$6,500,000,000 in 1933, and $6,900,000,000 in 1932. Dividends and interest payments to investors in 1932, the worst year of the depression, were $2,500,000 more than in 1929. In 1929 the investor received $6,887,650,000 and in 1932 he received $6,900,000,000.

The total dividend and interest payments for the 5 years of the depression were $10,000,000,000 greater than for the 5 years before the depression. I do not need to give any argument on that, but I will point out to you that to say to the unemployed man, "You cannot draw a sou until you have been employed for 4 weeks; you can get only half the wage which at best, was, say, three-fifths of the amount you needed to live on; and you can draw it for only a maximum of 20 to 26 weeks", while you permit the dividend and interest payments to continue to pile up, is brutal and inhuman, besides which it is short-sighted. It is going to knock us in the hole worse than we are today.

If Government assumes the responsibility for unemployment, it has to see that people have a decent wage—a decent wage; I do not say a luxury wage—during the time that they are employed, whether it is 1 year or 2 years, or whatever period of time it may be.

I thank you for your courtesy. From your faces I know I have voiced the sentiment of quite a few members of this committee, which I trust you will express, remembering that we still have the right of freedom of speech, including that of Members of Congress.

The CHAIRMAN. I hope you observe no disposition on the part of this committee to deprive you of that right.

Mr. MARSH. You have been very courteous, and I always have enjoyed your kindness.

The CHAIRMAN. The next witness is Hon. James W. Mott.

STATEMENT OF HON. JAMES W. MOTT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

The CHAIRMAN. Please state the relation in which you appear. Do you appear in advocacy of the bill?

Mr. MOTT. I appear for the purpose of urging the committee to report out an adequate old-age pension bill. I am here as a Representative from the First District of Oregon, on my own initiative.

Gentlemen, I am very glad to have an opportunity to state my views on old-age pension legislation and to offer some suggestions to this committee, which for the first time in the history of our country is about to report out an old-age pension bill which has assurance of becoming law. The bill recommended by the President, and which is now before the committee, is not by any means satisfactory to me. I do not think it is satisfactory to anyone who has made a real study of the subject of Federal old-age pensions. Nevertheless I am happy in the knowledge that at last there has been a partial response in Congress to the overwhelming demand by the people for a Federal old-age pension law. I shall consider it most unfortunate if the response to this demand goes no further at this session than that contemplated in the pending bill. I want the response to go a great deal further and I am optimistic enough to believe that it will. The point is, however, that we have now made an actual beginning with the bill, unsatisfactory as it is to me, and that the committee with the pending bill as a nucleus or a starting point for its consideration, has an opportunity now to give to Congress and, consequently to

the country, a real old-age pension law, and that I hope the committee will take full advantage of the opportunity.

Let me say at the outset I feel very keenly on this subject because it is one with which I have been indentified ever since I entered public life. I have given it patient and careful study over a long period of time. I say this because I want the committee to know that my interest now is not merely a reaction or backwash of the present wave of old-age pension popularity.

I was a member of my own State legislature for many years before I came to Congress. It was my privilege and good fortune to have been the coauthor of the first old-age pension law to be introduced into the legislature of my own State. I was the first man in my own State, or one of the very first, who announced the proposition that old-age pensions would ultimately be a matter under exclusive Federal jurisdiction. I think I was the first man from Oregon elected to Congress on a platform a part of which was a declaration in favor of a Federal old-age pension.

My conception of what is the proper purpose and function of an old-age pension differs I think from that of most people. It may sound strange at first thought to say that the fundamental reason for a Federal old-age pension is not, in my opinion, to be found merely in the admitted necessity of keeping old people from want or from the poorhouse. A Federal old-age pension will, of course, do this humane and necessary thing, and a generation ago this may have been a sufficient reason alone for having an old-age pension.

Now, however, the necessity of an old-age pension rests upon a broader and even more fundamental ground. A Federal old-age pension has become a necessity for the simple reason that without it our economic structure will be no longer able to stand. The truth of this becomes apparent at once when we consider the present status of our industrial situation and the evolution that has brought about that status.

Industry, through the steady, constant and rapid perfection of the machinery of production, distribution, and sale of goods and services has reached a point where existing industrial facilities can and now do produce, distribute, and sell everything we need and want, and in doing this it is no longer necessary for industry to employ more than a portion of our population. The part of our population which industry does not need to employ in order to function is the part which furnishes us our unemployment problem. There are said to be some 20 million of such unemployed persons at the present time. It is true that we are still in the midst of what is generally called a depression, but I call your attention to the fact that while it is contended we have been coming out of the depression the last 2 years, still unemployment has not decreased during that time. Rather it has increased. There are some experts and statisticians on this subject who declare the unemployment has even doubled during the last 2 or 3 years.

Whether this be true or not, the fact is that a large part of our unemployment is not due primarily to the depression. It is permanent unemployment. A considerable portion of it existed before the depression, came and this permanent factor of unemployment is now conceded by nearly everyone to have been one of the principal causes of the depression. This permanent unemployment was caused primarily by the continued man-displacing perfection of our industrial

system. By the very nature of things this permanent unemployment must always be with us and furthermore, permanent unemployment must necessarily continue to increase in the ratio that we continue to perfect our methods of production. The ultimate result of this, unless a remedy is found, must inevitably be a collapse of our whole economic and industrial structure.

By way of a remedy I can conceive of but two logical alternatives. We can continue to operate industry under the present system, a necessary by product of which must be permanent unemployment for millions of men, and we can continue to keep these unemployed men on direct or indirect relief; or, as the other alternative, we can, by appropriate legislation, spread employment in private industry by dividing the work necessary to be done among all those who are able to do it and by subsidizing all those who are not.

Those who are able to do the work required by modern industry are those who are physically able and who have not reached the age limit of their economic usefulness in and to industry. If the available work required by modern industry to supply all of our needs and desires were confined to and distributed among this restricted portion of our population, I believe it would be economically feasible and entirely possible to subsidize the rest of it. By the rest of it I mean those people on either end of the life chain, the very young and the very old.

The very young are already subsidized to a large extent by the Government by way of free schooling and otherwise, and this policy of subsidization by Government of those who have not yet entered upon the period of their real economic usefulness has of late years been increasing both as to the amount of the subsidy and as to the duration of it.

Now, there are between 5 and 10 million people in this country above the age of 60 years and this number represents, as nearly as we can calculate it, approximately the number of what I have referred to as the permanently unemployed; the number, in other words, which must continue to remain unemployed under our present economic and industrial system. For the most part these people over 60 years of age have reached the end of their real economic usefulness in modern industry, and industry cannot take care of them or any portion of them without displacing an equal number of those who are still within the age of effectiveness required by modern industry. If, therefore, that portion of our population which has passed this age limit could be retired under conditions which would permit them to cease competition altogether with the younger and more efficient workers a large portion of our unemployment problem obviously would be solved.

The particular method or plan by which this subsidization is to be brought about is not, in my opinion, very material. It will have to be paid by the contributions of that portion of our population which does the work and earns the income, and this means that the working and income-producing portion of our people will have to be taxed. The beneficiary of this subsidy would bear his portion of the tax because he would be subject to taxation during the whole portion of his income-producing life.

It is not my intention here to say anything whatever about the humanitarian angle of this legislation. My observation has been

that its desirability from that angle has long since been so thoroughly conceded that it is no longer a subject of argument or controversy.

The question remains now as to what is an adequate old-age pension, that is to say, what amount of pension it is necessary for the beneficiaries to receive in order to bring about the economic remedy which I have here urged.

I think it follows logically from what I have said that the only proper kind of an old-age pension law is a law providing for a pension large enough to support the pensioner in decency and comfort after he has passed the age of economic usefulness, and to retire him completely from the field of competition. A pension larger than that is probably unnecessary, and a pension smaller than that is not great enough to fulfill what I believe to be the real function of an old-age pension.

Our job, if we can do it, is to get back into private industry all of the people who are able to do the work required by modern industry. I think in order to do that we will have to pass some legislation to enable industry to reemploy these people, and that we will have to shorten the hours of labor so that the employment can be spread over as great an area as possible. But when all that is done, no matter to what extent you lower the hours of labor, no matter what guarantee you give the employee in the matter of getting a wage large enough to sustain himself, under our modern system of industry where people are continuously and increasingly displaced by perfected machinery we are always bound, as I stated at the outset, to have a permanent unemployment problem. If we could have an old-age pension which would take the aged out of competition with those who have not yet reached the end of their economic usefulness, if we could retire them in decency and comfort so that they would not have to compete with younger men, we would have solved a part, at least, of our unemployment problem.

Mr. VINSON. I would like to get some information from you in regard to the status of the old-age pensions in Oregon, Mr. Mott. What is the age limit?

Mr. MOTT. The age limit is 70 in Oregon, I think that is 10 years too high.

Mr. VINSON. How many persons have qualified for the old-age pensions?

Mr. MOTT. I could not give you the figures on that offhand, but they are obtainable.

Mr. VINSON. Approximately how many?

Mr. MOTT. I have not had information as to that. The old-age-pension bill was passed just before I left Oregon for the Seventy-third Congress, and the present approximate number of beneficiaries of it I do not know. I do know that it is a very inadequate pension, and personally I am ashamed of it. It is not the bill that I introduced, and I was not in the legislature when it passed.

Mr. VINSON. What are the benefits conferred by the bill?

Mr. MOTT. The provisions briefly are these:

When a person reaches the age of 70 years, if he can prove that he is not able to support himself, that he has no relatives to support him, then he is entitled after meeting residence qualifications, to such a

pension as the county in which he lives may be able or willing to give him. It is financed in the main by our old, obsolete ad valorem land tax. In the county where I live I should say that the average monthly pension for these old people would not exceed $10 or $15 a month, and even at that it is a very, very great burden upon the taxpayers of the county to give this pension.

Mr. VINSON. Might I say in that connection that in the supplement to the report of the President's Committee on Economic Security, table 14, they set forth the fact that the old-age pensions in Oregon are, as you say, administered by the county and that there is no information available for the State.

Mr. MOTT. There is very little.

Mr. VINSON. The point I had in mind was the burden that Oregon was already sustaining with reference to old-age pensions, but evidently it is not obtainable.

Mr. MOTT. I would not say it is not obtainable. I think I can get you more information than you have there.

Mr. VINSON. The Committee on Economic Security says it is not obtainable.

Mr. MOTT. I can get better information than they have given you here, however, if they simply say they do not know anything about it. I will say, however, that it is a very inadequate pension. The method of financing is wrong. The agency which does the financing is wrong. The system of raising revenue is all wrong.

Mr. COOPER. Do you have a local committee or commission or official agency in each county to pass on questions of qualification?

Mr. MOTT. The county court is that agency.

Mr. COOPER. You mean every person has to appear before the county court?

Mr. MOTT. Yes.

Mr. COOPER. And present the proof of his qualifications for the pension?

Mr. MOTT. That is correct. In one year the pensioner may get $10 per month; in another year if the county is not able to raise enough money, perhaps he will get only $5. In another year he might get $20 a month.

Mr. VINSON. Part of the liquor tax is allocated there, is it not?

Mr. MOTT. Part of it is. But the bulk of the revenue to finance our State old-age pension is raised by the ad valorem property tax.

The CHAIRMAN. Mr. Mott, this pensioner applying for benefits under your State law is required to prove himself unable to support himself; is he? That means he has to be unable both financially and physically to support himself?

Mr. MOTT. I would not say that physical incapacity is required. Also, there is a property limitation of $3,000. If he has more property than that he is not eligible at all. There also is a provision in the bill that the State or the county upon the death of the pensioner shall have a first lien upon his property out of which to reimburse itself for any pension that it has paid the pensioner.

The CHAIRMAN. You speak of the amount of property which he may have in excess of which he cannot get the benefits under this law. Does that mean the income from this property must be sufficient to support him?

Mr. MOTT. No.

The CHAIRMAN. If he can sell the property and support himself out of the proceeds, is he required to do that before he can get the benefits under the law?

Mr. MOTT. He would not be entitled to the pension at all if he could sell the property and from the revenue support himself.

Mr. DISNEY. You stated substantially that this instant bill is inadequate. Can you point out succinctly what the inadequacies of this bill are?

Mr. MOTT. Yes. I would say that under our law the average pension in Oregon would be under $10 a month. If I understand the pending bill correctly, the Federal Government would contribute to a State which had an old-age-pension law meeting the general requirements of this bill not to exceed the amount that the State itself paid. If I do not have that right I would ask you this question: If under our Oregon State law the average pension is $10, what would the average pensioner there receive after this bill becomes a law, if it becomes a law without an amendment?

Mr. COOPER. $10 from the State of Oregon and $10 from the Federal Government.

Mr. MOTT. That would be $20 in all; which in my opinion, of course, does not even remotely approach the requirements of an adequate or proper old-age-pension law, because it would not afford a sufficient compensation to the pensioner to retire him in decency and comfort and take him out of competition.

Mr. DISNEY. How much would you suggest would be sufficient?

Mr. MOTT. The amount I would like to have is much larger than this Committee would be inclined to consider, but as the very minimum. I would suggest that the amount should not be less than $50 a month, I do not believe that a person can support himself in decency and comfort and enable himself to retire from competition with younger people on a pension of less than $50, and he should have more than that.

Mr. COOPER. Would your State of Oregon be able to pay $25 to each person who qualified if the Federal Government paid $25?

Mr. MOTT. I am sure that it would, particularly if we improved our method of financing it.

Mr. VINSON. You are getting pretty close to $50; if they will pay $25 and the Federal Government $15, that would make $40, so you would be getting considerably closer to $50 than the aged are getting now in Oregon.

Mr. MOTT. Oh, that is quite correct. This pending bill, even if it passed without amendment, would be better than nothing; but it is not, in my opinion, an adequate bill at all. It is simply $15 better than nothing.

Mr. DISNEY. What is your thought about the Townsend plan?

Mr. MOTT. You do not want me to discuss the Townsend plan, at this hearing on the pending bill, do you?

Mr. DISNEY. I was inquiring what your judgment of the Townsend plan was.

Mr. MOTT. I do not consider it pertinent to the pending hearing to discuss the Townsend plan here. I know that this committee is not

considering the Townsend plan, and that it has no intention of reporting it.

Mr. DISNEY. Nearly every witness here has had something to say about it.

Mr. MOTT. If you want me to say something about this Committee's duty toward the Townsend plan I will say this.

The Townsend plan has received the endorsement and the enthusiastic approbation, of more people than have ever expressed their adherence to any legislative proposal, either State or National. My mail carries about 100 letters a day from own district in Oregon asking me to support the Townsend plan. Of course, the people who write these letters do not know that the Townsend bill will never reach the House for a vote. They do not know anything about the procedure of Congress. But since this question has been raised, I would say that in my opinion it would be a very wise thing for this committee to hold hearings on the Townsend bill, on Mr. McGroarty's bill, to take all the testimony that the sponsors of that bill would like to give in connection with it, to give it a fair and impartial hearing, whether you believe in it or not. That, at least, would show the millions of people—and I should say that there are at least 150,000 signers of petitions in my own district—that the committee was willing to give it a fair hearing. Now, aside from this I am not telling you what you should do in regard to the Townsend bill, because the Townsend bill is not before you.

Mr. COOPER. If the gentleman will permit, it is pending before this committee.

Mr. VINSON. And Mr. Townsend will appear as a witness, as I understand.

Mr. MOTT. You do not intend to have any hearings on the Townsend bill, as such, and you do not intend to report it. The Townsend plan adherents should not be deceived on that point.

Mr. COOPER. If you will notice the committee's calendar you will observe that on Friday, February 1, Dr. F. E. Townsend, of Long Beach, Calif., is listed as the third witness that day.

Mr. MOTT. On the Townsend bill or on the subject of old-age pensions?

Mr. COOPER. He is listed here as a witness on anything he wants to talk about, within the scope that we are considering.

Mr. MOTT. That is not a hearing on the Townsend bill. I really think that the committee should have a hearing on the Townsend bill. As I said a while ago, I am not discussing the Townsend bill, but I am glad to leave that impression with you.

Another thought that I have always had is this, that an old-age pension should be a subject of exclusive Federal jurisdiction for many reasons; the problem is a national one. While conditions have changed to some extent in different parts of the country, the problem is pretty much the same all over.

Another reason why this should be exclusively a Federal matter is that no State that I know of is really able to finance an adequate old-age pension without putting on themselves a burden which they can hardly bear. In my State the bulk of our State revenue is raised, as I said a moment ago, by the ad valorem land tax. We have a small income tax and a small intangibles tax, but it does not raise very much money.

The CHAIRMAN. Do you have a sales tax?

Mr. MOTT. No. We have no sales tax. The sales tax has been up before the people several times and has always been defeated.

The point that I am trying to make is that the Federal Government is the only agency which has an adequate system and a method of raising revenue necessary to finance governmental activities, and that is by the methods of taxation that are employed at present and which the States cannot employ.

The CHAIRMAN. Mr. Mott, I believe our limit of time has been 10 minutes. You have spoken about 20; but if you have something further you wish to state, the committee will indulge you.

Mr. MOTT. I did not know there was a limit. I am sorry I have encroached upon the committee's time.

The CHAIRMAN. You may submit a brief, or if there is anything further you wish to say to the committee, you may proceed.

Mr. MOTT. Thank you very much.

These are the thoughts that I wanted to leave, that the pension should not be less than $50 a month; that if it were at all possible the old-age pension should be an exclusive Federal Government function and not a State function, or not a division of responsibility between the two agencies of government.

The CHAIRMAN. You mean not to exceed $50, or would you suggest a flat pension of $50 under some conditions as to what would be adequate for the support of a family in decency? Suppose one man owns his own home and has a garden and has some little income—at least, he does not have to pay any rent, and therefore, his expenses are very much reduced. Another man has to live in a town or city and has to pay rent. It costs him two or three times as much to live as it does the man in the country.

Mr. MOTT. I have given considerable thought to that angle of it, and it is my own judgment that it should be a flat rate. If a man and a woman, a husband and wife, are living together and have attained the required age, I think perhaps two full pensions would not be necessary; one and a half or one and two-thirds in that circumstance would perhaps be plenty. But that pension in any case should be a flat rate and not contingent upon their conditions.

The CHAIRMAN. Suppose they had an income of half the amount necessary, would you put them on an equal basis with the family that had no income at all?

Mr. MOTT. If they had a steady income that could be depended upon, I do not think it would be improper to deduct the amount of that from the pension, but a condition of any adequate old age pension should be retirement from competition and the pension should be large enough to make that possible. This proposition I consider fundamental and it should be strictly adhered to in the working out of any of the details.

One more suggestion, if I may make it without encroaching too much, is that I think that a part of the revenue for the financing of a Federal old-age pension might feasibly be raised by a gross-income tax or a combination of the gross-income tax and the net-income tax. That is a source of revenue that the Federal Government has not yet tapped, and I think it is well worth the consideration of the committee in figuring out ways and means to raise the necessary revenue for this legislation.

The CHAIRMAN. Would you limit that as a separate fund and segregate it for this distinct purpose, or would it go into the Treasury?

Mr. MOTT. It would go into the Treasury but should be appropriated for this particular purpose. I had in mind a 1-percent gross-income tax.

Mr. VINSON. Is that in addition to the present taxes?

Mr. MOTT. Yes. I do not think that would be enough to finance a $50 pension if the $50 were paid entirely by the Government. I imagine that a 1-percent gross-income tax would finance a 50–50 division of $50 between the State and the Government. But it was my idea that if a gross-income tax of 1 percent could be levied and put into the Treasury as a part of the old-age fund, it would be an additional source of revenue and one which would at least be well worth consideration by the committee.

The CHAIRMAN. Would you have any exemptions on this 1 percent?

Mr. MOTT. I would not; no.

The CHAIRMAN. It would be a flat 1-percent income tax?

Mr. MOTT. Yes. And I would endeavor to arrange it so that the return could be made in connection with and on the same blank we now use for the present income-tax returns.

Thank you very much, gentlemen.

The CHAIRMAN. We thank you, Mr. Mott, for your appearance and the testimony you have given the committee.

At this point the committee will take a recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:30 p. m., Jan. 29, 1935, a recess was taken until 10 a. m., Jan. 30, 1935.)

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