STATEMENT OF GEORGE NORDLIN, REPRESENTING THE ADVISORY COUNCIL ON ECONOMIC SECURITY

Mr. NORDLIN. I am a member of the Advisory Council on Economic Security, and also represent the Fraternal Order of Eagles as chairman of the board of grand trustees.

I feel that the Fraternal Order of Eagles is a proper witness before your committee. The Fraternal Order of Eagles pioneered in connection with old-age pensions. Starting 14 years ago, which I believe is the first activity on the part of any organization, the committees of this order became active in various States of the Union, and the result of that activity I think is shown by the fact that nearly all of the pens which were used by the governors of the different States in signing these laws are now in the possession of the Fraternal Order of Eagles. I have not said that in any sense for the purpose of advertising the order, but in order to show the qualifications of the witness as an order.

These laws were intended primarily to do away with the poorhouse, intended primarily to take aged people who were sound and sane from institutions where they had to live with the mentally afflicted and physically diseased. At this time there is probably a question as to whether or not these laws could have sustained themselves on their own basis. What I mean by that is whether or not these laws could have continued to function and give pensions to those who deserved pensions solely through taxes collected in the respective States. Some of the laws provided for the cost being taken care of entirely by the State. In some there was a division between the State and county. In my own State the entire burden comes primarily on the county, and then is reflected back to the municipal locality in which the individual lives.

I realize perfectly well that much of what I have said is repetition to this committee, but beginning with the depression, with our children who had been bearing the major burden of taking care of their aged ones, as wage earners, getting out of work, the number of pensioners has increased to an extent where practically everywhere the local taxes, either in the form of state taxes or in the form of county taxes, have not been able to meet the burden. I am speaking now with personal knowledge of the situation in a number of States in the Union. As a result, the pensions have not been in an amount that would meet the requirements of the individual. As a matter of fact, they have been absolutely arbitrary. In many States a certain definite sum has been fixed per individual. As the last few years have gone on, this amount has decreased.

Therefore, the Fraternal Order of Eagles is very strongly back of the proposition of grants and aids to these States in order that these pension systems may be continued.

I think the committee will find that in most of the States since the Federal relief has come into the picture there has been a deliberate shifting, a taking of persons who have been on old-age pension rolls and putting them on to the relief rolls where the entire support of the aged people is now coming from the Government, whereas it was intended through the passage of those laws to have those people definitely on pension rolls. A grant or an aid from the Federal Government will put them back again where they were intended to be.

I am satisfied that this particular system could not go on indefinitely because the amount of money involved would be too great unless your contributing system is adopted. The contributing system would then enable the State laws probably to pass out of the picture within about 30 years. So far as a voluntary system is concerned, speaking for the order I cannot say anything. The propositions offered are a little bit indefinite. Personally, we feel that the benefits under the voluntary system should not be any greater than the benefits under the contributing system, so that the person who is working for a living and contributing his share of the cost of that pension may not find himself in a position where someone else who is not contributing to that system but contributing on his own alone is getting a larger pension than the man who is working and contributing on a pay-roll basis.

Speaking again individually, I am personally very, very strongly back of the proposals for unemployment insurance. I believe that this legislation, particularly, should be enacted as early as possible. Some 40 State legislatures are in session, including the State of Minnesota. If this legislation is enacted at too late a date, our employers are going to find themselves in a position where they will be shouldered with a tax and no law in the State whereby they would receive any benefit from that tax.

Mr. KNUTSON. It is your thought we should pass this legislation before the legislatures adjourn?

Mr. NORDLIN. Before the legislatures adjourn. We have possibly 2½ months before 40 of the legislative sessions will adjourn. Otherwise, you will have a Federal act that will be collecting taxes, and no acts operated in any of the States. I am speaking generally, of course.

Mr. VINSON. I did not quite follow you, Mr. Nordlin, with reference to your statement as to the voluntary contributions.

Mr. NORDLIN. What I mean by that was this: The report indicates that 2 or 3 arrangements similar to annuity policies may be incorporated in the Federal act.

Mr. VINSON. What I could not understand was wherein you were complaining about a man who made the voluntary contributions getting benefits larger than the man who made payments under the contributory annuity plan.

Mr. NORDLIN. What I have said may have sounded like a complaint. What I said was this: The benefits under that voluntary system should not be any greater than the maximum benefits under the contributing plan.

Mr. VINSON. You realize, though, that if the man who was contributing under the voluntary plan put in more money than the man who was under the compulsory contributory plan, he would be entitled to more benefits.

Mr. NORDLIN. I concede that.

Mr. VINSON. In other words, your voluntary annuity—that is what we call it.

Mr. NORDLIN. Yes.

Mr. VINSON. Is simply a question of buying annuities from the Government, just the same as you would buy annuities from an insurance company.

Mr. NORDLIN. I grant that.

Mr. VINSON. You get what you pay for. Your return is in proportion to the moneys that you put out.

Mr. NORDLIN. I concede that is true, and I offer this suggestion, that the man who is working for a living, making a definite fixed

contribution, may feel that he ought to have the privilege of making a slightly higher contribution and receive that greater benefit.

Mr. VINSON. He has that. He has that under this bill.

Mr. NORDLIN. Providing he takes up the voluntary also.

Mr. VINSON. That is what I say.

Mr. NORDLIN. But then he will be receiving a benefit of about twice the original benefit.

Mr. VINSON. Not necessarily at all. He would receive under the voluntary plan whatever he bought, whatever moneys he put in. I just cannot see where there is any conflict or any preference at all between the man who is under the compulsory system and the man who is under the voluntary system.

Mr. NORDLIN. If I am given time enough to indicate what I have in my mind, it is this: I have read the newspapers and I have heard that you have had witnesses before you representing organizations that contended that the amounts of the pensions were not large enough. In one case I think the statement was made——

Mr. VINSON. The pension has nothing to do with the voluntary plan, the amount of the pension. There is no pension with reference to voluntary annuities.

Mr. NORDLIN. With the contributing it has. You are fixed at $15 a week, are you not?

Mr. VINSON. There is a connection between the old-age pensions and the contributory annuities under this bill, if the contributory annuity is not large enough to buy what would be an amount equal to the old-age pension.

Mr. NORDLIN. Yes.

Mr. VINSON. But now I am talking about the voluntary plan. That is what you are talking about?

Mr. NORDLIN. Yes.

Mr. VINSON. I cannot see why anyone would hesitate to want a person who would participate in voluntary annuities getting what he paid for.

Mr. NORDLIN. The thing is this, that with your limitation on the contributing plan you will have the agitation to bring up the benefits under that contributing plan to the highest point of the voluntary plan.

Mr. VINSON. There is no question in nere and no reason why a person who is under the compulsory contributory plan cannot take any fund that he wants and buy voluntary annuities.

Mr. NORDLIN. If that is done, I can see no objection.

Mr. VINSON. That is the present fact.

Mr. KNUTSON. And the bill contemplates that.

The CHAIRMAN. Were you consulted in any way regarding the preparation of this bill?

Mr. NORDLIN. Yes.

The CHAIRMAN. You were?

Mr. NORDLIN. I sat in at all of the hearings of the economic council.

The CHAIRMAN. You aided in the preparation of the bill?

Mr. NORDLIN. Yes; at the time. When we were through with our work, our recommendation with reference to the voluntary pension plan was that if an individual would contribute the same amount that was provided for by the contributing system, he would receive the maximum amount under the contributing system. That is what led

me to mention the fact that the organization was not just certain at this time where it stood on the voluntary feature.

Mr. HILL. There is no maximum amount fixed.

Mr. NORDLIN. I understood the amount was to be an amount that would be $15 a week.

Mr. HILL. That is the old-age pension. That is not in connection with the contributing plan. There is no maximum amount fixed under the compulsory plan.

Mr. NORDLIN. That is the way I read it.

Mr. KNUTSON. There is a maximum of $100 a month under the voluntary.

Mr. HILL. I am talking about the compulsory contributory plan.

Mr. NORDLIN. The language is a little uncertain. One way I read it, I understood there was a hundred-dollar maximum on the voluntary. Then it says that three different types of annuities might be offered, and that is what bothered me.

Mr. HILL. Are you referring to the report or the bill?

Mr. NORDLIN. I am referring to the report. I did not get the bill until a few minutes ago.

Mr. KNUTSON. Senator, you have given quite considerable study to the question of old-age pensions?

Mr. NORDLIN. I have.

Mr. KNUTSON. As well as to unemployment compensation?

Mr. NORDLIN. Yes, sir.

Mr. KNUTSON. You are the national head of the Eagles?

Mr. NORDLIN. Past national head.

Mr. KNUTSON. That organization has been sponsoring such a program for 6 or 8 years, to my knowledge.

Mr. NORDLIN. Fourteen years.

Mr. KNUTSON. You have read over the bill?

Mr. NORDLIN. No; I have read over the report of the committee. I received a copy of the bill just a short time ago. I think I know most of the essentials of the bill, though.

Mr. KNUTSON. After you have gone over the bill, I would be very much interested to hear your reactions. I am sure the committee would like to get such suggestions for improving it as you may want to make.

Mr. NORDLIN. I will be glad to answer any questions you may want to put to me, sir.

Mr. VINSON. I think that this statement may clarify the question of payments under the two plans. As I understand it, whether it is under the compulsory contributory plan or the voluntary plan the same amount of money purchases the same benefits.

Mr. NORDLIN. I may say to the committee that if that is true, I am absolutely in favor of the entire set-up, because you will have millions of people who will not be in a position to avail themselves of the contributing system who are entitled to the protection just as much as those who are under the contributing system. The amount of money involved in the contributing system, if it were to be considered as a building or reserves, is so large that it could never be invested, so there really is no reserve at all. The theory is, as the Congressman has said, to pay out the money that is collected in the contributing system in the way of grants and aids to all of the States, and then what whould be considered interest on the investment will be furnished by the Government itself in theform of appropriations at the time

that the contributions made under the contributing system are not large enough to meet the pay-offs.

Mr. HILL. I think we are getting confused on that. Under the explanation given by Mr. Witte here of the bill on the compulsory contributory plan, certain persons, when they reach the age of 65, will not have contributed sufficient to enable them to receive an adequate annuity and they will be paid in addition to the earned annuity an unearned annuity which comes out of this fund for the present, but in no case does the old-age pension contribution of $15 come out of that fund. That is not the theory of this bill, as I understand it.

Mr. NORDLIN. I think you will find that the condition is that the entire amount from the contributing system goes for the next 30 years to make the aids and grants to the States.

Mr. KNUTSON. How long were you chairman of the Eagles' committee on old-age pensions?

Mr. NORDLIN. I have been active with the Eagles for many years. Frank E. Herring is the chairman, and has been the chairman for years.

The CHAIRMAN. Have you given any consideration to the Townsend plan?

Mr. NORDLIN. I have.

Mr. KNUTSON. I would be very much interested, and I am sure the committee would be, as to what your conclusions are as the result of your study of that question.

Mr. NORDLIN. I think it is the cruelest suggestion that has ever been made to the old people of this country.

Mr. KNUTSON. What is that?

Mr. NORDLIN. I think it is the cruelest suggestion that has ever been made to the old people of this country. We have thousands and thousands of old people, especially in your and my part of the country and farther west, who are spending their time trying to figure out how they are going to spend $200 a month, or discussing it with their children. And they are never going to get it. I cannot think of any suggestion, any formula, any promise that could be more cruel that could be offered to these old people.

Mr. KNUTSON. You mean then that it is absolutely unworkable?

Mr. NORDLIN. Absolutely unworkable, and using language that has been used here a great many times before, absolutely fantastic.

Mr. KNUTSON. Could such a plan operate for any length of time before bankrupting itself?

Mr. NORDLIN. They tell me that it would require, to make the payments, based upon the number of people who are over that age, some ten or twelve million, about 42 percent of the total income of the country based on the figures, I guess, of last year, and those figures include income that is not earned income. It would take about 60 percent of the total earned income of the country. It seems to me that any child could see that you could not operate a system of that kind.

The CHAIRMAN. Judging by statements I heard made by a Member of the House today on the floor, it is not intended to be financed by any system of taxation based on income, but some new scheme of taxation that might be termed "fantastic"; I do not know, but it seems it is through some currency scheme or inflation scheme. It is not raised at all by taxation of income; confiscation, redistribution of

wealth, something of that sort. Do you understand clearly just how they propose to do this?

Mr. NORDLIN. I think I do.

Mr. Chairman, I would like to have it understood that what I am saying about the Townsend plan, I am saying in my individual capacity, not as a representative of the Fraternal Order of Eagles, but as George Nordlin of St. Paul, Minn.

They have called it a revolving plan.

My understanding of a revolving plan is a plan where money comes out of a certain source, and after a certain time comes back again to that same source. Here we have a proposal that you have a certain tax upon purchases. We have in my part of the country girls working for $13, $14, and $15 a week. We have men working for not much more, who are supporting families, and practically their entire wages will be spent in things that would require such a tax. So that there would be a net loss in buying power to these same people right off the reel. Now, if money goes through the general channels that these people have in mind and finally reaches producers and manufacturers of things, the only way it can get back again to these same working people would be in the increase in wages; and the increase in wages that they would get, possibly, during a period of 3 or 4 years, would not equal the contribution that they would have to make in the way of taxes in one month. Therefore, it does not revolve; it does not get back again to the people who make the original contribution.

Mr. KNUTSON. I had a circular sent to me the other day which said that if the Townsend plan were adopted—and the plan, of course, provides for the compulsory spending of the money during the month for which it is received—it would so increase the volume of business, I think something like 500 percent, that it would jump the volume of business in this country, the business that would pay the tax, from $40,000,000,000 a year to $200,000,000,000 a year; and that on that basis it would require only about 2 or 3 percent to carry it along.

Now, others who appeared before the committee have expressed the opinion that rather than increase business it would result in further constriction of business as a result of the tax, just as you brought out. You agree with that conclusion, that it would constrict business?

Mr. NORDLIN. You are going into a subject matter that I do not know much about, but it seems to me logical that the cost of things would thereby go up; but it would be to the detriment of those who were actually paying the tax.

Mr. KNUTSON. You are firmly of the opinion that the whole thing is fantastic, that those who are proposing it are guilty of inflicting a cruel, fantastic, and impossible plan upon a lot of people?

Mr. NORDLIN. Yes. I think that is all embraced in what I said when I said I thought it was the cruelest kind of suggestion that could be made to aged people.

I feel strongly, if the committee will permit me, that we should get away from the poorhouses and poor farms and almshouses of this country. I feel that that can be done by direct relief, an amount to each individual that is large enough to meet the required needs of the individual.

I want to say also that I do not believe that old-age pensions alone are going to solve the picture fully, because before you have done that you will have to do what was done in the State of Delaware; quasi

hospital institutions will have to be established where the old people who are mentally or physically afflicted and cannot live in their own environments can be sent and receive proper medical attention and nursing, and receive it under proper environment where they are away from types with which they should not be associated.

The CHAIRMAN. If they were to receive relief as you have indicated, what tendency would that probably have on the people with respect to thrift and the desire to lay by something to take care of themselves when they reached an age and a physical condition where they could no longer earn their support?

Mr. NORDLIN. Mr. Chairman, I do not want you to consider this as facetious, but in fighting for old-age-pension laws, I have had the same question asked before. I have made this statement, that I have been a member of a legislative body for 18 years. I have sat on committees that have dealt with a great many pension matters. I have acted on legislation that gave judges pensions. I have acted on committees that gave firemen and policemen pensions. And I have never heard of anyone worrying about a judge or a policeman or a fireman failing to do his duty, failing to be a good citizen, because, after the end of a certain number of years of service, he was going to receive a compensation without working for it that would take care of him for the rest of his days.

The CHAIRMAN. But they are supposed to get that from some services they have rendered the public, the country, that there is something left over coming to them. That is a contribution that the public is making to them for services rendered. That is not analogous at all to persons who have never rendered any special service to the public and who might probably save something if they had an incentive to do so. I am not talking against the bill, I just want your reaction to it.

Mr. NORDLIN. Mr. Chairman, I feel that there is something analogous. Most of the State laws required and always will require that the person who gets the benefit of this pension has been a decent citizen. It is not going to be given to a criminal.

The CHAIRMAN. A man might be a decent citizen and never strike a lick of work. He might not be a very honorable citizen, yet he could be a decent citizen if he obeyed the law and kept out of the toils of the law. You could not charge him with being an indecent citizen.

Mr. NORDLIN. If he has been a decent citizen, he has helped to build the civilization that he is under. Whether he has paid taxes directly or not, he has paid taxes, because he has had to pay taxes in connection with anything that he bought, even the place that he lived in. If he paid rent, part of his contribution in rent went toward the taxes. So that he is as much responsible as anybody else in building up the community. When the time comes because of either changed conditions in industry or merely the effect of old age itself that he cannot find work to take care of himself, by what he has done he has earned the right to live in decency, at least, for the rest of his life.

The CHAIRMAN. There is a great difference in people. There are people who cannot find work, those who do not find work, and those who do find work and squander or waste a lot of the fruits of their toil when they might have saved them and laid them up. That is the class of people about which I am talking.

Mr. NORDLIN. I realize that you have those different types, but I think at that the cheapest way of taking care of all of them is through

the pension system. In the State of Minnesota in 1925 when the government made a survey it cost $470.90 per person to take care of them in institutions, poorhouses, and poor farms. The maximum pension would be $360 a year, which would be a saving of one-third. The experience in Wisconsin, in Montana, and Minnesota showed that the actual cost of taking care of these old people was between $200 and $400. So that it costs half to take care of these people on a pension basis what it did in institutions. That is without taking any consideration of the investment in those institutions. So that if they were shiftless, even if they did throw away their money, you are going to pay more to take care of them if you put them in institutions than you are if you put them on pensions.

The CHAIRMAN. There is no disagreement about that difference. The only point I wanted to bring out—and I am not debating it at all; I am just asking your reaction and your opinion—is whether, if these people are to be assured against want or need in their old age, that they will be taken care of in the way of a pension, that does not militate against a disposition to thrift.

Mr. NORDLIN. I do not think so. The amount involved is too small. I do not believe that any individual would throw away an opportunity of benefiting himself just because 20 or 30 years later or even longer he is going to receive, say, not to exceed a dollar a day.

The CHAIRMAN. But is it not probable that with this dollar a day you have mentioned there will be an effort made, and the tendency and even perhaps the effect will be to increase that amount. It is just starting now, a dollar a day. Once you start a system of that kind they will say, "That is not adequate at all; we cannot live and maintain ourselves in decency on a dollar a day." In all probability will not that be very greatly increased, in your opinion?

Mr. NORDLIN. That would be true if you did not start your contributing system. If you did not start a contributing system and you left your State systems there, possibly the natural effect would be to increase the amounts.

The CHAIRMAN. In order to make the amount from the contributing system adequate you would either have to supplement it or levy a much heavier tax than is contemplated in this bill, would you not?

Mr. NORDLIN. That depends upon conditions that you face in the future.

The CHAIRMAN. Thank you for your presence and for the interesting information you have given the committee.

The next witness is Benjamin C. Marsh, of Washington , D. C., representative of the Peoples Lobby.

STATEMENT OF BENJAMIN C. MARSH, REPRESENTING THE PEOPLES LOBBY

Mr. MARSH. Mr. Chairman, and members of the committee: I should state in the beginning that the Peoples Lobby is not particularly interested in unemployment insurance, because we realize that it is too late for unemployment insurance to do much good. What we have to have is socialization of basic industries and natural resources and monopolies, and nothing like this. But I would point out tthat the Townsend bill is no more fantastic and no more cruel and no more dishonest than the so-called "security bill" which has been presented to your committee. The real name for it, as I shall point out with rather detailed information from the Committee's