

ECONOMIC SECURITY ACT

WEDNESDAY, FEBRUARY 6, 1935

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

The committee met at 10 a. m., Hon. Robert Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order.

It was understood yesterday, and, as chairman of this committee, I made the statement on the floor of the House, that we would endeavor to hear Members of the House who desire to be heard on the bill we have under consideration, yesterday afternoon and today. It was too late yesterday for Members to avail themselves of the opportunity to appear before the committee. The first witness listed on the calendar this morning is the Honorable Howard W. Smith.

Is Congressman Smith present?

(Mr. Smith did not come forward.)

The CHAIRMAN. The next witness on our list is the Honorable Samuel L. Collins. Is Mr. Collins present?

(Mr. Collins did not come forward.)

The CHAIRMAN. The next witness is the Honorable Wright Patman, who is present, and whom we shall be glad to hear at this time.

STATEMENT OF HON. WRIGHT PATMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PATMAN. Mr. Chairman and gentlemen. In 1930, February 17, 5 years ago, 10 Members of the House, Congressmen Wingo, Sirovich, Swing, McKeown, myself, Woodruff, Connery, Fitzgerald, Fish, and Ramseyer, sent a questionnaire to each Member of this House asking them if they favored organized society making provision for the care of the needy aged. Out of 100 replies, all but 9 said yes; and most of these replies indicated that they believed it was a problem for the Federal Government. That was just 5 years ago.

Mr. LEWIS. Five years ago?

Mr. PATMAN. Yes, sir. Interest since that time has been increasing in the movement and getting stronger instead of weaker.

I believe that there are two classes of our citizens who are especially deserving; one class that builds our country in time of peace and the other class that offers to give their lives for the cause of their country in time of war. If someone does not build the country in time of peace, there is no country to save in time of war.

I think it is the duty of the Federal Government to take care, to a limited extent at least, of the needy aged; at least to make some provisions for their care. I think it is a direct responsibility of the Fed-

eral Government, because when the good people of this country get out and work, build all of the fine roads and fine buildings, make all of the improvements, actually build our country, and then reach old age, when they have nothing on earth that enables them to take care of themselves, after they have made such a great contribution to the country's welfare, they are entitled to draw to some extent upon its resources, which they have helped to create.

The States will not carry this burden at this time, to my mind. The bill recently passed in the House that has for its object relieving the Federal Government of the direct-relief cases is going to throw an additional burden on the various States and communities. I doubt that the States and the cities will be able to assume that burden. Certainly they will not be able to assume any more than that burden of taking care of those direct-relief cases. We know they will not be able to do any more than that. With that knowledge, to pass this bill in its present form and say that in order for an old person to get anything from the Federal Government the States have got to make a 50-50 contribution in effect is saying to the old people of this country, in my opinion, that you are not going to give them anything, because you have already put this other burden on the States, which will be just as much as they can bear.

I want to submit very respectfully for the consideration of this committee that if the bill remains as it is, or substantially as it is, requiring this contribution, a provision ought to be inserted that will not require any contribution for the next 2 or 3 years by the States, cities, or counties. In other words, if you are not going to give them but \$15, give them \$15—that is, the needy aged I am talking about now only—but do not make any requirement that it will have to be matched 50-50 for the next 2 or 3 years by the States, because we know that they are not able to do it and they are not going to do it, and we would be in effect saying that we were not going to give them anything.

So I ask you to consider putting in such a provision. I do not think there would be much chance of favoritism, graft, or fraud on the Government, where these expenditures apply only to the needy aged. There is just a very small amount of administrative work required on the question of age. The Veterans' Administration has had considerable experience on that subject, and I believe the officials there will tell you that they have had very little trouble in determining questions of age. As you know, the fathers and mothers of deceased war veterans are drawing pensions. If there is one, he or she gets \$20 a month, and if there are two, they get \$30 a month, or \$15 apiece. The Administration has no trouble determining the question of age.

Therefore, I think the Federal Government can safely make provision as to the aged, but I am suggesting that there be no contribution required from the States during the next 2 or 3 years.

Of course, I am in favor of helping the widows and the helpless children. I think those are excellent provisions in this bill. I think they are two classes that are often overlooked, not only by the Government but by the States, counties, and cities. But I realize there that if you require administration from Washington, and Federal funds were being used exclusively for that purpose, there would be the question of administration entering into it and local people might

be induced to try to get their part of the money and not administer the law as well, as efficiently as we would like to have it administered.

The CHAIRMAN. Would you mind yielding at that point?

Mr. PATMAN. No, sir; I do not mind yielding.

The CHAIRMAN. If I understand your position with respect to this bill, it is that at least for the next 2 or 3 years there should be no requirement that the States make any contributions to this fund in order for the aged to get the benefits of these provisions. In other words, you suggest that the Federal Government take the full responsibility. I should like your opinion on whether, if such a policy were initiated—of the Federal Government assuming all of the responsibility, with the States contributing nothing—later on you could get the States to contribute; or would not the tendency be for the Federal Government to increase the amount that it shall contribute, and the States would continue to be left out of it?

Mr. PATMAN. I think that question should be considered. But I noticed Mr. Morgenthau's statement, and he said that the tax would start at 1 percent; then there would be an increase to 2 percent; then 3 percent; 4 percent; and 5 percent. We could use the same logic that the gentleman is using, and say that if we can increase the tax, as Mr. Morgenthau suggests, from 1 percent up to 5 percent, we could start as I have suggested and make the change later.

The CHAIRMAN. They will not need so much money to begin with, which is the reason for the smaller percentage to start with.

Mr. PATMAN. The same argument will apply——

The CHAIRMAN. I am not arguing.

Mr. PATMAN. That was an unfortunate word that I used, Mr. Chairman.

Mr. VINSON. The compulsory contributory tax is separate and apart from the old-age pension part of the bill. The old-age pension part of the bill does not provide for any contribution, either on the part of the employer or the employee.

Mr. PATMAN. The point that I was attempting to make, I will say to the gentleman from Kentucky, is that if you pass this bill as it is, you are not going to give the old people anything. They will not be able to get it. You have already passed a law; that is, the House has already a bill which is likely to become a law, that will take direct relief and disabled cases off the Federal rolls and put them on the local rolls. They will have to be cared for by the counties, States, and cities. We know they will not be able to do more than that, if they are able to do it at all. I doubt that they are able to do it. But we do know that they are not able to do more than that.

When you come along with this bill and say that in order for the aged to get these benefits, the States must match 50-50 the appropriations by the Federal Government, we are saying in effect that we are not going to give them anything, because even the States that now have old-age pension laws are only in a very few cases actually paying any money out.

The CHAIRMAN. Do you not think that the aged constitute a very large percentage of this very element or group that you mention, and that if they get these pensions from the Federal Government and the States, that that will relieve that much of a burden from the States?

Mr. PATMAN. That will lighten it somewhat.

The CHAIRMAN. Yes; it will lighten it, and then the States will not have as much burden as you indicate, so that they ought to be able to help carry part of this load.

Mr. PATMAN. The wealthy States will be able to take care of it; there is no question about that.

The CHAIRMAN. All of the States are about equally hard up it would seem from the reports we get.

Mr. PATMAN. I do not think so. I think there is a concentration of wealth in this country that helps in certain sections and is really to the detriment of other sections.

The CHAIRMAN. I notice in the New York papers, that New York, perhaps the wealthiest State in the Union, is having such fiscal troubles in New York City, that the mayor of the city, Mr. La Guardia, who while he was a Member of the House, was just as much opposed as anyone to a sales tax, is willing to agree to a sales tax because of the financial condition of his city, in order to meet the exigencies of the situation in New York.

We have always heard that the wealth of the Nation was centered in New York. If that is the situation in which they find themselves, how much worse can it be in any other State?

Mr. PATMAN. But the sales tax was not necessary. Mayor LaGuardia said he was opposed to it and did not agree to it.

The CHAIRMAN. He has been advocating it.

Mr. PATMAN. But he was forced to do it, as I understand it.

The CHAIRMAN. He was forced into it by the needs of the situation.

Mr. PATMAN. No, no. He was forced into it by the bankers. The bankers required him to do it.

The CHAIRMAN. The bankers had no control over it at all.

Mr. PATMAN. Of course, there is a difference of opinion there.

The CHAIRMAN. You cannot explain it that way. That is a leg that you cannot stand on.

Mr. PATMAN. The big bankers are very powerful in this country, I will say to the chairman of the committee. I think within a week or two he will have his eyes opened on some of the things they have been doing.

Mr. COOPER. I believe the gentleman will agree that nobody was very successful in forcing Mayor LaGuardia to do anything against his will, while he was a Member of the House.

Mr. PATMAN. That is right.

Mr. COOPER. There is just one thought I want to call to the attention of the gentleman. I assume the gentleman understands that 28 States now have these pensions.

Mr. PATMAN. They have the laws, but they are not making the payments, I will say to the gentleman. That is what we are fixing to do here. We are fixing to pass the law, but we are not going to make the payments if this bill remains as it is.

Mr. VINSON. The States paid \$31,000,000 last year.

Mr. PATMAN. Yes, about that.

Mr. SANDERS. How many of those States are paying?

Mr. PATMAN. I do not know. I think most of them are paying something, but they are not paying the amounts specified in the law.

The CHAIRMAN. If we pass a law with a provision such as you suggest, would there not be a tendency for those who are now paying

these pensions to discontinue paying them, in the thought that as long as the Federal Government was taking it over altogether, they ought not to be discriminated against, and if contributions are not to be made by other States, they might as well discontinue theirs.

Mr. PATMAN. They will not be making a contribution to the Federal Government; they will be making a contribution to the aged, and if we allow \$15, they can supplement it with \$15, if they wish.

The CHAIRMAN. My fear is that they will quit.

Mr. PATMAN. I am not asking the Federal Government to pay all the \$30. I am just asking that the requirement of matching be eliminated from the bill for the next 2 or 3 years, so as to give the States an opportunity to readjust their finances in conformity with these additional burdens and requirements that Congress is expecting to place upon them.

The CHAIRMAN. So that your position, as I understand it, is that the States shall not be called upon to match the appropriation of the Federal Government; is that correct?

Mr. PATMAN. For the next 2 or 3 years. Now, there are 6,633,000 people in the United States over 65 years of age, according to the 1930 census. Two million two hundred thousand of those people are gainfully employed. There are only 4,400,000 who are not gainfully employed, over 65 years of age.

Mr. TREADWAY. Mr. Chairman, may I ask Mr. Patman one question?

Did I understand you to say that you hoped this would not be put into effect until the States had an opportunity to adapt themselves to the requirements?

Mr. PATMAN. That is, to allow the Federal Government to go ahead and make the payments, without any requirement of matching on the part of the States or local governments.

Mr. TREADWAY. Then you would make it entirely a Federal proposition?

Mr. PATMAN. Well, the Federal Government would not be spending any more money, for the next 2 or 3 years.

Mr. TREADWAY. Is it not quite possible that if we eliminated contributions by the States altogether, that the States would eventually say to their representatives, "Why give all these pensioners more than \$15 as long as the Government is going to foot the bill"?

Mr. PATMAN. There is that possibility. Of course, a Member of Congress could make the same plea that as long as the Government is paying the bill, why not increase our salaries? That does not necessarily mean that we are going to do it, because the argument is made.

Mr. TREADWAY. You do not suppose that public opinion would support Members of Congress in asking for an increase in salary?

Mr. PATMAN. No. Of course, that was an irrelevant matter.

Mr. TREADWAY. Of course. I do not think your illustration was a very good one. But I should like to have a little more elaboration of your views as to the matter of the Government paying all of this bill.

Mr. PATMAN. I think there are two classes of people who are especially deserving in any country. The first class is the class of our

citizens who build our country in time of peace; who actually build the country. In other words, there is that one class and there is another class who save the country in time of war. That class offers to give their lives for their country in time of war. Those are the two classes who are especially deserving.

I think the Federal Government owes a direct responsibility to the first class as well as to the second class. I think that when people help to build their country, they help to build their entire country, and their services are not limited just to the particular locality or county or State in which they live.

Mr. COOPER. Of course, the first class would include everybody, would it not?

Mr. PATMAN. Yes; it would include everybody. Now, when they get old, and they are not able to take care of themselves, they should be able to draw upon the resources of this great country that they have helped to build, while they were able to do it.

Mr. TREADWAY. At least one or two representatives of large employers of labor who have their own pension systems have appeared, recommending that such organizations as those be exempted from the provisions of the bill, in view of their own private set-ups. What is your view on that line?

Mr. PATMAN. Well, I have not given consideration to that feature of the bill, I will say to the gentleman from Massachusetts.

Mr. TREADWAY. There are 700,000, I believe, employees in the aggregate, in the employ of corporations, that are under some system of that kind at the present time.

Mr. HILL. Is the gentleman from Massachusetts talking about old-age annuities or unemployment compensation?

Mr. TREADWAY. This is old age that I am talking about.

Mr. PATMAN. Does that include Federal employees?

Mr. TREADWAY. No; Federal employees are exempted, anyhow. Now, should that exemption of Federal employees be extended to employees who are not in the governmental service?

Mr. PATMAN. Federal employees who are in the civil service, if I understand correctly, are mighty well taken care of.

Mr. TREADWAY. They are exempted from the provisions of this bill, anyhow.

Mr. PATMAN. The average employee who retires now, and who has paid in about \$800, if my information is correct, gets \$100 per month for life. So that somewhere along the line the Federal Government is going to be out a lot of money at some time. It occurs to me that the Federal employees are mighty well taken care of. I know nothing about that other provision of the bill. I did not prepare myself to discuss it.

Mr. TREADWAY. It does not appear in the bill, but we have had some testimony along that line.

The CHAIRMAN. Have you concluded your statement, Mr. Patman?

Mr. PATMAN. Yes, sir.

The CHAIRMAN. If there are no further questions, we thank you for the information you have given to the committee.

Mr. PATMAN. Thank you, Mr. Chairman and gentlemen.

The CHAIRMAN. We will hear the Hon. Sam L. Collins, who I notice is now present.