

are going to have a difficult time, although it is not as difficult as the wage tax before, but it is difficult. Furthermore, the farmers have not yet learned the need of that thing. They are going to be opposed to it. Let us wait till we have a decent administrative system and we feel that we can undertake that thing, and the farmers will get educated and see the benefits; they should come in as soon as possible. But I would say that in the beginning, at least, let us leave them out and avoid a lot of trouble and difficulties, both political and administrative. I think it is safer to do it at the present time.

Senator GEORGE. Are you speaking of unemployment insurance?

Mr. EPSTEIN. Yes.

Senator GEORGE. Not of old age?

Mr. EPSTEIN. Not old age.

The CHAIRMAN. I understand you wanted to exclude farmers from the old-age proposition too?

Mr. EPSTEIN. Yes, sir; I will come to that in a few seconds, if you permit me. But for the present I will confine myself to this.

One other reason, I should say, why we favor our plan with its uniformity, as against this plan, is one of the arguments that is being made in favor of this plan, and that is that it will permit of experimentation. I think there is such a thing as overdoing the desire for experimentation. I believe in experimentation, and we are fortunate in this country in having 48 States; but after all, is it fair to permit experimentation in suicide? Do we want to encourage that? When we know that certain experiments are no good and every experience and common sense tells us they are no good, should we go out of our way to insist they must be experimented on further to permit hari-kari? It is absurd. Uniformity is the desirable thing as much as we can possibly induce it.

I should like a few minutes on the old-age section that I think I have a few things to suggest.

First on the subsidy bill—old-age-subsidy bill. I think that part of the bill is the clearest and the most lucid of any in the whole bill. That is not, of course, revolutionary or new. You will recall that your own Senate committee for 2 years has reported a bill like that out favorably, and many of you have been interested as a matter of fact and have approved it last spring. If it had not been for Senator Gore, we would have had it through this last time.

Senator KING. Maybe. [Laughter.]

Mr. EPSTEIN. I might say just a few things so as to perhaps ease your minds on some of the things. This bill, as you know, provides that the Federal Government should subsidize the State to 50 percent of their average pensions up to \$15 a month. We have advocated that plan for the last 10 or 15 years, and the bill has been in Congress for about 8 or 9 years. We were a little modest and asked only one-third; but, since Congress is so generous and will give one-half, we will take it.

Senator KING. Our generosity is based upon our poverty.

The CHAIRMAN. You asked for one-third?

Mr. EPSTEIN. Yes, sir; but we certainly prefer one-half, so we accept that very nicely. We have no kick on that. I do want to say, however, that some people, at least the newspapers, have raised this terrific thing about what a miserable, measly sum and how niggardly Congress is going to be with the \$15-a-month maximum. I say to

you after 20 years of work in this movement, coming in contact with literally thousands and thousands of old people throughout the United States, I say that if ever this country reaches to a State where we will reach an average of \$30 a month for old people, we shall have attained the highest state of old-age security of almost any other nation in the world. It will be one of the greatest steps that we have ever done. People come to you and tell you, "What is a dollar a day, and who can live on a dollar a day?" You and I could not live on it, although we could if we had to.

But remember that the problem of the aged is a somewhat different one, and the reason why people make that statement is that few of them really understand the problem of old people. Frequently, first of all, in the case of an old man or an old woman, it is not all his subsistence that he needs. There are a few that are alone and live in a big city that would encounter a real problem on \$30 a month, but after all we cannot solve everybody's problem. Some other means probably will have to be taken to help them; but for the overwhelming majority of our old people, for the greatest bulk of them, an average of \$25 or \$30 a month is ample for security, for this reason—that the needs of an old man or an old woman are very small; they require very little. Remember, you are dealing with people 65 years of age and old. And whether Dr. Townsend wants them to go around or ride in automobiles with chauffeurs or not, most old people are through with chauffeurs and automobiles at about that age. They want to live quietly and have decent shelter and live with their friends and tell stories rather than ride around in cars.

Most of them have some children, often some family—the bulk of old people have somebody that is willing to help them a little bit. Some of them have a home; some of them have a little garden; they have a little farm; they do not need all the money. They need enough money to keep them in comfort; and I say if we ever reach the stage in this country where we will reach an average pension of \$25 or \$30 a month, we will have reached a very high degree of security.

Senator COUZENS. Where an old couple is living together, it would mean \$60?

Mr. EPSTEIN. Yes, sir. I say this to you, my friends: I know hundreds of thousands of old people in New York that we helped ourselves to get pensions, and I have seen a complete change in the lives of these people with an average of \$25 or \$30 in New York City. I have seen some of the happiest relationships with people who get \$24 and \$25 a month. It is true that a few kick and a few of them are not happy because they do not get more, but most of them can find a real adjustment on that much money.

One other thing I should like to raise, which I know some of you have been very much worried about, and that is that the present provisions in this bill—that the State standards which you require is a standard of decency and health. I know some of you are worried about it; some of you think that this is going to give so much authority to the Federal Government that the administrator will insist that Mississippi, for instance, pay \$40 a month or New York pay \$1,000, or something like that. I say that the best thing that you can possibly have in that law and to help each State in the country is to make it really flexible, for this reason. Let me put it in question and answer form. If the Federal Government is going to give a State

50 percent of its payments in old-age pensions, it is obvious that the Federal Government has the right to have a certain standard.

If the Federal Government demands certain standards, there are only two methods whereby you can make it so. One is the uniform minimum pension. In other words, the only alternative that you would have to the present provisions would be something like this: You would have to say the Federal Government will not give the subsidy unless the State pays an average benefit of at least \$20 a month the country over as a whole, but that would not be fair, would it? And you, many of you from the South, would feel that \$20 a month average in the Southern States would be a terrific sum and you could not do it. The provision now for decency and health is the very thing that can really make it flexible for each State. In other words, what is the standard of decency in New York is not necessarily the standard of decency in Mississippi or South Carolina or Utah. A man in Utah—well, take the Utah pensions. Right now in Salt Lake City the average is about \$9 or \$10 a month. It is not sufficient; of course it is not. They have no money. That is the main problem. But obviously the standard is not the same for New York City or Massachusetts as it is for some of the Southern and some of the Middle Western States, and the standards of decency and health—well, I am assuming that the Federal administrator will be an intelligent person and he would set this thing as the most obvious assumption, which is that a standard of decency and health in one State is one thing and a standard of decency and health in another State is another thing. And it seems to me you could not possibly improve on this provision in this bill, and that is the best thing to provide real flexibility under your present situation. Anything else you put in will be worse. Then you will tie up the thing and make it impossible for certain States to do certain things and other States to do other things.

Now, one other word on that. People have told you about what they call this measly \$50,000,000, and only the other day I saw a statement in the press credited to Mr. Hopkins that in 6 months from now we are going to have a large number, 500,000 old-age pensioners. I have had enough experience with pensions in this country to say to you that if we are lucky enough to have 500,000 pensioners in 3 years we will be doing very good. People do not realize the whole problem of administration of any social legislative law of this nature. Even if this bill passes, we are probably not going to have more than 10 or 12 new States that will enact old-age pension laws this year. It is slow work; it is hard to convince legislators to go ahead with quick action. Even if you pass it, we are not going to have four. There are four States that do not meet at all this year. We are not going to have all of the States probably for 3 or 4 years, because some States even with a 50 percent subsidy will still hesitate. Mr. Hopkins, of course, thinks in terms of the relief people. He thinks that he can just transfer all of these 700,000 old people from the relief rolls to the old-age pension rolls. I am afraid it is not going to happen just like that, because almost everybody can get on relief rolls, but not everybody can get on an old-age pension roll. There is an investigation made, a careful investigation; there are certain requirements and they should be there. I am not ready to say whether all of the people

on relief rolls are entitled to relief or not; it was an emergency situation. That is the very thing we want to escape from, from this emergency character, to establish a relief roll with adequate administration, with intelligent administration, so that those who are entitled to it will really get it, and those who are not entitled to it should not get it. I believe that is only fair to ask that much.

So that the \$50,000,000 is ample, more than ample, and the \$125,000,000 provided for the first couple of years is more than ample. So do not worry on that score that you have to provide more money; you are going to have plenty.

Senator HASTINGS. Before you leave that I want to get your point of view clearly by using the illustration of Utah from the question of health and decency. The objection that has been made here is: Suppose the administrator here should decide that the \$9 or the \$10 being paid by Utah plus the \$9 and \$10 a month that might be contributed by the Federal Government was not sufficient to maintain the aged person in health and decency, he would have a right to insist that before the Federal Government contributed anything Utah should bring that average up to \$15, we will say. The point that I make is this: It is not necessary to have that in in order to make certain that the Federal Government shall give something. It seems to me if Utah could only contribute \$5 a month, all the more reason why the Federal Government should contribute \$5 to that particular State, because they need it worse than some other State. We do not put this in there for that purpose, and some of us are afraid that with that in there it will prevent just that sort of thing. One illustration was Nebraska, which cut it down to \$2. It seems to me it is important that the Federal Government should be permitted to contribute \$2 also if that is all that Nebraska could do.

Mr. EPSTEIN. There is one assumption there that will probably never really materialize. By that I mean simply that while it is true that \$9 or \$10 in Salt Lake is obviously insufficient and the Federal administrator would ask for a higher payment, it is also true that your Federal administrator, whoever he would be, would be an intelligent man, intelligent enough to know that the standard in Utah is not necessarily the standard in Massachusetts. What you suggest is that practically the Federal Government should decide for itself what is the proper standard and then add to the State whatever it needs.

Senator HASTINGS. No; my point of view is that we ought not to set up any standard, but match whatever the State does up to \$15 and leave the standard to be decided by the State itself.

Mr. EPSTEIN. I think it is desirable, though, to elevate the State standard. That is the difficulty there. I would make one suggestion to you which I think may overcome this very thing. I think your committee ought to consider it. You can accomplish this very thing that you desire, because you admit that the Federal Government could give more so as to really overcome the State handicap. If you really want to be generous about it, go to a \$20 maximum, as some papers suggest, and make it two-thirds or three-quarters of the State. Then you relieve the States of a real burden; you have at least a minimum that the Federal Government desires, and you permit the State to be generous. That is much more sound. Canada, for instance, pays three-quarters.

Senator KING. You were satisfied with one-third a little while ago? [Laughter.]

Mr. EPSTEIN. I say if you are very generous and want to go to \$20, I say that here is the way out of the dilemma.

Senator HASTINGS. Pardon me for the interruption.

Mr. EPSTEIN. One more point on this, and then I am through until the contributory part, and that is this, that under this bill the F. E. R. A. is given the administration of this bill. I want to say that we have the greatest admiration for Mr. Hopkins, and there is no man I would want to administer this thing more than Mr. Hopkins. But I think you will be doing an enormous harm to the whole movement of social security and old-age security if after we have spent 20 years to try to build a self-respecting system of old-age security in this country, of trying to disassociate it from poor relief, of trying to avoid the stigma and make the old people feel that this is something new and something in recognition of their services, a return by the Government of what it owes them, you go and attach to it again the relief stigma. You do this if you place control under the F. E. R. A., which is first of all an emergency organization and may not last 6 months from now; and, secondly, an organization that is definitely associated with relief. It seems to me that there are plenty of bureaus in this Government and plenty of bureaus in the Department of Labor and other Departments that could handle this easily. There is no reason on earth why that job should be given to the F. E. R. A. Good as they are, but they are not fitted as a relief organization to do a permanent job of real, independent, self-respecting security, and you would be doing us a tremendous harm. You would be nullifying years and years of effort in this country to make old-age pensions a respectable thing.

Senator GEORGE. I am curious to know on what theory you would exclude certain avocations. For instance, I understood you to say that you did not think the farmers should come under the old-age pensions.

Mr. EPSTEIN. I hope I was understood correctly. I was referring to farmers there relating to unemployment insurance. On the old age, of course, this is for everybody, this subsidy.

Senator GEORGE. You exclude no avocation?

Mr. EPSTEIN. Absolutely nothing. The only thing it requires is means. I am not interested in pensioning Mr. Rockefeller or Mr. Morgan, and I do not think Congress should be concerned with that for the present. Perhaps some day we will have to, but not for the present. I think what we should do now is to provide security, and again I want to say that the aim of old-age pensions is security for the old men and women. Not to increase purchasing power, not to cure all of our ills, not to create panaceas, but simply to keep our old men and women, who have slaved and labored and toiled and built our country, in some measure of decency in their own homes and out of the workhouse. That has been all our appeal for 20 years; we have made a little progress, and do not now nullify it by giving us back the old poor-relief system on a little higher scale for the F. E. R. A. relief.

Senator BLACK. May I ask you in that connection, Did not England get into a great deal of trouble on their unemployment insurance by mixing it up with poor assistance?

Mr. EPSTEIN. There is an entirely different relation there. They tried to do this for the first 10 or 12 years, and they are doing something different now, which is this: First they made this unemployment insurance just as you are trying to do in this bill. England provided the first time in 26 weeks of benefits from the fund guaranteed, and no question was asked of any man. All that he had to do was come and register every day for a job. It is a very interesting thing the way it worked out. But every man came every morning and registered for a job at some particular hour. There were no lines waiting there. If there was a job available, he had to go and take that job, and he could not register. If he went there and the boss did not want him, he came back with a slip where the boss stated that he could not use him, and he registered.

If there wasn't anything, he just registered and went right out. Friday he came for his pay. And he did that for 26 weeks. Then after that the insurance fund had no more money, and the problem was what to do with him after the 26 weeks when he was still unemployed—and you are going to have the same problem here after you provide all of this set-up. That is going to be our problem just as it was theirs. England monkeyed with that thing for 10 years one way or another, trying to do all kinds of things with the people after the 26 weeks.

First, for a number of years they said, "We will continue this man, but we will borrow money from the Government and continue him the same way", which was not such a bad thing at all. A lot of people in America have indicted that thing of mixing up charity with insurance, but it was not such a bad thing at all, except it was too expensive. They continued the man without inquiring whether he needed it or not. The mere fact that he did not have a job was enough to put him back on the register, and that created a lot of trouble, and England changed this scheme, they made repeated amendments; once they added 6 more weeks, and once 20 more weeks, and so forth. It went up at one time until a whole year. Now England has changed this system and does it a little differently. It says to a man, "You are still entitled to 26 weeks of benefit guaranteed from your insurance fund, but after that you apply for help, not to us, but to an unemployment assistance board, and you will still get help, but you have got to prove that you really need it." In other words, the means test is applied after that date.

Ultimately it is this sort of relationship that you will have to work out here, but it is altogether different from your old age. The means test there is absolutely paramount.

The CHAIRMAN. Doctor, one moment. There are so many witnesses here and this calendar is getting crowded, and if there is no objection the committee will meet this afternoon at 2 o'clock. I hope all of the members can be here, or as many as possible. I do not think there is anything of very great importance coming up on the floor of the Senate.

Therefore, we will meet at 2 o'clock, and I would ask the witnesses that are on the calendar to be as brief as they can, because we have to move along.

Dr. Epstein, have you about finished your statement?

Mr. EPSTEIN. In about 10 minutes I could finish the contributory feature.

The CHAIRMAN. I will give you 10 minutes at 2 o'clock and you will have to finish, because we must take these other witnesses. The committee will recess until 2 o'clock.

(Whereupon at 11:55 a. m. the hearing recessed until 2 p. m. of the same day.)

AFTERNOON SESSION

STATEMENT OF ABRAHAM EPSTEIN—Continued

Mr. EPSTEIN. I will try to finish as quickly as I can, Mr. Chairman. I shall discuss the subsidy part of the old-age provisions, and I stated that we agree with everything that is in the bill so far as what the administration thought, and we felt that \$15 was sufficient, and the money appropriated is more than ample for the next couple of years.

The only other suggestions I have on that is that the present bill eliminates or would eliminate the possibility—it is a minor thing, but I think it is important for a general issue—the present bill would eliminate the possibility of giving attention to a man or a woman who prefers to reside in institutions in a private home for the aged. It does not affect many people, but it seems to me that socially it is advisable to permit a person's freedom if he so desires, to reside in an institution. As a matter of fact, there are very few people who prefer the institutions to their own home, but if there are such cases there certainly can be no harm by permitting such a possibility, and we would suggest that the words "or other charitable", on page 2, line 22, should be eliminated, and that is all that is necessary, and that would permit the possibility. That gives you the freedom to do it if you strike out those words.

In concluding on this particular part, I should say that there is one thing that perhaps your committee should remember, and that is that at no time will you ever be able to abolish completely the noncontributory part of the old-age pensions. At all times you will have some groups and some individuals—not many, perhaps—but some individuals who will not have been on the contributory insurance and who will have been rich or have been in good conditions in the younger ages, and some misfortune has driven them to poverty, and you will have to support them in old age. All you can do is ultimately through the contributory plan to reduce your burden, but to some extent you will always have to have some governmental help for the aged. I think we can take it for granted that that will last for generations to come.

I come now to this contributory old-age insurance. The bill as worked out is proper and logical. You cannot meet the problem of old age except in this logical way. The present problem is the problem of destitute men and women 60 or 65 years of age and who cannot possibly support themselves and whose chances of work are just zero. We have to take care of them whether we take care of them in one way or another, but we do as a matter of fact. It happens that an old-age security system or pension system has had experience of many, many years in this country as well as abroad, and shows

that it represents the most humane and actually a more economical method of providing against old-age destitution than any other method we have.

From every point of view this particular move is superior to the almshouses, superior to relief, superior to everything that has been done before, and actually economically cheaper. But I think it is fair on the part of Congress and this committee to say that after all we are going to be an older population, we are going to have more and more old people, and we cannot as a Congress or as a Government assume that forever and ever this country will be able to pay a pension to everybody at 65 out of taxation. You don't know, and nobody knows, but I think it is fair to assume that this may involve a great burden, and the Government has a right to see that while we must undertake something now, because we have neglected it and we will try to undertake it for many more years, yet we have a right to protect ourselves against the possibility of saddling ourselves with the burdens that become impossible or too heavy 35 or 40 years from now. So the bill provides, logically, just as every other country has done, that in order to prevent piling up a tremendous burden of governmental costs for the future, we will, side by side with the inauguration of the noncontributory pension system, set up a system of contributory old-age insurance whereby men and women will, through their own contributions and through their employers' contributions, build up an annuity of their own, so that as they get to be old the Government will be able to retire them or they will retire themselves on their own funds, and therefore the burden upon the Government to support them in old age will be lessened and lessened.

The CHAIRMAN. That is a voluntary plan?

Mr. EPSTEIN. It cannot be voluntary, for this reason: We have had throughout the world, and even in this country, over 100 years of experience with voluntary plans; that is, of encouraging people to lay aside little sums of money to build themselves an annuity.

The CHAIRMAN. You feel it must be compulsory?

Mr. EPSTEIN. Yes.

The CHAIRMAN. And you have to raise the money by this taxing feature?

Mr. EPSTEIN. That is it, Senator.

The CHAIRMAN. You spoke this morning of exempting certain classes. Would you exempt domestic employees from this?

Mr. EPSTEIN. Exactly.

The CHAIRMAN. Would you exempt farmers from this class?

Mr. EPSTEIN. Exactly; I am coming to that, and I want to elaborate on this. I would suggest several things on this thing.

First, there is confusion that has been created in general discussions, and probably misunderstanding has arisen from the statement made by the Secretary of the Treasury the other day in regard to the contributions. There are several misunderstandings on that. We have all of a sudden the fear that has arisen throughout the country and all of a sudden we have begun to think in terms of 50 years ahead. I was always deploring the fact that neither a congress or a legislature could think for 2 years ahead, and now we are all of a sudden getting excited and worried about what will happen in 1980, and the suggestion has been made that the con-

tributions from this should be increased to an extent that it will be entirely self-supporting. I do not believe that contributions should be increased above those provided in the bill.

It seems to me that you do not have to do that and you do not have to change your contribution rates at this time. You are, first of all, laying down a base of providing security, a modicum of security up to \$15 a month, which may go as high as \$30 or \$40 in the country, or less, for everybody that is in need. That means that you are not ignoring or neglecting the farmer, and you are not neglecting the domestic servants. You are providing that when they are in need at age 65 the Government is going to give them a pension of at least that much. We are taking care of everybody.

The problem comes to this: Can you relieve yourself of the ultimate burden from governmental contributions gradually, and to what extent can you do it? I would suggest to you a much simpler plan on the whole thing. I am surprised that the experts did not really present this plan to you, because I thought we were consulted on this particular feature by the experts, and I thought it was generally understood and agreed on. Instead of worrying yourself as to what the Federal subsidy on this other part will be in 1980, you have this very simple proposition.

You say to everybody, to the people in this country, "Here we have the base of social security for old age. If anybody will ever fall in need he is guaranteed a certain amount of pension, at least to keep him out of the poorhouse. We want to build up a self-respecting and an independent annuity system for contributory old age through their own contributions."

Then, suppose you follow this through. You say to a man: We are going to have a compulsory insurance system for those under \$2,500, beginning in 1937, let us say. Let us say that a man at 60 starts in in 1937. At 65 he retires in 1942. The argument has been raised, What shall we do with that man? How can we handle that? From his own contribution he has only contributed 5 years, he and his employer, and he is entitled to only, let us say, \$1 a month from his annuity, whatever the sum is—at any rate very insignificant.

You have two problems there. What shall we do with this man? There is a suggestion made here in this bill which is plausible in some respects, but I think more difficult. The bill says that what you do in this case is this: That you are going to give him, although he only contributed 5 years, and he is only entitled from his own contribution, \$1 a month, you are going to give him 15 percent of his wages and you are going to borrow that money, the extra money over his annuity—you are going to borrow it from the accumulated funds of the other people. It is not a terribly bad principle, but it is bad in certain respects in the sense that where they are borrowing from a fund that does not really belong to you, and you will have to pay it back, and that is where your fear comes in that in 1980 you will have to pay back one and a half billion.

I am not particularly worried about one and a half billion in 1980, because we may be able to make money in that time and that billion and a half will amount to nothing. So I do not want to get excited

as to the billion and a half in 1980. When we talk about a five billion bill now before you there is nothing to worry about that then.

But it seems to me that you do not even have to worry about that. Suppose you do this with that group: You say to a man, "We have laid down the security to you that if you are in need, you get at least the minimum. You have to prove that you are in need." Suppose you say that for the next 15 or 20 years the Government will say to a man who has been on contributory insurance, if he is in need, let us say to the man who retires at 65 in 1942, "If you are in need, you are still entitled to the noncontributory old-age pension, but the noncontributory old-age pension requires a means test to show that you have no income of your own above a certain amount." Suppose we go one step further and say this: "That since you have been contributing for 5 years we shall not consider that the annuity which you are entitled to, which may amount to only \$2 a month as a part of your income." In other words, on the one hand here is a man who has never contributed and he is entitled to a maximum of only \$50 a month. We say to him, "You can have that \$30 a month and you may still keep your \$2 a month extra that you have been able to build up." And suppose we say we do it, in other words, we maintain the noncontributory thing and exempt his extra income from the annuity until it is, let us say, about \$20 a month, and you say then that a man who has contributed for 15 or 20 years is entitled not only to his noncontributory payment but the \$15 or \$20 a month extra which he himself has contributed to. But after you reach a certain stage, perhaps in 30 or 35 years when a man's annuity amounts already to \$25 or \$30 a month, almost sufficient, you can say, "All right, after you have accumulated that kind of an income you are not entitled to a noncontributory any more, and you have to live on your contributory pension." Then your governmental portion stops there. It is gradually reduced constantly; it is easily adjusted—it is not a difficult problem—and your governmental responsibility is removed, and you provide an extra income for the man that has contributed; and essentially you take care of all of your problems. In other words, for the present, even though you do not include the farmer or the domestic servant, they would still be entitled to this noncontributory pension.

I want to say again when I say that the farmer should not be included or the domestic servant should not be, I hope I will not be understood to mean that I do not believe that the farmer does not need this or the domestic servant. They need to have it as much and even more so than the industrial workers, but there is the problem of administration. You are not going to collect it. We have no administrative machinery. The administrative machinery on a program like this is a terrifically difficult thing. I do not want to see this country saddled with an administrative problem which will become a fizzle and therefore react ultimately against the whole plan.

We are too big a Nation, it is too big for us and we have no training in administration of this type. Let us wait at least a couple of years and we will see if the administration can really properly take on the job, and we have acquired some experience, and the farmers themselves see that it is good for them, and then we will take them in, but for the first few years I do not think it is advisable to take

on too much that will crush us in administering it. We would have to spend twice as much money trying to collect the contributions from the housewife, even to the stamp business—even if it is only stamps.

Remember that in the European countries, homogeneous countries with tremendous administrative experience, they never have dared to put these in in the beginning. Some of the countries have added them later on, but none of them dared to put it in as the first thing.

There is no limit here in the case of the noncontributory. Unlike the unemployment insurance every employer is covered under this thing. Again, I would say that the employers only of three or more should be included again for the same reason of the difficulty of the administration, not because they should not be covered. Let us not saddle ourselves up with an administrative problem that we are going to involve ourselves in and then react against the whole thing.

Then I would suggest that some of the parts in the bill need a good deal of redrafting and clarification. They are not very well prepared.

The CHAIRMAN. The legislative drafting bureau will take care of that.

Mr. EPSTEIN. I merely make a suggestion that some of the sections are not very clear and they need a great deal of retouching.

I have one more point and then I am through—and that is on the social-insurance board. The suggestion in this bill is that the board be part of the Department of Labor or a bureau in the Department of Labor. We have no objections, of course, to the Department of Labor, or nothing personal about the matter; but we would suggest merely this: That the administration of the unemployment insurance and old-age contributory pension will be a terrifically big thing. It is too big a job for a departmental bureau. Moreover, this bureau should have all of the freedom that an independent bureau usually has. There are certain policies, traditions, and civil-service regulations that exist in departments which may react against the possibility of the working out of this kind of a new system, and so we would suggest that, whatever bureau you create or whatever administrative agency you create, you put it in the same class as Congress frequently does, such as the Interstate Commerce Commission, the Railroad Retirement Act, as an independent bureau, so that it will have complete freedom to do just what it has to do.

And, of course, we would favor the inclusion of the Senate approval on appointments.

I do want to express my appreciation and thanks, Mr. Chairman, for the cordial reception and hearing you gave me. I have been very happy, and you have been more than exceptionally interested.

The CHAIRMAN. We were very glad to hear you, doctor. The information you have given us from the studies you have made is very valuable. Are you staying in New York all the time?

Mr. EPSTEIN. Well, I chase around a good deal. I have to go around all over the country almost, but every trip I make now is supposedly in violation of my doctor's orders; but I cannot stop him from telling me not to do it and he cannot stop me from doing it.

The CHAIRMAN. Washington is a very good place for a man who has given as much study to the problem as you have to be around here while we are studying this proposition.

Mr. EPSTEIN. I am at your call, Mr. Chairman, at any time. Dr. Hogue represents me in Washington. I might say that I have had the privilege for the last few Congresses to consult in executive session with Senate committees and House committees, and if there is any way that I can be of help, I do hope that you will not hesitate to call on us. We are at your service at any time.

The CHAIRMAN. The committee has a very difficult job before it.

Mr. EPSTEIN. I appreciate it.

The CHAIRMAN. Thank you very much.

Mr. Harold W. Story, Milwaukee, Wis.

STATEMENT OF HAROLD W. STORY, MILWAUKEE, WIS., VICE PRESIDENT AND GENERAL COUNSEL, ALLIS-CHALMERS MANUFACTURING CO.

The CHAIRMAN. Were you on the Advisory Council?

Mr. STORY. Mr. Chairman, I was not, but I attended the President's original conference and participated in that. I can give you a little background of my experience. I think I was one of the first industrialists in Wisconsin to recommend voluntary plans. That was about in the spring of 1931, before we had any legislative enactment in the State. I was one of those that I think in part was responsible for calling a meeting of our Wisconsin Manufacturers' Association for the purpose of getting sentiment for the adoption of voluntary plans. The depression came along about that time and we did not adopt the plans voluntarily.

I subscribe to what Mr. Folsom says, that voluntary action will not be effective. You must have compulsory action of the kind that is prescribed in the economic bill.

Incidentally, I am not appearing for the Allis-Chalmers Co. at all. I was requested to present the Wisconsin viewpoint, and I am particularly here for that purpose. I am appearing solely for myself and giving my own viewpoint.

I am going to try to talk just as a business man to you, Mr. Chairman, and give you an idea of the business man's viewpoint on the subject of unemployment compensation.

There are two types of unemployment compensation—the European type and the so-called “Wisconsin type.” The European type professes to be an insurance system. Obviously, it is not, because the term “insurance” implies knowledge of the risks and the adjustment of benefits and premiums to those risks. So, for the purpose of comparing the Wisconsin plan with the English type of plan, I would like to picture the English type as merely a gigantic compulsory unemployment benefit system. Of course, the English plan provides definitely for contributions—at least it did—by the State, the employer, and the employee. The benefits are to be paid out under rules prescribed by the society, which, of course, is the State in that case. There is no vested interest of the employer in the fund in any way; the fund belongs to the State, but distributed in accordance with the rules of the society.

The Wisconsin plan is called the Wisconsin reserves and unemployment compensation plan. I would like to picture it in contrast with the English system as the Wisconsin steady employment and higher annual wage plan.