

agement, and assistance of adequate methods of community child welfare organization for the prevention and treatment of dependency, delinquency, and other types of social need among children. The sums provided for cooperative services under this section shall be available for expenditure until the close of the succeeding fiscal year.

SEC. 203. As used in this title, "dependent children" shall mean children under the age of sixteen in their own homes living with one or both parents or relatives within the second degree, that is, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, and in which home there is no adult person, other than one needed to care for the child or children who is able to work and provide the family with a reasonable subsistence compatible with decency and health.

The CHAIRMAN. Dr. Epstein.

STATEMENT OF ABRAHAM EPSTEIN, REPRESENTING THE AMERICAN ASSOCIATION FOR SOCIAL SECURITY

The CHAIRMAN. Did you have anything to do with the drafting of this legislation?

Mr. EPSTEIN. With some parts of it, but not with the unemployment insurance. The little bit with the old-age pensions unofficially.

The CHAIRMAN. Unofficially?

Mr. EPSTEIN. Unofficially and secretly.

Senator COUZENS. Before you go ahead, will you let us have your experience?

The CHAIRMAN. Please give the committee some of your background.

Mr. EPSTEIN. I might say, Mr. Chairman, that I have myself devoted about 19 years to the general subject of social security, most of the time to old-age pensions, that I have written most of the books on the subject in this country, and I represent an association which for nearly 10 years has been primarily interested in the promotion and advocacy of these particular types of legislation. Social security has been our chief undertaking.

Senator KING. Who financed your institution or association?

Mr. EPSTEIN. It is made up entirely of voluntary contributors, about seven or eight thousand members throughout the country. No rich man ever financed us. It is made up primarily of the middle-class, intelligent, liberal people who are interested in the procurement of social legislation.

The CHAIRMAN. In your study of the old-age pension, have you given study to the Townsend plan?

Mr. EPSTEIN. Considerable, I should say, Mr. Chairman.

Senator CONNALLY. Has Dr. Townsend contributed anything to your organization?

Mr. EPSTEIN. The only thing he contributed is probably a nuisance.

Senator CONNALLY. How about his predecessor, Dr. Pope? Did he contribute anything?

Mr. EPSTEIN. Dr. Pope was a little bit easier to handle; we knew just exactly where the dimes went to, we could count almost the dimes, because there was a definite method of dime counting and it was easy, especially since he had a criminal record for about 30 years, so it was not very difficult. Now the Townsend plan is a promotion job which is very cleverly done—I should say the finest promotional job which has ever been done in American history.

Senator CONNALLY. Dr. Pope?

Mr. EPSTEIN. No; Dr. Townsend. Nothing like it has ever been done before, where they have stirred it up in 6 months so that it is on the front pages.

Senator GORE. Do you know the details of his method?

Mr. EPSTEIN. The promotion scheme?

Senator GORE. Yes.

Mr. EPSTEIN. First of all, I think there is a very able group of promoters. I think Los Angeles is very rich in them. I know one of them, I think, has been a former promoter of Aimee Semple McPherson, and that was a very successful promotion job. There are several others of that type. The real success is due to the fact, I think, that the newspapers follow the old classic that when a dog bites a man it is not news, but when a man bites a dog it is news, and the sensible stuff never gets carried, but lunacy things get the front page.

Senator CLARK. Where is the rake-off in the Townsend plan?

Mr. EPSTEIN. I think that is up to your committee to try to find out.

Senator CLARK. I thought you had ascertained it?

Mr. EPSTEIN. We could ascertain it with Pope, because the Post Office Department and the House Labor Committee did make an investigation, and I do feel that in fairness to all of the old people of the country, and I think in fairness to the mirages that are being put out to the country as a whole, I think that Congress has the duty to perform of investigating the actual source behind this whole propaganda.

Senator GORE. This Townsend plan?

Mr. EPSTEIN. Yes.

Senator GORE. Have you made any inquiry into it at all?

Senator KING. You mean the source of his revenues?

Senator GORE. The mechanics of his organization.

Mr. EPSTEIN. I have done it only to this extent, Senator Gore, that we have been paying and paying terribly for getting all of the newspaper clippings in the last couple of months, until we got so flooded with stuff that we just could not carry it on.

Senator GORE. I have not had a chance to pursue his testimony before the House committee. Did he state in detail his method of carrying on his campaign?

Mr. EPSTEIN. I do not think so; not that I know of, Senator; I have not read that testimony fully.

Senator GORE. I understood, and he ought to have a chance to explain, that he has people out all over the country to get people to join his movement. He has a 25-cent pamphlet and a dollar book in the hands of his solicitors, and that each solicitor has to wire in in code before midnight of each night how much he has disposed of during the day, and if he fails to report any night he is not supplied with any more material. I understand that some of these men earn \$10 or \$12 a day in this work.

Mr. EPSTEIN. I know this, that through the clippings and through the circulars that came indirectly our way, we do not have direct connections with them because they probably would not trust us to have them directly, but some people sent us in the material, and we did have certain instruction sheets which would go out to the first

man that becomes appointed as a Townsend organizer, and it struck us that the first thing was to be sure that you make the collection and be sure the money is forwarded and telegraph exactly how much money is raised. The whole emphasis is a money emphasis. That is obvious from most of his literature. I do not see why your committee or a committee of the House should not make a thorough investigation of this matter, because it is pitiful in one sense.

Senator GORE. He might line his followers up against us. [Laughter.]

Mr. EPSTEIN. That may be, but I will tell you what is happening. I have been told this, and I have had this experience myself since I appeared before the House committee. There is a group of people, they do not necessarily have to be old—nobody knows who they are—but they have come out now to attack everybody who comes out against the Townsend plan, in a merciless way. I can warn you that any one of you that says anything against it will get these letters. I have been getting them the last couple of days by heaps, but I am not worried. It is an organized propaganda, and I have no doubt, at least I suspect that people are told this is a part of the campaign, and I do not think that any Member of the Senate or any Member of Congress will allow himself to be intimidated by that kind of epistles.

Senator COUZENS. You do not know Congress. [Laughter.]

Senator GORE. I am getting postal cards with my name printed on them.

Senator CLARK. So am I.

Senator KING. So am I.

Mr. EPSTEIN. It is an organized movement.

Senator CONNALLY. I think you ought to make your request of Senator Gore and Senator Clark.

Senator GORE. I thought I was getting some special favor. [Laughter.]

Senator BLACK. Before we proceed with you, suppose you make it clear just a little more of your experience for our benefit. Have you made a study in other countries of their social insurance plans?

Mr. EPSTEIN. I have studied this aspect of social security and this problem, for at least 18 years.

Senator BLACK. Have you been to the other countries?

Mr. EPSTEIN. I have been to Europe at least four or five times, spending my time primarily studying social security.

Senator BLACK. Did you spend time there in talking with the various officials to see how their respective plans were working?

Mr. EPSTEIN. Exactly. I have made a visit to practically all the European countries and have spent a good deal of time with the officials there in connection with their plans and with their workings.

Senator BLACK. What is the name of the book that you recently wrote about a year ago on all forms of social security in every country in the world?

Mr. EPSTEIN. The book is *Insecurity, a Challenge to America*.

Senator BLACK. Did you have in that various information that you had gathered from practically every country in the world on social questions involving unemployment insurance, old-age pensions, health insurance, and such topics?

Mr. EPSTEIN. Everything that is included in this bill is thoroughly studied and analyzed in my book, as well as many other things.

Senator BLACK. As I recall also, you were connected with the State of Pennsylvania?

Mr. EPSTEIN. I was director of research for the Pennsylvania Commission on old-age pensions for about 8 years until 1927.

Senator BLACK. Under an act of the legislature?

Mr. EPSTEIN. Under an act of the legislature. Repeated acts of the legislature.

Senator BLACK. Did you make a thorough study of old-age pensions there?

Mr. EPSTEIN. I was the one who probably wrote the most comprehensive reports on old-age pensions in this country, commission's reports.

Senator BLACK. In other words, for 19 years, you have made it your whole occupation—the study of social security in the form of old-age pension, unemployment insurance and other phases?

Mr. EPSTEIN. Entirely that, Senator, and in addition to that also the promotion of these laws, the old-age pension laws and now the unemployment-insurance laws and health-insurance laws.

Senator GORE. Your activity has been promotional work?

Mr. EPSTEIN. Yes; but my promotion has been with gentlemen like yourself. We had a fight last spring, if you recall; and I have worked also with members of this committee and with different committees of the State legislatures, Governors, and the State legislators themselves. We have not fought with the people, we have not tried to intimidate, but we have tried to get consideration, and I am glad to say and happy to say that I have always had consideration in the Senate, in the House, and in every State legislature, and we have gotten decent consideration.

Senator GORE. But you found it necessary to carry on this promotion work? Congress did not react apparently spontaneously?

Mr. EPSTEIN. No; and you did not react at all last year, Senator

Senator GORE. Do you mean Congress did not or I did not?

Mr. EPSTEIN. Congress did; at least the committee did. You were not a member of that committee. But the Senate was actually ready to pass the bill and would have passed it if you had not objected to it and put it back on the calendar.

Senator GORE. Do you remember my statement? It was very broad-gauged. I said the President had appointed a commission to study this subject and we ought to get full information on all phases of it before we embarked upon that sort of a policy.

Senator CLARK. That is what they are now trying to do.

Senator GORE. I do not think it is necessary now. This hearing is just delaying the legislation.

Mr. EPSTEIN. I feel this way, Mr. Chairman. I do not believe the country has really an appreciation of the significance and the tremendous possibilities, from a social point of view of this entire legislation in the omnibus bill.

Senator KING. I would like to ask one question if I may be pardoned. In consideration of this subject and your visits to Europe, did you not postulate a difference in the respect that there is a difference in our form of government with our 48 sovereign States?

Mr. EPSTEIN. Very much so.

Senator KING. Different from the conditions in Europe, and the governmental machinery in Europe.

Mr. EPSTEIN. Very much so.

Senator KING. And did you think that the pattern might apply there, might not fit our conditions here?

Mr. EPSTEIN. Certainly. What we are going to suggest is not exactly the European pattern at all.

Senator KING. You appreciate that our country, without so much of this legislation—and I am not making any comment as to its wisdom or not—had made perhaps greater progress than any other country in the world and had developed more of a spirit of independence and more wealth, and that the people of the United States had a higher standard of living than any of the other people of the world?

Mr. EPSTEIN. That is all true, but that does not follow that we do not need social-security legislation. I can grant you all of that and still insist that we need social-security legislation.

Senator COSTIGAN. When you were interrupted you were speaking about the pathos connected with the problem. Have you concluded your statement on that?

Mr. EPSTEIN. I think I did. Now, gentlemen, the bill before you, the omnibus bill, does represent to my mind and to any student of the problem, perhaps the most outstanding case of social legislation or any form of legislation that has ever been before Congress. I think we all ought to be grateful to the President for the courage and daring that he had to present a comprehensive message like he did. I would like to call your attention to the fact that no political leader in the history of the world ever really had the courage to present as comprehensive a program on this form of legislation as President Roosevelt did. Even Bismarck who stands out as the first leader in social insurance in Germany, adopted his program bit by bit and piecemeal. Lloyd George, who certainly did a remarkable job in England and was as daring and as courageous as anybody, never dared to embrace so many of these things at one time. And so I do feel that the President deserves the congratulations and the gratitude of all of the people who are interested in social welfare, for the mere courage and graciousness with which he has grasped the problem of seeing that after all this is a national problem and that it must be handled in this comprehensive manner.

Senator GORE. That is just what I was driving at last year. I was of service to this movement.

Mr. EPSTEIN. Thank you very much.

Senator GORE. Let me ask you this question. Did not Bismarck start his social program in order to circumvent and arrest the progress of socialism in Germany?

Mr. EPSTEIN. I think that is a fair charge and I think that is what he did, but it did not work out that way.

Senator GORE. It did not succeed?

Mr. EPSTEIN. No, sir.

Senator GORE. Socialism grew rapidly after that.

Mr. EPSTEIN. Exactly; that is a true statement. I say the program is daring, but at the same time I do want to call your attention that daring and courageous as it is from a political point of view such as was unknown perhaps before in this country or in any country in the world, this country has been so negligent in its provisions against insecurity that even if we do adopt the whole program and more, we would still be about a generation behind almost all industrial nations

in the world, because all of the proposals that you have before you are not something revolutionary or new, or that has been untried. They have been at work in most countries for a generation, and so there is nothing revolutionary about it. It is merely because we have neglected it so long that the whole thing looks so new. It is comprehensive, of course, but it is not new from the point of view of practical experience or evolutionary in scope.

The CHAIRMAN. Doctor, do you approve generally the bill, the unemployment insurance features and the old-age pension features of the bill?

Mr. EPSTEIN. I want to say, Mr. Chairman, that we approve heartily of the bill in its old-age respects, especially the Federal subsidy of 50 percent. We approve of the contribution plan, the contributory pension plan which fits in with our whole program that we have advocated for years, but we would like to make certain suggestions on that with regard to the present confusion that has been created, and especially in regard to the statement made by the Secretary of the Treasury yesterday as to raising the contribution rates.

On the unemployment insurance provisions, I might say from the start—I would like to get time to say it more in detail, but from the start, we are absolutely opposed to the present provisions as something that will get us nowhere, that will create more confusion than ever before, it will get us no unemployment insurance legislation, and we at least, and I am speaking now not only in behalf of our association but speaking for most of the students of the problem, who have studied the problem for years and years, we are convinced that it is not a wise bill, at least the provisions in that respect, and it must be reconsidered and redrafted and have something basically different.

Senator GORE. In what features?

Senator CONNALLY. You are speaking now of unemployment insurance?

Mr. EPSTEIN. Yes. Do you want me to go into detail?

The CHAIRMAN. What is your objection to the unemployment insurance feature?

Mr. EPSTEIN. Suppose I start there then.

First of all, let us get a clear understanding, gentlemen, as to what the purpose of unemployment insurance is. I think it is very important to have something definite. I think one of the troubles that has happened with this committee on economic security and with the whole confusion that has been created is a complete refusal to understand basically just what it is all about, to understand this, "What do you want?"

Senator GORE. You think that ought to make a difference?

Mr. EPSTEIN. It will make a big difference, Senator. It seems to me that fundamentally you cannot talk in terms of something unless you just know exactly what you want to do. It seems to me that in all countries, and all the students of the problem, always have one hope in unemployment insurance, and that is to at least, while it is not a panacea and there are no cure-alls, even Doctor Townsend's plan is not a cure-all—there are no cure-alls in this world—no possibility of making a perfect bill. If Congress ever passes a perfect bill, we would all get to heaven the next year and there would be no more Congress. None of us can draft a perfect bill. What I am saying

now is not a question of details in the bill. I am not going to point out even a number of details that should be changed; it is not important.

We have to understand the basic principle first. The aim of unemployment insurance is to provide at least a first break to the unemployed worker when he loses his job, in other words, to provide him with at least as much of self-respecting help, self-respecting and independent help and care—not care exactly, but at least financial assistance—as long as we can possibly do it, when he loses a job through no fault of his own. That is the essential test of unemployment insurance.

The trouble has been that unemployment insurance in this country, like the Townsend plan in old age has been looked at from the point of view of a panacea, a cure-all, that we are going to reform people and we are going to reform everything. We have no cure-alls. We are trying to devise a system where we can help the unemployed worker for as many weeks as we can after he loses his job, as many weeks as possible. The idea of people who have appeared before you that we must abolish unemployment, that we must stabilize is something else. That is a cure-all. I say to you frankly that unemployment insurance cannot and never will stabilize employment, and by no possible way can we control that system to an economic cure-all. It might help a little bit and so forth, but that is not its purpose.

If you want to stabilize industry, if you want to abolish unemployment, then go to Dr. Townsend or go to somebody else for a cure-all, but do not expect any person who knows something about it to provide you a cure-all through unemployment insurance. Unemployment insurance chiefly is interested in offering you a system whereby the unemployed workers who through no fault of their own lose their jobs, can at least be given self-respecting financial assistance without being placed on relief as paupers immediately after they lose their jobs.

As to how much? Well, that depends upon your conditions, depends upon how much you can afford, that depends how you distribute your funds, that depends upon a lot of factors, but essentially let us keep that in mind, that we are concerned with one thing only in this bill, and that is to offer the best bulwark to the unemployed workers.

And I want to say, gentlemen, that every time you deviate from that fundamental thing, you run into panaceas which get you nowhere.

That purpose of providing a break for the unemployed worker, regardless of the stabilization and unemployment, is the chief purpose of unemployment insurance as it is brought about and as it is understood by all students, and whenever an outside issue is thrown in, like stabilization, reforming the bad employers, helping the good employers, you are not dealing any more with unemployment insurance but you are dealing with panaceas, and that should be in the class of panaceas and should not go to the Ways and Means Committee but, you should create a panacea committee or a cure-all committee to which all of these things should be referred.

Senator GORE. A committee on panaceas?

Mr. EPSTEIN. Yes; I think that is the place for such things.

Senator GORE. That goes into the committee of the whole.
[Laughter.]

Mr. EPSTEIN. If we can get that thing clear, then we can analyze the particular conditions and see what they do.

Senator CONNALLY. Going along with that is that the benefits should be less than the wage.

Mr. EPSTEIN. Yes, sir; otherwise you discourage seeking a job.

Senator CONNALLY. The same theory that is in the public works, which the President has in mind in the public-works bill.

Mr. EPSTEIN. Exactly. Anybody that comes here to you and says that unemployment insurance should be full wages; well, it would not be unemployment insurance, but it would be something else; it is a panacea again. But we are dealing with a practical thing.

Senator KING. Can I interrupt you?

Mr. EPSTEIN. Surely.

Senator KING. In your books, have you discussed this particular phase that you are now bringing out?

Mr. EPSTEIN. Very much. I have spent chapters and chapters on it, Senator.

Senator KING. Which book discusses it most comprehensively?

Mr. EPSTEIN. *Insecurity, a Challenge to America.*

Senator KING. Thank you.

Mr. EPSTEIN. If we can keep that in mind, gentlemen, then we can see how this bill fits in.

The CHAIRMAN. Why don't you get your publishers to send down here to the members of the committee copies of the book?

Senator BLACK. Some of us have already read it. [Laughter.]

Mr. EPSTEIN. I think it would be a good idea for the committee to supply them. We have no funds for that purpose. [Laughter.]

It is in the Congressional Library, and I think Senator Black has a copy; in fact, he was one of my earliest readers, by the way.

If we can keep that in mind, gentlemen, I would like to proceed a little bit on that, then we can see what is the logical thing to do. If we are going to adopt unemployment insurance really to provide for the workers, our chief problem is, What is the best system that we can use? As has been said, this country is not exactly like other countries—the European countries. We are dealing with a Federal Government and we are dealing with States, and we working under a Constitution, and we cannot do certain things that European Government can do—I mean politically we cannot do it, constitutionally we cannot do it, but the problems are the same, slightly better or slightly worse. Just now by accident our problems are worse than in any other country. In the case of old age our problems are not as bad as other countries. That is why some of the actuarial conclusions are off. They are just actuarial conclusions without common sense. But if we can just apply common sense to this thing, I think it will help us a great deal.

Under our Federal system of government therefore we have to plan some system that will give us the best possible method of protecting the unemployed workers who lose their jobs through no fault of their own. Obviously the first thing any man would say in this country—especially those who do not realize our political problems—they would say, "Why don't you do what England does or other countries, and adopt the national plan of unemployment insurance?" Logically, that is the best thing that could be done, but most of us are realists and most of us at least have a little bit of common sense, and we certainly, although things have been growing miraculously in this Congress, and I could have never predicted the things that are hap-

pening, I still cannot believe somehow that Congress is ready now to adopt a national plan. At least I am not ready to advocate it for fear you will laugh me out of court, because I am simply keeping to common sense.

Senator GORE. Do you mean that if you used common sense that we would run you out of court?

Mr. EPSTEIN. There is danger nowadays.

[Senator GORE. Your point is well taken. [Laughter.]

Senator KING. As I understand you, Doctor, you have in mind our political institutions and our dual form of government?

Mr. EPSTEIN. That is right.

Senator KING. And you have some respect for the States?

Mr. EPSTEIN. Exactly.

Senator KING. You are not willing to have the consolidated Government obliterate State lines and control everybody from Washington?

Mr. EPSTEIN. Exactly.

Senator KING. By a lot of bureaus?

Mr. EPSTEIN. Exactly. And I know it would not only be impracticable, but I also agree with you that it may not be advisable. Certainly I am not ready to say that would be the advisable thing. I do want to have respect for our Federal form of government and for our constitution problems. Therefore it seems obvious that we cannot have a national plan and we should devise something that would retain our Federal and State situation, that at the same time would give us a possibility and an approach to more or less as good a national uniform system as we can have. Isn't that a fair request? Retaining everything and not intruding upon our present form of government as to the States, but it is our duty and it seems to me it is the duty of Congress to work out something that without infringing on the rights of the States or our present Constitution, a plan that will provide us at least the best possible thing in as national a way as we possibly can do it, admitting that never will we get a perfect scheme, but at least to lay sound basis.

That is the one fundamental, elementary thing that I want to lay down. I have been charged and probably will be charged in all kinds of ways. I have been called a Red, and I have been called a reactionary. Some of you probably have had the same designations at one time or another, but what I am trying to do simply is this: As a long-time student of this problem, I am worried about one thing, and that is, that I would not want to see things being built on sand that will topple over a year from now, nor do I want to institute something now just in the heat of argument—when everybody seems to have abdicated thinking—which will fail a few years hence if we build up everything right now. Without confidence there is danger that next year they will say, "What a damn fool you were to support it", and the next Congress will come along and repeal it. Let us rather build slowly but build solidly upon which future Congresses can improve and build.

Senator GORE. What are the cardinal points in your plan?

Mr. EPSTEIN. Let me first say something about these present provisions. The reason we object to these is because we say that the provisions in this particular bill offer absolutely nothing for the possibility of a national plan. It has no inducement to amount to any-

thing with the States. Remember that the entire bill has nothing to do, has no dealings at all with the State legislatures and the governors. It assumes an undemocratic idea, almost a communistic idea, that the employers in each State will see to it that the proper legislation is enacted so that they will get their tax remission.

All you do in this bill is that you say to the employers, "If you manage to get a proper law in your State and they make you pay, we will remit you 90 percent of your contribution to the Federal Government for that"; in other words, the bill assumes that every group of employers in each State in this country can go to the legislature and say, "Give me exactly the law we want." I am ready to say here—and I have spoken and appeared before many State legislatures in this country—that I know of no single State legislature in this country where the employers absolutely control it. They have influence in some States, but there are some States where they have no influence at all. In many of our States, the employers would be absolutely helpless.

Moreover, in this bill you are setting up a duplicating system of taxation for the same purpose. First, you are setting up 3 percent or 1 percent or 2 percent—it should be 3 percent, I agree with all the previous speakers—that there is absolutely no excuse for this mollycoddle kind of thing waiting for the index to get up to a certain point. When we need unemployment insurance is now and not when the index goes up. What is the use of building a fund when the index goes up. Let us build it as soon as we possibly can; we cannot do it in 6 months or a year or 2 years; but let us not wait until things improve to build unemployment insurance.

I say that under this bill you set up two duplicating taxes. The Federal Government taxes first of all the employers the 3 percent; all the employers of the country. Then you say to a State or to the employers in that State, "If you manage to see that the employers in your State also set up another tax system, or rather, that the State legislature in your State sets up another tax system to tax you, we will remit your Federal tax." You set up two administrative collecting agencies for the same tax. You provide no real incentive because the State legislatures have nothing to benefit. The only people that will benefit by adopting the Federal grant are the employers of the State; nobody else.

Besides, since no standards have been set up under this plan, it would make possible 48, if ever there were 48 States adopt it, contradictory varieties and uncoordinated plans of unemployment insurance. Under the present plan you do not even have the elimination of unfair competition between employers.

Senator KING. Did you emphasize this view to the committee?

Mr. EPSTEIN. Unfortunately we could not make our voice heard in the committee.

Senator BARKLEY. What committee are you speaking of?

Mr. EPSTEIN. The Committee on Economic Security. On this unemployment insurance, I might say definitely that few of us who have at least written the most comprehensible books on the subject—and I am not bragging about it, but simply as recognized students of the problem—few of us have been consulted officially on this part of the bill, and the bill, to my knowledge, has not been shown around very much, but has been drafted hastily and submitted.