65, 25 years after the new start. While working he averaged $200 a month and assume he worked 20 years out of the 25-year period. His average monthly wage for benefit purposes would be obtained by dividing his total wages during the period in which he worked by the total number of months in the 25-year period. This would yield an average monthly wage of $160. His primary insurance

benefit would therefore be $59—50 percent of the first $100 of this average monthly wage plus 15 percent of the next $60 of average wage, or $50 plus $9.

PERMANENT AND TOTAL DISABILITY

The House bill established a vast new program of disability insurance costing as a bare theoretical minimum at least $700,000,000 a year and a probable cost of several times this amount. Not counting doctors on contract, the number of additional Federal employees required to handle this new program would be over 5,000 and the additional administrative cost would be over $20,000,000 annually. Pending an opportunity to give the whole problem of loss of earning due to disability careful study, the Senate version made no provision for this new field of Federal insurance, and the House conferees receded and concurred. This was a wise decision, particularly in view of the fact that Federal funds for permanent and total disability cases were made available for the first time under the public assistance provisions of the House bill and this provision was adopted in the conference agreement.

UNEMPLOYMENT COMPENSATION

The Federal unemployment compensation tax laws now levy a 3-percent tax on employers but when a State has an unemployment compensation law approved under the Federal Security Act employers receive a 90-percent credit against the 3 percent Federal tax. The States receive Federal grants covering their administrative costs in operating their system and every State is now receiving these grants and employers under the individual State systems are receiving the 90-percent credit against the Federal tax.

Under existing law the Secretary of Labor is required to certify for the 90-percent tax credit each State whose law has been approved as containing the provisions required in the Federal law. Under the Federal law, however, grants to cover the administrative costs and the tax credit may be withheld if the Secretary of Labor makes a finding either that the State, first, "has changed its law so that it no longer contains the provisions"; or, second, "has with respect to such taxable year failed to comply substantially with any such provision."

It is perfectly clear that first, above, refers to the State statutes and that second refers to the application and interpretation of these statutes. The provision in the Senate bill adopted by the conference agreement rewrites first, above, to read "has amended its law so that it no longer contains the provision." This amendment merely clarifies congressional intent as to the obvious meaning of the phrase "has changed its law so that it no longer contains the provision." A State statute is initially approved if it contains the required provision, and the State law will be disapproved if the State legislature thereafter changes the law in this respect. The Secretary of Labor recently construed this phrase to apply to a case where there was an administrative application of State law which he disapproved. The only possible question was whether the State had "failed to comply substantially with" the provision. Certainly the ruling did not "change the law so it no longer contained the provision." It was still in the statute. The clarifying amendment will make such interpretations impossible in the future.

The second corrective provision contained in the Senate amendment adopted by the conference agreement is to give the individual States a 90-day period to get in conformity after the Secretary of Labor has held the State out of compliance or conformity. In the event that the Secretary of Labor finds against a State as a result of a State court decision it would be necessary to convene the legislature in order to take the remedial action necessary. Where a court decision or legislative change is late in the year it may be impossible for the State legislature to meet and take the necessary action prior to December 31, and for this reason the provision contains a 90-day compliance period and relieves the State of the severe penalties of the Secretary of Labor's action if the State conforms with the Secretary's interpretation within 90 days.

The third provision imposes the requirement that a claimant must have exhausted the remedies afforded him under the State law before the Secretary of Labor can charge the State with improperly denying him benefits. In two recent actions the Secretary of Labor summoned in the States of California and Washington because of certain appealable claims actions. These State actions were, to quote the new provision, "application or interpretation of State law with respect to which further administration or judicial review is provided under the laws of the State." This provision would prohibit the Secretary from acting in a situation like this until the persons concerned had availed themselves of their appeal rights under State law. Under the new provision he is authorized to act only when the persons concerned have done this and the State appeal process has been completed. This is in accord with one of our most basic concepts of Federal-State relationship.

If claimants are not interested enough to follow the review and appeal procedure provided in their State law, the Secretary will not be authorized to hold a hearing on their cases.

As stated in the statement of the managers on the part of the House:

> The present authority of the Secretary of Labor under section 1603 of the Internal Revenue Code and section 303 (b) of the Social Security Act is not changed but would merely be delayed in operation.

The Secretary of Labor can still hold a State out of conformity if it has amended its law so that it no longer contains the required Federal provisions. This has always been the law and will continue to be so. The substitution of the word "amended" for the word "changed," as I have stated, is merely to prevent the Secretary from construing actions such as an application or interpretation of the law to be a "change in law so that it no longer contains" the required provision. It does not change the Secretary's authority, but clarifies its scope under this phrase.

Nor does the requirement that claimants exhaust their administrative remedy change the authority of the Secretary to hold a State out of conformity where there has been a substantial failure to comply with the provisions of 1603 (a) (5). Until recently there was no formal attempt to construe a mere appealable claims action to be a change in State law. The act, properly interpreted, has always contemplated that benefits are denied by the States, if and only if, the authority authorized by the State to take the final action in the case has been appealed to and has denied the claim. The precipitate action taken by the Secretary of Labor in the Washington and California cases was a clearly erroneous interpretation of what is intended by the "State," as used in the law. The State has designated a particular court to decide whether the claims should be paid. This court had never spoken. Apparently the claimants had not even asked the court to decide. Thus the new provision which requires the Secretary to wait until an appealable case has been decided by the court does no more than require him to wait until the State itself has acted.

Where a person does not apply for benefits, or having applied, does not pursue his claim through the review procedures available under State law, the Secretary cannot be permitted to intervene without destroying the entire appeal procedure of the States, and it is the purpose of this amendment to protect this appeal procedure. This does not affect the Secretary's authority to see that the State is in substantial compliance with Federal standards, for when the State has finally acted through its designated final authority, the Secretary can hold the State out of compliance with the Federal standards if such in fact turns out to be the case.

In the statement on the part of the House managers it is stated that by the new amendment the "Secretary's authority would merely be delayed in operation" by its several provisions. This very generalized statement is correct as applied to situations where a finding has been made and the State takes no steps to correct the situation. In such event the Secretary's finding becomes final at the end of 90 days. The statement, of course, is not intended to apply to the situation where within the 90 days the State amends its law so that the court decisions or other actions on which the Secretary's findings are based will no longer serve as a precedent. In that case, the Secretary's findings will not afford him a basis of refusing certifications because it is the intention of this provision to allow the State in all events a 90-day period to take such legislative action as is necessary to safeguard against a repetition of its noncompliance or nonconformity. This achieves the purpose served by the tax-credit provisions without imposing this penalty.

The generalized statement that the Secretary's authority will merely be delayed also applies to claims cases where the claimant pursues the appeal procedure and is finally denied benefits—to quote from the paragraph dealing with this situation where "further appeal or

review is impossible in the particular case." It, of course, is not intended to imply that the Secretary has any authority to act where claimants have failed to follow the State review procedure. Here, further review is possible in the particular case, and the Secretary has no authority to act, either before or after the time to appeal has expired, or before final review has been completed.

The general statement that the Secretary's authority is merely delayed applies also to the amendment to section 303 (b) (1) of the Social Security Act, relating to the withholding of grants where benefit payments are denied a substantial number of persons entitled thereto under their State law. Where the highest court having jurisdiction has not made a decision on the question of entitlement controlling in the cases under consideration, the Secretary would be required to await such a decision. Thus he could not make a finding that persons are entitled to benefits under State law unless and until he has an affirmative State court precedent covering their situation. The statement that the general authority is only delayed is not intended to imply that he has authority to hold a person entitled to benefits where the State courts have not acted on the situation or after they have held that benefits are not payable.

The Secretary can act only against the State itself. In the case of applications or interpretation of the State statutes affecting claimants he can act only where two things occur (1) claimants affected have exhausted their administrative and judicial remedies and their cases have been decided by the highest judicial court having jurisdiction to make decisions on their cases, and (2) these court decisions are of such broad application, affecting the rights of such substantial numbers of claimants under section 1603 (a) (5) of the Internal Revenue Code, that the State is substantially failing to comply with such provision.

The amendment makes this requirement apply to every State action which claimants may test through one or more reviews. Thus not only claims decisions in specific cases but also general administrative interpretations by regulation or otherwise, as well as lower court decisions are subject to the requirement I have outlined. For any claimant feeling aggrieved thereby can pursue his appeal to the highest State court having jurisdiction. These are all "applications or interpretations of State law with respect to which further administrative or judicial review is provided for under the laws of the State."

TAX RATE

The House bill increased the rate of the employees' tax and of the employers' tax under the Federal Insurance Contributions Act from 1½ to 2 percent each on January 1, 1951. The Senate amendment postponed the increase in rates until January 1, 1956. The conference agreement increases the rate of each tax to 2 percent on January 1, 1954. Otherwise the rates under the House bill, the Senate amendment, and the conference agreement are the same. Under the agreement the rates of each tax are therefore as follows:

	Percent
1950 to 1953, inclusive	1½
1954 to 1959, inclusive	2
1960 to 1964, inclusive	2½
1965 to 1969, inclusive	3
1970 and subsequent calendar years	3¼

Under the House bill, the Senate amendment, and the conference agreement, the rates of tax on self-employment income are 1½ times the rates of the employees tax under the Federal Insurance Contributions Act.

The rates of tax on the self-employed for the respective taxable years under the conference agreement are therefore as follows:

For taxable years—	Percent
Beginning after Dec. 31, 1950, and before Jan. 1, 1954	2¼
Beginning after Dec. 31, 1953, and before Jan. 1, 1960	3
Beginning after Dec. 31, 1959, and before Jan. 1, 1965	3⅜
Beginning after Dec. 31, 1964, and before Jan. 1, 1970	4½
Beginning after Dec. 31, 1969	4⅞

PUBLIC ASSISTANCE

Permanently and totally disabled: The House bill established a new category—the needy permanently and totally disabled individual, for Federal grants-in-aid under the public-assistance program. The Senate amendment made no provision for Federal funds to this group, but the Senate receded and concurred in this provision. The Republican minority urged the extension of Federal participation in payments made by the States to permanently and totally disabled needy persons, thereby attempting to meet the problem of disability at local levels rather than through a vast bureaucracy of additional Federal employees in Washington.

Matching formula: Under existing law the Federal share is three-fourths of the first $20 of the State's average monthly payment plus one-half of the remainder within individual maximums of $50. The conference agreement continues existing law as did the Senate bill.

With respect to old-age assistance and aid to the blind the House bill provided for Federal participation to the extent of four-fifths of the first $25 of the State's average monthly payment per recipient, plus one-half of the next $10 of the average, plus one-third of the remainder of the average within the individual maximums of $50. The formula adopted by the House version was objectionable because:

(a) It reduced the incentive of the States to provide adequate payments for the aged, the blind, dependent children, and the permanently and totally disabled, and discriminated against States which are doing their part in favor of States which are not meeting their full responsibility;

(b) It deviated from the principle of public assistance;

(c) It encouraged the use of this program for political purposes; and

(d) It lent further impetus to the shifting of a basic State responsibility to that of the Federal Government.

Aid to the blind: The House bill provided that a State may disregard such amount of earned income up to $50 per month as the State vocational rehabilitation agency for the blind certifies will encourage and assist the blind to prepare for or engage in remunerative employment. It also provided that the State must take into consideration the special expenses arising from blindness and must disregard income or resources not predictable or actually available. The Senate amendment provided that prior to July 1, 1952, a State might disregard earned income up to $50 per month in the discretion of each State. After July 1, 1952, the State would be required to disregard earned income up to $50 per month. The conference agreement follows the Senate amendment.

The House bill provided that any State which did not have an approved plan for aid to the blind on January 1, 1949, could have its plan approved even though it did not meet the requirements of clause (a) of section 1002 of the Social Security Act relating to the consideration of income and resources in determining need. It was specified, however, that the Federal participation would be limited to payments made to individuals all of whose income and resources had been taken into consideration. Under the House bill these provisions would have been effective for the period beginning October 1, 1949, and ending June 30, 1953. Under the Senate amendment they would have been permanent. The conference agreement provides that they shall be effective for the period beginning October 1, 1950, and ending June 30, 1955.

The House bill provided that in determining blindness there must be an examination by a physician skilled in diseases of the eye or by an optometrist. The Senate amendment provided that in determining blindness there must be an examination by a physician skilled in diseases of the eye. It further provided that the services of an optometrist witin the scope of the practice of optometry, as prescribed by the laws of the State, shall be made available to recipients of aid to the blind as well as to recipients of any grant-in-aid program for improvement or conservation of vision. The conference agreements follows the House provision with an amendment providing that after June 30, 1952, an applicant for aid to the blind may select either a physician skilled in diseases of the eye or an optometrist to make the examination.

Puerto Rico and the Virgin Islands: The House bill provided that all categories of public assistance be extended to Puerto Rico and the Virgin Islands. The Federal share of expenditures would be limited to 50 percent. The maximums on individual payments with respect to old-age assistance, aid to the blind, and aid to the permanently and totally disabled would be $30 per month. For aid to dependent children the maximums would be $18 with respect to the first child and $12 with respect to each of the other dependent children in the same home. The Senate amendment contained no such provision. The con-

ference agreement follows the House bill, but limits the total amount authorized to be certified by the Federal Security Agency Administrator in all four categories with respect to any fiscal year to $4,225,000 for Puerto Rico and $160,000 for the Virgin Islands.

Maternal and child health: The Senate amendment provided for increasing the authorization for annual appropriations for maternal and child health from $11,000,000 to $20,000,000 with the $35,000 uniform allotment to each State increased to $60,000. The House bill contained no such provision. The conference agreement provides for the fiscal year beginning July 1, 1950, an authorization of $15,000,000 and for each fiscal year thereafter $16,500,000, and in each case the uniform allotment to each State is to be $60,000.

Crippled children: The Senate amendment provided for an increase in the amount authorized to be appropriated annually with respect to crippled children to $15,000,000 with the annual uniform allotment to each State to be increased to $60,000. The House bill contained no such provision. The conference agreement provides for the fiscal year beginning July 1, 1950, for an authorization of $12,000,000 and for each year thereafter $15,000,000. In each case the uniform allotment is to be $60,000.

Child-welfare services: The House bill provided for an authorization for annual appropriation for child-welfare services of $7,000,000 with the $20,000 uniform allotment to each State increased to $40,000. A specific provision was made authorizing expenditures for returning any run-away child under age 16 from one State to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met. The Senate amendment provided for increasing the amount authorized to be appropriated annually to $12,000,000, with the allotments to the States to be on the basis of rural population under the age of 18. It also provided that, in developing the various services under the State plans, the States would be free, but not compelled, to utilize the facilities and experience of voluntary agencies for the care of children in accordance with State and community programs and arrangements. The Senate amendment retained the increased $40,000 allotment and the provision relating to run-away children that were in the House bill. The conference agreement follows the Senate amendment, except that the amount authorized to be appropriated annually is $10,000,000.

The conference report should be adopted without any further delay, and at the same time an immediate study should be undertaken in order to furnish the Congress with information on which to overhaul the entire system, put it on a pay-as-you-go basis, and make adequate provisions for the millions of our aged people who will never get any benefit from the present system. No amount of patchwork can ever correct the basic flaws of the present system with its fake trust fund, its arbitrary eligibility requirements, and its denial of any benefits to millions of our aged people.

The SPEAKER. The time of the gentleman from New York [Mr. REED] has expired.

Mr. DOUGHTON. Mr. Speaker, I yield 8 minutes to the gentleman from Georgia [Mr. CAMP].

Mr. CAMP. Mr. Speaker, I wish to plead very sincerely with this House to adopt this conference report, and to save the work of our committee for about 8 months; and the work so ably done on the other side, covering a period of some 5 months.

The Ways and Means Committee began its consideration of this bill in February of last year, and worked on it daily until October of last year. If I may be excused from passing a compliment on my own committee, I think it is one of the best jobs we have done in years.

Under this bill the social-security system is made of real value to the people of this country. It adds more than 10,000,000 workers to the Social Security System, and it raises the benefits to be drawn by those workers upon retirement 77½ percent on the average for those who are now under the System. And the benefits for those who retire in the future will be doubled. It fixes maximum benefits to be drawn by a totally insured person at $80, and if an insured worker dies leaving a widow and several dependents, the maximum total is $150 a month.

The people of this country are welcoming this new law and looking forward to it, and everything is made possible for them to draw these increased payments, effective beginning September 1.

This conference report is signed by every member of the conference except one. The hitch in this matter occurs over what is known as the Knowland amendment. Mr. Speaker, it has been magnified, in my humble opinion, more than from a mole hill to a mountain. Title III of the Social Security Act, which deals with unemployment insurance, has been in effect about 15 years. For 14 years it was administered by the Social Security Board. Never have we had any trouble like this until, under the Reorganization Act, its administration was transferred to the Department of Labor. Then these difficulties arose which resulted in the introduction of the Knowland amendment in the other body. Frankly, if you will study this matter just for a moment, you will see that the Knowland amendment is not the bear that they say it is. Under the original law, in order for title III to become effective, it became necessary for each State to pass an enabling statute. Those statutes had to come up to certain Federal standards set up in the act. Of course, every State law is practically the same as the other. There are certain minor differences in many, but the general principles are the same. The Knowland amendment provides that, where a State statute has already been accepted by the Federal Administrator as being in conformity with the standard laid down in the law, before they can declare that State out of compliance, by reason of some action of the State administrator in the future, the interpretation of State law must be reviewed by the highest court of that State to which the issue can be appealed. If you are a lawyer, or even if you are not a lawyer, you know that the place to review a State law is in the appellate court of that State. It is not a question of State rights versus Federal rights. The constitution of every State in this Union provides that its own laws shall be interpreted by its own courts.

My colleague has said that it might postpone the receipt by some worker of his benefits as much as 3 or 4 years. It does not take that long to get a case through a State court, and even if it did, the right of that State court to interpret its own law seems to me to be paramount.

Now, let us go a little further. Our committee did not expect title III to be considered under this bill. We made no change in the law regarding unemployment insurance. This amendment was added in the other body. We have already set up a subcommittee to go thoroughly into unemployment insurance and to recommend to the full committee any change that may be necessary to effect easy and reasonable interpretation of the law. That subcommittee is to begin work immediately.

The Knowland amendment is only stop-gap legislation. If we have gone 15 years without any trouble in the administration of this law we can certainly go on another year until the thing can be reviewed. To my mind it would be a great pity to kill the work of the Committee on Ways and Means over a period of 8 months and almost that much time for the Senate Finance Committee, all because of one amendment which was put on in the other body. If I may say so, I should like to tell you that, in my opinion, we shall never get this thing through the conference if it goes back under instructions.

My colleague said that we did not insist. We worked 2 weeks in conference on this bill, and two solid days of our time were devoted to trying to reach some sort of agreement on this Knowland amendment. I regret exceedingly that we could not get it done, but we failed to do it. The managers for the other body are adamant; they are not going to change.

As to the provision for total and permanent disability, that was my special hobby, and I tried the hardest I have ever tried on anything to get the other side to accept a total disability insurance provision in this law. I have given in on it, because I failed to get them to agree to it. With as many changes as were made by the other body, more than 200 in all, we had to give a little here and take a little there in order to ever get together at all; and I plead with the Members not to send this report back to conference, but to adopt the conference report. Let us send out these checks on October 1 to these people who need them so badly all over this land.

Mr. REED of New York. Mr. Speaker, I yield 6½ minutes to the gentleman from Ohio [Mr. JENKINS].

(Mr. JENKINS asked and was given permission to revise and extend his remarks and include therein certain tables.)

Mr. JENKINS. Mr. Speaker, I was a member of the Committee on Ways and Means in 1935 when we prepared and the Congress passed the first social security legislation. I said then and I say now that social-security legislation is of more personal interest to more people than any other legislation that Congress can pass except, legislation necessary to a declaration of war. Thirty-five million people, not including wives and children in the family, 35,000,000 workers are interested in social-security payments and they make social-security contributions. Under this bill we add 10,000,000 more.

I am sorry that every time we have a social security bill under consideration we are always in a hurry. When we considered this bill last October, you will remember, when we were meeting over in the Ways and Means Committee room we did not have half a chance to consider it; it came cut under a gag rule and we could not offer any amendment. You know, I think this bill being a people's bill is one about which every Congressman knows something and every Congressman ought to have a chance to offer amendments if he wishes to do so.

We bring the conference report to you today, the work, as I said, of 8 months and the work of the conferees of 2 or 3 weeks. We bring it to you here under such conditions that you will not have a chance to express yourself. Unfortunately, all the time is taken up by members of the conference committee, and rightly so. It would be well if we could have more time for these things, but we have not. Let me just summarize, like my good friend the gentleman from Georgia [Mr. CAMP] who preceded me did, just kind of in an off-hand manner, some of the changes in this legislation.

When you go home the old-age pensioners will ask: "How about the old-age pensions; did you increase them?" You will have to say "No." You will have to say that you did not but that you added a new provision in the law that will benefit them indirectly. The same formula was approved but we did something else that will eventually help them a great deal. We put a new provision in the insurance sections that will help a lot the old people, who are moving up into the 65-year group. I cannot explain what it is now for it is very complicated; we have not time. If we had more time, we could go into these important changes. Let me make this plain. In the matter of the blind pensions the formula for that plan is not changed except this. They are permitted to earn up to $50 a month without having any deductions made.

A new class has been added in this bill we have not the time to discuss extensively. But we did discuss this for hours and days and days prior to this time. If you have not read this bill you may not know that we have added this new class, the totally disabled. A person who is totally disabled and in need of help is in the same class and in the same group as a blind person and the old-age pensioner. That is one change in the bill which recommends it very highly. I have always been in favor of taking care of the totally disabled person who is in need. That is what this will do. I refer to paralytics and people like that who have no chance or hope physically to put themselves in competition with the average man and woman.

Mr. Speaker, this bill provides a great many advantages to those who carry social security insurance, under what we call the insurance features of the Social Security Act. It provides higher payments, it provides more felicity in the relationships and more facility in the administration. There are a great many improvements in it that are worth while. For the present there is to be no increase in the rates; however, that time for increase will soon come. You know, you cannot pay out money indefinitely without having some income. Sometime somebody must supply the money out of which to pay this money. This will come a little later.

There is another brand new feature in this bill, a feature that was never in it before, nothing like it. The bill provides compulsory insurance for the self-employed. Any person who is self-employed or employing other people, for instance, who earns more than a net of $400 a year will be required to come under the provisions of this law except those who are professionals, the doctors, engineers, lawyers and the like, who are excluded. Every garage man, every barber, everyone in the country except farmers who employ people will have to come under this new provision. Many of them want it; many of them do not want it. Anyway, after we pass this bill today that will be the law, if the President signs it.

Mr. Speaker, I dare say you have been receiving more complaints from the teachers, the firemen, and the policemen than any other group. I was not altogether satisfied with the bill we passed in the House and I vigorously opposed that particular provision, the provision that would permit these groups to come in if they voted themselves in. In other words, it opened the door to them. This bill, I am glad to say, provides that the teachers, the policemen, and all of these groups that carry their own insurance in the form of what they call a retirement fund are not now included. You can tell them they are out and there is no provision by which they can come in. They have been put out and as far as I am concerned I hope they will be permitted to stay out.

I could go on further and talk about a great many other things. There was one that was of particular interest to me and I refer to what we call the Gearhart amendment. You are not familiar with that amendment by that description, but it was a very important amendment that was passed and put in the bill the last time we amended it.

What did the Gearhart amendment do? It defined the term "employees." You lawyers know that is a very difficult thing to do. The House bill suggested a number of changes which I did not approve. I am glad to say that the bill presently under consideration is more acceptable than the House bill.

Mr. Speaker, the conference report on H. R. 6000 should be adopted. It represents a fair compromise between the House bill and the Senate amendments and most certainly no further delay in providing increased benefits and increased coverage as recommended by the Republicans should be countenanced.

The conference agreement is not perfect in every respect, of course, and unfortunately there are still many inequities and injustices under the system which have not been, and never can be, remedied by this legislation. But by and large the good far outweighs the bad, and it is particularly gratifying to note that most of the Republican minority's recommendations for improving the House bill have been recognized and adopted.

I shall proceed to discuss the bill more extensively and shall no doubt repeat some of the statements that I have already made.

You will recall that H. R. 6000 was brought to the floor under a closed rule. Every Republican member of the Ways and Means Committee vigorously opposed this high-handed procedure whereby no amendments could be offered or considered on the floor of the House by any of the Members although there were many major social policies involved which should have been considered on their individual merits. In effect we were compelled to take it or leave it. The Republican minority felt that we should at least have had an opportunity to offer our specific recommendations for improving the bill and to allow the Members of this House to individually decide whether some or all of our recommendations should have been incorporated in the bill. But no opportunity to perfect this legislation was provided, and as a result the House was forced into the position of having to accept the entire bill without amendments or vote against it. This was indeed a mockery of the legislative process, particularly in view of the fact that the House bill was prepared in secret session and the public never had an opportunity to know the decisions reached by the committee until only a day or so before the legislation was brought hurriedly to the floor under a "gag" rule in the last days of the session. Many times during the preparation of the bill in the committee one or more of the Democratic members would vote with us Republicans against some of the "must" provisions sent up by the New Deal administration. But today most Republicans can join in supporting the conference report because we Republicans have as a party always supported and favored social security. I was a member of the Ways and Means Committee when the first social-security bill was prepared in 1936. And without boasting, I think it is generally conceded that I am the author of title 10 of the social-security law. This is the title that provides for pensions for the blind. The original social-security bill which

was prepared by the Roosevelt committee did not contain any provision for blind pensions. It was only after a hard battle in the House and Senate that title 10 was added.

One of the most unfortunate provisions of the House version of H. R. 6000 was that it permitted employees of State and local governments already covered by their own State retirement systems to be included under the old-age and survivors insurance program. The Republican minority fought long and hard against this provision, and we specifically recommended the direct exclusion of all teachers, firemen, and policemen and other groups who are already covered under their own retirement and pension systems. The teachers, policemen, and firemen, and the State and county employees in Ohio were violently opposed to being taken under the Federal system and I had on many occasions supported their views. The Republicans argued that it would be a serious mistake to take any action which might jeopardize these existing systems to which contributions have been made over long periods of time. We pointed out that the retirement system of these groups are specifically designed to more nearly meet their needs than the broad social-security program, and not only are their retirement benefits greater, but they can be more easily adjusted to their changing needs through the local and State action. The Senate version followed the Republican recommendations by excluding all employees of State and local government and the conference agreement adopts the Senate amendment, and also the Senate amendment providing for the establishment of the separate coverage group of employees engaged in the performance of proprietary functions. We on the Republican side are proud of our fight to protect the teachers, firemen, policemen, and other groups from losing their retirement systems as advocated by the Democratic majority in the House bill. The following is the language of the bill as it is recommended for passage:

EXCLUSION OF POSITIONS COVERED BY RETIREMENT SYSTEMS

(d) No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group.

Another provision in the House bill which the Republican minority vigorously opposed and which has been eliminated in the conference agreement in accordance with modifications of the Senate amendment was the definition of "employee" contained in the House bill. Our principal objection to the definition in the House bill was that it left the determination of social security tax liability to the wide-open discretion of the Treasury Department and the Federal Security Agency. The adoption of the House definition, against which there was overwhelming testimony by the public, would have been a severe blow to small businesses throughout the country, and it would have produced endless costly litigation. Inasmuch as self-employed persons were covered under both the House and Senate bills, the sole purpose for clearly defining "employee" was a tax purpose and the Republican minority felt that such determination was the proper responsibility of the Congress. The conference agreement adopts the Senate amendment eliminating paragraph (4) from the House definition to which we were opposed; it eliminates the provision in the House bill designed to change the effect of the Supreme Court holding in the case of *Bartels* v. *Birmingham* (332 U. S. 126 (1947)); and it reaffirms the principle that the common-law rule will be used in determining the employer-employee relationship. Provisions in both the House bill and the Senate amendment added individuals in certain specified occupational groups who are not necessarily employees under the usual common-law rules. The conference agreement adopted the Senate amendment eliminating entirely the House additions with respect to driver-lessees of taxicabs, contract loggers, mine lessees, and house-to-house salesmen. The result of the conference agreement is a carefully defined definition and is a vast improvement over the House bill. It is in accordance with the Republican position that extension of the definition be made by congressional action and not by arbitrary determination of the executive departments under a vague test involving the juggling of seven factors as provided for in paragraph (4) of the House definition.

The Republican minority protested against the use of the so-called increment in determining the amount of a person's benefit and this feature of the House bill has been eliminated. In general the conference agreement follows the Senate amendment for computing benefits, thereby not only eliminating the one-half percent increment but also the complicated "continuation factor" which the House bill established for the first time. The Republican minority pointed out that the increment by which the benefit amount a person receives is increased by one-half percent for each year in covered employment was objectionable because:

(a) It discriminated against older persons first entering the system with only a few years to retirement;

(b) It discriminated against workers who do not have continuous employment;

(c) It in effect postponed payment of the full rate of benefits for many years;

(d) It committed future generations to higher benefits than the Congress was willing to pay today; and

(e) It increased the cost of the system on an average of approximately $1,000,000,000 a year.

No justification was advanced for imposing this additional cost on future generations nor was the increment necessary in order to relate benefits to the continuity of the worker's coverage and contributions to the system as well as to the amount of his earnings. But the social-security representatives who sat with the committee in executive session recommended it.

Under the Senate amendment and the conference agreement the benefit formula is 50 percent of the first $100 of the average monthly wage and 15 percent of the next $200. This increase in the benefit formula together with the "new start" provision will increase the amount of benefits substantially as the Republicans have recommended. The following are some examples of the calculations of benefits under the House bill and the Senate amendment adopted by the conference agreement:

ILLUSTRATIONS OF CALCULATIONS OF OLD-AGE BENEFITS UNDER HOUSE BILL AND CONFERENCE REPORT

A. Man employed for 40 years out of possible 40 years:

1. Monthly wage of $150 while working:

(a) House bill—Average wage, $150; basic benefit, 50 percent of $100 plus 10 percent of $50, or $55; increment amount, 40 times one-half percent times $55, or $11; continuation factor, 40/40, or 1; benefit, one times $55 plus $11, or $66.

(b) Conference report—Average wage, $150 times 40/40, or $150; benefit, 50 percent of $100 plus 15 percent of $50, or $57.50.

2. Monthly wage of $300 while working:

(a) House bill—Average wage, $300; basic benefit, 50 percent of $100 plus 10 percent of $200, or $70; increment amount, 40 times one-half percent times $70, or $14; continuation factor, 40/40, or 1; benefit, one times $70 plus $14, or $84.

(b) Conference report—Average wage, $300 times 40/40, or $300; benefit, 50 percent of $100 plus 15 percent of $200, or $80.

B. Man employed for 20 years out of possible 40 years:

1. Monthly wage of $150 while working:

(a) House bill—Average wage, $150; basic benefit, 50 percent of $100 plus 10 percent of $50, or $55; increment amount, 20 times one-half percent times $55, or $5.50; continuation factor, 20/40, or one-half; benefit, one-half times $55 plus $5.50, or $33.

(b) Conference report—Average wage, $150 times 20/40, or $75; benefit, 50 percent of $75, or $37.50.

2. Monthly wage of $300 while working:

(a) House bill—Average wage, $300; basic benefit, 50 percent of $100 plus 10 percent of $200, or $70; increment amount, 20 times one-half percent times $70, or $7; continuation factor, 20/40, or one-half; benefit, one-half times $70 plus $7, or $42.

(b) Conference report—average wage, $300 times 20/40, or $150; benefit, 50 percent of $100 plus 15 percent of $50, or $57.50.

C. Man employed for 10 years out of possible 40 years:

1. Monthly wage of $150 while working:

(a) House bill—Average wage, $150; basic benefit, 50 percent of $100 plus 10 percent of $50, or $55; increment amount, 10 times one-half percent times $70, or $2.75; continuation factor, 10/40, or one-fourth; benefit, one-fourth times $55 plus $2.75, or $16.50.[1]

(b) Conference report—Average wage, $150 times 10/40, or $37.50; benefit, 50 percent of $37.50, or $18.75.[1]

2. Monthly wage of $300 while working:

(a) House bill—Average wage, $300; basic benefit, 50 percent of $100 plus 10 percent of $200, or $70; increment amount, 10 times one-half percent times $70, or $3.50; continuation factor, 10/40, or one-fourth; benefit, one-fourth times $70 plus $3.50, or $21.[1]

(b) Conference report—Average wage, $300 times 10/40, or $75; benefit, 50 percent of $75, or $37.50.

The Republican minority have consistently urged that every effort be made

[1] $25 minimum applicable.

to strengthen the insurance system so that the public-assistance programs may be lightened and the proper relationship between the two systems established. By adopting the Senate amendment for liberalizing the eligibility requirements the conference report represents a major step in that direction. Under the provisions of the House bill it would take newly covered workers 5 years to become fully insured. But the conference agreement requires only the same qualifying period for an older worker now as was required for an older worker when the system first began. As the result of the new start provided for in the conference agreement any person aged 62 or over on the effective date of the bill would be fully insured for benefits at age 65 if he had at least six quarters of coverage acquired at any time. As a result of the adoption of this Senate amendment, approximately 700,000 additional persons will be paid benefits in the first year of operation thus reducing the need for public-assistance expenditures by the States. Moreover, thousands of persons who had previously not qualified will become entitled to benefits, inasmuch as the necessary quarters of coverage can have been obtained at any time since the beginning of the program.

Another feature of the conference agreement which is particularly commendable is the reduction in the amount of wages which a worker must receive in a calendar quarter in order to qualify from $100 to $50. The existing law is $50 in wages in a calendar quarter but the House bill raised this amount to $100. It will again be recalled that the Republican minority pointed out that as a result of the $100 requirement the extension to the system to Puerto Rico and the Virgin Islands would be unsound. The result would have been that thousands of persons in Puerto Rico and the Virgin Islands would not have been eligible for benefits. Our position was substantiated in the report made by a subcommittee of the Ways and Means Committee which went to Puerto Rico and the Virgin Islands following the passage of H. R. 6000 in the House for the purpose of evaluating the extension of the social-security system to these two possessions. As we had pointed out, the subcommittee found that unless the amount of wages required was reduced, the extension of the system to Puerto Rico and the Virgin Islands would have had unfortunate results. The conference report remedies this defect.

One of the major controversial issues was the provision in the House bill establishing a vast new program of paying benefits to permanently and totally disabled persons. The Republican minority argued that before launching into this new program on which there was no study or analysis made, an opportunity should first be given to meet the problem at local levels through the public assistance programs. The Republican minority recommended therefore that the Federal Government share in the assistance payments made by the States to needy permanently and totally disabled persons and although the Senate amendment contained no such provision, the conference agreement followed the House bill on this point.

There are many serious and basic objections to the establishment of permanent and total disability payments as provided for in the House bill and no information was presented to the committee during its public hearings on this question except the vague recommendations of the Federal Security Agency which also recommended a program of temporary disability and an over-all welfare program costing approximately $21,000,000,000. A payroll tax of 15 percent was indicated as the approximate cost of these programs. In my opinion the extension of the insurance system to cover benefits for permanently and totally disabled persons should not be adopted on a hit-or-miss basis as in the House bill, and the additional estimated cost of at least $700,000,000 a year should not be undertaken without careful regard to the objectives to be obtained. The conference agreement adopting the Senate amendment eliminating this program was a commendable decision.

UNEMPLOYMENT COMPENSATION

In order to be approved and certified by the Secretary of Labor a State Unemployment Compensation law must contain certain provisions set out in the Federal act. If the State law is changed so as not to contain these provisions, or if it fails to substantially comply with these provisions in the administration of its law, the Secretary of Labor has the power to withhold certification of the State law for that year. If the Secretary of Labor makes a finding either that the State has changed its law so that it no longer contains the required provisions or has with respect to such taxable year failed to comply substantially with any such provision, Federal grants to the State to cover the administrative cost and the 90-percent tax credit will be withheld. If this occurs, as it almost did for the State of California and Washington last year, it means that the taxpayers of that State lose their 90-percent credit against the 3-percent Federal unemployment compensation tax and that the State will receive no Federal funds to cover the administrative cost of operating their unemployment compensation law.

The amendment in the Senate bill adopted by the conferee agreement is designed to restrict the Secretary of Labor from arbitrarily and without justification withholding certification until the State judiciary has at least had an opportunity to pass on its own State law. The Senate amendment does not deprive the Secretary of Labor, as erroneously alleged by the Department of Labor, of any power he now has but it merely postpones its exercise until the judicial review process of the State has had an opportunity to function.

The Senate amendment adopted by the conference agreement does just three simple things: First, it clarifies congressional intent as to the meaning of the phrase "has changed its law so that it no longer contains the provision"; second, it requires that a claimant must exhaust the remedies afforded him under the State law before the Secretary of Labor can charge the State with improperly denying benefits; and, third, it gives the individual States a 90-day period to get in conformity after the Secretary of Labor has held the State out of compliance or conformity. This amendment confirms the rights of the individual States to follow their own orderly review procedures and any argument that individual hardship may result from delays occasioned in following established judicial review procedure is untenable. Every State law has provisions for judicial review and there is no more validity to the argument of delay in this case than there is when any claimant, whether his claim be for unemployment compensation, workman's compensation, old-age and survivors insurance, follows the established State review procedure. In the California and Washington cases the Secretary of Labor attempted to destroy the State judicial review process in unemployment compensation cases and substitute for it his own judgment, or the judgment of one of his assistants, as to whether or not an individual was entitled to unemployment compensation benefits under State law. The Secretary of Labor can always withhold certification on the grounds that the State has failed "to substantially comply" and all that the Senate amendment does is to say that he cannot use a simple administrative benefit decision which had not even been appealed nor reviewed by the State administrator or State courts, as a basis for failing to certify the State law. I think every Member of the House should hear the position of the executive committee of the Conference of State Employment Security Agencies on this amendment. Their statement is as follows:

A State unemployment-compensation law to be approved and certified by the Secretary of Labor must contain certain provisions set out in the Federal act (1603 (a)). If in any later year the State law is changed so as not to contain these provisions or the State fails to substantially comply with these provisions in its administration, the Secretary will not approve and certify the law for that year (1603 (c)).

Such failure to certify means that the employers of the State are denied all credits against the Federal unemployment tax, and that the State agency is denied Federal administrative grants for administration of the State law.

In the light of the foregoing provisions the State group submits that it is the intent of the Congress that the State statute must contain federally required language and State administration must substantially comply with this required language in its regulations, interpretations, and decisions, etc. Thus a State is given some latitude and discretion is being required to only substantially comply. It was not intended that the State be compelled to follow the Secretary of Labor's interpretation of federally required provisions in every instance.

In the California and Washington conformity cases of December 1949 the Secretary acted contrary to the above interpretation and incidentally contrary to the practice of Federal administrative officials through 13 years of Federal-State relations. The Secretary disagreed with administrative benefit rulings which rulings denied benefits to certain members of the union engaged in the Pacific water-front strike of 1948. The Secretary ruled that these decisions changed

the State laws so they no longer contained the required provisions.

The State group submits that the application of the State laws in these instances was properly a matter of compliance and did not properly raise the question of whether the State law had been changed. The Secretary of Labor takes the position that a single benefit determination or single administrative interpretation can remove a required provision from a State law—thus putting him in a position to decertify it. In this manner he is completely circumventing a provision that a State need only substantially comply with the required provisions. If the Secretary is correct, then it is clear that the provision that the State can be decertified only if it fails to substantially comply is pure surplusage.

The State group does not believe that an administrative decision or interpretation can remove from the State law the provisions enacted by its legislature—nor can a State court through its decisions. However, the State agencies and courts can fail to comply with the Federal-required provisions as interpreted by the Secretary.

The State group does not believe, however, that the Secretary should be able to raise a compliance issue with a State unless and until the parties adversely affected by administrative action have pursued their judicial remedies as provided in the law of that State. If a party thinks that the administrator is wrong in his application of the State law, it is the function of a State court to first determine the issue. Only the high court of the State has the power to determine the meaning of the State law and whether the administrator is complying with it.

In furtherance of the State's position is the Federal-requirement section (303 (a) (3)) that a State must afford a fair hearing to contestants. In accordance with this requirement, States must provide administrative hearings to contestants and further provide a review to their courts.

The State group strongly feels that the action of the Secretary of Labor in the California and Washington cases was improper in his findings that (a) benefit decisions changed the law of the State so that they no longer contained the required provisions and (b) he had jurisdiction to take up the matter although the affected parties had failed to pursue their judicial remedies provided in the laws of the State and thus secure a judicial determination of what the State law meant.

The Knowland amendment is designed to correct the misinterpretation placed on the Federal statute by the Secretary of Labor. It provides, in effect, that only a State legislature can change the law of the State so that it no longer contains the required provision. The matters of benefit decisions, interpretations, etc., are clearly made matters of compliance in acccordance with the original intent of the Congress. Moreover, the Knowland amendment requires that the affected parties pursue their remedies as provided in the State laws (by reason of the fair-hearings requirement) before the Secretary is able to take jurisdiction.

In the event that State courts hand down decisions which in the estimate of the Secretary fails to substantially comply with the Federal-required language, he can proceed to decertify the law. Also, if a State legislature removed the required language, he may proceed to decertify the law.

The State group humbly submits that the Knowland amendment does not add or detract from the powers of the Secretary as properly constructed from existing Federal law. The Knowland amendment only clarifies the original congressional intent and assures observance by the Secretary.

PUBLIC ASSISTANCE

As in the case of the insurance provisions of H. R. 6000 the conference agreement represents a commendable adjustment between the House bill and the Senate amendments. The Senate version did not change the present matching formula under the public assistance programs because the philosophy of the Senate amendments is to make the insurance program dominant over the assistance programs. Having adopted the Senate amendment for the new start which will result in the paying of benefits to an additional 500,000 persons in the first year at a cost of approximately $200,000,000 the House conferees receded and concurred in the Senate provision maintaining the existing matching formula.

The change in the matching formula provided in the House bill was not satisfactory because it would have unfairly discriminated against those States which are doing their part in raising their assistance payments. The effect of the House provision would have been to reduce the incentive of the States to provide adequate payments for the aged, the blind and dependent children, and would have encouraged the use of this program for purely political purposes.

Although, however, the conference agreement makes no change in the Federal share of expenditures under the assistance programs, it does provide for a new title XIV making Federal grants-in-aid available to needy permanently and totally disabled individuals as was specifically recommended by the Republican minority. The Federal share of expenditures for this new category will be three-fourths of the first $20 of the State's average monthly payment plus one-half of the remainder within an individual maximum of $50 as in the case of old-age assistance. As pointed out in the statement of the managers on the part of the House it is contemplated that the State public assistance agencies will work closely with State rehabilitation agencies in developing policies to assure rehabilitation in all possible cases.

The conference agreement provides for increasing the authorization for annual appropriations for maternal and child health from $11,000,000 to an authorization of $15,000,000 for the fiscal year beginning July 1, 1950, and for each fiscal year thereafter $16,500,000. The conference agreement also provides for increasing the crippled-children program to $12,000,000 for the fiscal year beginning July 1, 1950, and $15,000,000 each year thereafter. These provisions of the conference agreement are a compromise of the provisions in the Senate amendment.

With respect to aid to dependent children the House bill provided for Federal participation to the extent of four-fifths of the first $15 of the State's average monthly payment per recipient, plus one-half of the next $6 of the average payment, plus one-third of the remainder of the average payment within the individual maximums of $27 for the relative with whom the children are living, $27 for the first child, and $18 for each additional child. The Senate amendment retained the present formula for determining the Federal percentage contributed toward assistance payments but increased the maximum with respect to individual payments to $30 for the relative with whom the children are living, $30 for the first child, and $20 for each additional child. Under existing law the Federal share is three-fourths of the first $12 of the average monthly payment per child, plus one-half of the remainder within individual maximums of $27 for the first child and $18 for each additional child in a family. The conference agreement retains existing law with respect to the maximums for children and the formula and provides a maximum of $27 with respect to the relative with whom the children are living.

I am particularly pleased with the provisions of the conference agreement providing additional incentives for the blind—a problem in which I have long been interested. The House bill provided that a State might disregard such amount of earned income up to $50 per month as the State vocational rehabilitation agency for the blind certifies will encourage and assist the blind to prepare for or engage in remunerative employment. It also provided that the State must take into consideration the special expenses arising from blindness and must disregard income or resources not predictable or actually available. The Senate amendment provided that prior to July 1, 1952, a State might disregard earned income up to $50 per month in the discretion of each State. After July 1, 1952, the State would be required to disregard earned income up to $50 per month. The conference agreement follows the Senate amendment.

I have attempted to show you that the conference agreement on this important legislation contains many provisions for strengthening and improving our social-security system. Republicans have played a major role in framing this legislation and urging its passage so that the meager benefits now being paid will be increased, the public assistance rolls reduced and at least some of the inequities of the existing law eliminated. It would be a most serious mistake if the existence in the conference report of only one or two minor provisions which may be objectionable to some should stand in the way of the final passage of this legislation.

Mr. DOUGHTON. Mr. Speaker, I yield the remainder of my time to the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Speaker, anyone may observe on page 123 of the statement on the part of the managers that I joined the other members of the conference committee in signing the conference report. I did so even though I had some concern about the Knowland amendment. I regretted the fact that we were unable to obtain a concession from the Senate conference managers on the provisions of our bill relating to insurance for the totally and permanently disabled.

I worked with my friend the gentleman from New York [Mr. LYNCH] as

diligently as I knew how in attempting to perfect language that, in my opinion, would be preferable to the Knowland amendment. I worked with the gentleman from Georgia [Mr. CAMP] as well as I knew how in an effort to obtain provisions for disability insurance under title II. I signed the conference report even though the first was left in and the other was left out.

Maybe my reasons for signing it might be helpful—at least, I offer them in the hope they may be helpful—to Members in making up their minds as to what action should be taken on this conference report. The conference report itself is a new bill.

The House passed a bill. The Senate struck everything after the enacting clause and wrote a new bill. The conference report itself is a third bill. It is very technical, detailed, and involved, as the gentleman from Georgia [Mr. CAMP] pointed out.

Your Ways and Means Committee worked all of last year on the subject; the Senate Finance Committee worked all this year on the subject. Everyone I know of who favors a liberalization of the Social Security Act is in favor of what is in this conference report, with the exception of the Knowland amendment.

There are some people who are not completely satisfied with the conference report, of course; some people wanted more than we could get, and others would have liked to see certain provisions omitted or changed. But as one conferee I want to tell you that it is my honest opinion that, if you send this conference report back to the conferees, with or without instructions, the entire subject may be reopened. So that, if we come back to you again, we will come back to you with the Knowland amendment; we will come back to you without total and permanent disability under title II; and we are more than likely to come back to you lacking some of the things that are in this bill that all of us favor.

The gentleman from New York [Mr. REED] has pointed out that there is a matter of time involved in this issue. We have got to do something. This bill must be signed by the President by the 26th of August if the benefits to some 3,000,000 people that are increased as the result of this amendment are to be paid for the month of September, which would be the 1st day in October. Certainly, we should not, in my opinion, reject the work of the conference committee because of our objection to one thing in it. I am just as opposed to this provision as any of you. We said in the statement of the House managers, if you will turn to page 122, that we considered the Knowland amendment to be nothing in the world but stop-gap legislation. The entire subject matter must be looked into. The Secretary of Labor will tell you, in my opinion, if you call him, that there needs to be some legislation in this area that the Knowland amendment seeks to improve.

Mr. JACOBS. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Indiana.

Mr. JACOBS. As I understand the Knowland amendment, it does not require litigation and interpretation of an original State statute to comply, but rather once the statute is enacted and it has been declared in compliance, there must be a determination of any interpretation under that statute; is that correct?

Mr. MILLS. It has to do with compliance under the State statute by the administrator of unemployment compensation within the State.

Mr. JACOBS. But not original compliance.

Mr. MILLS. The gentleman is thinking of conformity.

Mr. JACOBS. Yes.

Mr. MILLS. No; it has nothing to do with that. It has to do with compliance by the State administrator, with the State law, which is in conformity with Federal standards, supposedly.

I trust that the committee of conference may receive the approval of the House in this matter. I would hate to see this go back to conference. We have a lot of things to do that are very important in the closing days of this session between now and such time as we adjourn or leave here. We have a tax bill to write. These same men on the Committee on Ways and Means and the Finance Committee are busily engaged in attempting to prepare and bring to you this interim tax bill requested by the President. Our time will be pretty well taken up. If you send this report back to conference there is no telling when we can bring a new report back to you as a matter of time. Certainly, I think I am right in saying that we will not have anything better for your consideration than we have today.

Now, a subcommittee in our committee has been appointed to study unemployment insurance. The gentleman from Rhode Island [Mr. FORAND], one of the ablest Members of the House, is chairman of the subcommittee, charged with the responsibility of considering the entire field of unemployment compensation either this fall or next year and reporting back to the full committee such amendments as that subcommittee feels should be adopted to improve the unemployment compensation system. I know my good friend is opposed to the Knowland amendment. I know that one of the first acts of that subcommittee will be to prepare permanent legislation that will improve the situation and repeal the Knowland amendment.

Mr. FORAND. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Rhode Island.

Mr. FORAND. Will my good friend from Arkansas not admit that this will make our task so much more difficult?

Mr. MILLS. Yes, the task will be more difficult as the result of the Knowland amendment. We argued that in the conference. But, I think my friend from Rhode Island will admit that the conferees, the members of his own committee who served with the full committee, did just as good a job as they could do in the first instance, and I am trying to impress on you that we will not be able to do a better job if it is sent back for further conference with the Senate.

I am afraid, my friends, and I am deeply concerned about it, that if we send this conference report back we will come back to you with one that is not as good as we have. Your House conferees took every provision that the Senate adopted which liberalized Social Security; every one of them that was not already contained in the House bill.

We obtained as much out of the Senate as we are going to be able to get from them, even if we stay with them until Christmas. I certainly hope the conference report will not be recommitted, and that the House will accept the report in spite of the Knowland amendment, with assurances from the Committee on Ways and Means as contained in the report that there will be a study of the entire matter and that legislation can be prepared and will be prepared to correct the situation on a permanent basis.

Mr. REED of New York. Mr. Speaker, I yield 6½ minutes to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Speaker, there is one thing I trust I will never do as a Member of the House, and that is to have my position on any particular piece of legislation not clear to the Members or to my constituents. I hope that there will never be any question with regard to my purpose or motive behind any action that I might take.

Let me state that the gentleman from New York [Mr. LYNCH] was correct in his letter which he circulated among the membership this morning to the effect that there would be a motion to recommit, or an attempt at least on the part of the minority to offer such a motion, because, Mr. Speaker, it is my intention to seek recognition at the proper time to offer a motion to recommit, with instructions to the House conferees.

I have two purposes in doing so. Let me make this clear. No. 1 is to try to close out any attempt to remove the Knowland amendment from the conference report. No. 2 is to try to call attention to what, to me and to many people involved, is an inequity created in the bill by the conferees.

As to the first purpose, may I make it perfectly clear that I for one at least believe that the Knowland amendment is a sound addition to the unemployment compensation laws of this Nation. I for one have confidence in the integrity and honesty of our State governments and our State legislatures and also in our State administrators. I think it comes with somewhat poor grace for the majority leader and others to suggest that the State administrators and State legislatures are going to act in a capricious manner; that they are going to try to destroy the benefits of unemployment compensation to the workers in their States by twisting and turning the language of their various State laws. Let me remind the gentlemen that unemployment compensation laws originated in the States. Unemployment compensation systems are still State systems.

Oh, I know that great effort has been made by certain persons in the admin-

istration to eliminate completely State unemployment compensation laws and drag it all in here to Washington so that you would have one standard unemployment compensation law. They would eliminate, for instance, laws in the State of Wisconsin which give recognition to an experience-rating principle and which have worked for the good of both industry and labor. I know that is the objective of many. It has been a battle that has been waged for many years.

I have confidence, however, in the State administrations and I therefore want to do everything I can to close out any attempt to remove the Knowland amendment from this bill.

At this point, Mr. Speaker, I should also like to make clear that my opposition to the basic provisions of this legislation stems from the gross inequities I feel it contains. My analysis of those inequities is contained in a broadcast I made to my constituents on October 11, 1949, at the time the bill passed the House, and I include, at this point, a copy of the script of that broadcast:

YOUR WASHINGTON OFFICE

(Program for October 11, 1949)

Last week, the House passed the social-security-revision bill.

Briefly, the bill extends social-security coverage to 11,000,000 more persons, provides an average increase of 70 percent in present benefits, creates a new classification of totally and permanently disabled, credits World War II veterans with time in service, and increases the amount to be collected in future years in taxes upon employees and employers and self-employed persons.

This bill must, of course, pass the Senate before becoming law. According to the present plans of the administration, it will not be considered by the Senate this year but will be brought up in 1950. It is believed in Washington, however, that the Senate will pass substantially the same bill at that time.

On final passage of this bill in the House of Representatives, your Congressman found himself in an increasingly familiar position. I was 1 of 14 lonely Members who voted against the measure. The number of us who are opposing the grandiose proposals now being dished up in Congress appears to diminish each day. I am rapidly reaching the conclusion that I will soon become a minority of one if the present trend continues.

In any event, I am sure that you realize that my votes against this and other proposals have not been cast lightly nor without a good deal of study and investigation of all of the factors involved. In this case, I was a member of the committee which handled this bill. For the past 6 months, we have literally eaten, slept, and drank social-security revision. This continuous study convinced me that this bill is unsound, and I hope to tell you why during this visit to your Washington office tonight.

I cannot deny that there are some very meritorious provisions in the social-security revision bill which passed the House last week. The inclusion of some or many meritorious provisions in a bill, however, does not make that legislation sound. We must always balance the good with the bad, the safe with the dangerous, the sound with the unsound. If this is done with the new social-security bill, in my opinion, one is forced to conclude that the bad far outweighs the good.

Many of the reforms contained in the bill pertaining to the program of public assistance to the aged, the blind, dependent children, and permanently disabled are greatly needed and praiseworthy. My principal concern lies, however, in the field of old-age and survivors' insurance—the program which pays retirement benefits to the workers—and under the bill to self-employed persons and survivors' benefits to their families. That, after all, is the program with which the bill is primarily concerned. It is the program constantly referred to by its supporters as social insurance.

In my opinion, this program, under the new bill, is no longer social nor insurance. It fails in many major respects to do the very things that a liberal and effective social-security program should do.

Consider, first, the social aspects—its concern for the people who need or should have protection.

This bill does increase the benefits to be paid, but it must be thoroughly understood that it does not provide any retirement benefits for those who have not acquired insurance status. The bill extends coverage, but it does not provide any coverage for the great majority of today's older people. Only one-third of the 5,200,000 men over 65 today are insured under this program, and only one-fourth of the 5,500,000 women over 65 are either insured or are the wives or widows of insured men. This is true because only those who were fortunate enough to have remained at work for much of the time since the program actually started in 1937 could obtain the necessary calendars of covered employment. This bill does not correct that situation in any way. This program, advertised far and wide as a social program, offers nothing for today's needy aged.

Now, this fact is recognized sometimes by the supporters of old-age and survivors' insurance and is rationalized by the argument that this discrimination is justified because the program is an insurance program and those who receive the benefits have paid for those benefits. Let us be honest with ourselves and see whether this is true.

All actuaries, including those with the Social Security Administration, admit that those persons now on the insurance benefit rolls have not paid the costs of the benefits they are presently receiving. They agree further that those who will receive benefits during the next 30 years will not have paid for the true cost of the benefits that they will receive. They agree that a total tax of over 6 percent is necessary to finance the program. As long as the tax is under that rate, and it is presently 2 percent, the program cannot be called an insurance program.

In effect what is happening is that the present social-security taxes are paying for one-third the cost of the program; the other two-thirds represents a general pension, and it will be paid for, not by our generation, but by the next and the next. Most important since this is not an insurance program, being paid for by current taxes, it is difficult to see the justification for the continuation of the inequality of treatment to our present aged population and the absolute discrimination against two-thirds of that group.

We must remember, and remember well, that this program does not expire at some future date. There is no end to it. It runs into perpetuity. Yet we are now binding oncoming generations to pay untold billions of dollars, giving them absolutely no choice in the matter. We are binding, for instance, the taxpayers of 1990 to a minimum cost of $10,000,000,000 a year for this one program. We are obligating them, for instance, to provide a new program of disability insurance the cost and extent of which no living man can hazard a guess. We are making contracts today which we have no assurance that future Americans will be either willing or able to meet. Who among us, or among the geniuses at work in Washington today, can look 50 years ahead and predict our national income, our productivity, our cost of living, and our cost of other governmental services and say that we can safely assume this $10,000,000,000 obligation?

Last year, a Hoover Commission task force looked over our social-security set-up and found four basic faults with it. They were:

First, it leads to a constant demand for more benefits immediately to those persons who have been coverered only a short time. Unless everybody is covered, and this is far from realization, the effect is the creation of a specially privileged class.

Second, it enccurages the tendency to pass on to future generations the cost of free benefits and the deficits which result from charging less than the true cost of the program.

Third, it commits future generations by telling them what benefits they shall pay and under what conditions, despite the fact that there is no known way to predict the economic circumstances which might prevail at that time.

And, finally, it commits us to a large degree of control over the earnings of our people by requiring compulsory contributions, opening the way to a high degree of governmental control over the national economy.

None of these four major and basic defects have been remedied by the new bill; if anything, they have been made more serious. It is my considered opinion that we are creating a gigantic and monstrous system that has become so topheavy and loaded with inequities that it will fall of its own weight at some future date.

To find the remedy we must determine how we arrived at our present situation. What brought us to this present patchwork program?

In its original conception, this program was designed to secure employed workers, under an insurance program, against the hazards of old age. As such, it was a straight insurance program, requiring special taxes to pay for the cost of retirement benefits, and it was confined to those who feel more sharply the hazards of old age—industrial workers. As such, it was basically sound and met a real need in the growing complexity of modern industrial life.

But then the pressure groups began to work. The cry arose for increased coverage, more benefits, protection against new contingencies, and the postponement of the increased taxes necessary to maintain a sound insurance system. It was the old story of wanting more for nothing and putting off the inevitable day when the costs must be met. Since Congress is subject to pressures, since it controlled the basic program, and since it was easy to postpone the day of reckoning, these pressures were successful.

In 1939 Congress abandoned the concepts of the original system. The necessary reserve to meet future payments was eliminated; the increase in payroll taxes, supposed to reach 6 percent in 1948, was postponed; the benefit formula was changed so as to require relatively larger payments to those who had been covered only a short time; and, in addition to retirement benefits, benefits for survivors and dependents was introduced.

In this way, the original insurance concept was knocked high, wide, and handsome. For all practical purposes, a partially gratuitous program was established. Only half the cost of the program was being met out of contributions by the insured and their employers. But the pressure groups and the politicians were still not satisfied.

The pressure continues. Now the cry is for increased benefits, more coverage and more protection against new hazards. What started out as a simple insurance system has now been dumped smack into the political arena, and promises of more and bigger benefits to more and more people fill the air. Under this new bill, the direct result of such promises, we have reached the point where present social-security taxes will pay only one-third of the cost of the program. A beneficiary retiring after enactment of the new law will be receiving one-third insurance

and two-thirds gratuitous pension—thanks to the politicians and to the inability of future generations to protect themselves against this robbery.

Who can say what new pressures will shortly arise and what new concessions will be made as more and more people seek to be cut into this gigantic pie? Plainly, our trouble is that we are attempting to maintain the fiction of a contributory insurance system, because it sounds good, and to superimpose upon it a general pension system for everybody, because that brings in more votes.

The solution, it seems to me, is a complete overhaul of the present system upon a pay-as-we-go basis eliminating the present discriminations between segments of our population. As a prerequisite to this complete overhaul, we need a thoroughgoing and impartial examination and study of the whole field by qualified and nonpartisan experts who can devote their full time to a complete and unbiased survey. Strangely enough, this has never been done. Until it is done, however, and the groundwork for a sound, equitable, and workable program is laid, we shall continue to be plagued with the unfairnesses of the present system, and we shall continue to thrust our burdens onto the backs of our children and our children's children.

I am not submitting my motion to recommit on the basis of those general and basic defects of the legislation.

My second purpose is to try to call attention to just one of the inequities created by the conferees. I am under no illusion that this inequity will be corrected by my motion. I am under no illusion that my motion to recommit will carry. This inequity taken by itself may not satisfy Members from other States as a justification for recommitting the report. I do, however, want to use this means in order to call your attention to the inequity which exists and its particular reference to the State of Wisconsin.

As the bill passed the House, provision was made for the coverage under the old-age and survivors insurance system of public employees, employees of cities and municipalities, even though they may be also covered under a retirement plan within the State. As the bill comes from the Senate, if they belong to such a system they are prohibited from any coverage under the act.

Back in 1943, in the State of Wisconsin we adopted a State retirement fund, and we provided for a pension or annuity system for persons who were employed by cities, by States, and by local units of Government. We now have about 9,000 people in that system. At that time, in 1943, when the legislature passed that act, it provided that in the event provision is ever made for coverage under a national system, the two systems should be integrated. In other words, they foresaw and did in 1943 what most industries are doing today with the approval of their labor unions. They provided for a system of integration. This bill as it comes from conference absolutely prohibits integration, even though the State back in 1943 designed its law on that basis. During the conference a provision was agreed to by the conferees which would have taken care of this injustice, but then a flood of telegrams were sent out by some of the national organizations who objected to the original wording, and so the conferees changed their minds. They struck it out, even though an agreement was made and reached with all of these national organizations which met their objections completely.

As the bill now stands a public employee who does not belong to a retirement system is covered by the survivors insurance provisions of the bill. But if he belongs to a State or local retirement plan he is prohibited from being covered by the national plan.

For a more complete analysis I will include at this point a memoranda covering the effect of this situation upon public employees in Wisconsin:

As passed by the House, H. R. 6000 enabled persons under existing retirement systems for public employees to be included under the Federal old-age and survivors insurance system if: (a) The State legislature approved, (b) the employees covered agreed by a two-thirds vote at a referendum election. The Senate version of H. R. 6000 absolutely bars all persons under such existing retirement system from procuring the benefits of social security, and also excludes future incumbents in these positions. This Senate action disregarded the recommendation on this point made to the Senate Finance Committee by the advisory council on social security.

Since those under retirement systems in other States insist on being excluded, it is only natural for Congress to agree thereto. However, no harm whatsoever would be done to these employees throughout the country if this exclusion were modified so as not to be applicable to the Wisconsin retirement fund.

Wisconsin is the only State which has framed a retirement system for State, county, and municipal employees which has as its foundation complete integration with social security. This has been in the law establishing the Wisconsin retirement fund since it was first enacted in 1943. Therefore an amendment providing that such exclusion of existing systems would not be applicable where the law already provided for integration would affect only the Wisconsin retirement fund and no other system anywhere in the country. Such an amendment could read "unless the State or political subdivision by which such retirement system was established had in effect on January 1, 1950, a statute, ordinance, or other legislative act providing for making such retirement system supplementary to the insurance system established by this title."

In Wisconsin there is complete agreement in favor of such integration by (a) covered employees, (b) the legislature, (c) municipal governments. Under the Wisconsin law the integration becomes automatic when Congress authorizes. The existing system continues as a supplementary system so that upon retirement an employee would receive benefits from both systems.

The integration of the Wisconsin retirement fund with social security is essential for the following reasons:

1. Under the Senate version counties, cities, villages, etc., not under the existing system are eligible for inclusion under social security. These could then subsequently come under the Wisconsin retirement fund and procure dual coverage. This would undermine the basic Wisconsin plan because the 128 counties, cities, and villages now covered would be denied inclusion under social security, while the 462 other counties, cities, and villages could give their employees the full benefits of both the Wisconsin system and social security.

2. Permitting such integration would only treat the 30,000 State, county, and municipal employees under the Wisconsin retirement fund the same as the many persons in private employment who are both under social security and a supplementary system.

3. Many individuals who have worked in private employment most of their lives are now under the Wisconsin retirement fund, and will receive annuities entirely insufficient to support them because of the few years of public employment. Inclusion under social security is essential if they are to receive any consideration for many years of private employment and thus receive an adequate annuity.

4. The Wisconsin system provides no annuity for a widow and minor children when an employee dies before retirement.

5. The Wisconsin system makes no direct provision for surviving aged widows.

6. The monthly payments to the Wisconsin system would be reduced by the amount of the payments to social security, but the aggregate annuities from both systems would substantially exceed the annuity payable from the Wisconsin system only.

7. If the same benefits are provided under the Wisconsin system as would be available from integration with social security, the cost to the public employee and the taxpayer in Wisconsin would be materially raised. Thus these persons would have to underwrite social-security benefits to citizens generally, and then be compelled to pay a second time to provide the same benefits for themselves.

The SPEAKER. The time of the gentleman from Wisconsin [Mr. BYRNES] has expired.

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that all Members may have five legislative days in which to extend their remarks at this point on the conference report.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. EBERHARTER. Mr. Speaker, the so-called Knowland amendment is an attempt to destroy the uniform and fair administration of the Federal-State unemployment compensation system.

I am quite sure that if the House could adequately debate this amendment it would be overwhelmingly rejected.

SOCIAL SECURITY AND OLD-AGE PENSIONS

Mr. NOLAND. Mr. Speaker, the House today is enacting one of the most necessary pieces of legislation which has been before the Eighty-first Congress. The new social-security bill makes great strides in improving social security benefits for the millions of wage earners of this country.

One of the greatest improvements is the fact that 10,000,000 more workers are brought within the coverage of the provisions of this legislation. In addition, self-employed persons may now be eligible for social security benefits. Of course, this is with the exception of members of various professions who do not wish to be covered. The self-employed may pay a social security tax 1½ times that of the regular contribution, and thereby avail themselves of social-security benefits.

This bill also provides an increase in benefits up to 77 percent on the average. With this increase in benefits, social security will come much nearer meeting present needs of retired workers. Minimum benefits would be increased from $10 to $20 per month, and maximum benefits would be increased to $80 a month. In addition, the maximum family benefit payments have been increased from $85 a month to $150 a month.

A retired worker is entitled to 50 percent extra when his wife reaches 65. He is also entitled to 75 percent for his first child under 18 years, and an additional 50 percent for each additional child. A worker's widow receives 75 percent of the benefits her husband would have received.

Even with the passage of this increased social security legislation, the problem of old age security is still an extremely pressing one because of the millions of older citizens in our Nation who have never had an opportunity to work in social security-covered employment.

Recent studies show that those persons 65 or over number approximately 11,500,000 in 1950, and constitute about 7.7 percent of the population. Fewer than 20 percent of those now 65 and over are financially independent, and the pensions or charitable allowances are lower than the minimum amount set in official surveys needed to maintain them in good health.

The President of the United States has called a Nation-wide conference for this month on the problems of our aged citizens. As the Federal Social Security Administrator has said, "the nub of the problem is not so much that of adding years to life as that of adding life to years."

From my own experience during the many tours which I have made of the Seventh District, I have talked with great numbers of our elder citizens who are receiving very small sums under old-age assistance which are pitifully inadequate to keep them in any kind of good health and in decent living conditions. I discussed their problems with them and know of their difficulties first-hand.

Private pension plans, which are spreading at a rapid rate, are pointing the way to a universal old-age pension. Today pensions are provided for many of the large organized-labor groups, such as the miners, steel workers, and the automobile workers. Government officials and employees may obtain pensions on a contributory basis. A majority of the industrial pensions are noncontributory and are paid by the company concerned.

The miners' pension has been of great benefit to my own district in southern Indiana. The aged persons to whom I talked to do not begrudge this opportunity for independence and a decent living to the retired miners. As I told John L. Lewis, the miners' pension has been a wonderful thing to many of our Seventh District residents. However, the people are fully cognizant that they and their families are helping to provide these general pensions to the various segments of our national economy. Anyone today who buys coal, an automobile, or any steel product is providing his part of the pensions for the workers in those industries. Is it any wonder that the aged generally are interested in a good pension which will enable them to maintain a reasonable standard of living in which they can enjoy an independence in their later years?

I strongly feel that action should be taken to meet the needs of these older retired citizens who have never had an opportunity to be covered by social security. If it is possible for them to retire from their jobs without being subject to hunger and want, they will naturally make positions available for younger people. An old-age pension system would do a great deal to maintain a high national income and distribute purchasing power throughout the Nation.

There is only one real answer to this problem as I see it, and that is a Federal old-age pension to take the place of old-age assistance. It would reduce the administrative costs which derive from the case-worker system and would make these amounts available for payment of pensions. In addition, a Federal system would provide for uniform payments in all of the States and would remove the discrepancies whereby some States pay an average of $20 a month and others pay an average of $75 per month in old-age assistance.

It would also eliminate such objectionable features as the old age lien law in Indiana which tends to penalize the industry of those elder citizens who saved during their working years so that they can have a home at the time of retirement. Laws such as this discriminate unfairly against the persons who have been thrifty in the period of their earning power.

Certain Members of the House have recommended a program which would be extremely helpful to the elder citizens of our country. This plan provides $60 per month for every citizen 60 years or older who does not have an income sufficient to require the filing of a Federal income tax. Such a plan would be very easy to administer, would be easy to check, and would eliminate altogether the case workers which make the administrative costs of the present system so high. I am firmly in favor of a plan which will provide our elder citizens with a good living.

Our social-security system is a step in the right direction for those persons who have had an opportunity to work in covered employment, but it is up to us to continue to work to meet this problem of our aged citizens who do not come under the provisions of this law.

Mrs. WOODHOUSE. H. R. 6000 deals with improvements in the old-age and welfare programs of the social-security law. The Knowland amendment has no place in this bill. It was not in the House bill. It was opposed by the Senate committee, introduced on the floor, debated for 10 minutes with only 2½ minutes for the opponents. The House Ways and Means Committee has recently appointed a subcommittee to review the unemployment-compensation sections of the social-security law. If the Knowland amendment is to be considered that is where it should first be discussed. It should be deleted from H. R. 6000 now before us.

The Washington Post in an editorial July 16, 1950, quoted an opponent of this amendment as saying it would "destroy the Federal minimum requirements in the program which has been created by Federal legislation," and added, "as a matter of fact, that appears to be the real purpose of the Knowland amendment which is backed by various west-coast employers' associations." In brief, the Knowland amendment would enable a State unemployment compensation commissioner to use unemployment insurance as a device for undermining prevailing wage rates and for breaking strikes.

This is not fanciful thinking. In recent years two Western States have been forced by the Secretary of Labor to modify their rulings in regard to payments of unemployment insurance to members of a union other members of which were on strike. This action is, no doubt, the immediate factor behind the Knowland amendments. The Secretary has not used his power capriciously. Differences have been settled by negotiation between the State and Federal officials.

The Secretary acts under authority in the Social Security Act of 1935 and of the Internal Revenue Code.

The social-security law requires that every State in order to qualify for tax set-off—that is, a refund credit to employers of 90 percent of the Federal unemployment-compensation tax—should incorporate in its unemployment-insurance law the following:

> Compensation should not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions: (a) If the position as offered is vacant due directly to a strike, lock-out, or other labor dispute; (b) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (c) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization.

The Internal Revenue Code specifies procedure for approval and year-end certification or own certification of State laws as to their compliance with Federal law requirements. Paragraph (c), section 1063, now reads that any State which has changed its law so as not to be in compliance shall not be certified and therefore not eligible for credit against Federal insurance tax payments.

The Knowland amendment substitutes "amended its law" for "changed its law." "Changed" has been interpreted to include administrative rulings and practices at State levels which served to avoid the intent of Congress. "Amend" would require action by the State legislature.

Under the Knowland amendment the State law may be found to meet the Federal requirements. Thereafter, unless the State law has been amended by the legislature, there can be no finding by the Secretary of Labor that the State law does not conform to the conditions necessary to enable employers to secure credit against the Federal tax, until the highest court of the State has passed on the question. We all realize that interpretation of the State law by those administering it can result in important changes. Under the Knowland amendment an employee aggrieved by such administrative ruling would have to bring suit and the case carried to the highest State court before the Secretary of Labor could act to hold a State out

of compliance. This amendment reverses the accepted legal procedure whereby Federal administrative review operates before court action is initiated.

True, after the court decision the Secretary may proceed just as he would today. The court acts only on the interpretation of the State law. But meanwhile many months might well elapse and the administrative ruling would continue in effect.

Thus this amendment would make possible 51 different programs of unemployment insurance. It would destroy the nationally uniform Federal minimum requirements of the program which was created by Federal legislation. With our mobile labor such uniformity is essential to the successful working of the program.

The intent is obvious: To cause delay and by indirection to strike at labor through the unemployment compensation program which Congress established to aid labor and to help stabilize our entire economy. Striking at labor in this manner is striking at the stability of our whole industrial organization. Today we are all interdependent. No one group in our economy can be hurt without all suffering. Only the shortsighted endeavor, as via the Knowland amendment, to gain a temporary special advantage for it means a long-time general loss. The amendment should be deleted.

The House Committee on Ways and Means did an excellent job in incorporating in H. R. 6000 a system of permanent and total disability insurance benefits. It is unfortunate that our conferees permitted it to be struck out of the bill.

The old-age and survivor's insurance system does not cover the problem of those who become permanently disabled before they reach the normal age of retirement. There are some 2,000,000 such unfortunate persons in our country. Many of them have been in covered employment and have made substantial social-security payments. Yet there is no provision for them until retirement age and by then their benefits are reduced or even extinguished. Only about 5 percent of them come under State workmen's compensation laws. Victims of heart diesase, cancer, and other chronic ailments have no protection under social security.

The major retirement programs for Federal, State, and local government employees, railroad workers and private employers contain provision for premature retirement because of disability. The House bill sections providing protection in case of permanent disability should be returned to H. R. 6000.

Mr. BLATNIK. Mr. Speaker, the conference report on H. R. 6000 represents a definite defeat for the House. The House managers gave in to the Senate managers on almost every important point.

The first of the provisions on which our managers gave in is permanent and total disability insurance. H. R. 6000 as passed by the House had contained two provisions for the permanently disabled: Insurance and public assistance. Neither of these was enacted by the Senate. The Senate managers accepted public assistance for the disabled, but not insurance. In other words, a worker who becomes a permanent invalid at 45 must go on relief for 20 years before he can draw his old-age insurance benefits. The Senate let itself be talked out of providing invalidity insurance by the slick tongues of the insurance-company actuaries, who claimed it could not be administered without abuse. But we have been providing disability benefits as a part of our civil-service retirement system for years and no one has ever complained about any abuse. Permanent disability insurance has been provided for railroad workers, and no one claims it has not been successfully administered. The House should insist that workers who are totally disabled by sickness or accident before their time should be protected by insurance and not merely by relief.

The second important feature on which the House managers receded was the proposed increases in the Federal share of public assistance payments approved by the House. These increases were designed to help the poorer States, who recognize that their public assistance payments are inadequate, but can do nothing about it for lack of resources. Under the House provisions, payments to the aged and blind would have been increased about $5 a month in the Southeast, even though the States were unable to put up any more money. When it is realized that average monthly payments range from $19 to $23 in the South, the desperate need of the aged and the blind in these States for these increases needs no argument. Also, under the House provisions, the Federal share of payments to dependent children would have been increased. And more important, the widowed mother or other relative caring for the child would have received Federal assistance, where today she must live on the meager payments given her children. Throughout the country this would have resulted in an average increase per family of about $19, an increase of about 50 percent in the South. With prices rising and assistance already inadequate in many States, these increases are desperately needed. Again the House managers should be instructed to hold out for the increased public assistance payments the House voted.

Finally, the House conferees accepted a rider to the bill, the so-called Knowland amendment, that will undermine the security for the unemployed now backed up by the Federal provisions on unemployment insurance. This dishonest amendment, plausible on its face, would make it virtually impossible for the Federal Government to enforce the standards required by Congress in unemployment-insurance laws. This amendment was added by the Senate on the floor after the Senate Finance Committee had voted that morning to oppose it. Mysteriously, between 12 and 4 o'clock on the day the amendment was voted on, the majority of the Finance Committee switched their votes. It would be well worth investigating what caused that switch. Only 2½ minutes debate in opposition to the amendment was permitted and its proponents so misrepresented it that those who voted for it did not know what they were voting for. I am informed that the eminent senior Senator from Ohio, when he really looked at the amendment in conference, admitted that it was so ambiguously worded that he was willing to consider a substitute amendment. The House has had no opportunity to consider this amendment. There have been no hearings on it. It is poorly worded and thoroughly vicious. The House conferees should be instructed to reject it and let the newly created subcommittee of the Committee on Ways and Means give the matter the study it deserves.

Because of these three totally unsatisfactory decisions by the House conferees, the House should reject the conference report and instruct our managers to hold out for permanent and total disability insurance, and higher public-assistance payments, and reject the Knowland unemployment-insurance amendments.

REASONS BEHIND KNOWLAND AMENDMENT—WASHINGTON AND CALIFORNIA HEARINGS

Mr. CHRISTOPHER. Mr. Speaker, there is not any doubt that the Knowland amendment was prompted originally by the dissatisfaction of employers with the labor standards set by Congress in section 1603 (a) (5) of the Internal Revenue Code. These standards have been previously explained and require the law of the State to provide that compensation shall not be denied to individuals who refuse to accept new work vacant on account of a labor dispute or at working conditions substantially less than those prevailing or where a yellow-dog contract is made a condition of employment. If the law is interpreted in a manner inconsistent with these requirements to deny benefits in this area, the State finds itself in conflict with the congressional standards.

Decisions of the highest administrative authorities in both California and Washington involving the denial of benefits to several hundred workers were called into question by the Secretary of Labor in December 1949 because, after conferences with the State authorities, it appeared that these decisions conflicted with the standard relating to denial of benefits to those refusing new work vacant on account of a labor dispute. These decisions had all become final and there was no possibility of appealing them to the State courts.

Washington: In the construction industry the Washington agency denied benefits to 269 carpenters in Spokane who were unemployed before a strike involving their union caused vacant jobs in that area. The benefits were denied on the grounds that but for the strike these men would have been employed in the vacant jobs. The theory was that, since these workers, if and when employed, would be working as union carpenters under an area agreement for some contractor after referral to the job by the union agent, these circumstances made all work in the industry old work instead of new work. Hence the State

thought the prohibition respecting new work in the standards set by Congress should not apply. The same result was reached respecting workers previously employed in the maritime industry and who were on the beach at the time of the 1948 west coast maritime strike.

Because such a construction was contrary to the clear intent of Congress and because any work for completely unemployed workers is new work to them, the Secretary of Labor, after a notice and a hearing found this provision of the Washington law was in conflict with the standard of the Internal Revenue Code. The Washington agency then reversed its position and the commissioner stated that henceforward the Washington law meant the same thing as the Federal law. Thereafter the State was certified for tax-credit purposes.

California: Unemployed seamen who were on the beach at the time of the west coast maritime strike of 1948 were held by the California Appeals Board not to be entitled to benefits even though their separation from previous employment had nothing to do with the labor dispute. Here, again, the conclusion was that men in this category would have been employed in due course in the vacant jobs if the strike had not happened because they would have been referred to work by the union agent at the hiring hall under the collective agreement. The appeals board concluded that work in the industry was their work rather than new work for these men. Consequently, no effort was made to meet the standards set by Congress.

Hearings were called by the Secretary of Labor under the Internal Revenue Code—only after conferences with the Appeals Board and its staff—on the same basis as in the case of Washington. During the hearings the California Department of Employment discovered for the first time that all of the workers under these decisions actually had been employed at the time of the strike and actually left work on account of the strike. Thereupon the Appeals Board explained that its decision was moot on the point of conflict, was not a precedent, and did not express the California law. The hearing was terminated, the questions raised were considered to have been satisfactorily explained, and California was never out of line with congressional standards at any time. Certification for tax credit purposes followed on December 31, 1949.

EFFORT TO RIP OUT LABOR STANDARDS

Looking at these Washington and California hearings, there is no question concerning the appropriateness of the action taken. There appeared at the outset a denial of benefits contrary to Federal law. The decisions had become final and there was no opportunity for the courts to consider the matter. If such an appeal had been taken, no question would, of course, have been raised until after the courts had spoken.

The issues were discussed in detail with the appropriate State officials, who, as the record of the subsequent hearings shows, completely and emphatically confirmed the decisions as expressing the state of the law in the two jurisdictions. The evidence seemed clear that for every purpose at that time the law of the State was contained in the decisions of the Commissioner of Washington and the California Appeals Board.

It was only after having taken these prior steps that the hearings were called, and even then the State of California was, on the basis of further information, found never to have deviated from the congressional standard. These hearings were held in the manner required by the Federal Administrative Procedure Act and were entirely appropriate in this respect.

As an aftermath of these hearings the Pacific American Shipowners Association, the San Francisco Waterfront Employers Association, and the California chapter of the Council of State Governments sponsored the Knowland amendment primarily to prevent action under the labor standards set by Congress. These standards had been set by Congress to insure benefits to workers who refuse to take struck work. The above-mentioned groups wish to have benefits denied in cases where workers refuse to accept jobs as strikebreakers.

Mr. RHODES. Mr. Speaker, I am not surprised that this conference report does not contain the House provision to extend social-security benefits to disabled persons. I am sure that it is not because a person is less needy when he becomes disabled than one who reaches age 65. When a person becomes disabled he is likely to be in far greater need, especially if he is the head of a family.

I rather think it is because many Members of the House and Senate are opposed to the very principle of social security. I realize the pressure that has come from powerful financial interests which have fought social security from its inception. It has been labeled welfare-state legislation which would undermine and destroy our way of life and turn the people into helpless slaves.

In fact social security is the very heart and the very core of the so-called welfare-state program. Nevertheless it is popular with the people of the Nation despite its false labels and the scare propaganda which has been spread to discredit it.

Today nothing can illustrate its popularity better than the record vote on this legislation in the Eighty-first Congress. The most bitter opponents of this so-called welfare-state legislation are now on the band wagon. They still prattle about the welfare state, they still spread false fears, but when the chips are down and when the showdown comes they vote for this far-reaching welfare-state legislation.

But while our fair-weather friends are riding the bandwagon they don't hesitate to throw the monkey-wrench around. That is why we have the Knowland amendment. It has no place in this bill. The real purpose is to use the popularity of social security to undermine our unemployment insurance system. It seems to me that the supporters of the Knowland amendment are not in sympathy with either social security or unemployment insurance.

I believe this bill should be sent back to the conference committee.

INCREASED SOCIAL-SECURITY BENEFITS

Mr. WOLVERTON. Mr. Speaker, it is with pleasure that I give my support to the conference report amending the Social Security Act. It is regrettable, however, that the so-called Knowland amendment was included. This, in my opinion, should not have been done. It was fought by the friends of labor and justifiably so. However, in other respects the amendments provide an improved social security law that will prove highly beneficial to workers.

The original Social Security Act was adopted in 1935. I voted for the bill at that time because it seemed the best that could be gotten. I realized from the beginning that the benefits were greatly inadequate to provide the kind of security that the workers would need and was entitled to have in his or her retirement. Through the years that have intervened I have time and again spoken of this inadequacy and urged enactment of legislation that would deal more generously with retired workers and the handicapped who came within its provisions. At last an improvement has come. My support of the first bill was given upon the basis that it was at least a start in the right direction although inadequate in its provisions. The present bill, although it does not in all particulars go as far as I would like, yet it does go far beyond the original law and can be looked upon as a great achievement. The law does not begin to approach what it should be. As the experience of the past has led to this present improvement, so, with confidence, we can expect the future will bring additional benefits, and, cover an increasing number of workers in occupations not now included within its provisions. I look forward to that day and trust it will not be long delayed.

The conference report, presented by Chairman DOUGHTON, deals primarily with four main programs, as follows:

First, the Federal old-age and survivors insurance program.

Second, Federal grants to the States for public assistance to needy persons.

Third, Federal grants to the States for maternal and child health, crippled children, and child-welfare service.

Fourth, the Federal provisions relating to State unemployment insurance systems.

FEDERAL OLD-AGE AND SURVIVORS INSURANCE

With respect to Federal old-age and survivors insurance the conference report extends coverage to about 10,000,000 additional persons. Included in this group are nearly 5,000,000 self-employed persons; about 1,000,000 domestic employees; 850,000 regularly employed farm workers; 1,500,000 employees of State and local governments not covered under any retirement plan; 600,000 employees of nonprofit organizations; 400,000 persons employed in Puerto Rico and the Virgin Islands; and about 200,000 Federal civilian employees not covered under a retirement system. The conference report therefore takes a long step toward the goal of universal coverage under the insurance system of all persons who work for a living.

Benefits are liberalized very substantially in the conference agreement. For those persons who have already retired and for widows and orphans already on the rolls the average increase in benefits will be about 77½ percent. For future beneficiaries the increase in benefits will be more than doubled. The conference report therefore is a major contribution toward making the benefits of the insurance program more adequate.

The conference report greatly liberalized the eligibility for insurance benefits so that many persons now 65 or over will be able to draw retirement benefits immediately, and many persons close to 65 will be able to qualify for insurance benefits much more quickly.

The conference report provides for the payment of benefits on a more liberal basis to the surviving children of married women. Benefits for dependent husbands of deceased or retired women workers are added to the law.

The conference report provides for a lump-sum payment to be made at the death of every insurance worker. This should help very materially in making it possible for the family of the deceased worker to pay the medical bills and funeral expenses of the deceased person.

The most important provision in the conference report is the provision for the revision of the retirement test under which a beneficiary may earn in covered employment without loss of benefits $50 a month instead of $14.99, and also receive full benefits at age 75 regardless of the amount of earnings.

The conference report provides for giving World War II veterans wage credits under the insurance system of $160 per month for the time spent in service.

The conference report provides that the benefit increases for persons now on the benefit rolls will be effective for the month of September 1950. The effective date for new coverage provisions is January 1, 1951.

PUBLIC ASSISTANCE

The conference report provides for increasing Federal funds to the States for public assistance. On a full-year basis it is estimated that the conference report will provide an additional one hundred and fifty to two hundred million dollars Federal aid to the States annually for public-assistance purposes.

The conference report provides for the establishment of a new category of Federal grants to the States of assistance to needy permanently and totally disabled persons.

Provision is also made for increasing the Federal share of expenditures for aid to dependent children by including one adult relative in a family as a recipient for Federal matching purposes.

The conference report authorizes Federal grants to the States for direct payments to doctors, hospitals, and other persons or institutions furnishing medical care. Provision is also made for the Federal Government sharing the cost of assistance to needy aged and blind persons in public medical institutions.

The conference report makes a number of amendments to the blind assistance program. The existing law is amended to disregard earned income up to $50 per month of recipients of aid to the blind.

MATERNAL AND CHILD HEALTH, CRIPPLED CHILDREN, AND CHILD WELFARE

The conference report provides for an increase of $19,500,000 a year for maternal and child health and child-welfare services. These additional amounts should help crippled children particularly and also help the States to meet the problem of delinquent children.

CONCLUSION

This is but a brief summary of the new social-security law, but it is sufficient to justify my statement that the enactment of this legislation will constitute a great advance in our social-security system. It has been a real pleasure to have had a part, first in establishing a social-security policy for our Nation, and, second, to have had a part in providing the improvements to the act that this legislation makes possible.

The SPEAKER. All time has expired.

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

Mr. BYRNES of Wisconsin. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the conference report?

Mr. BYRNES of Wisconsin. I am, Mr. Speaker.

The SPEAKER. The gentleman qualifies. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. BYRNES of Wisconsin moves to recommit the conference report on H. R. 6000 to the committee of conference with instructions to the managers on the part of the House to incorporate in the conference report the following provision:

On page 44, paragraph (d) of section 106 of the conference report, strike out the period following the word "group" and add the following: "Unless the State statute by which such retirement system was established contained a specific provision in effect on January 1, 1950, requiring that whenever any employee becomes subject to the old-age and survivors insurance benefit provisions of Federal law any contribution shall be reduced by the amount of the contribution made by such employee pursuant to such provisions of Federal law."

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the motion to recommit.

Mr. LYNCH. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. LYNCH. As I understand the situation, the gentleman from Wisconsin [Mr. BYRNES] having made a motion to recommit, and the previous question being put, if the motion for the previous question is voted down, an amendment could be offered to the motion to recommit? Is my understanding correct?

The SPEAKER. If the motion for the previous question is not adopted, an amendment to the motion would be in order.

The question is on ordering the previous question.

The question was taken; and on a division (demanded by Mr. LYNCH) there were—ayes 121, noes 106.

Mr. LYNCH. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken, and there were—yeas, 188, nays 186, answering "present" 1, not voting 55, as follows:

[Roll No. 241]

YEAS—188

Abbitt	Hall,	Murray, Tenn.
Abernethy	Leonard W.	Nelson
Allen, Calif.	Halleck	Nicholson
Allen, Ill.	Hand	Nixon
Andersen,	Harden	Norblad
H. Carl	Hardy	Norrell
Anderson, Calif.	Harris	O'Hara, Minn.
Andrews	Harrison	O'Konski
Arends	Harvey	Pace
Auchincloss	Hays, Ark.	Passman
Bates, Mass.	Herlong	Patterson
Battle	Herter	Phillips, Calif.
Bennett, Fla.	Heselton	Plumley
Bentsen	Hill	Poage
Bolton, Ohio	Hobbs	Poulson
Bonner	Hoffman, Ill.	Preston
Boykin	Hoffman, Mich.	Rankin
Bramblett	Holmes	Reed, Ill.
Brown, Ga.	Hope	Reed, N. Y.
Brown, Ohio	Horan	Rees
Bryson	Jackson, Calif.	Rich
Burleson	Jacobs	Richards
Burton	James	Riehlman
Byrnes, Wis.	Jenison	Rivers
Camp	Jenkins	Robeson
Carlyle	Jennings	Rogers, Fla.
Case, S. Dak.	Jensen	Rogers, Mass.
Chatham	Jonas	Sadlak
Chiperfield	Jones, Mo.	St. George
Clevenger	Jones N. C.	Sanborn
Cole, Kans.	Judd	Scott, Hardie
Colmer	Kean	Scrivner
Cooley	Kearney	Scudder
Cotton	Kearns	Shafer
Coudert	Keating	Sheppard
Cox	Kerr	Simpson, Ill.
Crawford	Kilburn	Simpson, Pa.
Curtis	Kilday	Smathers
Dague	Kunkel	Smith, Va.
Davis, Ga.	Lanham	Smith, Wis.
Davis, Tenn.	LeCompte	Stanley
Davis, Wis.	LeFevre	Stockman
Deane	Lichtenwalter	Taber
Dolliver	Lodge	Taylor
Dondero	Lovre	Teague
Doughton	Lucas	Thompson
Ellsworth	McConnell	Thornberry
Elston	McCulloch	Towe
Fellows	McDonough	Velde
Fenton	McGregor	Vorys
Fisher	McMillan, S. C.	Vursell
Ford	Mack, Wash.	Wadsworth
Fugate	Macy	Weichel
Gamble	Mahon	Wheeler
Gary	Martin, Iowa	Whitten
Gathings	Martin, Mass.	Whittington
Gavin	Merrow	Widnall
Goodwin	Meyer	Wigglesworth
Gossett	Michener	Wilson, Ind.
Graham	Miller, Md.	Wilson, Tex.
Grant	Miller, Nebr.	Wood
Gwinn	Mills	Woodruff
Hale	Monroney	
	Morton	

NAYS—186

Addonizio	Buckley, N. Y.	Denton
Albert	Burdick	Dollinger
Allen, La.	Burke	Donohue
Angell	Burnside	Douglas
Aspinall	Byrne, N. Y.	Doyle
Bailey	Canfield	Eberharter
Baring	Cannon	Elliott
Barrett, Pa.	Carnahan	Engle, Calif.
Bates, Ky.	Case, N. J.	Evins
Beall	Cavalcante	Fallon
Beckworth	Chelf	Feighan
Bennett, Mich.	Chesney	Fernandez
Biemiller	Christopher	Flood
Bishop	Chudoff	Fogarty
Blatnik	Clemente	Forand
Boggs, La.	Combs	Frazier
Bolling	Cooper	Fulton
Bolton, Md.	Corbett	Furcolo
Bosone	Crook	Garmatz
Brooks	Crosser	Gilmer
Buchanan	Davenport	Golden
Buckley, Ill.	Delaney	Gordon

Gorski
Granahan
Granger
Green
Gross
Hagen
Hart
Havenner
Hays, Ohio
Hébert
Hedrick
Heffernan
Heller
Holifield
Howell
Huber
Hull
Irving
Jackson, Wash.
Javits
Jones, Ala.
Karst
Karsten
Kee
Kelley, Pa.
Kelly, N. Y.
Kennedy
Keogh
King
Kirwan
Klein
Kruse
Lane
Larcade
Lind
Linehan
Lynch
McCarthy
McCormack
McGrath
McGuire
McKinnon
McSweeney
Mack, Ill.
Madden
Magee
Mansfield
Marcantonio
Marsalis
Marshall
Miles
Miller, Calif.
Mitchell
Morgan
Morris
Moulder
Multer
Murdock
Murphy
Noland
Norton
O'Brien, Ill.
O'Brien, Mich.
O'Hara, Ill.
O'Neill
O'Sullivan
O'Toole
Patman
Patten
Perkins
Peterson
Pfeifer, Joseph L.
Philbin
Phillips, Tenn.
Polk
Powell
Price
Priest
Rabaut
Rains
Ramsay
Rhodes
Ribicoff
Rodino
Rooney
Roosevelt
Sabath
Sasscer
Saylor
Secrest
Shelley
Sikes
Sims
Spence
Staggers
Stigler
Sullivan
Sutton
Tackett
Tauriello
Thomas
Tollefson
Trimble
Underwood
Van Zandt
Wagner
Walter
Welch
Whitaker
White, Calif.
Wickersham
Wier
Willis
Wilson, Okla.
Withrow
Wolverton
Woodhouse
Yates
Young
Zablocki

ANSWERING "PRESENT"—1

Cunningham

NOT VOTING—55

Andresen, August H.
Barden
Barrett, Wyo.
Blackney
Boggs, Del.
Breen
Brehm
Bulwinkle
Carroll
Celler
Cole, N. Y.
Davies, N. Y.
Dawson
DeGraffenried
D'Ewart
Dingell
Durham
Eaton
Engel, Mich.
Gillette
Gore
Gregory
Hall, Edwin Arthur
Hare
Hinshaw
Hoeven
Johnson
Keefe
Latham
Lyle
McMillen, Ill.
Mason
Morrison
Murray, Wis.
Pfeiffer, William L.
Pickett
Potter
Quinn
Redden
Regan
Sadowski
Scott, Hugh D., Jr.
Short
Smith, Kans.
Smith, Ohio
Steed
Stefan
Talle
Vinson
Walsh
Werdel
White, Idaho
Williams
Winstead
Wolcott

So the previous question was ordered.

The Clerk announced the following pairs:

On this vote:

Mr. Williams for, with Mr. Carroll against.

Mr. William L. Pfeiffer for, with Mr. Quinn against.

Mr. Smith of Ohio for, with Mr. Cunningham against.

Mr. Eaton for, with Mr. Dingell against.

Mr. Hoeven for, with Mr. Celler against.

Mr. Latham for, with Mr. Breen against.

Mr. Short for, with Mr. Morrison against.

Mr. Smith of Kansas for, with Mr. Walsh against.

Mr. Cole of New York for, with Mr. Gregory against.

Mr. McMillen of Illinois for, with Mr. Engel of Michigan against.

Until further notice:

Mr. Sadowski with Mr. Boggs of Delaware.

Mr. Bulwinkle with Mr. August H. Andresen.

Mr. Barden with Mr. Nelson.

Mr. Pickett with Mr. Mason.

Mr. Steed with Mr. Brehm.

Mr. Lyle with Mr. Barrett of Wyoming.

Mr. Davies of New York with Mr. D'Ewart.

Mr. Winstead with Mr. Edwin Arthur Hall.

Mr. Hare with Mr. Hinshaw.

Mr. Redden with Mr. Talle.

Mr. Regan with Mr. Potter.

Mr. Gore with Mr. Hugh D. Scott, Jr.

Mr. DeGraffenreid with Mr. Johnson.

Mr. Durham with Mr. Stefan.

Mr. Vinson with Mr. Werdel.

Mr. White of Idaho with Mr. Blackney.

Mr. Dawson with Mr. Wolcott.

Mr. Bulwinkle with Mr. Keefe.

Mr. MAHON changed his vote from "nay" to "yea."

Mr. CUNNINGHAM. Mr. Speaker, I have a live pair with the gentleman from Ohio, Mr. SMITH. I voted "nay." If the gentleman from Ohio were present, he would have voted "yea." I therefore withdraw by vote and answer "present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on agreeing on the motion to recommit.

Mr. KEATING. On that, Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were refused.

The motion to recommit was rejected.

The SPEAKER. The question is on agreeing to the conference report.

Mr. DOUGHTON. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 374, nays 1, not voting 55, as follows:

[Roll No. 242]

YEAS—374

Abbitt
Abernethy
Addonizio
Albert
Allen, Calif.
Allen, Ill.
Allen, La.
Andersen, H. Carl
Anderson, Calif.
Andrews
Angell
Arends
Aspinall
Auchincloss
Bailey
Baring
Barrett, Pa.
Bates, Ky.
Bates, Mass.
Battle
Beall
Beckworth
Bennett, Fla.
Bennett, Mich.
Bentsen
Biemiller
Bishop
Blatnik
Boggs, La.
Bolling
Bolton, Md.
Bolton, Ohio
Bonner
Bosone
Boykin
Bramblett
Brooks
Brown, Ga.
Brown, Ohio
Bryson
Buchanan
Buckley, Ill.
Buckley, N. Y.
Burdick
Burke
Burleson
Burnside
Burton
Byrne, N. Y.
Camp
Canfield
Cannon
Carlyle
Carnahan
Case, N. J.
Case, S. Dak.
Cavalcante
Celler
Chatham
Chelf
Chesney
Chiperfield
Christopher
Chudoff
Clemente
Clevenger
Cole, Kans.
Colmer
Combs
Cooley
Cooper
Corbett
Cotton
Coudert
Cox
Crawford
Crook
Crosser
Cunningham
Curtis
Dague
Davenport
Davis, Ga.
Davis, Tenn.
Davis, Wis.
Deane
Delaney
Denton
Dollinger
Dolliver
Dondero
Donohue
Doughton
Douglas
Doyle
Eberharter
Elliott
Ellsworth
Elston
Engle, Calif.
Evins
Fallon
Feighan
Fellows
Fenton
Fernandez
Fisher
Flood
Fogarty
Forand
Ford
Frazier
Fugate
Fulton
Furcolo
Gamble
Garmatz
Gary
Gathings
Gavin
Gilmer
Golden
Goodwin
Gordon
Gorski
Gossett
Graham
Granahan
Granger
Grant
Green
Gross
Guill
Gwinn
Hagen
Hale
Hall, Leonard W.
Halleck
Hand
Harden
Hardy
Harris
Harrison
Hart
Harvey
Havenner
Hays, Ark.
Hays, Ohio
Hébert
Hedrick
Heffernan
Heller
Herlong
Herter
Heselton
Hill
Hobbs
Hoffman, Ill.
Hoffman, Mich.
Holifield
Holmes
Hope
Horan
Howell
Huber
Hull
Irving
Jackson, Calif.
Jackson, Wash.
Jacobs
James
Javits
Jenison
Jenkins
Jennings
Jensen
Jonas
Jones, Ala.
Jones, Mo.
Jones, N. C.
Judd
Karst
Karsten
Kean
Kearney
Kearns
Keating
Kee
Kelley, Pa.
Kelly, N. Y.
Kennedy
Keogh
Kerr
Kilburn
Kilday
King
Kirwan
Klein
Kruse
Kunkel
Lane
Lanham
Larcade
LeCompte
LeFevre
Lichtenwalter
Lind
Linehan
Lodge
Lovre
Lucas
Lynch
McCarthy
McConnell
McCormack
McCulloch
McDonough
McGrath
McGregor
McGuire
McKinnon
McMillan, S. C.
McSweeney
Mack, Ill.
Mack, Wash.
Macy
Madden
Magee
Mahon
Mansfield
Marcantonio
Marsalis
Marshall
Martin, Iowa
Martin, Mass.
Merrow
Meyer
Michener
Miles
Miller, Calif.
Miller, Md.
Miller, Nebr.
Mills
Mitchell
Monroney
Morgan
Morris
Morton
Moulder
Multer
Murdock
Murphy
Murray, Tenn.
Nelson
Nicholson
Nixon
Noland
Norblad
Norrell
Norton
O'Brien, Ill.
O'Brien, Mich.
O'Hara, Ill.
O'Hara, Minn.
O'Konski
O'Neill
O'Sullivan
O'Toole
Pace
Passman
Patman
Patten
Patterson
Perkins
Peterson
Pfeifer, Joseph L.
Philbin
Phillips, Calif.
Phillips, Tenn.
Plumley
Poage
Polk
Poulson
Powell
Preston
Price
Priest
Rabaut
Rains
Ramsay
Rankin
Reed, Ill.
Reed, N. Y.
Rees
Rhodes
Ribicoff
Rich
Richards
Riehlman
Rivers
Robeson
Rodino
Rogers, Fla.
Rogers, Mass.
Rooney
Roosevelt
Sabath
Sadlak
St. George
Sasscer
Saylor
Scott, Hardie
Scrivner
Scudder
Secrest
Shafer
Shelley
Sheppard
Sikes
Simpson, Ill.
Simpson, Pa.
Sims
Smathers
Smith, Va.
Smith, Wis.
Spence
Staggers
Stanley
Stigler
Stockman
Sullivan
Sutton
Taber
Tackett
Tauriello
Taylor
Teague
Thomas
Thompson
Thornberry
Tollefson
Towe
Trimble
Underwood
Van Zandt
Velde
Vorys
Vursell
Wadsworth
Wagner
Walter
Welchel
Welch
Wheeler
Whitaker
White, Calif.
Whitten
Whittington
Wickersham
Widnall
Wier
Wigglesworth
Willis
Wilson, Ind.
Wilson, Okla.
Wilson, Tex.
Withrow
Wolverton
Wood
Woodhouse
Woodruff
Yates
Young
Zablocki

NAYS—1

Byrnes, Wis.

NOT VOTING—55

Andresen, August H.
Barden
Barrett, Wyo.
Blackney
Boggs, Del.
Breen
Brehm
Bulwinkle
Carroll
Cole, N. Y.
Davies, N. Y.
Dawson
DeGraffenried
D'Ewart
Dingell
Durham
Eaton
Engel, Mich.
Gillette
Gore
Gregory
Hall, Edwin Arthur
Hare
Hinshaw
Hoeven
Johnson
Keefe
Latham
Lyle
McMillen, Ill.
Mason
Morrison
Murray, Wis.
Pfeiffer, William L.
Pickett
Potter
Quinn
Redden
Regan
Sadowski
Sanborn
Scott, Hugh D., Jr.
Short
Smith, Kans.
Smith, Ohio
Steed
Stefan
Talle
Vinson
Walsh
Werdel
White, Idaho
Williams
Winstead
Wolcott

So the conference report was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. August H. Andresen for, with Mr. Mason against.

Mr. Brehm for, with Mr. Smith of Ohio against.

Until further notice:

Mr. Carroll with Mr. D'Ewart.
Mr. Dingell with Mr. Keefe.
Mr. Pickett with Mr. William L. Pfeiffer.
Mr. Morrison with Mr. Cole of New York.
Mr. Williams with Mr. Talle.
Mr. deGraffenried with Mr. Stefan.
Mr. Breen with Mr. Hoeven.
Mr. Gregory with Mr. Johnson.
Mr. Quinn with Mr. Gillette.
Mr. Redden with Mr. Boggs of Delaware.
Mr. Gore with Mr. Barrett of Wyoming.
Mr. Hare with Mr. Latham.
Mr. Barden with Mr. Smith of Kansas.
Mr. Davies of New York with Mr. Murray of Wisconsin.
Mr. Winstead with Mr. Potter.
Mr. Steed with Mr. Blackney.
Mr. Dawson with Mr. Engel of Michigan.
Mr. Lyle with Mr. Edwin Arthur Hall.
Mr. Sadowski with Mr. Eaton.
Mr. Durham with Mr. Hugh D. Scott, Jr.
Mr. Vinson with Mr. Short.
Mr. Walsh with Mr. Hinshaw.
Mr. Eulwinkle with Mr. Wolcott.
Mr. White of Idaho with Mr. Werdel.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

MESSAGE FROM THE HOUSE

The message further announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child-welfare provisions of the Social Security Act, and for other purposes.

SOCIAL SECURITY ACT AMENDMENT OF 1950—CONFERENCE REPORT

Mr. GEORGE obtained the floor.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. MAYBANK. I wonder whether the Senator desires that I suggest the absence of a quorum. I shall abide by the wishes of the Senator from Georgia.

Mr. GEORGE. I do not believe it is necessary to call a quorum, inasmuch as it may take some time to develop one. I hope the Senator will withhold his suggestion.

Mr. MAYBANK. Mr. President, I withhold my suggestion of the absence of a quorum.

Mr. GEORGE. Mr. President, I submit the conference report on House bill 6000, Social Security Act amendment of 1950, and I ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The report was read.

(For conference report, see House proceedings of August 16, 1950, pp. 12610–12645.)

The PRESIDING OFFICER. Is there objection to the consideration of the report?

There being no objection, the Senate proceeded to consider the report.

The PRESIDING OFFICER. The question is on agreeing to the report.

Mr. GEORGE. Mr. President, it is most gratifying to be able to report that the conference agreement on H. R. 6000 incorporates the principal provisions of the bill as passed by the Senate. Thus, the objective of having the contributory social-security system become the major method of providing protection against the economic hazards of old age and premature death should soon become an accomplished fact. I believe we may now look forward to a reversal of the trend of continually increasing expenditures from general revenues for the aged and for children who are dependent because of death of the family breadwinner.

Currently there are about 3,000,000 beneficiaries of old-age and survivors insurance. Under the conference agreement it is estimated that within a year this number will exceed 4,250,000. By 1960 the beneficiaries will number more than 7,000,000. Benefit payments for retired workers now averaging $26 per month will in a few years exceed an average of $50. In providing for these liberalizations, the Conference Committee was not unmindful of the increase in costs to the system.

Mr. WHERRY. Mr. President, I was about to ask the Senator a question, but one of my colleagues has just given me information which may answer the question. I wondered if the Senator from Georgia did not think it necessary to have a quorum called. I would suggest to the able Senator that Senators on this side of the aisle are most interested in the report, not that they are opposed to the report, but they would like to hear the Senator's explanation, and if he would permit a quorum call, I should like to get Senators to the floor if possible.

Mr. GEORGE. I have no objection. It would merely delay action. The distinguished Senator from South Carolina [Mr. MAYBANK] offered to call a quorum, but I suggested it would merely result in delay.

Mr. WHERRY. Mr. President, I will not delay action on the report. Several Senators have said they would like to be here when the conference report was laid before the Senate.

Mr. GEORGE. If the Senator feels he should call a quorum on that account, I yield for that purpose.

Mr. WHERRY. I do not think I would want to have it on that basis, because it is not because Senators oppose the report, but they wanted to get the information the Senator would impart in his remarks. I shall not call for a quorum at this time.

Mr. GEORGE. Mr. President, the tax schedule in the conference agreement is designed to make the program self-supporting so as to avoid the necessity for appropriating funds to the system out of general revenues.

I shall summarize very briefly the major provisions of the conference agreement that differ from those contained in the bill as passed by the Senate.

OLD-AGE AND SURVIVORS INSURANCE COVERAGE

The conference agreement extends coverage to substantially the same number of persons as under the Senate-passed bill, namely, ten million.

Nonprofit and religious institutions: The principal change made as to coverage relates to employees of nonprofit organizations that are exempt from income tax under section 101 (6) of the Internal Revenue Code. The bill as passed by the Senate provided compulsory coverage of employees of nonprofit organizations not owned or operated by a religious denomination. Employees of religious organizations were to be covered on a voluntary basis at the option of the employer.

The House-passed bill provided compulsory coverage of employees of nonprofit and religious organizations, but granted an exemption as to the employer's share of the tax. Unless the exemption were waived by the employer, only the employees would be required to make contributions to the system, resulting, of course, in a decrease of benefits received.

Under the conference agreement employees of all nonprofit and religious organizations exempt from income tax under section 101 (6) of the Internal Revenue Code may be extended coverage on a voluntary basis. For these employees to be covered the organization must file a certificate stating it desires coverage for its employees and that two-thirds of the employees concur in the filing of the certificate.

A very serious question was presented to the conference committee, namely, whether or not it would be valid to leave it to the employing corporation to decide for its employees, and thereby subject its employees to tax.

I repeat, under the conference agreement employees of all nonprofit and religious organizations exempt from in-

come tax under section 101 (6) of the Internal Revenue Code may be extended coverage on a voluntary basis. For these employees to be covered the organization must file a certificate stating it desires coverage for its employees and that two-thirds of the employees concur in the filing of the certificate. Then the employees so concurring would be afforded the protection of the system. Moreover, employees engaged by the employer after the certificate became effective would also be covered.

Mr. SALTONSTALL. Mr. President, will the Senator yield for a question?

Mr. GEORGE. I yield.

Mr. SALTONSTALL. Does that mean that hospitals which are operated on a charitable basis, which are incorporated for nonprofit purposes, would come within the provision the Senator has just described?

Mr. GEORGE. I think so. I believe there is no doubt about that.

Mr. WATKINS. Mr. President, did I understand the Senator correctly to say that agricultural cooperatives also were included?

Mr. GEORGE. No; cooperatives are not included. The Senator from Massachusetts was asking about nonprofit hospitals, under section 101 (6). This provision does not refer to cooperatives.

Mr. WATKINS. There is another section dealing with them, is there not?

Mr. GEORGE. Yes; there is.

Mr. SALTONSTALL. If the Senator will further yield, what about nonprofit colleges, schools, and institutions of that character?

Mr. GEORGE. They are treated exactly as hospitals are. They are covered precisely on the same basis.

Agricultural workers: Under the bill as passed by the Senate about 1,000,000 agricultural workers, of whom 800,000 are regularly employed workers on farms, would have been covered by the system. The conference agreement makes no change as to coverage of the 200,000 borderline or marginal agricultural workers, as they are some times called, engaged in processing agricultural or horticultural commodities off the farm. As to regularly employed workers on farms the conference agreement reduces the number covered from 800,000 to about 650,000 by imposing a somewhat more restrictive definition of regular employment.

Under the Senate bill an individual would have been deemed to be regularly employed and to be covered by the system if he worked for one employer at least 60 days and earned $50 or more in a calendar quarter. The conference agreement modifies the provisions in the Senate-passed bill so as to cover an employee on a farm only if he has (1) worked for his employer on a full-time basis for 60 days in a calendar quarter, and (2) worked continuously for the same employer throughout the preceding calendar quarter.

Mr. THYE. Mr. President, will the Senator yield for a question?

Mr. GEORGE. I yield.

Mr. THYE. 'We should interpret that to be 6 months; that would be 6 months' time the worker would actually be employed, 3 months previous to, plus 3 months within that calendar quarter?

Mr. GEORGE. The Senator is correct.

Mr. THYE. I thank the Senator.

Mr. GEORGE. That was the concession we made to the House conferees in order to bring about an agreement upon the bill; and that is the effect of the conference report.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. GEORGE. I yield to the Senator from Florida.

Mr. HOLLAND. With reference to this coverage of agricultural employees, did I correctly understand the Senator to say that instead of requiring merely 60-day employment during a calendar quarter plus the earning of $50, in order to be entitled to coverage that under the conference report, to be covered in that first calendar quarter of coverage there shall have to be 60 full days of employment?

Mr. GEORGE. That is correct. What most concerned the conference committee, or at least some members of the committee, was that a worker might work part time on the farm, and then go into town to a shop and finish up his day's work. He could work a part of 60 days under present high-wage rate scales, and could easily earn $50 or more per quarter. So it was meant to be stated as clearly as we could by this provision that he must be a regular employee on the farm, and he is not required to put in a full day's time, because weather conditions and other things may interrupt, but that must be his regular employment; and he must not be a mere part-time worker who devotes an hour to the farm and works enough time elsewhere within a quarter to earn $50 or more.

Mr. HOLLAND. Mr. President, will the Senator yield further?

Mr. GEORGE. I yield.

Mr. HOLLAND. Is it then correct to say that in the case of an interruption for a day by weather, when a worker is ready to work the full day, but is prevented from so working simply by reason of the weather, that that day would count upon the 60 full days as embraced in the conference report?

Mr. GEORGE. That is correct. In other words, it would not interfere with that element insofar as his qualifying is concerned. His readiness to work the full day would meet the requirement, if he appeared, and if rain or other conditions interfered, and he was not able to work more than an hour, or not at all. But he must have within that quarter earned $50 or more.

Mr. HOLLAND. Mr. President, will the Senator yield further?

Mr. GEORGE. Yes; I yield.

Mr. HOLLAND. Then with reference to the effect of weather upon employment, the provisions of the bill are identical with those of the bill as adopted on the Senate floor; are they not? Namely, to work or be available and ready to work for the day constitutes a full day even though weather may interfere and cut down the hours of actual work?

Mr. GEORGE. That feature of it remains the same. The feature of the bill which was changed in conference was the requirement that in order to become eligible the regularly employed farm worker must have worked an immediately preceding qualifying quarter for the same employer. That was earnestly insisted upon by the House conferees, and the conference committee accepted that compromise.

Mr. HOLLAND. Mr. President, will the Senator yield for a further question?

Mr. GEORGE. I am glad to yield.

Mr. HOLLAND. Now, without reference in this question to the qualifying quarter and solely with reference to the second consecutive quarter of coverage, the provision of the Senate bill, as I recall it, was merely that $50 had to be earned within a second quarter of coverage, in working for the same employer, to bring the workman under the coverage provisions of the bill for that quarter? Does the same provision apply to the conference bill?

Mr. GEORGE. That is correct; and in addition he must have worked 60 full days and earned $50 in the preceding quarter, the first quarter of coverage.

Mr. HOLLAND. Mr. President, will the Senator yield further?

Mr. GEORGE. Yes.

Mr. HOLLAND. With reference to the second quarter, of coverage, which is, of course, the third quarter of employment, and the requirements for coverage during that second quarter of coverage, as now stated under the conference bill, did I understand the Senator to say that one of the conditions for coverage in that second quarter of coverage is continuous employment during the first quarter of coverage by the employee for the same employer, or would only 60 days' employment during that first quarter of coverage serve to qualify him?

Mr. GEORGE. I believe this is the correct statement: He must have worked for his employer on a full-time basis for 60 days in the preceding calendar quarter, the first quarter of coverage, and, second, he must have worked continuously for the same employer throughout a former or next preceding calendar quarter which was the qualifying quarter. It was insisted by the House conferees that for one to become eligible under this title of the Social Security Act he must have been a regularly employed workman for one quarter, and in the second quarter, in which he could first qualify for coverage, he must have worked 60 days on a full-time basis; that is, as distinguished from a part-time or job worker; and he must have earned $50 or more in that second quarter. There is no requirement as to his earnings in the first quarter.

Mr. HOLLAND. May I ask the Senator: Is there any requirement for the

number of days he must have worked in the second quarter to qualify him for coverage?

Mr. GEORGE. In the second quarter?

Mr. HOLLAND. Yes, in the second quarter.

Mr. GEORGE. Sixty full days, yes. That is to say he must have been ready, able, and willing to work; he must have been there reporting for work, with such interruptions as occasioned by providential interventions or causes; he must have been there for 60 days within the 90-day quarter. He must have been regularly employed on a full-time basis for 60 days.

Mr. HOLLAND. Is it correct to say then that the provisions of the conference report on this particular item in the bill are less generous to the employee than the provisions of the Senate bill?

Mr. GEORGE. That is correct. As I have already stated, they are more restrictive than the provisions in the original Senate bill. But I may say to the Senator that it was necessary in the conference to make this concession in order to cover any regularly employed farm worker. We had to make that concession.

Mr. HOLLAND. Will the Senator yield for one further question? I appreciate greatly the patience shown by the Senator.

Mr. GEORGE. I yield.

Mr. HOLLAND. Would the Senator outline, for the record, clearly the exact distinction now appearing in the conference report between the requirement for qualification, not for coverage, in the first of two consecutive quarters and the requirement for actual coverage in the second of those two consecutive quarters.

Mr. GEORGE. The two quarters might be roughly described as being identical in the respect in which the Senator presents his question, except in the last he must earn $50. In other words, he must be employed by the same employer, and he must be employed regularly, or as we say in the bill, continuously, for one qualifying quarter, and in the second or immediately following quarter in order to be covered under the bill for that quarter, he must also be regularly employed for 60 days on a full-time basis and must have earned $50. The real distinction being that in the second quarter his earnings must have amounted to $50 or more. That is the substantial difference.

Mr. HOLLAND. I thank the Senator.

Mr. GEORGE. I am quite glad to be interrupted by the Senator from Florida.

Although the conference agreement does not go quite as far as the Senate-passed bill in extending coverage to agricultural labor, the basic principle contained in the Senate bill of providing coverage at this time to the steadily employed workers on farms is retained. The limited extension of coverage in this area assures simplicity of administration for the farmer and should provide the necessary experience on which to base future decisions as to the extent that coverage of agricultural labor should be broadened.

Employees of State and local governments: The provisions in the Senate bill providing for voluntary coverage of State and local employees not under a retirement system, by means of Federal-State agreement, were adopted by the conference committee. The conference agreement, however, does modify somewhat the provisions in the Senate bill for the extension of compulsory coverage to employees of certain publicly owned transportation systems.

The Senate bill provided compulsory coverage for all employees of publicly owned transportation systems, the whole or any part of which was acquired by a State or political subdivision after 1936.

The conference agreement adopts the provisions of the Senate bill as the general rule to be applied if a State or political subdivision acquires a transportation system, or any part thereof, from private ownership after 1936 and before 1951, except that old-age and survivors insurance coverage would not be extended to employees of a transportation system who are covered by a general retirement system under which the benefits are protected from diminution or impairment by a State constitutional provision. Acquisitions from a private company after 1950 are to be governed by special provisions which perhaps may need some revision as experience is gained in this new area of compulsory coverage.

Mr. SALTONSTALL. Mr. President, will the Senator yield at this point?

Mr. GEORGE. I am pleased to yield to the Senator from Massachusetts.

Mr. SALTONSTALL. I thank the Senator.

I believe that the distinguished chairman of the committee is somewhat familiar with the Boston metropolitan transit system about which I receive some correspondence. Does this conference report cover that system? The date used is 1936, and that makes me wonder.

Mr. GEORGE. The conference committee was advised that it does cover the Boston situation.

Mr. SALTONSTALL. I thank the Senator.

Mr. GEORGE. It seemed to cover that situation very well indeed; and the conference committee heard quite a good deal about Boston, Chicago, New York, and also Cleveland, let me say to the distinguished Senator from Ohio, whom I now see present in the Chamber.

I repeat that the report does cover the Boston situation.

Mr. SALTONSTALL. I thank the Senator.

Mr. GEORGE. I may add that it seemed to cover quite completely the Chicago situation, also.

Mr. President, I have just referred to the special provisions, which perhaps may need later revision, governing acquisitions from a private company after 1950. If these special provisions do not adequately meet situations arising in the future, the Congress will have ample time to make any necessary modifications to protect the rights of the individuals under the old-age and survivors insurance system.

Definition of employee: The conference agreement retains the usual common-law rules for determining the employer-employee relationship, except for specified occupational groups. The so-called economic reality test, based on seven indefinite factors, as contained in the House bill, was rejected by the conference committee. Thus, the basic principles of the bill as passed by the Senate govern. The usual common-law rules realistically applied, and not the restrictive rules of a particular State, are to be used for the purpose of ascertaining whether an individual is an employee or is self-employed, except that individuals in the following occupational groups are to be classified as employees if they perform service under prescribed circumstances—which, of course, are set out in the conference report:

First. Full-time life-insurance salesmen;

Second. City and traveling salesmen engaged on a full-time basis in soliciting orders for their principals—except for side-line sales activities — from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments;

Third. Agent-drivers or commission drivers engaged in distributing meat products, vegetable products, fruit products, baking products, beverages—other than milk—or laundry or dry-cleaning services, for their principals; and

Fourth. Industrial home workers licensed under State law, and who work in accordance with specifications prescribed by their employers.

LIBERALIZATION OF BENEFIT PAYMENTS

The conference agreement retains the benefit formula as passed by the Senate, so that workers who retire with earnings in covered employment in six calendar quarters after 1950 may have their benefits computed as follows: 50 percent of the first $100 of the average monthly wage, plus 15 percent of the next $200. Present beneficiaries, as well as individuals who retire in the future without having earnings in covered employment in six calendar quarters after 1950, will have their benefits increased 77½ percent on the average over the level provided in present law. Under the bill as passed by the Senate, this increase would have averaged more than 85 percent, while under the House bill the average increase was 70 percent.

Although this compromise does not provide for as high a level of benefits for present beneficiaries and those retiring in the near future as would have been provided under the Senate-passed bill, the long-range level of benefits will be substantially the same as under the Senate bill, because the afore-mentioned benefit formula will be used in most instances for persons retiring after June 30, 1952.

ELIGIBILITY

The provisions in the Senate-passed bill which greatly liberalized the eligibility requirements for older workers are

retained in the conference agreement. Thus, a worker who just attained the age 65 needs only six quarters of coverage to be eligible for benefits, instead of 27 quarters, as is the case under present law, or 20 quarters, as was prescribed in the House bill. Moreover, under this new start provision for eligibility requirements any person now aged 62 or over can qualify for benefits with the minimum of six quarters of coverage. All others can qualify if they have coverage in one-half the quarters elapsing after 1950 and before attainment of age 65, but in no case are more than 40 quarters required. Quarters of coverage, for the purpose of meeting the new eligibility requirements, include those earned in 1950 and prior years, as well as those earned subsequently.

FINANCING

The conference agreement retains the tax rates that were provided in the Senate-passed bill, except that the present rates of 1½ percent on employer and 1½ percent on employees are scheduled to be increased to 2 percent in 1954, instead of in 1956. The complete schedule is as follows: 1½ percent on employers and 1½ percent on employees for 1950–53, inclusive; 2 percent for 1954–59, inclusive; 2½ percent for 1960–64, inclusive; 3 percent for 1965–69, inclusive; and 3¼ percent thereafter, with the self-employed paying 1½ times the employee rate.

PUBLIC ASSISTANCE

The conference agreement retains the Federal grant-in-aid formulas of present law for the existing programs of old-age assistance and aid to the blind.

AID TO DEPENDENT CHILDREN

For aid to dependent children, the amount of funds made available to the States will be increased approximately $75,000,000 a year, because of the provision, which was in the bill as passed by the House and by the Senate, making the mother or other adult relative of the children a recipient for Federal matching purposes. The maximum payments for Federal participation in aid to dependent children, which, under the Senate-passed bill, were to be $30 per month for the caretaker, $30 for the first child, and $20 for each additional child in a family, are cut back to $27, $27, and $18, respectively, under the conference agreement.

AID TO PERMANENTLY AND TOTALLY DISABLED

A new program for aid to the needy permanently and totally disabled, estimated to cost the Federal Government about $65,000,000 a year, is established by the conference agreement. Federal grants-in-aid are made available to the States for this program under the same matching formula now used for old-age assistance and aid to the blind. Thus the Federal share is three-fourths of the first $20 of a State's average monthly payment per recipient plus one-half of the remainder within individual maximums of $50. Accordingly, the maximum in Federal funds for any recipient is limited to $30 per month.

Although the bill as passed by the Senate made no provision for the establishment of this program, a floor amendment authorizing Federal grants-in-aid for the needy disabled was defeated on a yea-and-nay vote by the narrow margin of 42 to 41. The conferees for the Senate in agreeing to recede were guided by the fact that there was only a one-vote difference when the Senate considered the establishment of a program for the needy disabled.

PUERTO RICO AND THE VIRGIN ISLANDS

The conference agreement extends the State-Federal public assistance programs to Puerto Rico and the Virgin Islands. The Federal share is limited, however, to one-half the expenditures made to recipients of assistance. Moreover, the total Federal costs may not exceed $4,250,000 a year for Puerto Rico and $160,000 for the Virgin Islands.

The Senate-passed bill made no provision for extending the public-assistance programs to those insular possessions while the House bill authorized such extension without an over-all dollar limit on annual Federal participation in costs. I may say, in passing, that the conference committee was advised that the limit of $4,250,000 a year for Puerto Rico and $160,000 for the Virgin Islands on the formula of matching, approved in the conference report, would be adequate.

CHILD HEALTH AND WELFARE SERVICES

The House bill authorized an increase in the annual authorization for Federal grants to the States for child-welfare services from $3,500,000 to $7,000,000, but made no provision for increasing the authorizations for the other service programs for crippled children and maternal and child health. The bill as passed by the Senate would have increased the annual authorization from $3,500,000 to $12,000,000 for child-welfare services, from $7,500,000 to $15,000,000 for crippled-children services, and from $11,000,000 to $20,000,000 for maternal and child-health services.

Under the conference agreement the authorizations provided for these programs are reduced somewhat from the figures contained in the Senate-passed bill. However, substantial increases are provided so as to assist the States to meet the health and welfare needs of a greater number of children. For child-welfare services the annual authorization is increased to $10,000,000; for crippled-children services $12,000,000 is authorized for the present fiscal year, and $15,000,000 for each year thereafter; for the maternal and child-health services $15,000,000 is authorized for this year and $16,500,000 for each year thereafter.

UNEMPLOYMENT INSURANCE

The bill as passed by the Senate contained two provisions relating to unemployment insurance which were not included in the House bill. The first of these reenacts the provisions in title XII of the act, which expired January 1, 1950, under which the Federal Government was authorized to make advances to the accounts of States in the unemployment trust fund. The conference agreement permits such advances, in order to assure the solvency of State unemployment insurance accounts, until December 31, 1951, thus affording ample time for other legislative treatment, in the event this problem should become acute in any State.

The second provision is the amendment sponsored by the junior Senator from California [Mr. KNOWLAND] added to the bill on the floor of the Senate, which restricts the authority of the Secretary of Labor over State unemployment-insurance programs.

Both of these Senate provisions were adopted by the conference committee without change.

CONCLUSION

The conference agreement makes it possible for 10,000,000 individuals to begin making contributions to the old-age and survivors insurance system beginning the first of next year and to obtain old-age security for themselves and protection for their dependents in case of death. Increased benefit payments are provided for the 3,000,000 beneficiaries now on the rolls. It should be remembered that retired workers are now receiving an average of only $26 per month, as their benefits are computed on the basis of a formula adopted more than 10 years ago, which was geared to prewar wage and price levels. Under the conference agreement these beneficiaries will receive an average of $46 per month beginning with the payments for the month of September.

Although the conference agreement relates primarily to improving and expanding the old-age and survivors' insurance system, provision is also made for strengthening State-Federal public-assistance and child-health and welfare services. As I have indicated earlier, additional Federal funds are made available for aid to dependent children, maternal and child health, crippled children, and child-welfare services. Moreover, a fourth category of public assistance for the needy permanently and totally disabled is established.

Mr. President, the conference agreement perhaps is more important to the citizens of the Nation than any domestic legislation that has come before the Eighty-first Congress. I urge immediate adoption of the agreement so that the beneficiaries now on the rolls may have their small benefit payments increased, effective with the checks they will receive for the month of September.

Mr. President, before resuming my seat, I wish to say that the conference was entirely harmonious. Each conferee gave to the other his very best service in working out the difficult problems presented by the disagreeing votes of the two Houses. I may also say that the House yesterday approved the conference report by a vote of 374 to 1.

Mr. MILLIKIN. Mr. President, I congratulate the distinguished chairman of the Senate Finance Committee on the excellent and very clear statement he has just made on the work of the conferees. I should like also to state my belief that the conferees did a fine job in representing the basic views of the Senate on this subject. I hope the conference report will be approved.

Mr. MAGNUSON. Mr. President, I ask unanimous consent to place in the body of the RECORD at this point some remarks I have prepared on what the

new and improved social security law means.

There being no objection, Mr. MAGNUSON's remarks were ordered to be printed in the RECORD, as follows:

WHAT THE NEW AND IMPROVED SOCIAL SECURITY LAW MEANS

(By Senator WARREN G. MAGNUSON)

Mr. President, this Eighty-first Congress can take pride in its victory in creating a better program for social security than the one enacted 15 years ago.

The fight for destruction of the "poorhouse philosophy" that once prevailed has been an uphill battle.

It can truthfully be said that I remember every step of that fight. From the outset, I vigorously opposed the theory that human beings who had given their best years to improving this Nation should be junked because of old age, lack of employment, or disability.

Farsighted fraternal organizations, such as the Fraternal Order of Eagles, have been in the patrols out in front of this fight. Their pioneering made possible the strengthened social security system now offered to the United States.

Way back in 1933, when I was a member of the State legislature, I participated in the first fight to abolish "poor farms" in my State and begin a sound social security and old-age pension system. We had a difficult fight to convince reactionary members of this necessity. I led the floor fight. We won by a narrow margin. From that start, we have developed a fine system in the State that can now participate to great advantage with this fine piece of Federal legislation.

Together we established the first unemployment compensation legislation in this country, and their firmness and resolve will never be forgotten.

This is what it means to the Nation and to the State of Washington.

This new legislation adds about 10,000,000 persons to the 35,000,000 covered by the social security law up to now. For the first time, the self-employed come under its benefits, excepting some specified groups such as doctors and lawyers.

Included among the 4,500,000 self-employed who are to be benefited by the old-age and survivors insurance program are the publishers. I cite this only because the House bill neglected to include them. Publishers in my State were interested in the program. I asked the Senate to include them, and both the Senate and House agreed.

There are many other improvements in this legislation.

Benefits are increased, as well as coverage. Increases will average about 77½ percent, and some of the low benefit groups will benefit 100 percent.

The average "primary benefit," meaning the benefit which the breadwinner alone gets as distinct from what is added because of his dependents, will increase for a worker now retired from an average $26 a month to $46 per month. The present $85 maximum family benefit will be raised to $150 a month.

The expanded coverage will include some 850,000 agricultural workers, of whom 650,000 are on farms. The 200,000 are engaged in processing farm products instead of actually working on farms.

It will include 1,000,000 persons employed in domestic service, if they are employed at least 24 days and paid $50 by one employer during one calendar quarter. Coverage also includes: casual laborers similar to those in domestic work; State and local government employees who are lacking a retirement system now, Federal employees who are not now covered by Federal retirement, those employed by some public transit systems, certain outside salesmen, some abroad employed by Americans and some employees of nonprofit organizations.

New benefits become effective this September. Extended coverage is effective with the new year, 1951.

Better benefits apply to those already retired as well as those who will retire in the future.

More people will enter under the new start provision. For instance, a 62-year-old worker who was employed for any six quarters becomes eligible when he reaches 65. Present law made him ineligible unless he had been employed for half of all working quarters from 1936 to retirement.

Veterans of World War II will benefit, through wage credits of $160 for each month of service.

This program raises from $3,000 to $3,600 the amount of yearly pay taxed for social security. It will gradually increase the tax on both employers and employees, beginning in 1954, from the present 1½ percent to 3¼ percent each by 1970.

Here, in brief summary, are the major changes:

1. More coverage: About 10,000,000 more persons will come under social security, mostly the self-employed, farm workers, and household workers.

2. Higher benefits: First, for those now getting benefit pay, who will get roughly 77½ percent more, beginning with checks to be mailed out October 3. Second, for "new starts" who retire after June 30, 1952; their benefits will average double the present payments.

3. Easier eligibility: It will take less years, generally, to come under social security. Survivors and dependents will also be able to earn $50 monthly in covered employment without losing benefits, instead of the present $15 limit.

WHO WILL BENEFIT?

In more detail, here is the picture:

Small business people, the grocery and service station proprietor and others, will be covered, but not lawyers, dentists, doctors, accountants, engineers, or architects.

In figuring benefits, a self-employed person will simply transfer information from his regular income tax return to a simple added form. His tax contribution will be one-half more than the wage earner's, meaning that if the worker puts in 1½ percent of his wages (and his employer does the same) the self-employed person puts in 2¼ percent.

One million persons who work in homes (not farm homes) become the second largest group covered. Those working in farm homes are also covered, as agricultural workers. A domestic worker who works for one employer at last 24 days in each quarter-year, and gets cash wages of at least $50, is covered. For example, a maid working two days a week would benefit, but not if working only one day per week.

The third large group includes agricultural workers, those working regularly on farms and also those processing farm products off the farm. This means those working for poultry hatchers, irrigation projects, and commercial handlers of fruits and vegetables. It also includes employees of farmer cooperatives, which is important in my State.

To qualify as regularly employed a farm worker must work steadily for one employer for 3 months before coverage starts, then continue to work for that employer for 60 full days and receive cash wages of at least $50 for each quarter-year.

Some 1,500,000 employed by State and local governments will be covered through voluntary agreements with the Federal Government (unless they were already covered by a State or local system when the agreement is reached). Federal employees not previously covered by a Federal retirement system come under the new social security.

Those employed by nonprofit groups (religious, education, etc.) will be covered if (1) the employer agrees to pay his part of the contribution, and (2) two-thirds or more of the employees favor such coverage. Ministers and members of religious orders are exempt, however.

Others newly covered will be: Full-time life insurance salesmen, some full-time traveling salesmen (not house-to-house sellers), and many delivery truck drivers and home industrial workers (who produce certain things at home) working under specified conditions.

HOW MUCH MORE BENEFIT?

Those already retired or getting benefits, and those who will retire or start getting benefits before June 1952 will receive (average) benefits of about 77½ percent more than now. This will be amounts about half again as large for those now receiving the higher benefits. It will be about double for the present low-benefit groups. Example: A person getting only $10 will get $20 under the new law, while one getting $46 will get $68.50. These increases start at once (effective September 1950), and checks mailed out October 3 will carry the higher amounts.

People do not have to apply for the increase, they will start automatically. If the increase fails for any reason to be in the October check, it will show up later in full. Recipients are asked not to start writing for information because the fewer letters received in the next few months the faster will the new program take shape. If inquiries are necessary they may best be addressed to the old age and survivors insurance regional offices.

This table shows what those now getting benefits, or who will before June 1952, will get under the new law as compared with the old:

Present benefit	*New benefit*
$10	$20.00
$11	22.00
$12	24.00
$13	26.00
$14	28.00
$15	30.00
$16	31.70
$17	33.20
$18	34.50
$19	35.70
$20	37.00
$21	38.50
$22	40.20
$23	42.20
$24	44.50
$25	46.50
$26	48.30
$27	50.00
$28	51.50
$29	52.80
$30	54.00
$31	55.10
$32	56.20
$33	57.20
$34	58.20
$35	59.20
$36	60.20
$37	61.20
$38	62.20
$39	63.10
$40	64.00
$41	64.90
$42	65.80
$43	66.70
$44	67.60
$45	68.50
$46	68.50

The foregoing applies to those under the program before June 1952.

The second main group to be benefited are those who will retire or start to draw benefits after June 1952. Their benefits will be figured on a new basis that will give them, on the average, twice the benefits now being received. This new formula will not apply

to those whose benefits started before June 1952.

This new formula takes effect no earlier than June 1952 (but applies to those having at least six quarters, meaning one and a half years, after January 1, 1951).

This formula sets the "primary benefit," meaning the basic amount an individual insured worker with dependents receives, at 50 percent of the first $100 of his average monthly wage, plus 15 percent of the next $200 of his wage. The old formula set the primary benefit at 40 percent of the first $50, and 10 percent of the next $200 of the average monthly wage.

In other words, the maximum monthly wage to be used for setting benefits has been raised from $250 to $300.

Minimum primary benefit has been raised, in most cases, from $10 to $25. Maximum family benefit has been raised from $85 to $150. These are vitally important changes, long overdue in view of high living costs today.

It is unfortunate, I think, that the annual increase in benefits of 1 percent for each year of coverage has been eliminated. A person who has been covered for 30 years will get only the same benefits as one covered for 5 years.

HOW ABOUT DEPENDENTS?

Dependents and survivors will receive generally the same proportion of primary benefits paid to the wage earner, meaning that their benefits also will be about 77½ percent higher than at present, up until 1952 (or twice the present level if they begin after June 1952).

Benefit for a wife will still be one-half of the primary benefit. But under the new bill, benefit payments can be made to a retired worker's wife who is 65, if she has a child in her care. Benefit for a widow is three-fourths of the primary benefit; for a child, one-half the primary benefit (except when the insured worker dies, in which case the benefit for the first child will be three-fourths of the primary benefit).

Benefit for a dependent parent, now one-half of the primary benefit, has been raised to three-fourths. Lump-sum payments, upon death of any insured worker, have been changed from 6 times the primary benefit to 3 times the primary, but will now be paid to the family of an insured worker regardless of whether any other member is entitled to receive benefits at the time of his death. (Under present law, lump-sum death benefits were made only when no other member of the family was entitled to survivors benefits at time of the wage earner's death.)

Also important is the new change allowing survivors or dependents to earn $50 monthly without losing their benefits, as against the previous $14.99 limit.

HOW LONG TO QUALIFY?

The question of how long you have to be covered before you can start drawing benefits brings up one of the most liberal changes in the new law.

Retirement age remains unchanged, age 65, but it is now much easier for a 65-year-old person to begin to draw benefits.

Previously we had to have been working in covered employment, meaning under the social security system, for half of the time since January 1, 1937. At present, that would mean a person reaching 65 must have been covered for 27 quarter-years, or 7 full years of consecutive coverage.

From now on, he need only have worked under coverage for half the time since January 1, 1951, but in no case is less than 6 quarters required, nor more than 40.

This means three things:

First, any insured worker 65 or over on January 1, 1951, already covered for 6 quarter-years, can draw benefits immediately. He needs only those 6 quarters.

Second, any worker, whether or not covered up to now, who is 62 or over on January 1, 1951, can draw benefits upon reaching 65, if he has had 6 quarter-years of coverage at 65.

Third, and most important, workers who have come under social security only recently, and particularly the 10,000,000 starting next January 1, will be eligible to receive benefits on retirement with much less coverage than now. The following table shows how many quarter-years are needed under the old and new law; simply look at the figures next to your age on January 1951:

Quarters of coverage required to be fully insured

Age reached in first half of 1951	Present law	New law
76 or over	6	6
75	8	6
74	10	6
73	12	6
72	14	6
71	16	6
70	18	6
69	20	6
68	22	6
67	24	6
66	26	6
65	28	6
64	30	6
63	32	6
62	34	6
61	36	8
60	38	10
59	40	12
58	40	14
57	40	16
56	40	18
55	40	20
50	40	30
45 or under	40	40

SOCIAL SECURITY ACT AMENDMENT OF 1950—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

Mr. IVES obtained the floor.

Mr. BUTLER. Mr. President, will the Senator yield?

Mr. IVES. Mr. President, inasmuch as the senior Senator from New York will not be speaking on the conference report, but definitely desires to speak this afternoon, if the Senator from Nebraska and other Senators desire to speak now on the conference report the Senator from New York would ask unanimous consent that he may yield for that purpose, with the definite understanding also that his right to the floor immediately after the adoption of the conference report is not prejudiced.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BUTLER. Mr. President, as a member of the Committee on Finance I wish to join in the statement made by my colleague, the junior Senator from Colorado [Mr. MILLIKIN] in commending the wonderful work that was done in handling this bill in committee by the senior Senator from Georgia.

Mr. President, I realize that at this late hour there is no real possibility of defeating the pending social-security measure. Nevertheless, I want the RECORD to show that at least one voice was raised in protest against it. I definitely want to assert my support of a genuine security program, based on a pay-as-you-go plan.

Mr. President, in my judgment this bill will not provide the security it promises. Millions of people, many of them in the greatest need, are completely excluded from this so-called security system, although they must share directly or indirectly in carrying the cost of it. Other millions can secure assistance only by submitting to the humiliating means test.

Furthermore, our experience is that the Federal Government itself by its own inflationary policies has destroyed more security than it has created. The debasement of the buying power of the dollar has swept away the security of tens of thousands of industries, thrifty people who planned and worked to provide for their own security.

I am afraid of this bill because it makes rosy promises but provides no real guaranty that they will be fulfilled. At the same time it places heavy and perhaps impossible burdens on the productive forces of this country, which in the long run are the only real basis for any kind of security. I believe we will never have a system of real security until we go over to a pay-as-you-go method, under which all the aged will be eligible, at moderate benefit rates within the capacity of the producing workers of the country to support.

Mr. President, at this point I ask consent to have inserted in the RECORD an article entitled "The Federal Government Is Undermining the Foundation of Security," from the New England Letter of June 30, 1950, published by the First National Bank of Boston.

The PRESIDING OFFICER. Is there objection?

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE FEDERAL GOVERNMENT IS UNDERMINING THE FOUNDATION OF SECURITY

The recent passage by the United States Senate of an expanded and liberalized social-security bill calls attention to the intense pressure of demand upon our economy for funds. While the craving for security is a challenge that must be met with sympathetic understanding, at the same time there should be a realistic appraisal of its impact. Any proposal along this line must be kept within our economic capacity and not defeat its purpose by carrying it so far that it cripples and paralyzes personal initiative and enterprise as well as imposes an intolerable burden upon our economy.

The quest for security is world-wide. Demands for protection against the hazards of life in this country have stemmed from the growing complexity of our industrialized society as well as from the depression of the 1930's, threats of war, and inflationary trends. To aggravate the problem, medical science has extended the life span by one-third in the course of the past half century. Since 1900, the number of persons 65 years of age and over has increased by 264 percent as compared with a 100-percent gain for the population in general. Not only is the number of aged growing at a much faster pace than is the rest of the population, but also in view of their numbers they could become the most powerful pressure group in the country, and by demanding periodic increases in pension payments could place a back-breaking load on the productive workers.

If we are to retain our present American system, the cost of social security must be paid out of current production which is the only real common pool that can be drawn upon for current consumption. A large proportion of the people, however, are under the illusion that by some magic power the Government can provide an abundant life and guarantee security without the recipients earning their passage. Throughout all ages, whenever a government endeavored to provide for people on an extensive scale it did so by using up past reserves followed by confiscatory taxes and sharp, extension of governmental power until free citizens became mere puppets. This same trend is clearly in evidence in Great Britain today. Sir Stafford Cripps, Chancelor of the Exchequer, reports that there has already been such a great redistribution of wealth in Great Brittain within the past few years to provide for extended social services that "* * * for

the future, we must rely rather upon the creation of more distributable wealth than upon the redistribution of the income that exists. Total taxation, local and national, is now more than 40 percent of the national income, and at that level the redistribution of income entailed in the payment for social services already falls, to a considerable extent, upon those who are the recipients of these services. We must, therefore, moderate the speed of our advance in the extended application of the existing social services to our progressive ability to pay for them by an increase in our national income. Otherwise, we shall not be able to avoid entrenching, to an intolerable extent, upon the liberty of spending by the private individual for his own purposes." Here then is a sober message from one of the outstanding leaders of the Labor Party who is learning from bitter experience the economic facts of life. This warning should be heeded by our own country, which is traveling at high speed down the same road as Great Britain. Based upon past experience, America follows British social welfare plans by a time lag of one or two decades.

The irony of it all is that while the administration is aggressively carrying on a campaign for a comprehensive and liberal social-security program, at the same time it is undermining the very foundation of its program by diluting the purchasing power of the dollar through deficit financing. For 18 of the past 20 years the Federal Government has operated in the red. During this same period the administration has pursued an "easy" money policy with a resultant decline in the yield of bonds as well as a reduction in the rate of interest on savings deposits. As a consequence, the purchasing power of income, based on conservative investments, has been cut in half since the Social Security Act started operations in 1937. The inflationary policies of the Government are chipping away the real value of payrolls, savings deposits, life insurance policies, annuities, and all other means that individuals have taken to protect themselves against the hazards of life. The net result is that because of the dilution of the purchasing power of the dollar several million persons who had planned for what they considered adequate security have had their living standards sharply reduced. Through unsound fiscal policies, the Government is making it increasingly difficult for the American people to provide for their own security, and this in turn compels them to turn to the Government for aid. Because of this situation, demands for social security grow in snowball fashion.

While claims on future wealth for social welfare are multiplied manyfold, at the same time the creation of new wealth is throttled by taxes that severely restrict the flow of fresh capital into the purchase of the necessary tools and equipment that would provide new jobs and increase production. Prior to the war, the rise in man-hour output was at the rate of about 2 percent a year. Since the end of the war, however, according to the most reliable estimates, it has been less than 1 percent. When security claims, wages, and other costs increase at a faster rate than productivity, buying power shrinks so that each dollar buys less in terms of goods and services. France is a striking example of what happens when claims on the national economy far exceed productivity. In that country the purchasing power of pensioners has declined by 99 percent since 1914.

Moreover, the time has come when a comprehensive survey must be made of all the types of claims on our economy and these allocated on a priority basis according to their relative importance, since taxes are in the danger zone. Colin Clark, an Australian economist, after an extensive research of many countries throughout the world, concluded that the critical limit of taxation is about 25 percent of national income, or possibly less. He observed that when this point is reached, governments resort to the easy way out by monetary devaluation, deficit financing, and inflation rather than by increased taxation. Taxes in the United States—Federal, State, and local—are now about 25 percent of national income and have therefore reached the peril point. This Nation, in keeping with the experience of other countries under similar circumstances, has deliberately embarked upon a deficit financing program which the administration justifies on the grounds that it will expand the economy, provide increased revenue, and fortify our fiscal position. But the theory of spending our way to solvency is repudiated by the experience of every country that has tried this experiment.

In view of the pressure of expenditures on our impaired margin of safety, it is highly essential that Government waste should be kept to a minimum. Outstanding authorities, both liberal and conservative, have agreed that the Federal budget could be reduced by at least $5,000,000,000 without impairing any essential services. Public money wasted is parasitical as it robs the welfare plans, the schools, and all other deserving projects of money that could otherwise be made available to them. It would be well for the social agencies, educators, clergymen, and others deeply concerned with the promotion of social welfare to campaign against extravagance and waste of public money, since apparently this country has reached the limit of obtaining any further substantial sums from taxation. In other words, the time has come, if this Nation is to remain solvent, when hard choices must be made on Government expenditures from money provided by the taxpayers.

Any comprehensive social security program must therefore rest on a relatively stable purchasing power of the dollar based on sound fiscal policies and on a dynamic productive economy with adequate incentives for risk-taking and rewards for contributions to the productive output of the country.

Mr. LEHMAN. Mr. President, I shall of course vote for the pending conference report on H. R. 6000. This bill contains many provisions for which I have worked with all my strength and effort throughout this session. No bill which we have enacted at this session of Congress is of greater importance for the long-range welfare of America than these amendments to the Social Security Act. The work of the Senate finance committee and of the House Ways and Means Committee and the long and careful deliberation given this bill in both the Senate and in the other Chamber, have produced legislation which is a far advance on the road we must travel to bring social security and social welfare to our citizens. The committees deserve our admiration and thanks.

But this conference report contains one provision, the so-called Knowland amendment, which the Senate adopted and which was approved in conference which, in my judgment, is one of the most dangerous and unfortunate provisos to be included in any legislation enacted by the Congress this year.

I cannot find it in my heart to delay for a moment the increased pensions for the aged, and the public assistance for the needy and the blind and the children of our country. I must therefore, for my part, accept the Knowland amendment as violently as I disagree with the wisdom of it. I accept it, however, with a heavy heart.

None of us is so naive as not to realize that a law, in large measure, is what administration makes of it. Under the terms of the Knowland amendment, the unemployment compensation authorities of a State could interpret their unemployment compensation law in a manner wholly at variance from the clear intent of the language of the law. The Secretary of Labor would be powerless to raise any question of whether that administration conforms to the clear intent of the law as enacted by Congress. This is a virtual abandonment by the Congress of its obligation to insure uniformity and consistency of administration of the unemployment insurance provisions of the law.

This provision may be used in many States by those interested in breaking strikes. The whole force of unemployment insurance administration may be brought to bear to threaten men who are unemployed with the penalty of losing their unemployment compensation unless they are willing to scab, to take the jobs of strikers. This is only one of the grave misuses to which this provision could be put.

Mr. President, I wish there were some way—I know some way was sought in the House—to set this provision aside. It was adopted in the Senate in haste. I was the only Senator who protested. It will be regretted at leisure. Nevertheless, I shall vote for the conference report. I hope that the next Congress—or, if it were possible, this Congress—will correct this inequity.

Mr. HOLLAND. Mr. President, the distinguished senior Senator from Georgia has been kind enough to say to me that he plans to prepare a statement in some detail on the coverage proposed for agricultural workers under the provisions of the conference report, and to insert it in the RECORD tomorrow so that the statement will become a part of the legislative history of the bill. With that understanding I am very happy to accede to a vote on the conference report at this time.

Mr. GEORGE. Mr. President, if there is no further address to be made on the conference report, I hope we may have it agreed to.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

MESSAGE FROM THE HOUSE

The message further announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public assistance and child-welfare provisions of the Social Security Act, and for other purposes.

SOCIAL SECURITY ACT AMENDMENT OF 1950—CONFERENCE REPORT

Mr. GEORGE obtained the floor.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. MAYBANK. I wonder whether the Senator desires that I suggest the absence of a quorum. I shall abide by the wishes of the Senator from Georgia.

Mr. GEORGE. I do not believe it is necessary to call a quorum, inasmuch as it may take some time to develop one. I hope the Senator will withhold his suggestion.

Mr. MAYBANK. Mr. President, I withhold my suggestion of the absence of a quorum.

Mr. GEORGE. Mr. President, I submit the conference report on House bill 6000, Social Security Act amendment of 1950, and I ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The report was read.

(For conference report, see House proceedings of August 16, 1950, pp. 12610–12645.)

The PRESIDING OFFICER. Is there objection to the consideration of the report?

There being no objection, the Senate proceeded to consider the report.

The PRESIDING OFFICER. The question is on agreeing to the report.

Mr. GEORGE. Mr. President, it is most gratifying to be able to report that the conference agreement on H. R. 6000 incorporates the principal provisions of the bill as passed by the Senate. Thus, the objective of having the contributory social-security system become the major method of providing protection against the economic hazards of old age and premature death should soon become an accomplished fact. I believe we may now look forward to a reversal of the trend of continually increasing expenditures from general revenues for the aged and for children who are dependent because of death of the family breadwinner.

Currently there are about 3,000,000 beneficiaries of old-age and survivors insurance. Under the conference agreement it is estimated that within a year this number will exceed 4,250,000. By 1960 the beneficiaries will number more than 7,000,000. Benefit payments for retired workers now averaging $26 per month will in a few years exceed an average of $50. In providing for these liberalizations, the Conference Committee was not unmindful of the increase in costs to the system.

Mr. WHERRY. Mr. President, I was about to ask the Senator a question, but one of my colleagues has just given me information which may answer the question. I wondered if the Senator from Georgia did not think it necessary to have a quorum called. I would suggest to the able Senator that Senators on this side of the aisle are most interested in the report, not that they are opposed to the report, but they would like to hear the Senator's explanation, and if he would permit a quorum call, I should like to get Senators to the floor if possible.

Mr. GEORGE. I have no objection. It would merely delay action. The distinguished Senator from South Carolina [Mr. MAYBANK] offered to call a quorum, but I suggested it would merely result in delay.

Mr. WHERRY. Mr. President, I will not delay action on the report. Several Senators have said they would like to be here when the conference report was laid before the Senate.

Mr. GEORGE. If the Senator feels he should call a quorum on that account, I yield for that purpose.

Mr. WHERRY. I do not think I would want to have it on that basis, because it is not because Senators oppose the report, but they wanted to get the information the Senator would impart in his remarks. I shall not call for a quorum at this time.

Mr. GEORGE. Mr. President, the tax schedule in the conference agreement is designed to make the program self-supporting so as to avoid the necessity for appropriating funds to the system out of general revenues.

I shall summarize very briefly the major provisions of the conference agreement that differ from those contained in the bill as passed by the Senate.

OLD-AGE AND SURVIVORS INSURANCE COVERAGE

The conference agreement extends coverage to substantially the same number of persons as under the Senate-passed bill, namely, ten million.

Nonprofit and religious institutions: The principal change made as to coverage relates to employees of nonprofit organizations that are exempt from income tax under section 101 (6) of the Internal Revenue Code. The bill as passed by the Senate provided compulsory coverage of employees of nonprofit organizations not owned or operated by a religious denomination. Employees of religious organizations were to be covered on a voluntary basis at the option of the employer.

The House-passed bill provided compulsory coverage of employees of nonprofit and religious organizations, but granted an exemption as to the employer's share of the tax. Unless the exemption were waived by the employer, only the employees would be required to make contributions to the system, resulting, of course, in a decrease of benefits received.

Under the conference agreement employees of all nonprofit and religious organizations exempt from income tax under section 101 (6) of the Internal Revenue Code may be extended coverage on a voluntary basis. For these employees to be covered the organization must file a certificate stating it desires coverage for its employees and that two-thirds of the employees concur in the filing of the certificate.

A very serious question was presented to the conference committee, namely, whether or not it would be valid to leave it to the employing corporation to decide for its employees, and thereby subject its employees to tax.

I repeat, under the conference agreement employees of all nonprofit and religious organizations exempt from in-

come tax under section 101 (6) of the Internal Revenue Code may be extended coverage on a voluntary basis. For these employees to be covered the organization must file a certificate stating it desires coverage for its employees and that two-thirds of the employees concur in the filing of the certificate. Then the employees so concurring would be afforded the protection of the system. Moreover, employees engaged by the employer after the certificate became effective would also be covered.

Mr. SALTONSTALL. Mr. President, will the Senator yield for a question?

Mr. GEORGE. I yield.

Mr. SALTONSTALL. Does that mean that hospitals which are operated on a charitable basis, which are incorporated for nonprofit purposes, would come within the provision the Senator has just described?

Mr. GEORGE. I think so. I believe there is no doubt about that.

Mr. WATKINS. Mr. President, did I understand the Senator correctly to say that agricultural cooperatives also were included?

Mr. GEORGE. No; cooperatives are not included. The Senator from Massachusetts was asking about nonprofit hospitals, under section 101 (6). This provision does not refer to cooperatives.

Mr. WATKINS. There is another section dealing with them, is there not?

Mr. GEORGE. Yes; there is.

Mr. SALTONSTALL. If the Senator will further yield, what about nonprofit colleges, schools, and institutions of that character?

Mr. GEORGE. They are treated exactly as hospitals are. They are covered precisely on the same basis.

Agricultural workers: Under the bill as passed by the Senate about 1,000,000 agricultural workers, of whom 800,000 are regularly employed workers on farms, would have been covered by the system. The conference agreement makes no change as to coverage of the 200,000 borderline or marginal agricultural workers, as they are some times called, engaged in processing agricultural or horticultural commodities off the farm. As to regularly employed workers on farms the conference agreement reduces the number covered from 800,000 to about 650,000 by imposing a somewhat more restrictive definition of regular employment.

Under the Senate bill an individual would have been deemed to be regularly employed and to be covered by the system if he worked for one employer at least 60 days and earned $50 or more in a calendar quarter. The conference agreement modifies the provisions in the Senate-passed bill so as to cover an employee on a farm only if he has (1) worked for his employer on a full-time basis for 60 days in a calendar quarter, and (2) worked continuously for the same employer throughout the preceding calendar quarter.

Mr. THYE. Mr. President, will the Senator yield for a question?

Mr. GEORGE. I yield.

Mr. THYE. 'We should interpret that to be 6 months; that would be 6 months' time the worker would actually be employed, 3 months previous to, plus 3 months within that calendar quarter?

Mr. GEORGE. The Senator is correct.

Mr. THYE. I thank the Senator.

Mr. GEORGE. That was the concession we made to the House conferees in order to bring about an agreement upon the bill; and that is the effect of the conference report.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. GEORGE. I yield to the Senator from Florida.

Mr. HOLLAND. With reference to this coverage of agricultural employees, did I correctly understand the Senator to say that instead of requiring merely 60-day employment during a calendar quarter plus the earning of $50, in order to be entitled to coverage that under the conference report, to be covered in that first calendar quarter of coverage there shall have to be 60 full days of employment?

Mr. GEORGE. That is correct. What most concerned the conference committee, or at least some members of the committee, was that a worker might work part time on the farm, and then go into town to a shop and finish up his day's work. He could work a part of 60 days under present high-wage rate scales, and could easily earn $50 or more per quarter. So it was meant to be stated as clearly as we could by this provision that he must be a regular employee on the farm, and he is not required to put in a full day's time, because weather conditions and other things may interrupt, but that must be his regular employment; and he must not be a mere part-time worker who devotes an hour to the farm and works enough time elsewhere within a quarter to earn $50 or more.

Mr. HOLLAND. Mr. President, will the Senator yield further?

Mr. GEORGE. I yield.

Mr. HOLLAND. Is it then correct to say that in the case of an interruption for a day by weather, when a worker is ready to work the full day, but is prevented from so working simply by reason of the weather, that that day would count upon the 60 full days as embraced in the conference report?

Mr. GEORGE. That is correct. In other words, it would not interfere with that element insofar as his qualifying is concerned. His readiness to work the full day would meet the requirement, if he appeared, and if rain or other conditions interfered, and he was not able to work more than an hour, or not at all. But he must have within that quarter earned $50 or more.

Mr. HOLLAND. Mr. President, will the Senator yield further?

Mr. GEORGE. Yes; I yield.

Mr. HOLLAND. Then with reference to the effect of weather upon employment, the provisions of the bill are identical with those of the bill as adopted on the Senate floor; are they not? Namely, to work or be available and ready to work for the day constitutes a full day even though weather may interfere and cut down the hours of actual work?

Mr. GEORGE. That feature of it remains the same. The feature of the bill which was changed in conference was the requirement that in order to become eligible the regularly employed farm worker must have worked an immediately preceding qualifying quarter for the same employer. That was earnestly insisted upon by the House conferees, and the conference committee accepted that compromise.

Mr. HOLLAND. Mr. President, will the Senator yield for a further question?

Mr. GEORGE. I am glad to yield.

Mr. HOLLAND. Now, without reference in this question to the qualifying quarter and solely with reference to the second consecutive quarter of coverage, the provision of the Senate bill, as I recall it, was merely that $50 had to be earned within a second quarter of coverage, in working for the same employer, to bring the workman under the coverage provisions of the bill for that quarter? Does the same provision apply to the conference bill?

Mr. GEORGE. That is correct; and in addition he must have worked 60 full days and earned $50 in the preceding quarter, the first quarter of coverage.

Mr. HOLLAND. Mr. President, will the Senator yield further?

Mr. GEORGE. Yes.

Mr. HOLLAND. With reference to the second quarter, of coverage, which is, of course, the third quarter of employment, and the requirements for coverage during that second quarter of coverage, as now stated under the conference bill, did I understand the Senator to say that one of the conditions for coverage in that second quarter of coverage is continuous employment during the first quarter of coverage by the employee for the same employer, or would only 60 days' employment during that first quarter of coverage serve to qualify him?

Mr. GEORGE. I believe this is the correct statement: He must have worked for his employer on a full-time basis for 60 days in the preceding calendar quarter, the first quarter of coverage, and, second, he must have worked continuously for the same employer throughout a former or next preceding calendar quarter which was the qualifying quarter. It was insisted by the House conferees that for one to become eligible under this title of the Social Security Act he must have been a regularly employed workman for one quarter, and in the second quarter, in which he could first qualify for coverage, he must have worked 60 days on a full-time basis; that is, as distinguished from a part-time or job worker; and he must have earned $50 or more in that second quarter. There is no requirement as to his earnings in the first quarter.

Mr. HOLLAND. May I ask the Senator: Is there any requirement for the

number of days he must have worked in the second quarter to qualify him for coverage?

Mr. GEORGE. In the second quarter?

Mr. HOLLAND. Yes, in the second quarter.

Mr. GEORGE. Sixty full days, yes. That is to say he must have been ready, able, and willing to work; he must have been there reporting for work, with such interruptions as occasioned by providential interventions or causes; he must have been there for 60 days within the 90-day quarter. He must have been regularly employed on a full-time basis for 60 days.

Mr. HOLLAND. Is it correct to say then that the provisions of the conference report on this particular item in the bill are less generous to the employee than the provisions of the Senate bill?

Mr. GEORGE. That is correct. As I have already stated, they are more restrictive than the provisions in the original Senate bill. But I may say to the Senator that it was necessary in the conference to make this concession in order to cover any regularly employed farm worker. We had to make that concession.

Mr. HOLLAND. Will the Senator yield for one further question? I appreciate greatly the patience shown by the Senator.

Mr. GEORGE. I yield.

Mr. HOLLAND. Would the Senator outline, for the record, clearly the exact distinction now appearing in the conference report between the requirement for qualification, not for coverage, in the first of two consecutive quarters and the requirement for actual coverage in the second of those two consecutive quarters.

Mr. GEORGE. The two quarters might be roughly described as being identical in the respect in which the Senator presents his question, except in the last he must earn $50. In other words, he must be employed by the same employer, and he must be employed regularly, or as we say in the bill, continuously, for one qualifying quarter, and in the second or immediately following quarter in order to be covered under the bill for that quarter, he must also be regularly employed for 60 days on a full-time basis and must have earned $50. The real distinction being that in the second quarter his earnings must have amounted to $50 or more. That is the substantial difference.

Mr. HOLLAND. I thank the Senator.

Mr. GEORGE. I am quite glad to be interrupted by the Senator from Florida.

Although the conference agreement does not go quite as far as the Senate-passed bill in extending coverage to agricultural labor, the basic principle contained in the Senate bill of providing coverage at this time to the steadily employed workers on farms is retained. The limited extension of coverage in this area assures simplicity of administration for the farmer and should provide the necessary experience on which to base future decisions as to the extent that coverage of agricultural labor should be broadened.

Employees of State and local governments: The provisions in the Senate bill providing for voluntary coverage of State and local employees not under a retirement system, by means of Federal-State agreement, were adopted by the conference committee. The conference agreement, however, does modify somewhat the provisions in the Senate bill for the extension of compulsory coverage to employees of certain publicly owned transportation systems.

The Senate bill provided compulsory coverage for all employees of publicly owned transportation systems, the whole or any part of which was acquired by a State or political subdivision after 1936.

The conference agreement adopts the provisions of the Senate bill as the general rule to be applied if a State or political subdivision acquires a transportation system, or any part thereof, from private ownership after 1936 and before 1951, except that old-age and survivors insurance coverage would not be extended to employees of a transportation system who are covered by a general retirement system under which the benefits are protected from diminution or impairment by a State constitutional provision. Acquisitions from a private company after 1950 are to be governed by special provisions which perhaps may need some revision as experience is gained in this new area of compulsory coverage.

Mr. SALTONSTALL. Mr. President, will the Senator yield at this point?

Mr. GEORGE. I am pleased to yield to the Senator from Massachusetts.

Mr. SALTONSTALL. I thank the Senator.

I believe that the distinguished chairman of the committee is somewhat familiar with the Boston metropolitan transit system about which I receive some correspondence. Does this conference report cover that system? The date used is 1936, and that makes me wonder.

Mr. GEORGE. The conference committee was advised that it does cover the Boston situation.

Mr. SALTONSTALL. I thank the Senator.

Mr. GEORGE. It seemed to cover that situation very well indeed; and the conference committee heard quite a good deal about Boston, Chicago, New York, and also Cleveland, let me say to the distinguished Senator from Ohio, whom I now see present in the Chamber.

I repeat that the report does cover the Boston situation.

Mr. SALTONSTALL. I thank the Senator.

Mr. GEORGE. I may add that it seemed to cover quite completely the Chicago situation, also.

Mr. President, I have just referred to the special provisions, which perhaps may need later revision, governing acquisitions from a private company after 1950. If these special provisions do not adequately meet situations arising in the future, the Congress will have ample time to make any necessary modifications to protect the rights of the individuals under the old-age and survivors insurance system.

Definition of employee: The conference agreement retains the usual common-law rules for determining the employer-employee relationship, except for specified occupational groups. The so-called economic reality test, based on seven indefinite factors, as contained in the House bill, was rejected by the conference committee. Thus, the basic principles of the bill as passed by the Senate govern. The usual common-law rules realistically applied, and not the restrictive rules of a particular State, are to be used for the purpose of ascertaining whether an individual is an employee or is self-employed, except that individuals in the following occupational groups are to be classified as employees if they perform service under prescribed circumstances—which, of course, are set out in the conference report:

First. Full-time life-insurance salesmen;

Second. City and traveling salesmen engaged on a full-time basis in soliciting orders for their principals—except for side-line sales activities — from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments;

Third. Agent-drivers or commission drivers engaged in distributing meat products, vegetable products, fruit products, baking products, beverages—other than milk—or laundry or dry-cleaning services, for their principals; and

Fourth. Industrial home workers licensed under State law, and who work in accordance with specifications prescribed by their employers.

LIBERALIZATION OF BENEFIT PAYMENTS

The conference agreement retains the benefit formula as passed by the Senate, so that workers who retire with earnings in covered employment in six calendar quarters after 1950 may have their benefits computed as follows: 50 percent of the first $100 of the average monthly wage, plus 15 percent of the next $200. Present beneficiaries, as well as individuals who retire in the future without having earnings in covered employment in six calendar quarters after 1950, will have their benefits increased 77½ percent on the average over the level provided in present law. Under the bill as passed by the Senate, this increase would have averaged more than 85 percent, while under the House bill the average increase was 70 percent.

Although this compromise does not provide for as high a level of benefits for present beneficiaries and those retiring in the near future as would have been provided under the Senate-passed bill, the long-range level of benefits will be substantially the same as under the Senate bill, because the afore-mentioned benefit formula will be used in most instances for persons retiring after June 30, 1952.

ELIGIBILITY

The provisions in the Senate-passed bill which greatly liberalized the eligibility requirements for older workers are

retained in the conference agreement. Thus, a worker who just attained the age 65 needs only six quarters of coverage to be eligible for benefits, instead of 27 quarters, as is the case under present law, or 20 quarters, as was prescribed in the House bill. Moreover, under this new start provision for eligibility requirements any person now aged 62 or over can qualify for benefits with the minimum of six quarters of coverage. All others can qualify if they have coverage in one-half the quarters elapsing after 1950 and before attainment of age 65, but in no case are more than 40 quarters required. Quarters of coverage, for the purpose of meeting the new eligibility requirements, include those earned in 1950 and prior years, as well as those earned subsequently.

FINANCING

The conference agreement retains the tax rates that were provided in the Senate-passed bill, except that the present rates of 1½ percent on employer and 1½ percent on employees are scheduled to be increased to 2 percent in 1954, instead of in 1956. The complete schedule is as follows: 1½ percent on employers and 1½ percent on employees for 1950–53, inclusive; 2 percent for 1954–59, inclusive; 2½ percent for 1960–64, inclusive; 3 percent for 1965–69, inclusive; and 3¼ percent thereafter, with the self-employed paying 1½ times the employee rate.

PUBLIC ASSISTANCE

The conference agreement retains the Federal grant-in-aid formulas of present law for the existing programs of old-age assistance and aid to the blind.

AID TO DEPENDENT CHILDREN

For aid to dependent children, the amount of funds made available to the States will be increased approximately $75,000,000 a year, because of the provision, which was in the bill as passed by the House and by the Senate, making the mother or other adult relative of the children a recipient for Federal matching purposes. The maximum payments for Federal participation in aid to dependent children, which, under the Senate-passed bill, were to be $30 per month for the caretaker, $30 for the first child, and $20 for each additional child in a family, are cut back to $27, $27, and $18, respectively, under the conference agreement.

AID TO PERMANENTLY AND TOTALLY DISABLED

A new program for aid to the needy permanently and totally disabled, estimated to cost the Federal Government about $65,000,000 a year, is established by the conference agreement. Federal grants-in-aid are made available to the States for this program under the same matching formula now used for old-age assistance and aid to the blind. Thus the Federal share is three-fourths of the first $20 of a State's average monthly payment per recipient plus one-half of the remainder within individual maximums of $50. Accordingly, the maximum in Federal funds for any recipient is limited to $30 per month.

Although the bill as passed by the Senate made no provision for the establishment of this program, a floor amendment authorizing Federal grants-in-aid for the needy disabled was defeated on a yea-and-nay vote by the narrow margin of 42 to 41. The conferees for the Senate in agreeing to recede were guided by the fact that there was only a one-vote difference when the Senate considered the establishment of a program for the needy disabled.

PUERTO RICO AND THE VIRGIN ISLANDS

The conference agreement extends the State-Federal public assistance programs to Puerto Rico and the Virgin Islands. The Federal share is limited, however, to one-half the expenditures made to recipients of assistance. Moreover, the total Federal costs may not exceed $4,250,000 a year for Puerto Rico and $160,000 for the Virgin Islands.

The Senate-passed bill made no provision for extending the public-assistance programs to those insular possessions while the House bill authorized such extension without an over-all dollar limit on annual Federal participation in costs. I may say, in passing, that the conference committee was advised that the limit of $4,250,000 a year for Puerto Rico and $160,000 for the Virgin Islands on the formula of matching, approved in the conference report, would be adequate.

CHILD HEALTH AND WELFARE SERVICES

The House bill authorized an increase in the annual authorization for Federal grants to the States for child-welfare services from $3,500,000 to $7,000,000, but made no provision for increasing the authorizations for the other service programs for crippled children and maternal and child health. The bill as passed by the Senate would have increased the annual authorization from $3,500,000 to $12,000,000 for child-welfare services, from $7,500,000 to $15,000,000 for crippled-children services, and from $11,000,000 to $20,000,000 for maternal and child-health services.

Under the conference agreement the authorizations provided for these programs are reduced somewhat from the figures contained in the Senate-passed bill. However, substantial increases are provided so as to assist the States to meet the health and welfare needs of a greater number of children. For child-welfare services the annual authorization is increased to $10,000,000; for crippled-children services $12,000,000 is authorized for the present fiscal year, and $15,000,000 for each year thereafter; for the maternal and child-health services $15,000,000 is authorized for this year and $16,500,000 for each year thereafter.

UNEMPLOYMENT INSURANCE

The bill as passed by the Senate contained two provisions relating to unemployment insurance which were not included in the House bill. The first of these reenacts the provisions in title XII of the act, which expired January 1, 1950, under which the Federal Government was authorized to make advances to the accounts of States in the unemployment trust fund. The conference agreement permits such advances, in order to assure the solvency of State unemployment insurance accounts, until December 31, 1951, thus affording ample time for other legislative treatment, in the event this problem should become acute in any State.

The second provision is the amendment sponsored by the junior Senator from California [Mr. KNOWLAND] added to the bill on the floor of the Senate, which restricts the authority of the Secretary of Labor over State unemployment-insurance programs.

Both of these Senate provisions were adopted by the conference committee without change.

CONCLUSION

The conference agreement makes it possible for 10,000,000 individuals to begin making contributions to the old-age and survivors insurance system beginning the first of next year and to obtain old-age security for themselves and protection for their dependents in case of death. Increased benefit payments are provided for the 3,000,000 beneficiaries now on the rolls. It should be remembered that retired workers are now receiving an average of only $26 per month, as their benefits are computed on the basis of a formula adopted more than 10 years ago, which was geared to prewar wage and price levels. Under the conference agreement these beneficiaries will receive an average of $46 per month beginning with the payments for the month of September.

Although the conference agreement relates primarily to improving and expanding the old-age and survivors' insurance system, provision is also made for strengthening State-Federal public-assistance and child-health and welfare services. As I have indicated earlier, additional Federal funds are made available for aid to dependent children, maternal and child health, crippled children, and child-welfare services. Moreover, a fourth category of public assistance for the needy permanently and totally disabled is established.

Mr. President, the conference agreement perhaps is more important to the citizens of the Nation than any domestic legislation that has come before the Eighty-first Congress. I urge immediate adoption of the agreement so that the beneficiaries now on the rolls may have their small benefit payments increased, effective with the checks they will receive for the month of September.

Mr. President, before resuming my seat, I wish to say that the conference was entirely harmonious. Each conferee gave to the other his very best service in working out the difficult problems presented by the disagreeing votes of the two Houses. I may also say that the House yesterday approved the conference report by a vote of 374 to 1.

Mr. MILLIKIN. Mr. President, I congratulate the distinguished chairman of the Senate Finance Committee on the excellent and very clear statement he has just made on the work of the conferees. I should like also to state my belief that the conferees did a fine job in representing the basic views of the Senate on this subject. I hope the conference report will be approved.

Mr. MAGNUSON. Mr. President, I ask unanimous consent to place in the body of the RECORD at this point some remarks I have prepared on what the

new and improved social security law means.

There being no objection, Mr. MAGNUSON's remarks were ordered to be printed in the RECORD, as follows:

WHAT THE NEW AND IMPROVED SOCIAL SECURITY LAW MEANS

(By Senator WARREN G. MAGNUSON)

Mr. President, this Eighty-first Congress can take pride in its victory in creating a better program for social security than the one enacted 15 years ago.

The fight for destruction of the "poorhouse philosophy" that once prevailed has been an uphill battle.

It can truthfully be said that I remember every step of that fight. From the outset, I vigorously opposed the theory that human beings who had given their best years to improving this Nation should be junked because of old age, lack of employment, or disability.

Farsighted fraternal organizations, such as the Fraternal Order of Eagles, have been in the patrols out in front of this fight. Their pioneering made possible the strengthened social security system now offered to the United States.

Way back in 1933, when I was a member of the State legislature, I participated in the first fight to abolish "poor farms" in my State and begin a sound social security and old-age pension system. We had a difficult fight to convince reactionary members of this necessity. I led the floor fight. We won by a narrow margin. From that start, we have developed a fine system in the State that can now participate to great advantage with this fine piece of Federal legislation.

Together we established the first unemployment compensation legislation in this country, and their firmness and resolve will never be forgotten.

This is what it means to the Nation and to the State of Washington.

This new legislation adds about 10,000,000 persons to the 35,000,000 covered by the social security law up to now. For the first time, the self-employed come under its benefits, excepting some specified groups such as doctors and lawyers.

Included among the 4,500,000 self-employed who are to be benefited by the old-age and survivors insurance program are the publishers. I cite this only because the House bill neglected to include them. Publishers in my State were interested in the program. I asked the Senate to include them, and both the Senate and House agreed.

There are many other improvements in this legislation.

Benefits are increased, as well as coverage. Increases will average about 77½ percent, and some of the low benefit groups will benefit 100 percent.

The average "primary benefit," meaning the benefit which the breadwinner alone gets as distinct from what is added because of his dependents, will increase for a worker now retired from an average $26 a month to $46 per month. The present $85 maximum family benefit will be raised to $150 a month.

The expanded coverage will include some 850,000 agricultural workers, of whom 650,000 are on farms. The 200,000 are engaged in processing farm products instead of actually working on farms.

It will include 1,000,000 persons employed in domestic service, if they are employed at least 24 days and paid $50 by one employer during one calendar quarter. Coverage also includes: casual laborers similar to those in domestic work; State and local government employees who are lacking a retirement system now, Federal employees who are not now covered by Federal retirement, those employed by some public transit systems, certain outside salesmen, some abroad employed by Americans and some employees of nonprofit organizations.

New benefits become effective this September. Extended coverage is effective with the new year, 1951.

Better benefits apply to those already retired as well as those who will retire in the future.

More people will enter under the new start provision. For instance, a 62-year-old worker who was employed for any six quarters becomes eligible when he reaches 65. Present law made him ineligible unless he had been employed for half of all working quarters from 1936 to retirement.

Veterans of World War II will benefit, through wage credits of $160 for each month of service.

This program raises from $3,000 to $3,600 the amount of yearly pay taxed for social security. It will gradually increase the tax on both employers and employees, beginning in 1954, from the present 1½ percent to 3¼ percent each by 1970.

Here, in brief summary, are the major changes:

1. More coverage: About 10,000,000 more persons will come under social security, mostly the self-employed, farm workers, and household workers.

2. Higher benefits: First, for those now getting benefit pay, who will get roughly 77½ percent more, beginning with checks to be mailed out October 3. Second, for "new starts" who retire after June 30, 1952; their benefits will average double the present payments.

3. Easier eligibility: It will take less years, generally, to come under social security. Survivors and dependents will also be able to earn $50 monthly in covered employment without losing benefits, instead of the present $15 limit.

WHO WILL BENEFIT?

In more detail, here is the picture:

Small business people, the grocery and service station proprietor and others, will be covered, but not lawyers, dentists, doctors, accountants, engineers, or architects.

In figuring benefits, a self-employed person will simply transfer information from his regular income tax return to a simple added form. His tax contribution will be one-half more than the wage earner's, meaning that if the worker puts in 1½ percent of his wages (and his employer does the same) the self-employed person puts in 2¼ percent.

One million persons who work in homes (not farm homes) become the second largest group covered. Those working in farm homes are also covered, as agricultural workers. A domestic worker who works for one employer at last 24 days in each quarter-year, and gets cash wages of at least $50, is covered. For example, a maid working two days a week would benefit, but not if working only one day per week.

The third large group includes agricultural workers, those working regularly on farms and also those processing farm products off the farm. This means those working for poultry hatchers, irrigation projects, and commercial handlers of fruits and vegetables. It also includes employees of farmer cooperatives, which is important in my State.

To qualify as regularly employed a farm worker must work steadily for one employer for 3 months before coverage starts, then continue to work for that employer for 60 full days and receive cash wages of at least $50 for each quarter-year.

Some 1,500,000 employed by State and local governments will be covered through voluntary agreements with the Federal Government (unless they were already covered by a State or local system when the agreement is reached). Federal employees not previously covered by a Federal retirement system come under the new social security.

Those employed by nonprofit groups (religious, education, etc.) will be covered if (1) the employer agrees to pay his part of the contribution, and (2) two-thirds or more of the employees favor such coverage. Ministers and members of religious orders are exempt, however.

Others newly covered will be: Full-time life insurance salesmen, some full-time traveling salesmen (not house-to-house sellers), and many delivery truck drivers and home industrial workers (who produce certain things at home) working under specified conditions.

HOW MUCH MORE BENEFIT?

Those already retired or getting benefits, and those who will retire or start getting benefits before June 1952 will receive (average) benefits of about 77½ percent more than now. This will be amounts about half again as large for those now receiving the higher benefits. It will be about double for the present low-benefit groups. Example: A person getting only $10 will get $20 under the new law, while one getting $46 will get $68.50. These increases start at once (effective September 1950), and checks mailed out October 3 will carry the higher amounts.

People do not have to apply for the increase, they will start automatically. If the increase fails for any reason to be in the October check, it will show up later in full. Recipients are asked not to start writing for information because the fewer letters received in the next few months the faster will the new program take shape. If inquiries are necessary they may best be addressed to the old age and survivors insurance regional offices.

This table shows what those now getting benefits, or who will before June 1952, will get under the new law as compared with the old:

Present benefit	*New benefit*
$10	$20.00
$11	22.00
$12	24.00
$13	26.00
$14	28.00
$15	30.00
$16	31.70
$17	33.20
$18	34.50
$19	35.70
$20	37.00
$21	38.50
$22	40.20
$23	42.20
$24	44.50
$25	46.50
$26	48.30
$27	50.00
$28	51.50
$29	52.80
$30	54.00
$31	55.10
$32	56.20
$33	57.20
$34	58.20
$35	59.20
$36	60.20
$37	61.20
$38	62.20
$39	63.10
$40	64.00
$41	64.90
$42	65.80
$43	66.70
$44	67.60
$45	68.50
$46	68.50

The foregoing applies to those under the program before June 1952.

The second main group to be benefited are those who will retire or start to draw benefits after June 1952. Their benefits will be figured on a new basis that will give them, on the average, twice the benefits now being received. This new formula will not apply

to those whose benefits started before June 1952.

This new formula takes effect no earlier than June 1952 (but applies to those having at least six quarters, meaning one and a half years, after January 1, 1951).

This formula sets the "primary benefit," meaning the basic amount an individual insured worker with dependents receives, at 50 percent of the first $100 of his average monthly wage, plus 15 percent of the next $200 of his wage. The old formula set the primary benefit at 40 percent of the first $50, and 10 percent of the next $200 of the average monthly wage.

In other words, the maximum monthly wage to be used for setting benefits has been raised from $250 to $300.

Minimum primary benefit has been raised, in most cases, from $10 to $25. Maximum family benefit has been raised from $85 to $150. These are vitally important changes, long overdue in view of high living costs today.

It is unfortunate, I think, that the annual increase in benefits of 1 percent for each year of coverage has been eliminated. A person who has been covered for 30 years will get only the same benefits as one covered for 5 years.

HOW ABOUT DEPENDENTS?

Dependents and survivors will receive generally the same proportion of primary benefits paid to the wage earner, meaning that their benefits also will be about 77½ percent higher than at present, up until 1952 (or twice the present level if they begin after June 1952).

Benefit for a wife will still be one-half of the primary benefit. But under the new bill, benefit payments can be made to a retired worker's wife who is 65, if she has a child in her care. Benefit for a widow is three-fourths of the primary benefit; for a child, one-half the primary benefit (except when the insured worker dies, in which case the benefit for the first child will be three-fourths of the primary benefit).

Benefit for a dependent parent, now one-half of the primary benefit, has been raised to three-fourths. Lump-sum payments, upon death of any insured worker, have been changed from 6 times the primary benefit to 3 times the primary, but will now be paid to the family of an insured worker regardless of whether any other member is entitled to receive benefits at the time of his death. (Under present law, lump-sum death benefits were made only when no other member of the family was entitled to survivors benefits at time of the wage earner's death.)

Also important is the new change allowing survivors or dependents to earn $50 monthly without losing their benefits, as against the previous $14.99 limit.

HOW LONG TO QUALIFY?

The question of how long you have to be covered before you can start drawing benefits brings up one of the most liberal changes in the new law.

Retirement age remains unchanged, age 65, but it is now much easier for a 65-year-old person to begin to draw benefits.

Previously we had to have been working in covered employment, meaning under the social security system, for half of the time since January 1, 1937. At present, that would mean a person reaching 65 must have been covered for 27 quarter-years, or 7 full years of consecutive coverage.

From now on, he need only have worked under coverage for half the time since January 1, 1951, but in no case is less than 6 quarters required, nor more than 40.

This means three things:

First, any insured worker 65 or over on January 1, 1951, already covered for 6 quarter-years, can draw benefits immediately. He needs only those 6 quarters.

Second, any worker, whether or not covered up to now, who is 62 or over on January 1, 1951, can draw benefits upon reaching 65, if he has had 6 quarter-years of coverage at 65.

Third, and most important, workers who have come under social security only recently, and particularly the 10,000,000 starting next January 1, will be eligible to receive benefits on retirement with much less coverage than now. The following table shows how many quarter-years are needed under the old and new law; simply look at the figures next to your age on January 1951:

Quarters of coverage required to be fully insured

Age reached in first half of 1951	Present law	New law
76 or over	6	6
75	8	6
74	10	6
73	12	6
72	14	6
71	16	6
70	18	6
69	20	6
68	22	6
67	24	6
66	26	6
65	28	6
64	30	6
63	32	6
62	34	6
61	36	8
60	38	10
59	40	12
58	40	14
57	40	16
56	40	18
55	40	20
50	40	30
45 or under	40	40

SOCIAL SECURITY ACT AMENDMENT OF 1950—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes.

Mr. IVES obtained the floor.

Mr. BUTLER. Mr. President, will the Senator yield?

Mr. IVES. Mr. President, inasmuch as the senior Senator from New York will not be speaking on the conference report, but definitely desires to speak this afternoon, if the Senator from Nebraska and other Senators desire to speak now on the conference report the Senator from New York would ask unanimous consent that he may yield for that purpose, with the definite understanding also that his right to the floor immediately after the adoption of the conference report is not prejudiced.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BUTLER. Mr. President, as a member of the Committee on Finance I wish to join in the statement made by my colleague, the junior Senator from Colorado [Mr. MILLIKIN] in commending the wonderful work that was done in handling this bill in committee by the senior Senator from Georgia.

Mr. President, I realize that at this late hour there is no real possibility of defeating the pending social-security measure. Nevertheless, I want the RECORD to show that at least one voice was raised in protest against it. I definitely want to assert my support of a genuine security program, based on a pay-as-you-go plan.

Mr. President, in my judgment this bill will not provide the security it promises. Millions of people, many of them in the greatest need, are completely excluded from this so-called security system, although they must share directly or indirectly in carrying the cost of it. Other millions can secure assistance only by submitting to the humiliating means test.

Furthermore, our experience is that the Federal Government itself by its own inflationary policies has destroyed more security than it has created. The debasement of the buying power of the dollar has swept away the security of tens of thousands of industries, thrifty people who planned and worked to provide for their own security.

I am afraid of this bill because it makes rosy promises but provides no real guaranty that they will be fulfilled. At the same time it places heavy and perhaps impossible burdens on the productive forces of this country, which in the long run are the only real basis for any kind of security. I believe we will never have a system of real security until we go over to a pay-as-you-go method, under which all the aged will be eligible, at moderate benefit rates within the capacity of the producing workers of the country to support.

Mr. President, at this point I ask consent to have inserted in the RECORD an article entitled "The Federal Government Is Undermining the Foundation of Security," from the New England Letter of June 30, 1950, published by the First National Bank of Boston.

The PRESIDING OFFICER. Is there objection?

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE FEDERAL GOVERNMENT IS UNDERMINING THE FOUNDATION OF SECURITY

The recent passage by the United States Senate of an expanded and liberalized social-security bill calls attention to the intense pressure of demand upon our economy for funds. While the craving for security is a challenge that must be met with sympathetic understanding, at the same time there should be a realistic appraisal of its impact. Any proposal along this line must be kept within our economic capacity and not defeat its purpose by carrying it so far that it cripples and paralyzes personal initiative and enterprise as well as imposes an intolerable burden upon our economy.

The quest for security is world-wide. Demands for protection against the hazards of life in this country have stemmed from the growing complexity of our industrialized society as well as from the depression of the 1930's, threats of war, and inflationary trends. To aggravate the problem, medical science has extended the life span by one-third in the course of the past half century. Since 1900, the number of persons 65 years of age and over has increased by 264 percent as compared with a 100-percent gain for the population in general. Not only is the number of aged growing at a much faster pace than is the rest of the population, but also in view of their numbers they could become the most powerful pressure group in the country, and by demanding periodic increases in pension payments could place a back-breaking load on the productive workers.

If we are to retain our present American system, the cost of social security must be paid out of current production which is the only real common pool that can be drawn upon for current consumption. A large proportion of the people, however, are under the illusion that by some magic power the Government can provide an abundant life and guarantee security without the recipients earning their passage. Throughout all ages, whenever a government endeavored to provide for people on an extensive scale it did so by using up past reserves followed by confiscatory taxes and sharp, extension of governmental power until free citizens became mere puppets. This same trend is clearly in evidence in Great Britain today. Sir Stafford Cripps, Chancelor of the Exchequer, reports that there has already been such a great redistribution of wealth in Great Brittain within the past few years to provide for extended social services that "* * * for

the future, we must rely rather upon the creation of more distributable wealth than upon the redistribution of the income that exists. Total taxation, local and national, is now more than 40 percent of the national income, and at that level the redistribution of income entailed in the payment for social services already falls, to a considerable extent, upon those who are the recipients of these services. We must, therefore, moderate the speed of our advance in the extended application of the existing social services to our progressive ability to pay for them by an increase in our national income. Otherwise, we shall not be able to avoid entrenching, to an intolerable extent, upon the liberty of spending by the private individual for his own purposes." Here then is a sober message from one of the outstanding leaders of the Labor Party who is learning from bitter experience the economic facts of life. This warning should be heeded by our own country, which is traveling at high speed down the same road as Great Britain. Based upon past experience, America follows British social welfare plans by a time lag of one or two decades.

The irony of it all is that while the administration is aggressively carrying on a campaign for a comprehensive and liberal social-security program, at the same time it is undermining the very foundation of its program by diluting the purchasing power of the dollar through deficit financing. For 18 of the past 20 years the Federal Government has operated in the red. During this same period the administration has pursued an "easy" money policy with a resultant decline in the yield of bonds as well as a reduction in the rate of interest on savings deposits. As a consequence, the purchasing power of income, based on conservative investments, has been cut in half since the Social Security Act started operations in 1937. The inflationary policies of the Government are chipping away the real value of payrolls, savings deposits, life insurance policies, annuities, and all other means that individuals have taken to protect themselves against the hazards of life. The net result is that because of the dilution of the purchasing power of the dollar several million persons who had planned for what they considered adequate security have had their living standards sharply reduced. Through unsound fiscal policies, the Government is making it increasingly difficult for the American people to provide for their own security, and this in turn compels them to turn to the Government for aid. Because of this situation, demands for social security grow in snowball fashion.

While claims on future wealth for social welfare are multiplied manyfold, at the same time the creation of new wealth is throttled by taxes that severely restrict the flow of fresh capital into the purchase of the necessary tools and equipment that would provide new jobs and increase production. Prior to the war, the rise in man-hour output was at the rate of about 2 percent a year. Since the end of the war, however, according to the most reliable estimates, it has been less than 1 percent. When security claims, wages, and other costs increase at a faster rate than productivity, buying power shrinks so that each dollar buys less in terms of goods and services. France is a striking example of what happens when claims on the national economy far exceed productivity. In that country the purchasing power of pensioners has declined by 99 percent since 1914.

Moreover, the time has come when a comprehensive survey must be made of all the types of claims on our economy and these allocated on a priority basis according to their relative importance, since taxes are in the danger zone. Colin Clark, an Australian economist, after an extensive research of many countries throughout the world, concluded that the critical limit of taxation is about 25 percent of national income, or possibly less. He observed that when this point is reached, governments resort to the easy way out by monetary devaluation, deficit financing, and inflation rather than by increased taxation. Taxes in the United States—Federal, State, and local—are now about 25 percent of national income and have therefore reached the peril point. This Nation, in keeping with the experience of other countries under similar circumstances, has deliberately embarked upon a deficit financing program which the administration justifies on the grounds that it will expand the economy, provide increased revenue, and fortify our fiscal position. But the theory of spending our way to solvency is repudiated by the experience of every country that has tried this experiment.

In view of the pressure of expenditures on our impaired margin of safety, it is highly essential that Government waste should be kept to a minimum. Outstanding authorities, both liberal and conservative, have agreed that the Federal budget could be reduced by at least $5,000,000,000 without impairing any essential services. Public money wasted is parasitical as it robs the welfare plans, the schools, and all other deserving projects of money that could otherwise be made available to them. It would be well for the social agencies, educators, clergymen, and others deeply concerned with the promotion of social welfare to campaign against extravagance and waste of public money, since apparently this country has reached the limit of obtaining any further substantial sums from taxation. In other words, the time has come, if this Nation is to remain solvent, when hard choices must be made on Government expenditures from money provided by the taxpayers.

Any comprehensive social security program must therefore rest on a relatively stable purchasing power of the dollar based on sound fiscal policies and on a dynamic productive economy with adequate incentives for risk-taking and rewards for contributions to the productive output of the country.

Mr. LEHMAN. Mr. President, I shall of course vote for the pending conference report on H. R. 6000. This bill contains many provisions for which I have worked with all my strength and effort throughout this session. No bill which we have enacted at this session of Congress is of greater importance for the long-range welfare of America than these amendments to the Social Security Act. The work of the Senate finance committee and of the House Ways and Means Committee and the long and careful deliberation given this bill in both the Senate and in the other Chamber, have produced legislation which is a far advance on the road we must travel to bring social security and social welfare to our citizens. The committees deserve our admiration and thanks.

But this conference report contains one provision, the so-called Knowland amendment, which the Senate adopted and which was approved in conference which, in my judgment, is one of the most dangerous and unfortunate provisos to be included in any legislation enacted by the Congress this year.

I cannot find it in my heart to delay for a moment the increased pensions for the aged, and the public assistance for the needy and the blind and the children of our country. I must therefore, for my part, accept the Knowland amendment as violently as I disagree with the wisdom of it. I accept it, however, with a heavy heart.

None of us is so naive as not to realize that a law, in large measure, is what administration makes of it. Under the terms of the Knowland amendment, the unemployment compensation authorities of a State could interpret their unemployment compensation law in a manner wholly at variance from the clear intent of the language of the law. The Secretary of Labor would be powerless to raise any question of whether that administration conforms to the clear intent of the law as enacted by Congress. This is a virtual abandonment by the Congress of its obligation to insure uniformity and consistency of administration of the unemployment insurance provisions of the law.

This provision may be used in many States by those interested in breaking strikes. The whole force of unemployment insurance administration may be brought to bear to threaten men who are unemployed with the penalty of losing their unemployment compensation unless they are willing to scab, to take the jobs of strikers. This is only one of the grave misuses to which this provision could be put.

Mr. President, I wish there were some way—I know some way was sought in the House—to set this provision aside. It was adopted in the Senate in haste. I was the only Senator who protested. It will be regretted at leisure. Nevertheless, I shall vote for the conference report. I hope that the next Congress—or, if it were possible, this Congress—will correct this inequity.

Mr. HOLLAND. Mr. President, the distinguished senior Senator from Georgia has been kind enough to say to me that he plans to prepare a statement in some detail on the coverage proposed for agricultural workers under the provisions of the conference report, and to insert it in the RECORD tomorrow so that the statement will become a part of the legislative history of the bill. With that understanding I am very happy to accede to a vote on the conference report at this time.

Mr. GEORGE. Mr. President, if there is no further address to be made on the conference report, I hope we may have it agreed to.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

SUMMARY OF PRINCIPAL CHANGES IN THE SOCIAL SECURITY ACT

UNDER

H. R. 6000 AS PASSED BY THE HOUSE OF REPRESENTATIVES, AS PASSED BY THE SENATE, AND ACCORDING TO CONFERENCE AGREEMENT

JULY 25, 1950

Prepared for the use of the Committee on Ways and Means
by Robert J. Myers, *Actuary to the Committee*

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COMPARISON OF PRINCIPAL CHANGES IN THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM MADE BY H. R. 6000

(NOTE.—All changes effective as follows, unless otherwise noted: January 1, 1950, under bill as passed by House; January 1, 1951, for coverage changes and for second month following month of enactment for benefit changes under bill as passed by Senate; and January 1, 1951, for coverage changes and September 1950 for benefit changes according to conference agreement)

(1) BENEFITS PAYABLE TO—

EXISTING LAW	H. R. 6000 AS PASSED BY HOUSE	H. R. 6000 AS PASSED BY SENATE	CONFERENCE AGREEMENT
(*a*) Insured worker, age 65 or over.	No change.	No change.	No change.
(*b*) Wife, age 65 or over, of insured worker.	No change in age requirement other than that no age requirement if child under 18 is present.	No change from existing law, except benefits provided for dependent husbands, age 65 or over.	Same as Senate bill but with provision in House bill for no age requirement if child under 18 is present.
(*c*) Widow, age 65 or over, of insured worker.	No change.	No change, except benefits provided for dependent widowers, age 65 or over.	Same as Senate bill.
(*d*) Children (under 18) of retired worker, and children of deceased worker and their mother regardless of her age.	Certain dependency and relationship requirements liberalized, especially in regard to dependency on married insured women.	Same as House bill, except provisions as to dependency on married women further liberalized.	Same as Senate bill.
(*e*) Dependent parents, age 65 or over, of deceased worker if no surviving widow or child who could have received benefits.	No change.	No change.	No change.
(*f*) Lump-sum death payment where no monthly benefits immediately payable.	Lump-sum for all insured deaths.	Same as existing law, except special provision where monthly benefits paid in first year are less than lump-sum.	Same as House bill.

(2) INSURED STATUS

(*a*) Based on "quarters of coverage," namely, calendar quarters with $50 or more of wages.	After effective date, $100 of wages and $200 of self-employment income required for quarter of coverage. Special provision for converting annual self-employment income into quarters of coverage.	Same as House bill, except only $50 of wages and $100 of self-employment income required for quarter of coverage.	Same as Senate bill.
(*b*) Fully insured (eligible for all benefits) requires one quarter of coverage for each two quarters after 1936 and before age 65 (or death if earlier). In no case more than 40 quarters of coverage required. Minimum of 6 quarters of coverage required.	Alternative requirement provided; namely, 20 quarters of coverage out of 40 quarters preceding death, or age 65 or any later date.	Same as present law, except "new start" provides that such quarters of coverage (acquired after 1936) must at least equal half the quarters after 1950. Thus all now age 62 or over need have only 6 quarters of coverage. Not applicable for deaths prior to effective date.	Same as Senate bill.
(*c*) Currently insured (eligible only for child, widowed mother, and lump-sum survivor benefits) requires 6 quarters of coverage out of 13 quarters preceding death.	No change.	No change.	No change.

(3) Worker's Monthly Old-Age Benefit (Called "Primary Amount")

EXISTING LAW

(*a*) Average monthly wage based on period from 1937 to age 65 (or death if earlier) regardless of whether in covered employment in all such years. A year of coverage is a calendar year in which $200 is credited.

(*b*) Monthly amount is 40 percent of first $50 of average wage plus 10 percent of next $200, all increased by 1 percent for each year of coverage.

(*c*) Minimum primary benefit, $10.

(*d*) Maximum family benefit, $85 or 80 percent of average wage or twice the primary benefit, whichever is least (but in no case less than $20).

H. R. 6000 AS PASSED BY HOUSE

Average monthly wage based on average over years of coverage (after either 1936 or 1949, whichever is higher). A year of coverage is a calendar year in which $400 is credited ($200 prior to 1950).

Monthly amount is 50 percent of first $100 of average wage plus 10 percent of next $200, increased by ½ percent for each year of coverage, and unless in covered employment in entire period reduced by percentage of time out of covered employment since 1936 or 1949, whichever gives smaller reduction. Benefits of present beneficiaries increased by conversion table which gives effect to new benefit formula and new average wage concept; on the average, benefits will be increased by 70 percent, with somewhat greater relative increases for those receiving smallest amounts, as indicated by following table for certain illustrative cases:

Present primary insurance benefit	*New primary insurance amount*
$10	$25
15	31
20	36
25	44
30	51
35	55
40	60
45	64

$25.

$150, or 80 percent of average wage if less (but in no case less than $40).

H. R. 6000 AS PASSED BY SENATE

Same as existing law, except "new start" average beginning after 1950 may be used for those with 6 quarters of coverage after 1950.

For those with "new start" average wage, monthly amount is 50 percent of first $100 of average wage plus 15 percent of next $200. For all others (including present beneficiaries, and for those with "new start" if it produces a larger benefit) the benefit is computed under existing law (but with no 1 percent increase for years after 1950) and then increased by conversion table; benefits will be increased on the average by 85 percent, as indicated by following table for certain illustrative cases:

New primary insurance amount
$20
31
37
48
56
62
68
72

$25, unless average monthly wage is less than $34—then $20.

Same as House bill.

CONFERENCE AGREEMENT

Same as Senate bill except that conversion table is lowered so that benefits are increased on the average by 77½ percent, as indicated by following table for certain illustrative cases:

New primary insurance amount
$20
30
37
46
54
59
64
68

$25, unless average monthly wage is less than $35—then graded down to $20 for average monthly wage of $30 or less.

Same as House bill.

(*e*) Illustrative primary benefits for 10 years of coverage, no period of noncoverage:

Level monthly wage	Present law	House bill	Senate bill and conference agreement
$100	$27.50	$52.50	$50.00
$150	33.00	57.80	57.50
$200	38.50	63.00	65.00
$250	44.00	68.30	72.50
$300	44.00	73.50	80.00

(*f*) Illustrative primary benefits for 40 years of coverage, no periods of noncoverage.

Level monthly wage	Present law	House bill	Senate bill and conference agreement
$100	$35.00	$60.00	$50.00
$150	42.00	66.00	57.50
$200	49.00	72.00	65.00
$250	56.00	78.00	72.50
$300	56.00	84.00	80.00

(*g*) Illustrative primary benefits for 5 years of coverage, 5 years of noncoverage, all after 1950:

Level monthly wage while working	Present law	House bill	Senate bill and conference agreement
$100	$21.00	$26.30	$25.00
$150	23.63	28.90	37.50
$200	26.25	31.50	50.00
$250	28.88	34.20	53.80
$300	28.88	36.80	57.50

(*h*) Illustrative primary benefits for 20 years of coverage, 20 years of noncoverage all after 1950:

Level monthly wage while working	Present law	House bill	Senate bill and conference agreement
$100	$24.00	$30.00	$25.00
$150	27.00	33.00	37.50
$200	30.00	36.00	50.00
$250	33.00	39.00	53.80
$300	33.00	42.00	57.50

(*i*) Illustrative primary benefits for 10 years of coverage, 30 years of noncoverage, all after 1950:

Level monthly wage while working	Present law	House bill	Senate bill and conference agreement
$100	$11.00	$25.00	$20.00
$150	16.50	25.00	25.00
$200	22.00	25.00	25.00
$250	23.38	25.00	31.30
$300	23.38	25.00	37.50

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(4) BENEFIT AMOUNTS OF DEPENDENTS AND SURVIVORS RELATIVE TO WORKER'S MONTHLY PRIMARY BENEFIT

EXISTING LAW	H. R. 6000 AS PASSED BY HOUSE	H. R. 6000 AS PASSED BY SENATE	CONFERENCE AGREEMENT
(*a*) Wife, one-half of primary.	No change.	No change.	No change.
(*b*) Widow, three-quarters of primary.	No change.	No change.	No change.
(*c*) Child, one-half of primary.	No change, except for deceased worker family, first child gets three-quarters of primary.	Same as House bill.	Same as House bill.
(*d*) Parent, one-half of primary.	Three-quarters of primary.	Same as existing law.	Same as House bill.
(*e*) Lump sum at death, six times primary benefit.	Three times primary benefit.	Same as House bill.	Same as House bill.

(*f*) Illustrative monthly benefits for retired workers:

[All figures rounded to nearest dollar]

Average monthly wage	Present law		House bill		Senate bill and conference agreement	
	Single	Married [1]	Single	Married [1]	Single	Married [1]
	INSURED WORKER COVERED FOR 5 YEARS					
$50	$21	$32	$26	$38	$25	$38
$100	26	39	51	77	50	75
$150	32	47	56	85	58	86
$200	37	55	62	92	65	98
$250	42	63	67	100	72	109
$300	42	63	72	108	80	120
	INSURED WORKER COVERED FOR 40 YEARS					
$50	$28	$40	$30	$40	$25	$38
$100	35	52	60	80	50	75
$150	42	63	66	99	58	86
$200	49	74	72	108	65	98
$250	56	84	78	117	72	109
$300	56	84	84	126	80	120

[1] With wife 65 or over.

NOTE.—"Average wage" is computed differently under the various plans (see text). These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1950.

(g) Illustrative monthly benefits for survivors of insured workers:

[All figures rounded to nearest dollar]

Average monthly wage	Present law	House bill	Senate bill and conference agreement	Present law	House bill	Senate bill and conference agreement	Present law	House bill	Senate bill and conference agreement
	INSURED WORKER COVERED FOR 5 YEARS								
	Widow and 1 child			Widow and 2 children			Widow and 3 children		
$50	$26	$38	$38	$37	$40	$40	$40	$40	$40
$100	33	77	75	46	80	80	52	80	80
$150	39	85	86	55	113	115	63	120	120
$200	46	92	98	64	123	130	74	150	150
$250	52	100	109	74	133	145	84	150	150
$300	52	108	120	74	144	150	84	150	150
	1 child alone			2 children alone			Aged widow [1]		
$50	$10	$19	$19	$21	$32	$31	$16	$19	$19
$100	13	38	38	26	64	62	20	38	38
$150	16	42	43	32	70	72	24	42	43
$200	18	46	49	37	77	81	28	46	49
$250	21	50	54	42	83	91	32	50	54
$300	21	54	60	42	90	100	32	54	60
	INSURED WORKER COVERED FOR 40 YEARS								
	Widow and 1 child			Widow and 2 children			Widow and 3 children		
$50	$35	$40	$38	$40	$40	$40	$40	$40	$40
$100	44	80	75	61	80	80	70	80	80
$150	52	99	86	74	120	115	84	120	120
$200	61	108	98	85	144	130	85	150	150
$250	70	117	109	85	150	145	85	150	150
$300	70	126	120	85	150	150	85	150	150
	1 child alone			2 children alone			Aged widow [1]		
$50	$14	$22	$19	$28	$38	$31	$21	$22	$19
$100	18	45	38	35	75	62	26	45	38
$150	21	50	43	42	83	72	32	50	43
$200	24	54	49	49	90	81	37	54	49
$250	28	58	54	56	98	91	42	58	54
$300	28	63	60	56	105	100	42	63	60

[1] Age 65 or over.

NOTE.—"Average wage" is computed differently under the various plans (see text). These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1950.

(5) Amount of Employment Permitted Beneficiary for Benefit Receipt (Work Clause)

EXISTING LAW	H. R. 6000 AS PASSED BY HOUSE	H. R. 6000 AS PASSED BY SENATE	CONFERENCE AGREEMENT
No benefits paid for month in which $15 or more earned in covered employment.	Same except $15 limit is increased to $50 and no limitation at all after age 75.	Same as House bill.	Same as House bill.

(6) Covered Employment

All except self-employment and employment in Federal and State Governments, railroads, nonprofit (charitable, educational, and religious), agriculture, and domestic service. Employment covered only in the 48 States, District of Columbia, Alaska, and Hawaii, and on American ships outside the United States under certain circumstances.	In addition to existing coverage, includes the following groups: (*a*) Nonfarm self-employed other than certain professions (physicians, lawyers, dentists, osteopaths, veterinarians, chiropractors, optometrists, Christian Science practitioners, and certain professional engineers); (*b*) State and local government employees on elective basis by the State, except that where retirement system exists, employees and beneficiaries must favor by two-thirds majority in referendum, and except for certain transit workers who are covered compulsorily; (*c*) Regularly employed nonfarm domestic servants (based on 26 days of work during a quarter); (*d*) Employees of nonprofit institutions other than ministers (on compulsory basis for employees and voluntary basis for employer); (*e*) Agricultural processing workers off the farm; (*f*) Federal employees not covered under retirement system other than those in very temporary or casual employment; (*g*) Americans employed by American employer outside the United States and employees on American aircraft outside the United States in the same manner as for ships; (*h*) Employment in Puerto Rico and Virgin Islands; (*i*) Salesmen, and certain other employees, who were deprived of coverage as employees by Public Law 642, Eightieth Congress; (*j*) Tips reported to the employer are included as wages.	Same as House bill except: (*a*) Regularly employed farm workers covered based on 60 days of work during a quarter; (*b*) Exemption from coverage as professional self-employed extended to architects, naturopaths, certified, licensed, and registered public accountants, funeral directors, and all professional engineers (instead of certain named ones), while publishers are covered; (*c*) Coverage to regularly employed non-farm domestic servants based on 24 days of work during a quarter; (*d*) Coverage of nonprofit employees on compulsory basis for nonreligious organizations and on completely voluntary basis for religious organizations; (*e*) Coverage of Federal civilian employees not covered by a retirement system clarified and extended to those occupying positions pending permanent or indefinite appointment; (*f*) Coverage not permitted for State and local employees covered by an existing retirement plan; (*g*) Definition of "employee" restricted to strict common-law basis except for following named occupational groups covered as "employees": full-time life insurance salesmen; agent-drivers and commission-drivers distributing meat products, bakery products, or laundry or dry cleaning services; and full-time wholesale salesmen; (*h*) Tips not included as wages as in existing law.	Same as Senate bill except: (*a*) Coverage to regularly employed farm workers based on 60 *full* days of work during a quarter if he had continuous employment with the same employer during a preceding 3-month period; (*b*) Exemption from coverage as professional self-employed extended to full-time practicing public accountants; (*c*) Coverage of nonprofit employees on voluntary basis. Employer must elect coverage, and at least two-thirds of employees must concur in coverage. Then all employees concurring in coverage and all new employees are covered; (*d*) Coverage not permitted for State and local employees covered by an existing retirement plan *unless State law providing for coordination was in effect on January 1, 1950;* (*e*) Additional occupational groups covered as "employees": agent-drivers and commission-drivers distributing vegetable or fruit products or beverages (other than milk) and industrial homeworkers earning at least $50 during a quarter if subject to regulation under State law and working under specifications supplied by employer.

(7) Permanent and Total Disability Benefits

None.	For worker both currently insured and having 20 quarters of coverage out of last 10 years. Amount of primary benefit determined as for retired worker. No benefit for dependents of disabled worker. Benefits begin in January 1951.	None.	None.

(8) Wage Credits for World War II Service

EXISTING LAW	H. R. 6000 AS PASSED BY HOUSE	H. R. 6000 AS PASSED BY SENATE	CONFERENCE AGREEMENT
None.	World War II veterans (including those who died in service) given wage credits of $160 for each month of military service in World War II.	Same as House bill except that credit not given if service is used for any other Federal retirement system and except that additional cost is to be borne by trust fund (instead of by general Treasury as in House bill).	Same as Senate bill.

(9) Maximum Annual Wage and Self-Employment Income for Tax and Benefit Purposes

$3,000.	$3,600 after 1949.	$3,600 after 1950.	Same as Senate bill.

(10) Tax (or Contribution) Rates

1 percent on employer and 1 percent on employee through 1949, 1½ percent for 1950–51, and 2 percent thereafter.	1½ percent on employer and 1½ percent on employee for 1950, 2 percent for 1951–59, 2½ percent for 1960–64, 3 percent for 1965–69, and 3¼ percent thereafter, except— (*a*) For self-employed, 1½ times rate for employees. Self-employment income taxed would be, in general, net income from trade or business; (*b*) For nonprofit employment, no tax is imposed on employer who can pay it voluntarily. If employer does not pay tax, employee receives credit for only 50 percent of his taxed wages.	Same as House bill, except that increase to 2 percent is in 1956 instead of 1951 and except that nonprofit employment when covered is on same basis as all other employment.	Same as Senate bill, except that increase to 2 percent is in 1954.

(11) Appropriations from General Revenues

Appropriations authorized for such sums as may be required to finance the program.	Provision in existing law repealed.	Same as House bill.	Same as House bill.

(12) Combined Withholding of Income and Employee Social Security Taxes

No provision.	No provision.	Single combined withholding of income tax and employee social security tax applicable generally in those cases in which wages paid to the employee are subject to withholding for both classes of taxes. If the employee's wages are not subject to withholding for income tax purposes—such as in the case of wages paid for domestic services in a private home—combined withholding will not apply.	No provision.

COMPARISON OF PRINCIPAL CHANGES IN FEDERAL-STATE PUBLIC ASSISTANCE AND CHILD HEALTH AND WELFARE SERVICE PROGRAMS MADE BY H. R. 6000

(NOTE.—All changes effective as follows, unless otherwise noted: October 1, 1949, under bill as passed by House; October 1, 1950, under bill as passed by Senate and according to conference agreement)

I. GROUPS ELIGIBLE FOR AID

EXISTING LAW	H. R. 6000 AS PASSED BY HOUSE	H. R. 6000 AS PASSED BY SENATE	CONFERENCE AGREEMENT
Three categories defined for assistance purposes as needy persons—(1) 65 years of age and over, (2) blind, and (3) children under 16 years of age and children age 16–17, if they are regularly attending school.	Fourth category provided for permanently and totally disabled individuals who are in need. For aid to dependent children the mother or other relative with whom a dependent child is living is included as a recipient for Federal matching purposes.	Same as House bill except fourth category (aid to disabled) not provided for.	Same as House bill, except that permanently and totally disabled individuals must be at least 18 years old.

II. FEDERAL SHARE OF PUBLIC ASSISTANCE EXPENDITURES

Federal share for old-age assistance and aid to blind is three-fourths of first $20 of a State's average monthly payment plus one-half of the remainder within individual maximums of $50; for aid to dependent children, three-fourths of the first $12 of the average monthly payment per child, plus one-half the remainder within individual maximums of $27 for the first child and $18 for each additional child in a family. Administrative costs shared 50 percent by Federal Government and 50 percent by States.	Federal share for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is four-fifths of the first $25 of a State's average monthly payment, plus one-half of the next $10, plus one-third of the remainder within individual maximums of $50; for aid to dependent children, four-fifths of the first $15 of the average monthly payment per recipient, plus one-half of the next $6, plus one-third of the next $6 within individual maximums of $27 for the relative with whom the children are living, $27 for the first child, and $18 for each additional child in a family. Administrative costs same basis as present law.	Same as existing law, except that individual maximums for aid to dependent children are raised from $27 to $30 for the relative with whom the children are living and for the first child and from $18 to $20 for all other children and except that for old-age assistance payments supplementing old-age insurance benefits for those first becoming entitled to such benefits in or after the second month after enactment, Federal share is on a 50–50 basis.	Same as existing law, except that relative with whom children are living to be included for Federal matching purposes within individual maximum of $27 per month. Matching basis for aid to disabled same as for old-age assistance.

Aid to dependent children: Amount and percent of Federal funds in average monthly payments to families of specified size, under present law and under H. R. 6000

Average monthly payments [1]	Present law		House bill		Senate bill		Conference agreement	
	Federal funds	Percent of total	Federal funds	Percent of total	Federal funds	Percent of total	Federal funds	Percent of total
	1-child family							
$25	$15.50	62	$20.00	80	$18.50	74	$18.50	74
$35	16.50	47	26.50	76	23.50	67	23.50	67
$45	16.50	37	31.00	69	28.50	63	28.50	63
$55	16.50	30	34.00	62	33.50	61	33.00	60
$75	16.50	22	34.00	45	36.00	48	33.00	44
$90	16.50	18	34.00	38	36.00	40	33.00	37
	3-child family							
$25	$18.75	75	$20.00	80	$18.75	75	$18.75	75
$35	26.25	75	28.00	80	26.25	75	26.25	75
$45	31.50	70	36.00	80	33.75	75	33.75	75
$55	36.50	66	44.00	80	39.50	72	39.50	72
$75	40.50	54	55.50	74	49.50	66	49.50	66
$90	40.50	45	62.00	69	57.00	63	57.00	63
$110	40.50	37	62.00	56	62.00	56	57.00	52

[1] Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of larger payments, the amounts of such maximums.

Aid to dependent children: Amount to which average monthly payments to families of specified size under present provisions could be increased under H. R. 6000 assuming the same average expenditure per family from State and local funds

Average monthly payments [1]	Present law		House bill			Senate bill			Conference agreement		
	Federal funds	State and local funds	Average monthly payments [1]	Federal funds	Increase in Federal funds	Average monthly payments [1]	Federal funds	Increase in Federal funds	Average monthly payments [1]	Federal funds	Increase in Federal funds
	1-child family										
$25	$15.50	$9.50	$37.00	$27.50	$12.00	$31.00	$21.50	$6.00	$31.00	$21.50	$6.00
$35	16.50	18.50	51.75	33.25	16.75	49.00	30.50	14.00	49.00	30.50	14.00
$45	16.50	28.50	62.50	34.00	17.50	64.50	36.00	19.50	61.50	33.00	16.50
$55	16.50	38.50	72.50	34.00	17.50	74.50	36.00	19.50	71.50	33.00	16.50
$75	16.50	58.50	92.50	34.00	17.50	94.50	36.00	19.50	91.50	33.00	16.50
$90	16.50	73.50	107.50	34.00	17.50	109.50	36.00	19.50	106.50	33.00	16.50
	3-child family										
$25	$18.75	$6.25	$31.25	$25.00	$6.25	$25.00	$18.75	----------	$25.00	$18.75	----------
$35	26.25	8.75	43.75	35.00	8.75	35.00	26.25	----------	35.00	26.25	----------
$45	31.50	13.50	63.00	49.50	18.00	51.00	37.50	$6.00	51.00	37.50	$6.00
$55	36.50	18.50	73.00	54.50	18.00	61.00	42.50	6.00	61.00	42.50	6.00
$75	40.50	34.50	96.50	62.00	21.50	93.00	58.50	18.00	91.50	57.00	16.50
$90	40.50	49.50	111.50	62.00	21.50	111.50	62.00	21.50	106.50	57.00	16.50
$110	40.50	69.50	131.50	62.00	21.50	131.50	62.00	21.50	126.50	57.00	16.50

[1] Average for Federal matching purposes includes all payments within the maximums for families of specified size, and in the case of large payments, the amounts of such maximums.

III. Medical Care

EXISTING LAW

Federal sharing in costs of medical care limited to amounts paid to recipients that can be included within the monthly maximums on individual payments. No State-Federal assistance provided persons in public institutions unless they are receiving temporary medical care in such institutions.

H. R. 6000 AS PASSED BY HOUSE

Federal Government will share in cost of payments made directly to medical practitioners and other suppliers of medical services, which when added to any money paid to the individual, does not exceed the monthly maximums on individual payments. Federal Government shares in the cost of payments to recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled living in public medical institutions other than those for mental disease and tuberculosis.

H. R. 6000 AS PASSED BY SENATE

Same as House bill, except that no plan for aid to disabled is provided and except for specific authorization for Federal Government to share in direct payments made to suppliers of *remedial care* as well as to suppliers of medical care.

CONFERENCE AGREEMENT

Same as Senate bill, except that plan for aid to disabled is provided.

IV. Changes in Requirements for State Public-Assistance Plans

A. RESIDENCE

EXISTING LAW	H. R. 6000 AS PASSED BY HOUSE	H. R. 6000 AS PASSED BY SENATE	CONFERENCE AGREEMENT
For old-age assistance and aid to the blind, a State may not require, as a condition of eligibility, residence in a State for more than 5 of the 9 years immediately preceding application and one continuous year before filing the application. For aid to dependent children, the maximum requirement for the child is 1 year of residence immediately preceding application, or if the child is less than a year old, birth in the State and continuous residence by the mother in the State for 1 year preceding the birth.	No change in requirements for old-age assistance and aid to dependent children. For aid to the blind, effective July 1, 1951, a State may not require, as a condition of eligibility, residence in the State of more than one continuous year prior to filing of the application for aid. For aid to the permanently and totally disabled no State may impose a residence requirement more restrictive than that in its plan for aid to the blind on July 1, 1949, and beginning July 1, 1951, the maximum residence requirement is 1 year immediately preceding the application for aid. (All other requirements for aid to the permanently and totally disabled are the same as for old-age assistance.)	Same as existing law.	Same as Senate bill.

B. INCOME AND RESOURCES

For the three categories a State must, in determining need, take into consideration the income and resources of an individual claiming assistance.	Provision in existing law is made applicable to aid to the permanently and totally disabled. For aid to the blind, effective October 1, 1949, a State may disregard such amount of earned income, up to $50 per month, as the State vocational rehabilitation agency for the blind certifies will serve to encourage or assist the blind to prepare for, or engage in remunerative employment; effective July 1, 1951, a State must, in determining the need of any blind individual, disregard any income or resources which are not predictable or actually not available to the individual and take into consideration the special expenses arising from blindness.	Effective July 1, 1952, a State must disregard earned income, up to $50 per month, of an individual claiming aid to the blind; prior to July 1, 1952, the exemption of earned income, up to $50 per month is discretionary with each State. Same income and resources provisions as in existing law for the other categories.	Same as Senate bill.

C. TEMPORARY APPROVAL OF STATE PLANS FOR AID TO THE BLIND

No provision.	For the period October 1, 1949, to June 30, 1953, any State which did not have an approved plan for aid to the blind on January 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the aforementioned income and resources requirement of the act.	Same as House bill except that provision applies after October 1, 1950, and with no termination date.	Same as House bill except that provision applies after October 1, 1950, and terminates June 30, 1955.

D. EXAMINATION TO DETERMINE BLINDNESS

EXISTING LAW	H. R. 6000 AS PASSED BY HOUSE	H. R. 6000 AS PASSED BY SENATE	CONFERENCE AGREEMENT
No provision.	A State aid-to-the-blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist.	A State aid-to-the-blind plan must provide that, in determining blindness, there shall be an examination by a physician skilled in diseases of the eye. Also the plan must provide that the services of optometrists within the scope of their practice as prescribed by State law shall be available to individuals already determined to be eligible for aid to the blind (if desired and needed by them), as well as to recipients of any grant-in-aid program for improvement or conservation of vision.	Same as House bill, but mandatory July 1, 1952, and discretionary with each State prior thereto.

E. ASSISTANCE TO BE FURNISHED PROMPTLY

No specific provision relating to opportunity to apply for assistance promptly.	Opportunity must be afforded all individuals to apply for assistance, and assistance must be furnished promptly to all eligible individuals.	Same as House bill but clarified.	Same as Senate bill.

F. FAIR HEARING

Fair hearing must be provided individual whose claim for assistance is denied. No specific provision for individual whose claim is not acted upon within a reasonable time.	Fair hearing must be provided by State agency to individual whose claim for assistance is denied or not acted upon within reasonable time.	Same as House bill but clarified.	Same as Senate bill.

G. STANDARDS FOR INSTITUTIONS

No provision.	If a State plan for old-age assistance, aid to the blind, or aid to the permanently and totally disabled provides for payments to individuals in private or public institutions, the State must have a State authority to establish and maintain standards for such institutions. (Effective July 1, 1953.)	Same as House bill.	Same as House bill.

H. TRAINING PROGRAM FOR PERSONNEL

No specific provision.	States must provide a training program for the personnel necessary to the administration of the plan.	No specific provision.	Same as Senate bill.

I. NOTIFICATION TO LAW ENFORCEMENT OFFICIALS

No provision.	In aid to dependent children the States must provide for prompt notice to appropriate law-enforcement officials in any case in which aid is furnished to a child who has been deserted or abandoned by a parent.	Same as House bill.	Same as House bill.

V. Puerto Rico and the Virgin Islands

EXISTING LAW	H. R. 6000 AS PASSED BY HOUSE	H. R. 6000 AS PASSED BY SENATE	CONFERENCE AGREEMENT
Federal funds for public assistance are not available to Puerto Rico and the Virgin Islands.	The four categories of assistance are extended to Puerto Rico and the Virgin Islands. The Federal share, for old-age assistance, aid to the blind, and aid to the permanently and totally disabled is limited to one-half of the total sums expended under an approved plan up to a maximum payment for any individual of $30 per month. For aid to dependent children the Federal share is limited to one-half of the expenditures under an approved plan up to individual maximums of $27 for the first child and $18 for each additional child in a family. Administrative costs are matched by the Federal Government on a 50–50 basis.	Same as existing law.	Same as House bill, except that maximum annual Federal grant shall be $4,250,000 for Puerto Rico and $160,000 for the Virgin Islands.

VI. Child Welfare Services

Authorizes an annual appropriation of $3,500,000 for grants to the States for child welfare services in rural areas and areas of special need. Funds allotted to States with approved plans as follows: $20,000 to each State and remainder on basis of rural population of the respective States.	Authorization for annual appropriation increased to $7,000,000 and the $20,000 now allotted to each State is increased to $40,000 with the remainder to be allotted on the basis of rural population of the respective States. Specific provision is made for the payment of the cost of returning any runaway child under age 16 to his own community in another State if such return is in the interest of the child and the cost cannot otherwise be met. (Effective for fiscal years beginning after June 30, 1950.)	Same as House bill except that annual authorization is increased to $12,000,000 and except that allotment is on basis of rural population under age 18. (Effective for fiscal years beginning after June 30, 1950.) Also provision added that in developing the various services under the State plans, the States would be free, but not compelled, to utilize the facilities and experience of voluntary agencies for the care of children in accordance with State and community programs and arrangements.	Same as Senate bill, except that annual authorization is $10,000,000.

VII. Maternal and Child Health Services

Authorizes an annual appropriation of $11,000,000. One-half of this amount is distributed among the States as follows: $35,000 to each State, and the remainder of the one-half on the basis of the relative number of live births in the State. The second one-half is distributed among the States on the basis of the financial need of each State after consideration of the number of live births in the State.	Same as existing law.	Authorization for annual appropriation increased to $20,000,000 and the $35,000 uniform allotment to each State is increased to $60,000. Otherwise, the provisions of present law relating to the apportionment of funds are unchanged. (Effective for fiscal years beginning after June 30, 1950.)	Same as Senate bill, except that annual authorization is $15,000,000 for fiscal year beginning July 1, 1950, and $16,500,000 for subsequent years.

VIII. SERVICES FOR CRIPPLED CHILDREN

EXISTING LAW	H. R. 6000 AS PASSED BY HOUSE	H. R. 6000 AS PASSED BY SENATE	CONFERENCE AGREEMENT
Authorizes an annual appropriation of $7,500,000. One-half of this amount is distributed among the States as follows: $30,000 to each State, and the remainder of the one-half on the basis of need after consideration of the number of crippled children in the State needing services and the cost of such services. The second one-half is distributed on the same basis of need.	Same as existing law.	Authorization for annual appropriation increased to $15,000,000 and the $30,000 annual allotment to each State is increased to $60,000. Otherwise, the provisions of present law relating to the apportionment of funds are unchanged. (Effective for fiscal years beginning after June 30, 1950.)	Same as Senate bill, except that annual authorization is $12,000,000 for fiscal year beginning July 1, 1950, and $15,000,000 for subsequent years.

COMPARISON OF PRINCIPAL CHANGES IN THE UNEMPLOYMENT INSURANCE SYSTEM MADE BY H. R. 6000

The bill passed by the House made no changes in this program. The bill passed by the Senate made the following changes in existing law:

(1) Title XII of the act, allowing advances to the accounts of States in the unemployment trust fund, expired January 1, 1950; the bill would make this title operative through December 31, 1951.

(2) The bill removes the Secretary of Labor's authority to find a State law out of conformity with Federal requirements specified in section 1603 (a) of the Internal Revenue Code unless the State law has been amended by the legislature. The bill also postpones the effect of the Secretary's finding of a State's unemployment insurance law out of conformity for 90 days after the Governor of the State has been notified of the finding of nonconformity. Moreover, the Secretary can make no finding that a State is failing to comply substantially with provisions in its law required by section 1603 (a) (5), if further administrative or judicial review of the interpretation of the State law is provided under the laws of the State. Also if after notice and opportunity for hearing of the State agency, the Secretary finds that there is denial of unemployment compensation benefits in a substantial number of cases to individuals entitled thereto under the law of the State, he may not withhold Federal funds for administration of the State unemployment insurance law until the question of entitlement to benefits has been decided by the highest judicial authority given jurisdiction under State law.

The conference agreement was the same as the Senate bill.

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SUMMARY OF PRINCIPAL CHANGES IN THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM

UNDER

H. R. 6000, ACCORDING TO CONFERENCE AGREEMENT

JULY 25, 1950

Prepared for the use of the Committee on Ways and Means
by Robert J. Myers, *Actuary to the Committee*

UNITED STATES

WASHINGTON : 1950

SUMMARY OF PRINCIPAL CHANGES IN THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM UNDER H. R. 6000, ACCORDING TO CONFERENCE AGREEMENT

(NOTE.—All changes effective on January 1, 1951, for coverage changes and September 1950 for benefit changes, unless otherwise noted)

(1) BENEFITS PAYABLE TO—

EXISTING LAW	H. R. 6000
(*a*) Insured worker, age 65 or over.	No change.
(*b*) Wife, age 65 or over, of insured worker.	No change in age requirement other than that no age requirement if child under 18 is present; benefits provided for dependent husbands, age 65 or over.
(*c*) Widow, age 65 or over, of insured worker.	No change, except benefits provided for dependent widowers, age 65 or over.
(*d*) Children (under 18) of retired worker, and children of deceased worker and their mother regardless of her age.	Certain dependency and relationship requirements liberalized, expecially in regard to dependency on married insured women.
(*e*) Dependent parents, age 65 or over, of deceased worker if no surviving widow or child who could have received benefits.	No change.
(*f*) Lump-sum death payment where no monthly benefits immediately payable.	Lump-sum for all insured deaths.

(2) INSURED STATUS

(*a*) Based on "quarters of coverage," namely, calendar quarters with $50 or more of wages.	$100 of self-employment income required for quarter of coverage. Special provision for converting annual self-employment income into quarters of coverage.
(*b*) Fully insured (eligible for all benefits) requires one quarter of coverage for each two quarters after 1936 and before age 65 (or death if earlier). In no case more than 40 quarters of coverage required. Minimum of 6 quarters of coverage required.	Same as present law, except "new start" provides that such quarters of coverage (acquired after 1936) must at least equal half the quarters after 1950. Thus all now age 62 or over need have only 6 quarters of coverage. Not applicable for deaths prior to effective date.
(*c*) Currently insured (eligible only for child, widowed mother, and lump-sum survivor benefits) requires 6 quarters of coverage out of 13 quarters preceding death.	No change.

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REVENUE ACT OF 1950

(excerpts only)

(3) Worker's Old-Age Benefit (Called "Primary Amount")

EXISTING LAW	H. R. 6000
(*a*) Average monthly wage based on period from 1937 to age 65 (or death if earlier) regardless of whether in covered employment in all such years. A year of coverage is a calendar year in which $200 is credited.	Same as existing law, except "new start" average beginning after 1950 may be used for those with 6 quarters of coverage after 1950.
(*b*) Monthly amount is 40 percent of first $50 of average wage plus 10 percent of next $200, all increased by 1 percent for each year of coverage.	For those with "new start" average wage, monthly amount is 50 percent of first $100 of average wage plus 15 percent of next $200. For all others (including present beneficiaries, and for those with "new start" if it produces a larger benefit) the benefit is computed under existing law (but with no 1 percent increase for years after 1950) and then increased by conversion table (average increase of 77½ percent), as indicated by following table for certain illustrative cases:

Present primary insurance benefit	*New primary insurance amount*
$10	$20.00
15	30.00
20	37.00
25	46.50
30	54.00
35	59.20
40	64.00
45	68.50

(*c*) Minimum primary benefit, $10.	$25, unless average monthly wage is less than $35—then graded down to $20 for average monthly wage of $30 or less.
(*d*) Maximum family benefit, $85 or 80 percent of average wage or twice the primary benefit, whichever is least (but in no case less than $20).	$150, or 80 percent of average wage if less (but in no case less than $40).

(*e*) Illustrative primary benefits for 10 years of coverage, no period of noncoverage:

Level monthly wage	Present law	H. R. 6000
$100	$27. 50	$50. 00
$150	33. 00	57. 50
$200	38. 50	65. 00
$250	44. 00	72. 50
$300	44. 00	80. 00

(*f*) Illustrative primary benefits for 40 years of coverage, no periods of noncoverage.

Level monthly wage	Present law	H. R. 6000
$100	$35. 00	$50. 00
$150	42. 00	57. 50
$200	49. 00	65. 00
$250	56. 00	72. 50
$300	56. 00	80. 00

(*g*) Illustrative primary benefits for 5 years of coverage, 5 years of noncoverage, all after 1950:

Level monthly wage while working	Present law	H. R. 6000
$100	$21. 00	$25. 00
$150	23. 63	37. 50
$200	26. 25	50. 00
$250	28. 88	53. 80
$300	28. 88	57. 50

(*h*) Illustrative primary benefits for 20 years of coverage, 20 years of noncoverage, all after 1950:

Level monthly wage while working	Present law	H. R. 6000
$100	$24. 00	$25. 00
$150	27. 00	37. 50
$200	30. 00	50. 00
$250	33. 00	53. 80
$300	33. 00	57. 50

(*i*) Illustrative primary benefits for 10 years of coverage, 30 years of noncoverage, all after 1950:

Level monthly wage while working	Present law	H. R. 6000
$100	$11.00	$20.00
$150	16.50	25.00
$200	22.00	25.00
$250	23.38	31.30
$300	23.38	37.50

(4) BENEFIT AMOUNTS OF DEPENDENTS AND SURVIVORS RELATIVE TO WORKER'S MONTHLY PRIMARY BENEFIT

EXISTING LAW	H. R. 6000
(*a*) Wife, one-half of primary.	No change.
(*b*) Widow, three-quarters of primary.	No change.
(*c*) Child, one-half of primary.	No change, except for deceased worker family, first child gets three-quarters of primary.
(*d*) Parent, one-half of primary.	Three-quarters of primary.
(*e*) Lump sum at death, six times primary benefit.	Three times primary benefit.

(*f*) Illustrative monthly benefits for retired workers:

[All figures rounded to nearest dollar]

Average monthly wage	Present law		H. R. 6000	
	Single	Married [1]	Single	Married [1]
	INSURED WORKER COVERED FOR 5 YEARS			
$50	$21	$32	$25	$38
$100	26	39	50	75
$150	32	47	58	86
$200	37	55	65	98
$250	42	63	72	109
$300	42	63	80	120
	INSURED WORKER COVERED FOR 40 YEARS			
$50	$28	$40	$25	$38
$100	35	52	50	75
$150	42	63	58	86
$200	49	74	65	98
$250	56	84	72	109
$300	56	84	80	120

[1] With wife 65 or over.

NOTE.—These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1950.

(*g*) Illustrative monthly benefits for survivors of insured workers:

[All figures rounded to nearest dollar]

Average monthly wage	Present law	H. R. 6000	Present law	H. R. 6000	Present law	H. R. 6000
	INSURED WORKER COVERED FOR 5 YEARS					
	Widow and 1 child		Widow and 2 children		Widow and 3 children	
$50	$26	$38	$37	$40	$40	$40
$100	33	75	46	80	52	80
$150	39	86	55	115	63	120
$200	46	98	64	130	74	150
$250	52	109	74	145	84	150
$300	52	120	74	150	84	150
	1 child alone		2 children alone		Aged widow [1]	
$50	$10	$19	$21	$31	$16	$19
$100	13	38	26	62	20	38
$150	16	43	32	72	24	43
$200	18	49	37	81	28	49
$250	21	54	42	91	32	54
$300	21	60	42	100	32	60
	INSURED WORKER COVERED FOR 40 YEARS					
	Widow and 1 child		Widow and 2 children		Widow and 3 children	
$50	$35	$38	$40	$40	$40	$40
$100	44	75	61	80	70	80
$150	52	86	74	115	84	120
$200	61	98	85	130	85	150
$250	70	109	85	145	85	150
$300	70	120	85	150	85	150
	1 child alone		2 children alone		Aged widow [1]	
$50	$14	$19	$28	$31	$21	$19
$100	18	38	35	62	26	38
$150	21	43	42	72	32	43
$200	24	49	49	81	37	49
$250	28	54	56	91	42	54
$300	28	60	56	100	42	60

[1] Age 65 or over.

NOTE.—These figures are based on the assumption that the insured worker was in covered employment steadily each year after 1950.

(5) Amount of Employment Permitted Beneficiary for Benefit Receipt (Work Clause)

EXISTING LAW	H. R. 6000
No benefits paid for month in which $15 or more earned in covered employment.	Same except $15 limit is increased to $50 and no limitation at all after age 75.

(6) Covered Employment

All except self-employment and employment in Federal and State Governments, railroads, nonprofit (charitable, educational, and religious), agriculture, and domestic service. Employment covered only in the 48 States, District of Columbia, Alaska, and Hawaii, and on American ships outside the United States under certain circumstances.	In addition to existing coverage, includes the following groups: (*a*) Nonfarm self-employed other than certain professions (physician, dentist, osteopath, chiropractor, optometrist, naturopath, Christian Science practitioner, veterinarian, funeral director, lawyer, accountant, professional engineer, and architect); (*b*) State and local government employees on elective basis, except that those under an existing retirement system cannot be covered (unless State law providing for coordination was in effect on January 1, 1950), and except for certain transit workers who are compulsorily covered; (*c*) Regularly employed nonfarm domestic workers (based on 24 days of work and $50 of cash wages during a quarter); (*d*) Agricultural processing workers off the farm, and regularly employed farm workers (based on 60 full days of work and $50 of cash wages during a quarter if he had continuous employment with the same employer during a preceding 3-month period); (*e*) Employees of nonprofit institutions covered on elective basis. Employer must elect coverage, and at least two-thirds of employees must concur in coverage. Then all employees concurring in coverage and all new employees are covered; (*f*) Federal employees not covered under retirement system other than those in very temporary or casual employment;

EXISTING LAW	H. R. 6000
	(*g*) Americans employed by American employer outside the United States and employees on American aircraft outside the United States in the same manner as on ships; (*h*) Employment in Puerto Rico and the Virgin Islands; (*i*) Definition of "employee" broadened from strict common-law rule to include following groups as "employees": full-time wholesale salesmen; full-time life insurance salesmen; agent-drivers and commission drivers distributing meat, vegetable, or fruit products, bakery products, beverages (other than milk), or laundry or dry cleaning services; industrial homeworkers earning at least $50 during a quarter if subject to regulation under State law and working under specifications supplied by employer.
(7) WAGE CREDITS FOR WORLD WAR II SERVICE	
None.	World War II veterans (including those who died in service) given wage credits of $160 for each month of military service in World War II, except that credit not given if service is used for any other Federal retirement system; additional cost is to be borne by trust fund.

(8) MAXIMUM ANNUAL WAGE AND SELF-EMPLOYMENT INCOME FOR TAX AND BENEFIT PURPOSES

EXISTING LAW	H. R. 6000
$3,000.	$3,600 after 1950.

(9) TAX (OR CONTRIBUTION) RATES

1 percent on employer and 1 percent on employee through 1949, 1½ percent for 1950–51, and 2 percent thereafter.	1½ percent on employer and 1½ percent on employee for 1950–53, 2 percent for 1954–59, 2½ percent for 1960–64, 3 percent for 1956–69, and 3¼ percent thereafter, except that for self-employed, 1½ times rate for employees. Self-employment income taxed would be, in general, net income from trade or business.

(10) APPROPRIATIONS FROM GENERAL REVENUES

Appropriations authorized for such sums as may be required to finance the program.	Provision in existing law repealed.

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ACTUARIAL COST ESTIMATES

FOR

THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM AS MODIFIED BY THE SOCIAL SECURITY ACT AMENDMENTS OF 1950

JULY 27, 1950

Prepared for the use of the Committee on Ways and Means
by Robert J. Myers, Actuary to the Committee

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ACTUARIAL COST ESTIMATES FOR THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM AS MODIFIED BY THE SOCIAL SECURITY ACT AMENDMENTS OF 1950

A. INTRODUCTION

This actuarial study presents long-range cost estimates for the old-age and survivors insurance provisions of H. R. 6000 (Social Security Act amendments of 1950), according to conference agreement on July 25, 1950. This bill was passed by the House of Representatives on October 5, 1949, and an amended version was passed by the Senate on June 20, 1950.

From an actuarial cost standpoint the main features of this bill as agreed to by the conferees are as follows:

(1) Extension of coverage to all gainful employment except railroad, casual domestic service, casual agricultural service, farmers, certain professional self-employed persons, service in the Armed Forces, and Federal, State, and local government service covered by a retirement system (except for a few instances). State and local government employees not under a retirement system are covered on a voluntary basis, as are also employees of nonprofit organizations. In this connection the cost estimates assume that over the long range virtually all eligible State and local government employment and nonprofit employment will be covered. The net effect is to increase the number of covered jobs by about 30 percent (see table 1).

(2) Maximum annual wage base of $3,600. Requirement for quarter of coverage is $50 for wages and $100 for self-employment income.

(3) Average monthly wage determined over all years after 1936 or after 1950 (if having six quarters of coverage since then) whichever yields the larger benefit.

(4) Monthly primary benefit based on 50 percent of the first $100 of average monthly wage (determined from wages after 1950) plus 15 percent of the next $200. Minimum monthly primary benefit of $25, unless average wage is less than $35—then graded down to $20 for average monthly wage of $30 or less. Maximum family benefits of $150 or 80 percent of average wage, if less. Beneficiaries on the roll are to be given an increase (such increase ranging from 100 percent for the lowest benefits to 50 percent for the highest, and with the average benefit rising 77½ percent) by means of a conversion table (which is also applicable for those retiring in the future, on the basis of average wage after 1936, if more favorable).

(5) Lump-sum death payment to be three times the monthly primary benefit and payable for all insured deaths.

(6) "New start" provision introduced for insured status, permitting many more to be eligible immediately.

(7) Benefits for parents and youngest survivor child increased to 75 percent of primary benefit.

(8) Work clause of $50 per month on an "all-or-none" basis for wages and on a "reduction" basis for self-employment income in excess of $600 per year. Work clause not applicable after age 75.

(9) Child survivor benefits in respect to married women workers liberalized. Dependent husband's and widower's benefits added.

(10) Wage credits of $160 for each month of military service given to World War II veterans (including those who died in service). Cost of veterans' benefits to be met from trust fund.

(11) Extension of coverage as of January 1, 1951. Liberalization in benefits effective for September 1950.

(12) Contribution rate on employer and employee is 1½ percent each in 1950–53, 2 percent in 1954–59, 2½ percent in 1960–64, 3 percent in 1965–69, and 3¼ percent thereafter. Contribution rate for self-employed is 1½ times employee rate.

TABLE 1.—*Estimated increases in old-age and survivors insurance coverage under 1950 amendments*

Category	Persons covered [1]
Present coverage	35,000,000
Nonfarm self-employed	4,650,000
Agricultural workers	850,000
Domestic workers	1,000,000
Employees of nonprofit organizations (voluntary coverage)	600,000
Employees of State and local governments (voluntary coverage) [2]	1,450,000
Federal civilian employees not under a retirement system	250,000
Employees outside the United States	150,000
Employment in Puerto Rico and Virgin Islands	400,000
New definition of "employee"	400,000
Total increase under compulsory coverage	7,700,000
Total increase under voluntary coverage	2,050,000
Grand total increase	9,750,000

[1] Represents average number of persons covered during a typical week.
[2] Except for a relatively small number of transit workers who are compulsorily covered.

Estimates of the future costs of the old-age and survivors insurance program are affected by many factors that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. Because of numerous factors, such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement-insurance program, benefit payments may be expected to increase continuously for at least the next 50 years.

The cost estimates for the House bill were contained in House Report 1300, Eighty-first Congress, first session and in more detail in a committee print, Actuarial Cost Estimates for Expanded Coverage and Liberalized Benefits Proposed for the Old-Age and Survivors Insurance System by H. R. 6000, October 3, 1949. The cost estimates for the Senate bill were presented in a committee print, Actuarial Cost Estimates for the Old-Age and Survivors Insurance System as Modified by H. R. 6000, as Passed by the House of Representatives and by the Senate, June 26, 1950 (S. Rept. 1669, 81st Cong., 2d sess., gave estimates for the bill reported by the Senate Committee

on Finance, which was modified by the Senate, principally by raising the wage base from $3,000 to $3,600). This committee print also gave modified figures for the House bill, so as to be exactly comparable with those for the Senate bill, by assuming that the effective date for coverage changes and for disability benefits is advanced 1 year over the dates in the bill as passed by the House and that the effective date for benefit changes was the same as in the Senate bill.

The cost estimates for the 1950 amendments are presented here first on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors in the future. Both the low-cost and high-cost estimates are based on "high" economic assumptions, which are intended to represent close to full employment, with average annual wages at about the level prevailing in 1947, which is somewhat below current experience. Following the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low-cost and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions of the bill.

In general, the costs are shown as a percentage of covered payroll. It is believed that this is the best measure of the financial cost of the program. Dollar figures taken alone are misleading, because, for example, extension of coverage will increase not only the outgo but also, and to a greater extent, the income of the system with the result that the cost relative to payroll will decrease.

Both the House and the Senate very carefully considered the problems of cost in determining the benefit provisions recommended and were of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis. Accordingly, the bill eliminates the provision added in 1943 authorizing appropriations to the program from general revenues. At the same time, it contains a tax schedule which it is believed will make the system self-supporting as nearly as can be foreseen under present circumstances. Future experience may be expected to differ from the conditions assumed in the estimates so that this tax schedule, at least in the distant future, may have to be modified slightly. This may readily be determined by future Congresses after the revised program has been in operation for a decade or two.

B. BASIC ASSUMPTIONS FOR ACTUARIAL COST ESTIMATES

The estimates have been prepared on the basis of high-employment assumptions somewhat below conditions now prevailing. The estimates are based on level-wage assumptions (somewhat below the present level). If in the future the wage level should be considerably above that which now prevails, and if the benefits for those on the roll are at some time adjusted upward on this account, the increased outgo resulting will, in the same fashion, be offset. This is an important reason for considering costs relative to payroll rather than in dollars.

The cost estimates, however, have not taken into account the possibility of a rise in wage levels, as has consistently occurred over the past history of this country. If such an assumption were used in the cost estimates, along with the unlikely assumption that the benefits nevertheless would not be changed, the cost relative to payroll would, of course, be lower.

The low-cost and high-cost assumptions relate to the cost as a percent of payroll in the aggregate and not to the dollar costs. The two cost assumptions are based on possible variations in fertility rates, mortality rates, retirement rates, remarriage rates, etc.

In general, the cost estimates have been prepared according to the same assumptions and techniques as those contained in Actuarial Studies Nos. 23, 27, and 28 of the Social Security Administration, and also the same as in the estimates prepared for the Advisory Council on Social Security of the Senate Committee on Finance (S. Doc. 208, 80th Cong., 2d sess.). It may be mentioned here that in all those estimates—as well as the present ones—there are the following important elements:

(1) In later years many women will be potentially eligible for both old-age benefits and either wife's or widow's benefits. In such instances, these individuals have been assumed to receive full old-age benefits and any residual amount from the wife's or widow's benefits, if larger than the old-age benefit. The numbers of such individuals receiving residual wife's or widow's benefits and the average sizes of such benefits are not shown, but the total amount of such benefits is included in the tables giving the amounts of benefits in dollars and as percentages of payroll.

(2) The effect of the maximum-benefit provisions will be considerable. It has been assumed that the number who would receive benefits in a particular case would include only those who would receive benefits at the full rate plus one individual who would receive partial benefits completing the maximum, and with all other potentially eligible beneficiaries being disregarded.

The assumptions as to the major elements, population, employment, and wages, may be summarized as follows:

(1) *Population.*—The low-cost estimates assume United States 1939–41 mortality rates constant by age and sex throughout all years. The high-cost estimates are based on improving mortality similar to the National Resources Planning Board low-mortality bases, with an assumed further improvement with time for ages over 65 to allow for possible gains due to geriatric medical research.

The low-cost estimates assume birth rates which in the aggregate are about the same as those for the United States 1940–45 experience, which was relatively high. The high-cost estimates assume a decreasing birth rate in the future similar to the National Resources Planning Board's medium estimate.

For both the low-cost and high-cost estimates no net immigration is assumed.

Table 2 summarizes these population projections. In the year 2000, the total population of 199 million under the low-cost assumptions is higher than the 173 million under the high-cost assumptions due to the higher birth-rate assumption under the former. The corresponding figures for the aged group (65 and over) are 19 million and 28½ million, respectively; the high-cost figure here is higher due to the lower mortality assumption. Also shown in this table are the latest estimates for 1950. It will be observed that these are somewhat higher than either of the two projections, especially as to the total population. These two projections were prepared several years ago and have been used as the base for a number of cost estimates, including those of the

Advisory Council, so as to maintain consistency in such estimates. The actual population in 1950 is higher than in either of the two estimates, principally because of the very high birth rates which have occurred since the war. The long-range cost estimates attempt to portray a trend without considering cyclical fluctuations, and so it is not inconsistent that the actual population at the moment is somewhat higher than in either of the projections.

TABLE 2.—*Estimated United States population in future years, as of middle of year*

[In millions]

Calendar year	Age 20–64			Age 65 and over			All ages		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
	Latest estimates for 1950								
1950	44	44	88	5.4	6.1	11.5	75	76	151
	Projection for low-cost assumptions								
1950	43	44	87	5.3	5.9	11.2	73	74	147
1955	43	44	87	6.0	6.7	12.7	76	77	153
1960	44	45	89	6.5	7.5	14.0	79	80	159
1970	47	48	95	7.1	8.8	15.9	83	85	168
1980	50	50	100	7.8	10.1	17.9	89	90	179
1990	52	52	104	8.4	11.1	19.5	94	95	189
2000	57	56	113	8.3	10.7	19.0	99	100	199
	Projection for high-cost assumptions								
1950	43	44	87	5.4	6.0	11.4	73	73	146
1955	44	45	89	6.2	6.9	13.1	75	76	151
1960	45	46	91	7.0	7.9	14.9	77	78	155
1970	49	49	98	8.5	10.0	18.5	81	82	163
1980	50	50	100	10.4	12.4	22.8	85	85	170
1990	51	50	101	12.4	14.7	27.1	86	86	172
2000	52	50	102	13.3	15.2	28.5	87	86	173

NOTE.—See text for description of bases of population projections.

(2) *Employment.*—Both the low-cost and high-cost estimates assume close to full employment, although somewhat below the level prevailing at the end of 1949. The previous estimates were, in general, based on conditions in 1944–46. A change made in these estimates to allow partially for the higher employment since then has been to assume that all coverage figures (and thus resulting beneficiary figures) are about 5 percent higher. Civilian employment averaged about 53,000,000 in 1944–46, but in 1948 averaged 59,400,000, while in 1949 the average was 58,700,000, both increases of over 10 percent.

(3) *Wages.*—Both the low-cost and high-cost estimates are based on wage levels of 1947, which are slightly below existing ones. For a $3,000 maximum taxable wage, an average annual wage of $2,400 had been used for men working in covered employment in all four quarters of the year, and $1,625 for women. For a $3,600 wage base, the figure for men is increased to $2,550, while that for women is not changed. These same assumptions have been used in all previous estimates of the last 2 years.

The actual recorded wages (under the $3,000 maximum wage base of present law) for four-quarter workers may be compared with those used in the cost estimates, as follows:

	Men	Women
Used in cost estimates for $3,600 wage base	$2,550	$1,625
Used in cost estimates for $3,000 wage base	2,400	1,625
Actual 1944	2,300	1,402
Actual 1945	2,293	1,384
Actual 1946	2,269	1,481
Actual 1947	2,407	1,620
Actual 1948 (preliminary)	2,480	1,680
Actual 1949 (preliminary)	2,600	1,750

The table below compares the estimated proportion of the population age 65 and over who are fully insured under the present limited coverage and under the expanded coverage of the bill:

Calendar year	Present coverage		1950 amendments	
	Men	Women	Men	Women
	Percent	*Percent*	*Percent*	*Percent*
1951	34–38	4–5	43–50	7–9
1955	39–44	6–7	51–58	8–11
1960	44–49	7–10	57–64	10–13
1970	54–62	10–14	66–75	13–19
1980	64–73	16–22	73–83	20–27
1990	72–81	27–34	78–87	30–37
2000	74–84	35–43	81–90	39–47

It will be noted that the above figures for women include only those insured by their own employment and not those eligible through their husband's earnings. If the latter group had also been included, the resulting figures would have been somewhat larger than those shown for men.

As in previous cost estimates, no account is taken of the 1947 amendment to the Railroad Retirement Act, which provides for coordination of old-age and survivors insurance and railroad wages in determining survivor benefits.

C. RESULTS OF COST ESTIMATES ON RANGE BASIS

Table 3 gives the estimated taxable payrolls for the coverage provided under the bill. As indicated in the previous section, the assumptions made as to wage rates are on the low side (in order to be conservative) so that the total payrolls resulting here are also somewhat on the low side.

TABLE 3.—*Estimated taxable payrolls under 1950 amendments*

[In billions]

Calendar year	Low-cost estimate [1]	High-cost estimate [1]
1951	$108	$107
1955	111	110
1960	115	115
1970	126	126
1980	134	131
1990	142	133
2000	152	134

[1] Based on high employment assumptions.

Since both the low-cost and the high-cost estimates assume a high future level of economic activity, the payrolls are substantially the same under the two estimates in the early years. In later years the estimated payrolls increase in accordance with the population assumptions (see table 2), and a spread develops between the low-cost and high-cost estimates. The assumptions which affect benefits, however, have widely different effects even in the early years of the program. The range of error in the estimates, nevertheless, may be fully as great for contributions as it is for benefits.

Table 4 shows the estimated number of monthly beneficiaries in current payment status and the number of lump-sum death payments under the bill and also the actual number under the present system as of June 1950. Because of the "new start" provision for determining insured status, the number of monthly beneficiaries is substantially increased in 1951; this factor, as well as the provision for paying lump sums for all deaths, increases considerably the number of lump-sum death payments.

TABLE 4.—*Estimated numbers of beneficiaries under 1950 amendments*

[In thousands]

Calendar year	Monthly beneficiaries [1]								Lump-sum death payments [4]
	Old-age beneficiaries [2]			Survivor beneficiaries				Total	
	Primary	Wife's [3]	Child's	Widow's [3]	Parent's [3]	Mother's	Child's		
	Actual data for present system								
1950	1,385	419	35	290	14	157	630	2,930	216
	Low-cost estimate [5]								
1951	2,033	636	57	348	19	215	740	4,048	501
1955	2,203	705	60	640	28	267	976	4,879	585
1960	2,727	836	65	1,101	37	304	1,135	6,205	687
1970	4,089	1,122	88	2,031	42	349	1,317	9,038	890
1980	5,685	1,320	115	2,709	42	385	1,446	11,702	1,090
1990	7,750	1,344	130	3,029	39	417	1,576	14,285	1,290
2000	8,910	1,270	129	3,008	34	454	1,714	15,519	1,472
	High-cost estimate [5]								
1951	2,340	715	75	363	31	257	728	4,509	498
1955	3,000	891	83	669	48	308	891	5,890	556
1960	4,404	1,257	101	1,133	69	320	901	8,185	627
1970	6,943	1,740	119	2,074	90	302	808	12,076	811
1980	10,332	2,240	130	2,788	97	280	718	16,585	999
1990	14,539	2,552	121	3,141	94	265	653	21,365	1,246
2000	17,456	2,652	86	3,083	90	255	502	24,224	1,468

[1] In current payment status as of middle of year.
[2] I. e., for benefits paid in respect to retired workers.
[3] Does not include beneficiaries who are also eligible for primary benefits. For wife's and widow's benefits, includes husband's and widower's benefits, respectively.
[4] Number of insured deaths during year for which payments are made. Actual figure for 1950 based on experience during first 6 months.
[5] Based on high-employment assumptions.

Table 5 shows the estimated average benefits under the bill; these are given only for the calendar years 1951, 1960, and 2000, since in general there is a smooth trend in the intervening periods. Also

shown are the actual average payments under the present system as of June 1950.

It will be noted that for old-age beneficiaries separate figures are given for men and women, since the results differ greatly and since a combination would obscure the trend. For men the average old-age benefit will remain relatively constant after 1960; from 1951 to 1960 there will be some increase due to the effect of the "new start" average wage and in addition, due to the fact that the conversion table produces somewhat lower results than will arise under the new benefit formula. On the other hand, for women the average old-age benefit shows a decrease over the long-range future because there will ultimately be a large number of women receiving such benefits who did not engage in covered employment for their entire adult lifetime after 1950.

TABLE 5.—*Estimated average monthly benefit payments and average lump-sum death payments under 1950 amendments.*

Category	Actual under present system June 1950	1950 amendments		
		1951	1960	2000
Old-age primary	$26	$45–$46	$50–$50	$49–$50
Male	27	47– 47	53– 53	57– 53
Female	21	37– 37	38– 38	36– 33
Wife's [1]	14	24– 25	27– 27	29– 30
Widow's [1]	21	35– 36	39– 39	44– 45
Parent's [2]	14	35– 36	38– 38	42– 43
Child's [3]	13	33– 34	35– 36	36– 37
Mother's	21	40– 40	43– 44	45– 46
Lump-sum death [4]	168	143–146	156–159	149–156

[1] Does not include those eligible for primary benefits. Includes husband's and widower's benefits.
[2] Does not include those eligible for primary, widow's or widower's benefits.
[3] Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.
[4] Average amount per death.

Table 6 presents costs as a percentage of payroll for each of the various types of benefits. As used here, "level-premium cost" may be defined as the contribution rate charged from 1951 on, which together with interest would meet all benefit payments after 1950 (including the benefit payments to those on the roll prior to 1951 and the increases which they receive through the conversion table). This level-premium rate would produce a very considerable amount of excess income in the early years which, invested at interest, would help considerably in meeting the higher benefit outgo ultimately. The level-premium cost shown for the bill is roughly 4¾ to 7½ percent of payroll, or about the same as for the plan of the Advisory Council. These level-premium costs are somewhat higher than those for the original Social Security Act of 1935—namely, 5 to 7 percent—because of two factors not specified in the plans themselves: first, a lower interest rate is used here—namely, 2 percent as against 3 percent—and, second, the program proposed is nearer maturity since the benefit roll is now quite sizable; in other words, some of the period of low cost has been passed through.

TABLE 6.—*Estimated relative costs in percentage of payroll for 1950 amendments, by type of benefit*

[Percent]

Calendar year	Old-age	Wife's [1]	Widow's [1]	Parent's	Mother's	Child's [2]	Lump-sum death	Total
	Low-cost estimate [3]							
1951	1.02	0.17	0.14	0.01	0.10	0.30	0.07	1.80
1955	1.15	.19	.25	.01	.12	.39	.08	2.21
1960	1.44	.24	.45	.02	.14	.46	.10	2.83
1970	2.08	.31	.83	.02	.15	.50	.12	4.00
1980	2.67	.35	1.09	.02	.16	.52	.13	4.93
1990	3.31	.35	1.19	.02	.16	.53	.14	5.70
2000	3.49	.31	1.14	.01	.16	.54	.15	5.80
Level premium [4]	2.75	.30	.94	.01	.15	.50	.13	4.79
	High-cost estimate [3]							
1951	1.20	0.20	0.15	0.01	0.12	0.30	0.07	2.04
1955	1.57	.25	.27	.02	.14	.36	.08	2.69
1960	2.29	.36	.47	.03	.14	.37	.09	3.74
1970	3.41	.48	.85	.04	.13	.32	.10	5.34
1980	4.82	.61	1.16	.04	.12	.28	.12	7.14
1990	6.48	.70	1.33	.04	.11	.25	.14	9.04
2000	7.58	.74	1.36	.04	.10	.22	.16	10.20
Level premium [4]	5.34	.59	1.05	.03	.12	.27	.13	7.53

[1] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.
[2] Includes child's benefits for both children of old-age beneficiaries and child-survivor beneficiaries.
[3] Based on high-employment assumptions.
[4] Level-premium contribution rate (based on 2-percent interest) for benefit payments after 1950 and into perpetuity, not taking into account the accumulated funds at the end of 1950 or administrative expenses.

Chart 1 compares the year-by-year cost of the bill with the latest cost estimates for the present law. As would be anticipated, the bill has a higher cost throughout all years than the present act, since benefits are liberalized considerably.

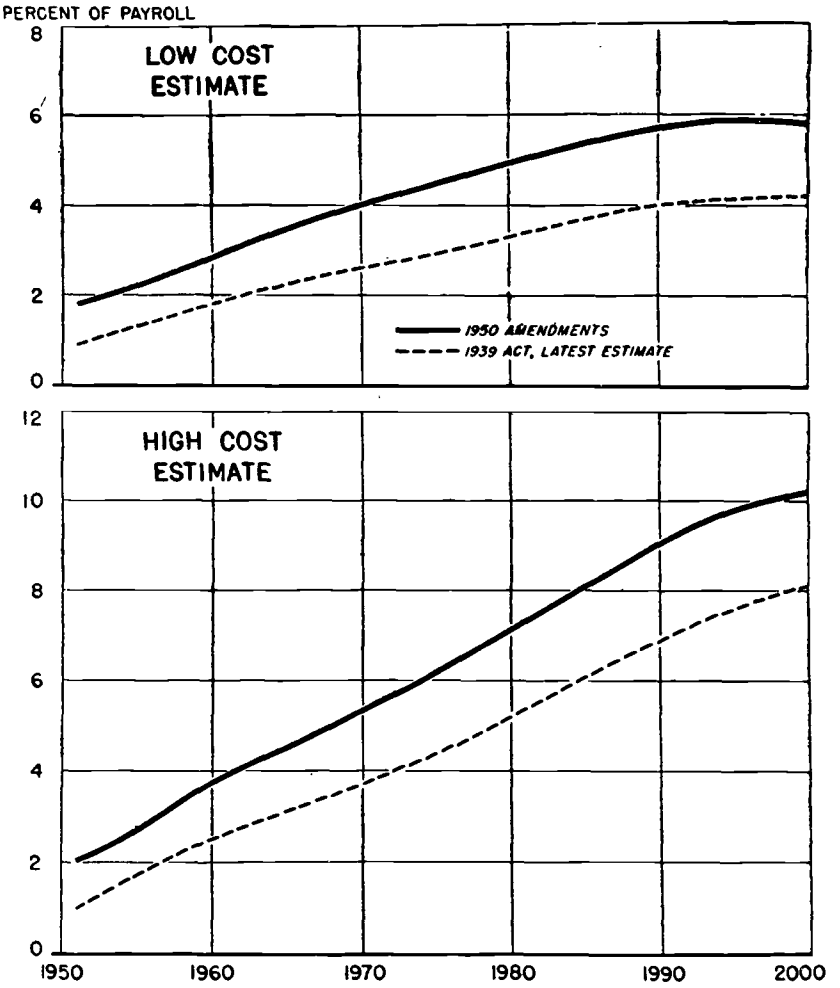
Table 7 gives the dollar figures for various future years for each of the different types of benefits, as well as the actual data for the present system for 1949.

Table 8 presents the estimated operations of the trust fund under the expanded program. The trust fund at the end of 1950 is estimated to be about $13½ billion. The figures for 1950 reflect the operation of the present act for the entire year as to contribution receipts, but as to benefit disbursements the figure includes payments made under the present act for the first 9 months of the year and under the bill for the remainder of the year; the liberalized benefit conditions will be effective in September, with the first payments coming out of the trust fund in October. The estimated contribution receipts for 1951 are not greatly in excess of those for 1950, because for the vast majority of self-employment covered in 1951 by the bill the tax return will be made on an annual basis and then in the following calendar year (before March 15, 1952).

The future progress of the trust fund has been developed here on the basis of a 2-percent interest rate; subsequently, some consideration will

CHART 1

COST OF 1950 AMENDMENTS COMPARED WITH LATEST COST ESTIMATE FOR 1939 ACT



be given as to the effect of a higher interest rate. Throughout, there is the assumption that no Government contribution to the system is made, since the bill strikes out the provision of present law which would permit this.

TABLE 7.—*Estimated absolute cost in dollars for 1950 amendments, by type of benefit*

[In millions]

Calendar year	Old-age	Wife's [1]	Widow's [1]	Parent's	Mother's	Child's [2]	Lump-sum death	Total
	Actual data for present system [3]							
1949	$388	$62	$61	$2	$40	$102	$33	$689
	Low-cost estimate [4]							
1951	$1,102	$182	$149	$10	$104	$321	$73	$1,941
1955	1,275	215	282	15	136	437	92	2,452
1960	1,647	274	515	19	159	524	109	3,247
1970	2,607	393	1,042	23	191	629	146	5,031
1980	3,575	472	1,457	23	211	695	176	6,609
1990	4,716	492	1,694	22	228	760	203	8,115
2000	5,313	467	1,730	19	249	819	229	8,826
	High-cost estimate [4]							
1951	$1,282	$213	$158	$16	$123	$321	$71	$2,184
1955	1,726	278	299	25	152	401	86	2,967
1960	2,636	413	537	36	164	422	98	4,306
1970	4,296	609	1,075	47	161	399	130	6,717
1980	6,304	798	1,517	51	151	362	155	9,338
1990	8,645	928	1,774	49	143	330	189	12,058
2000	10,159	992	1,829	47	138	295	219	13,679

[1] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.
[2] Includes child's benefits for both children of old-age beneficiaries and child survivor benefits.
[3] Based on benefits certified by Social Security Administration to Treasury; total disbursements on basis of checks issued by Treasury were $667 million.
[4] Based on high-employment assumptions.

Under the low-cost estimate, the trust fund builds up quite rapidly and even some 50 years hence it is growing at a rate of $4 billion per year and at that time is about $175 billion in magnitude; in fact, under this estimate benefit disbursements never exceed contribution income and even in the year 2000 are almost 10 percent smaller.

On the other hand, under the high-cost estimate the trust fund builds up to a maximum (of nearly $50 billion in 1978), but decreases thereafter until it is exhausted (shortly after 1995). In each of the years prior to the scheduled tax increases (namely, 1953, 1959, 1964, and 1969) benefit disbursements are over 10 percent lower than contributions. Benefit disbursements exceed contribution income after 1975.

These results are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting, as will be indicated hereafter. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would

arise later on. In actual practice under the philosophy in the bill and set forth in the committee reports, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 8 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rates would probably be adjusted downward or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled in the bill. At any rate, the high-cost estimate does indicate that under the tax schedule adopted there would be ample funds for several decades even under relatively unfavorable experience.

TABLE 8.—*Estimated progress of trust fund for 1950 amendments*

[In millions]

Calendar year	Contributions [1]	Benefit payments	Administrative expenses	Interest on fund [2]	Fund at end of year
	Actual data for present system [3]				
1949	$1,670	$667	$54	$146	$11,816
	Low-cost estimate [4]				
1950 [5]	$2,498	$1,013	$61	$259	$13,500
1951	2,859	1,941	62	279	14,635
1952	3,170	2,065	64	303	15,979
1953	3,191	2,192	67	329	17,240
1954	4,111	2,320	69	362	19,324
1955	4,309	2,452	71	404	21,514
1960	5,398	3,247	84	608	32,046
1970	7,848	5,031	115	1,228	63,955
1980	8,473	6,609	142	1,997	102,720
1990	9,005	8,115	168	2,703	138,205
2000	9,621	8,826	182	3,421	174,800
	High-cost estimate [4]				
1950 [5]	$2,498	$1,013	$61	$259	$13,500
1951	2,833	2,184	84	276	14,341
1952	3,143	2,374	88	294	15,316
1953	3,168	2,571	91	311	16,133
1954	4,086	2,768	95	335	17,691
1955	4,289	2,967	99	366	19,280
1960	5,420	4,306	126	481	25,006
1970	7,861	6,717	175	781	40,333
1980	8,275	9,338	226	948	47,684
1990	8,433	12,058	278	599	28,614
2000	8,479	13,679	309	(6)	(6)

[1] Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950–53, 4 percent for 1954–59, 5 percent for 1960–64, 6 percent for 1965–69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.

[2] Interest is figured at 2 percent on average balance in fund during year.

[3] Based on Daily Statement of the U. S. Treasury. Benefit payments on basis of checks issued. Contributions include $3½ million appropriated from General Treasury for costs of veterans' survivor benefits.

[4] Based on high-employment assumptions.

[5] See text for description of assumptions made as to 1950.

[6] Fund exhausted in 1997.

The effects of the new eligibility conditions and the "new start" in computing the average monthly wage, when combined with the large number of new persons brought into coverage, are particularly difficult to estimate during the early years of operation. The number of persons who will qualify and retire to get benefits is more uncertain on the new basis than it is under present law because the qualifying period is relatively short. While an attempt has been made to allow for the very important factor of lag in the filing of claims, the benefit estimates used for the early years in developing the trust-fund progression may be overstatements to some extent, and this might extend to the figures shown for 1960.

D. INTERMEDIATE-COST ESTIMATES

In this section there will be given intermediate-cost estimates, developed from the low-cost and high-cost estimates of this report. These intermediate costs are based on an average of the low-cost and high-cost estimates (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). It should be recognized that these intermediate-cost estimates do not represent the "most probable" estimates, since it is impossible to develop any such figures. Rather, they have been set down as a convenient and readily available single set of figures to use for comparative purposes.

Also, a single figure is necessary in the development of a tax schedule which will make the system self-supporting, according to a reasonable estimate. Any specific schedule will be different from what will actually be required to obtain exact balance between contributions and benefits. However, this procedure does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, exact self-support cannot be obtained from a specific set of integral or rounded fractional rates, but rather this principle of self-support should be aimed at as closely as possible.

The tax schedule contained in the bill is as follows:

Calendar year	Employee	Employer	Self-employed
	Percent	*Percent*	*Percent*
1950–53	1½	1½	2¼
1954–59	2	2	3
1960–64	2½	2½	3¾
1965–69	3	3	4½
1970 and after	3¼	3¼	4⅞

(The self-employed are not covered in 1950.) This tax schedule was determined to be roughly equivalent to the level-premium cost under the intermediate estimate on the basis of the following actuarial cost analysis.

Table 9 gives an estimate of the level-premium cost of the bill, tracing through the increase in cost over the present program according to the major types of changes proposed.

TABLE 9.—*Estimated level-premium costs as percentage of payroll by type of change*

Item	Level-premium cost
	Percent
Cost of benefits of present law	4.50
Effect of proposed changes:	
Benefit formula	+1.66
(*a*) New benefit percentages [1]	(+3.75)
(*b*) New average wage basis	(+.05)
(*c*) Reduction in increment	(−2.00)
(*d*) Increase in wage base	(−.20)
Liberalized eligibility conditions	+.10
Liberalized work clause	+.15
Revised lump-sum death payment	−.05
Additional survivor benefits [2]	+.15
Extension of coverage	−.35
Cost of benefits under bill	6.10
Administrative costs	+.15
Interest on trust fund at end of 1950	−.20
Net level-premium cost of bill	6.05

[1] Including minimum and maximum benefit provisions.

[2] Including higher rate for youngest survivor child, more liberal eligibility conditions for determining child dependency on married women workers, higher rate for parents, wife's benefits for wives under 65 with children, and husband's and widower's benefits.

NOTE.—Figures relate only to benefit payments after 1950. Figures in parenthesis are subtotal figures. These figures represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future. The computations are based on a compound interest rate of 2 percent per annum. The order in which these various changes are considered in this table affects how much of the increase in cost is attributed to a specific element.

It should be emphasized that neither committee recommended that the system be financed by a high, level tax rate from 1951 on, but rather recommended an increasing schedule, which—of necessity—will ultimately have to rise higher than the level-premium rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will arise, although not as large as would arise under a level-premium tax rate; this fund will be invested in Government securities (just as is much of the reserves of life insurance companies and banks, and as is also the case for the trust funds of the civil service retirement, railroad retirement, national service life insurance, and United States Government life insurance systems), and the resulting interest income will help to bear part of the increased benefit costs of the future. For comparing the costs of various possible alternative plans and provisions, the use of level-premium rates is helpful as a convenient yardstick.

It should be emphasized that the order in which the various changes in table 9 are considered determines in many instances how much of the increase in cost is attributed to a specific recommendation. For example, the increased cost arising from the revised lump-sum death payment is shown as a negative figure or, in other words, as a savings in cost. Under the bill there are three important cost factors in respect to the lump-sum death payment, namely, (1) the higher general benefit level due to the change in the benefit formula; (2) the reduction in the relation that such payment bears to the primary insurance amount (from 6 times such amount under present law to 3 times); and (3) the granting of such payment for all insured deaths, rather than only for deaths where no immediate monthly benefit is available. If the combined effect of all three factors is considered,

there would be an increase in cost of 0.05 percent of payroll, but since the first of these factors had previously been considered in table 9, the net effect of the other two factors is the indicated reduction in cost of 0.05 percent of payroll.

As will be seen from table 9, the level-premium cost of the present law—taking into account 2 percent interest—is about 4½ percent of payroll; this is considerably lower than the cost was estimated to be when the program was revised in 1939, largely because of the rise in the wage level which has occurred in the past decade (higher wages result in lower cost as a percentage of payroll because of the weighted nature of the benefit formula).

Under the bill the level-premium cost of the benefits is increased to 6.10 percent of payroll. However, this figure must be adjusted slightly for two factors, namely, the administrative costs, which are charged directly to the trust fund, and the interest earnings on the present trust fund, which will be about $13½ billion at the end of 1950. Considering all of these elements the net level-premium cost of the bill is shown to be 6.05 percent of payroll.

As an indication of the effect of various factors on the estimated actuarial costs, it may be pointed out that if an interest rate of 2½ percent were used rather than 2 percent, the net level-premium cost of the bill would be reduced to about 5.7 percent. (The interest rate which determines the yield of new investments for the trust fund is now 2.20 percent, but until it rises to 2.25 percent, such investments continue to be made at 2⅛ percent.)

Table 10 and chart 2 compare the year-by-year cost of the benefit payments according to the intermediate-cost estimate, not only for the bill but also for the present act. These figures are based on a level-wage trend in the future and do not consider cyclical business trends (booms and depressions) which over a long period of years will tend to average out. The dollar amount of the increased cost in 1951 of the bill over the present act is substantial (about $1¼ billion, or about 140 percent), but the cost as a percentage of payroll does not rise as much relatively. This results from the increase of the total covered payroll due to the newly covered categories.

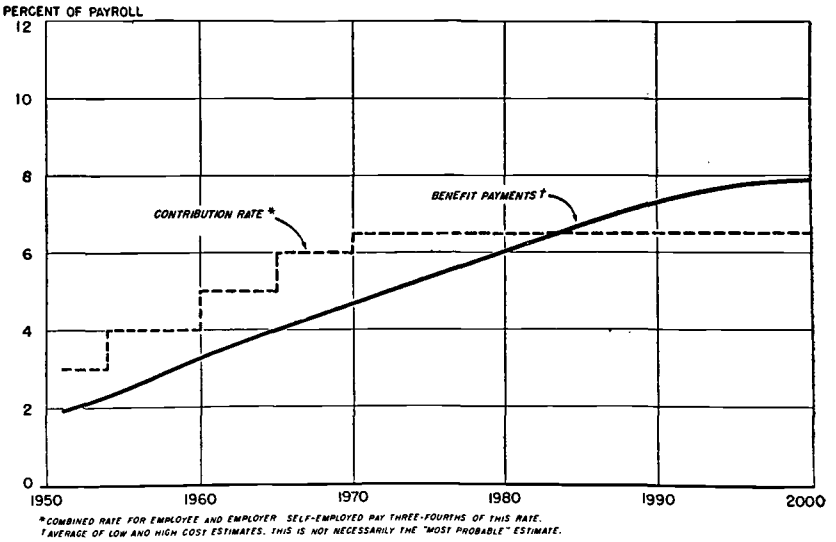
TABLE 10.—*Estimated cost of benefit payments under present act and under 1950 amendments, intermediate-cost estimate*

Calendar year	Amount (in millions)		In percent of payroll	
	1939 act	1950 amendments	1939 act	1950 amendments
			Percent	*Percent*
1951	$865	$2,064	1.02	1.92
1955	1,264	2,708	1.59	2.45
1960	1,766	3,779	2.10	3.29
1970	2,932	5,873	3.11	4.67
1980	4,332	7,972	4.24	6.02
1990	5,817	10,087	5.41	7.32
2000	6,768	11,255	6.03	7.87
Level-premium:				
At 2 percent interest	----------	----------	4.50	6.12
At 2¼ percent interest	----------	----------	4.38	5.95
At 2½ percent interest	----------	----------	4.25	5.79

NOTE.—These figures represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future. For definition of "level-premium," see text.

CHART 2

COST OF 1950 AMENDMENTS



*COMBINED RATE FOR EMPLOYEE AND EMPLOYER. SELF-EMPLOYED PAY THREE-FOURTHS OF THIS RATE.
†AVERAGE OF LOW AND HIGH COST ESTIMATES. THIS IS NOT NECESSARILY THE "MOST PROBABLE" ESTIMATE.

Benefit costs expressed as a percentage of payroll, according to the intermediate estimate, do not exceed the employer-employee combined tax rate until about 1985. In other words, according to this estimate, for approximately the next three decades income to the system will exceed outgo; subsequently there will be discussed the possible effects over the next few years of unfavorable economic conditions.

Table 11 presents estimates of the numbers of beneficiaries and is comparable with table 4 of the previous section.

TABLE 11.—*Estimated numbers of beneficiaries under 1950 amendments, intermediate-cost estimate* [1]

Calendar year	Monthly beneficiaries [2]								Lump-sum death payments [5]
	Old-age beneficiaries [3]			Survivor beneficiaries				Total	
	Primary	Wife's [4]	Child's	Widow's [4]	Parent's [4]	Mother's	Child's		
	Actual data for present system								
1950	1,385	419	35	290	14	157	630	2,930	216
	Estimate for 1950 amendments								
1951	2,186	676	66	356	25	236	734	4,279	499
1955	2,602	798	72	654	38	288	934	5,386	570
1960	3,566	1,046	83	1,117	53	312	1,018	7,195	658
1970	5,516	1,431	104	2,052	66	326	1,062	10,557	850
1980	8,008	1,780	122	2,748	70	332	1,082	14,142	1,044
1990	11,144	1,948	126	3,085	66	341	1,114	17,824	1,268
2000	13,183	1,961	108	3,046	62	355	1,158	19,872	1,470

[1] Based on high-employment assumptions. These intermediate figures are based on an average of the low-cost and high-cost estimates.
[2] In current payment status as of middle of year.
[3] I. e., for benefits paid in respect to retired workers.
[4] Does not include beneficiaries who are also eligible for primary benefits. Husband's and widower's benefits are included under wife's and widow's benefits, respectively.
[5] Number of insured deaths during year for which payments are made. Actual figure for 1950 based on experience during first 6 months.

Table 12 presents costs of benefits under the bill as a percent of payroll for each of the various types of benefits and is comparable with table 6 of the previous section.

TABLE 12.—*Estimated relative costs in percentage of payroll for 1950 amendments, by type of benefit, intermediate-cost estimate* [1]

[Percent]

Calendar year	Old-age	Wife's [2]	Widow's [2]	Parent's	Mother's	Child's [3]	Lump-sum death	Total
1951	1.11	0.18	0.14	0.01	0.11	0.30	0.07	1.92
1955	1.36	.22	.26	.02	.13	.38	.08	2.45
1960	1.87	.30	.46	.02	.14	.41	.09	3.29
1970	2.74	.40	.84	.03	.14	.41	.11	4.67
1980	3.73	.48	1.12	.03	.14	.40	.12	6.02
1990	4.85	.52	1.26	.03	.13	.39	.14	7.32
2000	5.41	.51	1.24	.02	.14	.39	.16	7.87
Level premium [4]	4.01	.44	.99	.02	.14	.39	.13	6.12

[1] Based on high-employment assumptions. These intermediate costs are based on an average of the dollar costs under the low-cost and high-cost estimates.
[2] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.
[3] Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.
[4] Level-premium contribution rate (based on 2-percent interest) for benefit payments after 1950 and into perpetuity, not taking into account the accumulated funds at the end of 1950 or administrative expenses.

Table 13 gives the dollar figures for various future years for each of the different types of benefits for the intermediate-cost estimate and is comparable to table 7 of the previous section. Total benefit payments are shown to rise from about $2 billion in 1951 to $11 billion 50 years hence.

TABLE 13.—*Estimated absolute costs in dollars for 1950 amendments by type of benefit, intermediate-cost estimate* [1]

[In millions]

Calendar year	Old age	Wife's [2]	Widow's [2]	Parent's	Mother's	Child's [3]	Lump-sum death	Total
	Actual data for present system [4]							
1949	$388	$62	$61	$2	$40	$102	$33	$689
	Estimate for 1950 amendments							
1951	$1,192	$198	$154	$13	$114	$322	$71	$2,064
1955	1,500	246	290	20	144	419	89	2,708
1960	2,142	344	526	28	162	474	103	3,779
1970	3,451	501	1,058	35	176	514	138	5,873
1980	4,939	635	1,487	37	181	528	165	7,972
1990	6,681	710	1,734	36	186	544	196	10,087
2000	7,736	730	1,780	33	194	558	224	11,255

[1] Based on high-employment assumptions. These intermediate costs are based on an average of the dollar costs under the low-cost and high-cost estimates.
[2] Included are excesses of wife's and widow's benefits over primary benefits for female primary beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.
[3] Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.
[4] Based on benefits certified by the Social Security Administration to Treasury; total disbursements on basis of checks issued by Treasury were $667 million.

Table 14 presents the estimated operation of the trust fund according to the intermediate estimate (using a 2 percent interest rate) and is comparable to table 8 of the previous section.

TABLE 14.—*Estimated progress of trust fund for 1950 amendments, intermediate-cost estimate* [1]

[In millions]

Calendar year	Contributions [2]	Benefit payments	Administrative expenses	Interest on fund [3]	Fund at end of year
	Actual data for present system [4]				
1949	$1,670	$667	$54	$146	$11,816
	Estimate for 1950 amendments				
1950 [5]	$2,498	$1,013	$61	$259	$13,500
1951	2,846	2,064	66	277	14,493
1952	3,156	2,220	71	299	15,657
1953	3,179	2,382	75	320	16,699
1954	4,098	2,544	80	349	18,522
1955	4,299	2,708	85	386	20,414
1960	5,409	3,779	105	545	28,543
1970	7,854	5,873	145	1,005	52,167
1980	8,374	7,972	184	1,473	75,236
1990	8,719	10,087	223	1,652	83,451
2000	9,050	11,255	246	1,551	77,863

[1] Based on high-employment assumptions. These intermediate costs are based on an average of the dollar costs under the low-cost and high-cost estimates.

[2] Combined employer-employee contribution schedule is as follows: 3 percent for 1950–53, 4 percent for 1954–59, 5 percent for 1960–64, 6 percent for 1965–69, and 6½ percent for 1970 and after. The self-employed pay three-quarters of these rates.

[3] Interest is figured at 2 percent on average balance in fund during year.

[4] Based on Daily Statement of the U. S. Treasury. Benefit payments on basis of checks issued. Contributions include $3½ million appropriated from General Treasury for costs of veterans' survivor benefits.

[5] See text for description of assumptions made as to 1950.

The trust fund grows steadily reaching a maximum of $83 billion in 1990, and then declines slowly. The fact that the trust fund declines slowly after 1990 indicates, that under the bill, the proposed tax schedule is not quite self-supporting but is sufficiently close for all practical purposes considering the uncertainties and variations possible in the cost estimates. Thus in regard to the ultimate 6½ percent employer-employee rate, the House Ways and Means Committee stated as follows:

> If a 7-percent ultimate employer-employee rate had been chosen, the cost estimates developed would have indicated that the system would be slightly overfinanced. Your committee believes that it is not necessary in such a long-range matter to attempt to be unduly conservative and provide an intentional overcharge—especially when it is considered that it will be many, many years before any deficit or excess in the ultimate rate will be determined and even at that time it will probably be of only a small amount.

The Senate Committee on Finance concurred in this statement and acted accordingly in its bill.

Detailed calculations have also been made for the intermediate-cost estimates to show the effect of using a different interest rate than 2 percent, and the results as to the size of the fund are shown in the following table:

[In billions]

As of Dec. 31	2-percent interest	2¼-percent interest	2½-percent interest
1950	$13.5	$13.5	$13.5
1960	28.5	29.1	29.7
1970	52.2	54.0	55.8
1980	75.2	79.2	83.4
1990	83.5	90.6	98.4
2000	77.9	89.2	101.5

If the interest rate is taken as 2½ percent, the trust fund would reach a peak of over $100 billion some 50 years hence. In fact, the tax schedule would, under the assumptions used under the intermediate-cost estimate, place the system on a self-supporting basis if the interest rate on the trust fund is as high as 2½ percent.

Detailed computations have also been made as to the estimated progress of the trust fund up through 1955 under unfavorable economic conditions. (See table 15.) It is assumed that the benefit disbursements would follow those in the high-cost estimates previously presented except that further increases have been arbitrarily assumed, amounting to 20 percent relatively for 1955 and proportionately smaller relative increases in the preceding years. At the same time it has been assumed that contribution income would be decreased by 10 percent in 1951 and by 25 percent in each of the following years (it should be mentioned again that based on current conditions, it would appear that the estimates of contribution income used previously were conservative in that they tend to be somewhat on the low side so that these arbitrary reductions here represent even greater actual reductions from present conditions).

TABLE 15.—*Estimated progress of trust fund for 1950 amendments under unfavorable economic assumptions* [1]

[In millions]

Calendar year	Contributions [2]	Benefit payments	Administrative expenses	Interest on fund [3]	Fund at end of year
1950	$2,498	$1,013	$61	$259	$13,560
1951	2,571	2,271	56	272	14,016
1952	2,357	2,564	61	278	14,026
1953	2,376	2,880	67	275	13,730
1954	3,065	3,211	74	272	13,782
1955	3,217	3,560	81	271	13,629

[1] See text for assumptions and bases.
[2] Combined employer-employee contribution rate is 3 percent for 1950–53 and 4 percent for 1954–55. The self-employed pay three-fourths of these rates.
[3] Interest is figured at 2 percent on average balance in fund during year.

Under these unfavorable economic assumptions, the benefit payments exceed the contributions for each year after 1951. As a result, the trust fund reaches a peak of $14.0 billion at the end of 1951 and 1952 and declines slowly thereafter, but remaining above $13½ billion through 1955. Accordingly, even with unfavorable economic conditions in the next 5 years, the trust fund along with the tax income, will still be ample to meet the benefit obligations of those years.

E. COST OF VETERANS' BENEFITS

The preceding cost estimates take into account the special benefits provided for veterans, since the additional costs therefor are met from the trust fund from time to time as they arise. Under the present law such additional costs are met from the General Treasury as they arise, and the cost estimates for the present law do not include the cost of these benefits.

The benefits contained in present law (namely, survivor benefits for veterans who die within 3 years after discharge) are continued. Further, it is proposed to give wage credits of $160 for each month of

military service, not only to living veterans but also in respect to those who died in service.

It is estimated that the total cost of these veterans' benefits will amount to about $300 million under the bill, spread over the next 50 years. There will be a very considerable outgo over the next 10 years in respect to the children and widows of men who died in service. For this group the increased outgo from the trust fund will be about $20 million in 1951 and will average about $15 million a year over the next decade. However, since by 1960 virtually all of these children will have attained age 18, the disbursements for this group will fall off quite sharply and will not thereafter be of any significant size until about 35 years from now, when the widows will be reaching retirement age. The remainder of the cost of these veterans' benefits is in regard to veterans who did not die in service; the bulk of such cost will arise some 40 to 50 years hence.

F. SUMMARY OF COST OF 1950 AMENDMENTS

Based on a 2-percent interest rate, the system is not quite self-supporting under the intermediate estimate for the bill. It may be noted that although the ultimate employer-employee tax rate of 6½ percent is higher than the level premium cost of the bill, the excess is not sufficient to offset the lower tax schedule in the early years; in addition there is the factor that the self-employed pay only three-fourths of this amount, or, namely, 4⅞ percent ultimately, which is well below the aggregate level premium cost. However, as to the system being self-supporting, there is very close to an exact balance—especially considering that a range of error is necessarily present in long-range actuarial cost estimates and that rounded tax rates are used in actual practice and hence an exact balance would not be possible even if the exact future conditions were known.