Twenty Years of Social Security

by EDWIN E. WITTE*

Dr. Witte was Executive Director and Secretary of the President's Committee on Economic Security that in 1934–35 laid the groundwork for the Social Security Act. For the commemoration of the act's twentieth anniversary Dr. Witte reviewed the work preceding the enactment of the original law and commented on developments since then. His address is presented in the following pages.

SOME people have referred to me as "the father of social security," but I merit this title less than many others do. Social security, like most other major social advances, has been the product of the endeavors and work of many people over a long period of time. The contributions made by any one person have been commingled with those of many others that the end product cannot be attributed to any individual or group of individuals. This statement holds true of the report and recommendations and the original bill that were presented to Congress in January 1935. Congress changed this measure in many material respects but after extended consideration finally passed the social security bill by overwhelming majorities from both parties in both Houses, and the legislation was signed by the President on August 14, 1935.

That was only the beginning. After enactment, the task remained of putting flesh and blood on the bare skeleton of social security sketched in the Social Security Act, and of nurturing the infant and fostering its growth to the lusty size it has now attained. That has been the work of the administrators and of the members of the social security advisory committees and of many others who have taken an active part in the improvement of social security in the United States and, not least, of the congressional committees concerned with this subject and of the Congresses and the Administrations of the past 20 years.

I shall not mention many names, in part because I hold the view that much of the credit belongs to the hundreds, yes, thousands, of unpublicized faithful public servants who have done the bulk of the actual work, despite many discouragements. I cannot refrain, however, from publicly expressing my pleasure at the appointment of Marion Folsom as Secretary of Health, Education, and Welfare, and with the fine service Charles I. Schottland is rendering as Social Security Commissioner. Mr. Folsom has been an active participant at every stage of the legislative development of the Social Security Act. Perhaps no one has influenced congressional action as much as he; and, while I have not always agreed with every position he has taken, his influence has been very much to the good. Mr. Schottland, like his predecessors, is a career public servant, who has risen to the top by the fine work he has done in this field. It is fortunate that these men are now in the driver's seat and have the confidence of the President at a time when new proposals for further improvements in the American system of social security are pending.

My most extensive connections with the development of our social security program were during the formulation and enactment of the original Social Security Act, when I served as Executive Director of the President's Committee on Economic Security, and—less importantly—in the early years of the administration of the program, when I was a member of the Advisory Council on Social Security of 1937–38 and a consultant to the Social Security Board. Ever since, I have kept in touch with developments as best I could, have taught university courses in this field, often have lectured on the subject, and have written many articles. But it is as to the beginnings of social security that I am best posted and that I shall principally discuss.

Background of the Act

The term "social security" was not in general use until the House Ways and Means Committee, quite by chance, included the title "The Social Security Act" in the substitute it recommended in March 1935 to the Administration's economic security bill. But the basic ideas underlying the act were age-old, and many of the institutions now included within "social security" were in operation in this country long before the enactment of this legislation. Abroad, while the term "social security" was not applied generally to them until the International Labor Office adopted the term in 1940, social security institutions dated back to the early modern period, and substantially every form of social security we now have in this country, as well as others we still do not have, was widely prevalent before the enactment of the Social Security Act.

What we now call "public assistance" was established in every colony early in its history in the form of "general assistance," under the old English designation of "poor relief." That also was done in the later States, in their earliest days. The principle that when people have no other means of subsistence they must be supported from public funds has always been a part of the American way of life.

Until the late nineteenth century, poor relief was undifferentiated aid to the needy, but in the last decades of that century and in the first decades of the present century specialized forms of public assistance were developed taking account of the peculiar situation and needs of clearly distinguishable groups among the people in need. Before Federal aid was extended in the Social Security Act, we had, in a majority of

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the States, soldiers' aid, aid to the blind, aid to dependent children, and old-age assistance. We had also made beginnings with some of the social services, which today are regarded as either included within social security or closely related to it—notably vocational rehabilitation, public employment offices, maternal and child health and child welfare services, and still other forms of public health and medical care services. The several public assistance and social services programs were State-established and controlled but locally administered and financed. Total expenditures for these purposes were by no means negligible and were increasing throughout the prosperous twenties. The National Government had a large veterans' pension and hospitalization program and gave aid to the States for vocational rehabilitation and from 1922 to 1929 also for infant and maternal health services.

Social insurance institutions, as distinguished from public assistance and social services financed from general tax revenues, were of later development, but some forms also antedate the Social Security Act. All but two States, and also the National Government for several groups of workers, had workmen's compensation laws. The United States Government and some States and a considerable number of local governments had retirement annuity systems for some public employees. There were quite a few industrial, trade union, church, and other private pension systems and a number of what we would now call health and welfare plans, plus commercial insurance annuities and health and accident insurance. But we were far behind European countries in the development of social insurance.

In the first years of the 1930's, the principle was established that the relief of the needy is a responsibility of government at all levels. That came about because relief became such a tremendous financial burden that many local governments were bankrupted and even many States could not carry the load. State governments came to the rescue in 1931; the National Government with the enactment of the emergency relief act of July 1932. From 1933 on, the National Government carried the major responsibility for providing for the needy down to World War II.

In the early years of the depression, also, greatly increased interest developed in unemployment insurance, old-age security, and health insurance. Previously, support for these social security institutions came principally from so-called intellectuals. The American Federation of Labor supported workmen's compensation but was on record against social insurance, although quite a few of its affiliates supported both unemployment insurance and health insurance. In 1932 the American Federation of Labor reversed its position, coming out in favor of unemployment insurance. In the 1932 presidential election the Democratic Party committed itself in its national platform to "unemployment insurance through State action." The Republican National Committee took the same position in 1934.

Bills for Federal aid for old-age pensions and to encourage States to enact unemployment insurance laws mustered strong support in Congress. The Dill-Connery bill for Federal aid, up to a maximum of $10 million per year, to defray one-third of the costs of old-age assistance was considered by Congress both in 1933 and 1934. The Wagner-Lewis bill, providing for the encouragement of unemployment insurance through the levy of a Federal tax on employers with a credit for amounts paid to State funds, received extensive hearings from a subcommittee of the House Ways and Means Committee in March 1934 and was endorsed by President Roosevelt in a public letter to Chairman Doughton.

In a very real sense the Social Security Act developed out of the Wagner-Lewis bill. Late in May 1934 the matter of whether serious attempt should be made to get Congress at that late stage of its session to enact this measure was discussed at a Cabinet meeting. It was decided to make no such attempt but instead to make social security a major issue in the coming congressional elections and to bring in a comprehensive social security measure at the opening of the first session of the next Congress.

Committee on Economic Security

The President on June 8, 1934, in the first of his social security messages, stated that he was creating a Committee on Economic Security to study the entire problem in the interim. The social security measure he promised to present to Congress in January 1935, the President stated, would make provisions both for unemployment insurance and old-age security, and health insurance and all other aspects of social security would be carefully studied and, perhaps, included in the measure.

The Committee on Economic Security was not established until more than a month later. The Committee consisted of the Secretary of Labor as Chairman, the Federal Emergency Relief Administrator, the Secretary of the Treasury, the Secretary of Agriculture, and the Attorney General. Since then the selection of Cabinet members for this Committee has been criticized on the ground that these high-ranking officials had so many other duties that they could not devote time to the details of the subject. That is true, although several of the members gave a very great amount of time to the work of the Committee, particularly the Chairman, Miss Perkins, who deserves to be known as the "mother" of social security.

As I had opportunity to observe, the selection of Cabinet officers as the group having final authority, plus the President's calling for the Committee's recommendations, was the factor that more than anything else made possible the fulfillment of the promise that a comprehensive social security bill would be presented in January 1935. When the decision had to be made as to the bill to be recommended, none of the final staff reports had been completed, and there was still wide disagreement as to some of the recommendations to be made. The Cabinet Committee, however, hammered out unanimous decisions because, as Miss Perkins frequently reminded the members, they had agreed in the Cabinet meeting in May that the Administration would have a comprehensive social security bill ready in January and had gotten the President out on a limb, so they had to reach decisions and do so without dissents.

Several additional advisory committees were organized by the Committee on Economic Security. Among these the most publicized was the Medical Advisory Committee, constituted of the presidents and other representatives of all major medical organizations. Very important also was the Committee of Actuarial Consultants, organized at the suggestion of the actuarial societies and the insurance companies; the most active member was M. A. Linton, who ever since has been most influential in the development of American social security legislation. Among the other advisory committees were the Public Health Advisory Committee, the Hospital Advisory Committee, the Advisory Committee on Public Employment and Public Assistance, the Committee on Child Welfare, and the Nursing Advisory Committees. All these committees actually functioned and made real contributions in the fields suggested by their titles. It is literally true that just about everybody who had ever written anything on social security and representatives of all interested organizations were drawn into the work of the Committee on Economic Security.

The Cabinet group, which was legally the Committee on Economic Security, was flanked by two subordinate committees, and more were established later. One of these was the Technical Board under the chairmanship of the then Second Assistant Secretary of Labor, Arthur Altmeyer. This Technical Board consisted of representatives from the departments whose heads constituted the Committee on Economic Security, and everybody else in the Government service who was known to have any special knowledge in any aspect of social security—people like Josephine Roche, William M. Leiserson, Alvin Hansen, Winfield Riefler, and Jacob Viner. The members of the Technical Board, functioning as a committee through an executive committee and five subcommittees and as individuals, devoted a large amount of their total time to this work and kept close contact with both the Committee on Economic Security and the staff. The final recommendations of the Committee followed closely decisions of the Technical Board.

The second group advisory to the Committee on Economic Security provided for in the Executive Order was the Advisory Council on Economic Security. This was composed of citizens outside of Government, appointed by the President and representing labor and industry and just about every other interested group, with President Frank Graham of the University of North Carolina as chairman. The Advisory Council was such a large group and met so infrequently that its influence on details of the recommendations was much less than that of the Technical Board. But it was of great value in acquainting the organizations represented and the public generally with what was under consideration, and some individual members, like Mr. Folsom, kept close contacts with the Committee and its staff and made direct, important contributions to the program.

Serving much the same purpose as the Advisory Council on Social Security, but making no recommendations, was the 2-day National Conference on Social Security conducted in Washington in November. This brought together several hundred people known to be interested in social security, with addresses by specialists other than those regularly active in the work of the Committee, among whom were John B. Andrews, Abraham Epstein, and Paul Douglas—pioneers in the movement for social security in the United States.

Every known specialist, not already in Government service, was sought for employment on the staff of the Committee on a full- or part-time basis. The Committee had a total allotment of only $87,500 for its work, including the expenses of all its advisory groups. After it had made its report, the Committee on Economic Security was continued, with a reduced staff, to be helpful to the congressional committees and to the States in preparing necessary supplemental legislation. Its total expenditures were $145,000—a small sum compared with those of more recent study and investigating committees. Besides being able to pay but modest salaries, the Committee had the further difficulty, in recruiting a staff, that many of the people it wanted had positions that they could not leave. But the Committee succeeded in bringing together a notable staff. All of the more than 100 men and women who faithfully served on the staff of the Committee on Economic Security cannot be mentioned on this occasion. Suffice it to name division heads and some of the best known of the other staff members and consultants: Bryce M. Stewart, Merrill Murray, and W. R. Williamson on unemployment insurance; Murray W. Latimer, Mrs. Barbara N. Armstrong, J. Douglas Brown, Otto Richter, and Robert J. Myers on old-age security; Meredith B. Givens, Mrs. Eveline M. Burns, and Ewan Clague on employment opportunities; Edgar Sydenstricker and I. S. Falk on health insurance. I was the Executive Director in charge of the selection and work of the staff and the Secretary of the Committee. Dr. Joseph B. Harris, now of the University of California, was the assistant director, and Wilbur J. Cohen my personal research assistant; Thomas Eliot was the Committee Counsel and the man who drafted the economic security bill that the Administration presented to the Congress.

The staff, under the guidance of the Technical Board, undertook studies of many different aspects of social security, the need therefor, experience abroad and in the United States, including private systems, alternative programs, and problems of administration to be anticipated—all directed toward the recommendations to be made by the Committee. This was far too extensive a group of studies to be completed exhaustively in the short time allotted to the Committee. Preliminary reports were made by all staff divisions by the end of September.

The President had stated that he would have to have the complete recommendations of the Committee by December 15. So the goal was set that all staff reports must be ready by December 1. None were actually ready by that time; some not until after the economic security bill had been introduced in Congress.

The Committee on Economic Security could not delay and after December 1 started a series of meetings to decide on its recommendations. At this stage the members of the staff and of the Technical Board who were specialists in the several fields of social security met with the Committee to present their views. Decisions on all major issues were reached not long after December 15, and it was my responsibility thereafter to prepare the Committee's Report in accordance with its decisions. A draft of the Report was presented to the President by Miss Perkins and Mr. Hopkins (Federal Emergency Relief Administrator) on the afternoon of December 24. After a long session, in which he went into every detail of the recommendations, all were approved by the President.

But the Report was still unsigned, and getting the signatures of the members of the Committee proved a difficult task. Several of the Cabinet officers constituting the Committee at this stage asked subordinates, who had had little or no prior contact with the work of the Committee, to go over the tentative report. As is human nature, many of them found things to criticize and disagreed with some of the recommendations. For some time it was doubtful whether all of the members would sign, although all had agreed upon the recommendations. In the end they all signed, without any dissents, but did so only on the last day before the Report went to Congress. The Administration bill conforming with the Report was drafted in the same period. Before the Report went in, the President again carefully went over all details and contacts also were made with congressional leaders. When the Report and bill actually went in, all Committee members and also the principal staff members knew that in one important respect, that of the financing of old-age insurance, a basic change would have to be made to meet objections of the President and congressional leaders. That was the origin of the Morgenthau amendment, making old-age insurance self-financed, which was presented by Secretary Morgenthau to the Ways and Means Committee of the House. This was a change agreed upon by all members of the Committee on Economic Security although it was objected to by many of the staff people.

Congressional Action

The President transmitted the Report of the Committee on Economic Security to the Congress, with his strong endorsement, in a special message on January 17, 1935. The Administration bill incorporating these recommendations was introduced on the same day by Senator Wagner and by Representatives Doughton and Lewis. In his special message, the President urged that Congress act quickly on this bill, as the social security program called for State action after the Federal legislation had been passed and the legislatures would be in session only a few months. Hearings were promptly begun in both Houses and were completed in a few weeks. Consideration of the bill in executive sessions of the House Ways and Means Committee was begun by the middle of February. But then the bill bogged down, and it was April before the House Committee reported favorably a substitute to the Administration bill, to which it gave the title "The Social Security Act." After long debate and votes on many amendments, the House passed the bill on April 19 by the overwhelming majority of 371 to 33. In the Senate there were further delays, and it was not until the middle of June that the bill was passed in that body, although only six Senators voted against passage. The Senate, moreover, adopted the Clark amendment, which exempted from old-age insurance taxes those employers who had established industrial pension systems. The House would not accept that amendment, and it was not until August that the conference committee agreed to drop the Clark amendment. A further obstacle developed in that it was then so late in the session that, when Senator Long staged his longest filibuster, the appropriation to put the Social Security Act into effect could not be acted on in the Senate, and it was not until February 1936 that such an appropriation was made.

As you know, the President signed the Social Security Act on August 14, 1935, and soon thereafter appointed the first Social Security Board. With personnel borrowed from other agencies, the new Board got started in a small way in the work of administration during the rest of that year. It started going places the next year, when it got funds of its own, and the pace was quickened after the November 1936 election. Then in May 1937 came the decisions of the United States Supreme Court upholding both old-age and unemployment insurance.

This completes my recital of the general outline of the development of the original Social Security Act. I should say something, however, about the long delay in the enactment of this legislation. The overwhelming majorities for passage in both Houses are deceptive. For months there was real doubt whether any social security legislation would be enacted and still more what sort of a measure would emerge. Part of the difficulty was traceable to the continued depression.

Some of the Problems

The depression at one and the same time made the passage of the Social Security Act possible and made its enactment difficult. Because we were in the midst of a deep depression, the Administration and Congress were very anxious to avoid placing too great burdens on business and also to avoid adding to Government deficits. It was these considerations that resulted in the low beginning social security tax rates and the step-plan of the introduction of both old-age and unemployment insurance and also in the establishment of completely self-financed social insurance programs, without Government contributions—to this day a distinctive feature of social insurance in this country.

Having the effect of delaying action on the social security bill also was the great popular support developed for the Townsend Plan. Originally only a small movement for large pensions to be provided by the State of California, the Townsend Plan became a national proposal after the President's social security message of June 8, 1934. Spreading like wildfire, it deprived the Administration's social security proposals of the support of the old people, who were among its greatest beneficiaries. There were but few members of Congress who considered the Townsend Plan feasible but many who felt that voting for the moderate Administration program would only earn them the enmity of most older citizens. Similar were the effects of the criticisms voiced by many supporters of social security from the ranks of "intellectuals" who were dissatisfied with some details of the proposed legislation. The WPA bill providing for a great work-relief program was a companion Administration measure in this session of Congress and drew fire from both the conservatives and from labor, and until this measure was out of the way the social security bill could not be moved. There was also some feeling against the economic security bill precisely because it was an Administration measure and came to Congress fully drafted. That was one reason why the Ways and Means Committee recommended a new bill and gave it a new name. And at all stages there hung over the social security bill uncertainty as to its constitutionality. These doubts were increased during the pendency of this bill in Congress by the decision of the Supreme Court holding the Railroad Retirement Act to be unconstitutional.

That the Social Security Act ever passed and so nearly unanimously, in spite of the many obstacles, also was due to many factors. Foremost was the great need for this legislation, which was so very apparent because of the depression. While most of the millions who would benefit were not at all vocal and many knew little or nothing about the social security proposals, many influential citizens came out strongly for passage and important groups left no doubt about their support: the church people, the women's organizations, the public health officials, organized labor, and progressive employers. Counting most was the insistence of the President and the loyal and intelligent support of such congressional leaders as Chairman Doughton and Representatives Vinson, Cooper, and McCormack of the House Ways and Means Committee and Senators Harrison, Couzens, and La Follette of the Senate Committee on Finance, Senate Majority Leader Robinson, and Vice President Garner. Academic people are prone to give all the credit for social reforms to their original proponents, but, clearly, more should go to the men in public life, who risk their political future in championing and enacting these measures, and to the administrators who make the programs work—men like Arthur Altmeyer, John Winant, and, more recently, John Tramburg.

This also is to be said: While not then apparent, the timing of the Social Security Act was most fortunate. I doubt very much whether this or any similar measure could have passed, at least for many years, had it come before Congress later than 1935; also, whether it would have been held constitutional had this question come before the Supreme Court earlier than 1937.

It has been suggested to me that I should say something about the reasons for the major decisions incorporated in the original Social Security Act. I can touch on only a few of these.

First, it should be noted that in the stage when the first proposals were hammered out, by far the greatest interest was in unemployment insurance. In Congress, the great interest was in old-age security. Sensing this, Thomas Eliot, the Committee's Counsel, made Federal aid for old-age assistance title I of the Administration's bill, with the effect that nearly all of the discussion centered around that proposal. Federal aid for old-age assistance was immensely popular, with Members of Congress concerned principally about minimizing the degree of Federal control.

Old-age insurance was afforded only secondary attention at every stage of the legislation, except for the question of constitutionality. It was favored principally as a program that would keep the financial burden of providing necessary economic support for the increasing numbers of old people within manageable limits. Coverage of all employed persons was recommended by the Committee on Economic Security, but the Ways and Means Committee promptly adopted many exclusions from coverage, particularly groups whose inclusion it was feared would not be administratively feasible. Compulsory inclusion of the self-employed then seemed out of the question, so the Committee on Economic Security proposed a system of voluntary annuities, on the Canadian model, for people not compulsorily covered that was stricken from the bill by Congress because of insurance company opposition. Nobody at this time proposed that old-age insurance benefits be paid to anyone who had not retired, and compulsory retirement was never seriously considered. Sixty-five was fixed as the minimum age at which retirement benefits might be paid without much consideration of any alternative age, except of a lower retirement age for women, which was deemed too costly. Benefits to people invalided before reaching the retirement age, even then very common in European countries, were studied by the staff of the Committee on Economic Security, but the conclusion was reached that this step could wait until the old-age insurance system was well established. Survivors' and dependents' benefits were considered but also left to the future, because even the cost of retirement benefits, it was feared, would be very great. Paying benefits only to people in need, while taxing all employees, was not proposed by anyone at this time.

On unemployment insurance the major disagreement in the circles of the Committee on Economic Security concerned the advisability of a Federal system of unemployment insurance. The first decision of the subcommittee of the Technical Board on unemployment insurance was that a Federal system should be proposed. The staff then tried to draft a Federal plan of unemployment insurance but ran into irresolvable differences of opinion as to the details of such a program; there was, in addition, a very general belief that a Federal system would probably be held unconstitutional, while there seemed to be good reason for expecting that the tax-offset plan of the prior Wagner-Lewis bill would be found valid.

In the end, the Technical Board and the Committee on Economic Security unanimously came back to the plan that was referred to as the "State-Federal" system—State unemployment insurance—stimulated by the tax-offset device in the Federal law. In Congress, there was practically no sentiment for a Federal plan or for extensive Federal controls. Congressional sentiment was strongly for wide freedom to the States in shaping their own unemployment insurance programs, including freedom to include or omit experience rating, which many members of the staff of the Committee on Economic Security did not like, although it was endorsed by the President.

Health insurance was little discussed by most of the members of the staff and the Technical Board and was given no consideration in Congress, but it was intensively studied by the health insurance staff of the Committee and received a good deal of attention at top Committee levels and at the White House. Originally, it was expected that the Committee would have to deal with this subject in its recommendations, but by the time that its Report had to go to the President, the staff and the Medical Advisory Committee had nothing to offer. So the Report merely stated that the Committee on Economic Security would make a later report on the subject, and the Administration bill merely provided for Federal aid for public health services, with a provision that the Social Security Board should study the need for and possibility of improving the social security protection of Americans, including, among other methods, health insurance.

This innocent reference to health insurance led to the first special meeting of the House of Delegates of the American Medical Association since World War I, in the false belief that the Administration was secretly trying to foist compulsory health insurance on the country. Immediately, the members of the Ways and Means Committee, then considering the social security bill in executive sessions, were deluged with telegrams from all parts of the country p r o t e s t i n g against this "nefarious plot." The upshot was that the Committee unanimously struck out the specific reference to study of health insurance to which AMA officials objected. Later, at a time when there was serious doubt whether any social security legislation at all would be enacted, the health insurance staff presented a report recommending Federal aid to States that might establish a health insurance system, which the Committee on Economic Security endorsed with but little discussion. The President deemed it inadvisable to proceed along that line, and the report was never even published. The attention given by the Committee to health insurance probably was a factor, however, in the AMA's reversal of its prior position of opposition to voluntary forms of health insurance that it executed at the special meeting of the House of Delegates in February 1935. The launching of Federal aid to the States for public health services, provided for in the Social Security Act, was a most important step toward more extended and improved public health and medical care services, which has been such a marked trend in the past 20 years. The inclusion of these provisions brought valuable support to the social security bill in Congress, as did also the aids for child health and welfare services, for which Miss Grace Abbott, Miss Katharine Lenroot, and Dr. Martha Eliot—all connected with the Children's Bureau—and Miss Perkins were mainly responsible.

The Past 20 Years

In conclusion, just a few words more specifically related to the progress made in the 20 years since the Social Security Act was enacted. As you know, many changes have been made in the American social security legislation, both on the national and State levels. On the national level there have been three major revisions of the Social Security Act, in 1939, 1950, and 1954, plus other important changes. I had but little to do with these changes and did not approve of all of them. I thought the reduction in the old-age insurance tax rates in 1939 and the subsequent tax freezes to be unsound, and I greatly regretted the stiffening of the requirements for old-age benefits, which was the counterpart of the reduction in tax rates—mistakes which, fortunately, have been since largely rectified. I also opposed the dropping of increments for years of contributions in the old-age insurance system in 1950 as introducing an unnecessary and very bad inequity, and also the dropping in the final act of benefits for the permanently and totally disabled that were provided for in the bill passed by the House of Representatives. I would have preferred a genuine dependents' allowance system in the old-age insurance program to the makeshift one we now have of allowing benefits in their own right to women married to eligible workers at age 65. I think it has been a sad mistake to exempt, as we do in our limitations on the taxable wages, the upper third of all wages and salaries and the matching employer's contributions. While I thus have not agreed with everything that has been done, I recognize that great progress has been made in the legislation governing our old-age and survivors insurance program. We today have a much more nearly adequate system of social security than we had in the original act.

Even more have I been satisfied with the administration of social security. Billions of dollars have been expended by the Government of the United States for social security without a trace of scandal or corruption. Costs of administration have been far lower than anyone thought possible in 1935. One hundred million Americans have credits in the old-age and survivors insurance system, and 7 million are currently receiving benefits, but no confusion in keeping the records straight, which everybody feared in 1935, has developed. The administration of the many social security programs administered by the States —a larger and more difficult task than that faced by the National Government in this domain—has in some State or other, on some occasions, been justly subject to criticism, but on the whole has been most satisfactory. And the credit for good administration, of course, belongs to the administrators and to all of them who have so selflessly performed their task so well.

The Future

Of course, we have not attained the ideal. The possibility and need for continuous progress are among the most distinctive features of the American way of life and our economic system of free enterprise. We cannot be satisfied with the social security protection now provided to Americans. Retirement benefits in our old-age and survivors insurance system supply only one-third as much income, or less, to the workers no longer able to work as is enjoyed by older people still in employment. While the benefits under State laws to unemployed and injured workers are higher than retirement benefits, our unemployment insurance and workmen's compensation laws also are very much in need of liberalization and improvement. None of our social insurance programs are as broad in coverage as they should be. Great risks, like early disability and prolonged sickness, lack all governmental protection; and the voluntary forms of insurance we have, although most valuable, do not protect many of those who most need protection. Even at this time of near full employment and unprecedented total and average incomes, there are millions of Americans who face a most uncertain economic future and many who barely have the minimum essentials of life. The great objective of social security—assurance of a minimum necessary income to all people in all personal contingencies of life—has not been attained even in this great country in which the common man fares better than in any other.

We have come a long way. Great tasks remain. But mindful of the progress that has been made and believing on the basis of their records that the people now in the driver's seat and their faithful and conscientious subordinates are sincere in their profession of belief in social security, I feel that we can view the future of social security in the United States with complete assurance. We have made great progress and, in accordance with our American ideals, will do still better in the future.

PROGRAM OPERATIONS

(Continued from page 2)

age and survivors insurance program were going at the end of July to 7.6 million persons—80,000 more than at the end of June. Almost two-thirds of the increase was accounted for by persons receiving old-age benefits and about one-fifth by other aged beneficiaries. July was the thirty-sixth consecutive month in which the increase exceeded 50,000. Monthly benefits being paid at the end of July totaled $389.4 million, about $5.4 million more than the monthly rate at the end of June.

Higher benefits resulting from the disability freeze provision in the 1954 amendments to the Social Security Act were first payable for July; district offices of the Bureau of Old-Age and Survivors Insurance have been accepting applications for the disability freeze from disabled workers since January 1. Under the disability freeze provision, a worker who before reaching age 65 has been totally disabled for 6 months or longer, with a disability that is expected to continue indefinitely, can apply to have his earnings record frozen as of the date his disability began. When an individual for whom a period of disability has been established dies or retires, his period of disability can be disregarded in determining his insured status and in computing the amount of benefits payable to him or his family.

The law also applies to workers now over age 65, if they became disabled before reaching that age. Many retired workers who are now receiving old-age benefits will be able to have their monthly benefits recomputed to leave out the years during which their disabilities kept them from working. Those who meet the requirements and apply before July 1, 1957, to have their earnings records frozen will receive any increases due in their benefit amounts retroactively to July 1955.

In that month there were an estimated 15,000 old-age beneficiaries who received increases from disability freeze recomputations. The average increase in the monthly benefit amount for this group was about $11; dependents of old-age beneficiaries entitled to the freeze will receive their proportionate increases. In some instances, a portion of the increase was attributable to the dropout provision in the 1954 amendments. Under this provision, up to 5 years in which a worker has had low or no earnings may be ignored in determining his benefit amount. Persons qualifying for the disability freeze also get the advantage of the dropout provision, and the combined dropout of years of low earnings and the period of their disability may result in a substantially higher benefit rate.

Monthly benefits were awarded to 134,700 persons in July, about one-fifth fewer than in June but more than the number awarded in July of any other year. Lump-sum death payments totaling $9.0 million were awarded in July to 46,900 persons. The average lump-sum amount per worker represented in the awards reached an all-time high of $204.98.

At the end of June 1955, monthly benefits were being withheld from 280,000 beneficiaries entitled to old-age, wife's, husband's, widow's, widower's, mother's, or parent's benefits. The number of such benefits withheld had declined from 346,000 at the beginning of the year to a low of 275,000 in April. Although the number has increased since April, the proportion of all beneficiaries with benefits withheld in June 1955 was about 1.5 percent less than at the beginning of the year.

The decline in the number of benefits withheld reflects the liberalization in the retirement test under the 1954 amendments. These liberalizing provisions, which became effective in January 1955, lowered from 75 to 72 the age at which beneficiaries can receive benefits regardless of the amount of their earnings, raised to $1,200 the amount that beneficiaries under age 72 can earn in a year before any benefits are withheld, and changed the earnings test for wage earners from a monthly to an annual basis. Both wages and self-employment earnings are combined to de-

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