

only on matters of law, and some States say that findings of fact shall be binding if there is credible evidence in the record to support the findings. I think the State constitutions differ as to what may be done in that respect, and this social-insurance board is not going to permit a method of procedure which denies an employer or employee a fair opportunity to have a hearing.

Mr. HILL. It will be within the jurisdiction of the State to provide this forum for determining the rights of a man who feels that he has not been justly treated?

Dr. WITTE. Certainly.

Mr. HILL. And in the social welfare board?

Dr. WITTE. Insurance board.

Mr. HILL. That board will pass on the sufficiency or adequacy of that remedy afforded by the State for a just and fair trial?

Dr. WITTE. I think no unemployment compensation bill that has actually been presented in this country has been questioned on this matter of fair procedure. I think that you can trust the States to enact laws on that point that will be fair.

Mr. VINSON. According to that, we might leave out several provisions here in the bill, if we want to entrust it to the States or to somebody else, but we are writing this law; we are saying what we want the States to do, and after we get through with this, and this becomes a law, then we will have lost our opportunity to say just how we want it done.

Dr. WITTE. I think, if I may be permitted to say something on that point, that the general theory here is that there is no reason for suspecting that the States will not pass laws that are decent.

Further, the States will pass their laws before the Federal act takes effect. If there should be State laws that are utterly unfair, we have a club here; we won't give them the administration fund, and they won't be able to administer the law at all unless they dig into their own pockets to pay the administration costs. They cannot use the unemployment compensation fund for that.

Mr. JENKINS. But supposing that the State changes the law after you have started your operations under this bill?

Dr. WITTS. If you will look at paragraph (b) on page 31, you will see that it says that if a State fails to live up to these conditions, that payments can be stopped, even after allotments have once been made.

Mr. VINSON. I call your attention to pages 38 and 39, that deal with the unemployment trust fund. As I read the language on page 38—

The fund or any part thereof may be invested or reinvested in any primary obligation of the United States or in any obligations guaranteed as to both principal and interest by the United States.

Now, over on page 39, line 7, it refers to—

Every other obligation acquired for the fund shall be acquired on such terms as to provide an effective investment yield which shall be not less, by more than one-eighth of 1 percent, than such average rate.

When I read page 38, I am led to believe that the investments are to be in governments; is that correct?

Dr. WITTE. They are entirely in governments.

Mr. VINSON. What does the term "every other obligation" refer to, in line 7 on page 39?

Dr. WITTE. The explanation is the intervening sentence between those two, which contemplates that the Secretary of the Treasury shall have authority to issue a special type of security which will bear interest at a rate equal to the interest rate on primary obligations of the Government. Then it says "every other obligation", and that means other United States securities, or the securities guaranteed by the Government, for instance, of the Home Owners' Loan Corporation. They can be purchased on the open market by the Treasury, or the Secretary of the Treasury may issue a special series of obligations for this type of security, but, in any event, the only type of security in which the money will be invested is a primary obligation of the United States Government or an obligation that is guaranteed as to both principal and interest by the United States Government.

Mr. VINSON. Then the word "obligations" in line 25, on page 38, does not refer to what now might be termed as Government bonds, but that obligation is a special bond that would be issued for this particular purpose?

Dr. WITTE. That is my understanding of it. This section, as I said, was written by the Treasury Department, and I think the Treasury Department will be glad to explain the details.

Mr. VINSON. One further point in connection with the duties of the Secretary of the Treasury, to find outlets for Government bonds at the lowest rate of interest as Secretary of the Treasury, and then this obligation, that he is to invest these funds at the highest rate of interest.

Dr. WITTE. This is not the highest.

Mr. VINSON. Is there any chance for conflict there, between those two obligations?

Dr. WITTE. There is no obligation that he shall invest them at all, and the interest rate is not the highest. It is the average rate, adjusted to the next lower one-eighth of 1 percent, as this bill says.

Mr. VINSON. I know, but, Doctor, this unemployment trust fund certainly is intended to be invested; is that right?

Dr. WITTE. Within limits.

Mr. VINSON. Not within limits. It is intended to be invested, is it not, and it is intended to be invested by the Secretary of the Treasury, is it not?

Dr. WITTE. I would like to explain the whole thing in a moment.

Mr. VINSON. I would like to have you answer the question, instead of circumnavigating the globe.

Dr. WITTE. All right. The real effect of this whole section is that this unemployment fund should be employed to help stabilize credit conditions, rather than to unsettle them. I can illustrate what I mean. Let us assume that a law of this sort had been in effect. By, say, the middle twenties, especially by the year 1928, when it was becoming very evident that there was over expansion of credit, the Secretary of the Treasury, controlling these funds, might very well not have invested them at all; he probably should not have, but should have held them in cash or placed them in the special securities he is authorized to issue.

On the other hand, now, let us take a year later, when the depression set in, in October 1929. At that stage these funds would be

drawn on. This contemplates that the Secretary of the Treasury, through the control of these funds, instead of selling them on the markets at that stage, can, himself, take them up so that the money will actually be used to maintain stability rather than the reverse.

Now, this does not imply that the Secretary of the Treasury will at all times keep these funds invested. There may be occasions when he will not wish to have them invested, and when the best thing that he can do with them is to maintain them in cash. That is in a period when you wish to check credit inflation.

This total amount involved is not so very great. As I stated, our calculations indicate that on a 3-percent contribution rate, by 1929 you would have had a fund slightly higher than 2 billion dollars, but that amount, thrown into the markets in 1929, would have had a most disastrous effect; it would have offset the entire open market operations to maintain stability.

Mr. VINSON. If you would, I would like to have you come back to my question, and before you answer it I would like to read certain lines here in the bill, on page 39, beginning with line 10, where it says—

It shall be the duty of the Secretary of the Treasury to invest as herein provided such portion of the fund as is not, in his judgment, required to meet current withdrawals.

Where do you get his right to leave that fund static, because your computations are figured on a 3-percent compound-interest basis.

Dr. WITTE. No.

Mr. VINSON. Do you not take into consideration the increments from interest?

Dr. WITTE. Increments from interest, certainly—do you mean on interest earnings?

Mr. VINSON. I am talking about this unemployment trust fund, this earning on interest. If the Secretary of the Treasury is not going to invest this, why is there that imperative language, mandatory language, saying that "It shall be the duty of the Secretary of the Treasury to invest as herein provided", and if he does invest that money, is it not his obligation to get the rate of interest that that money should earn?

Dr. WITTE. The rate of interest is no problem at all. The rate of interest that he has to earn is stated in the act as follows:

Shall bear interest at a rate equal (after adjustment to the next lower multiple of one-eighth of 1 percent) to the average rate of interest payable at the time of such acquisition upon all primary obligations of the United States.

He certainly can maintain the average rate of interest.

Mr. VINSON. And it is the obligation of the Secretary of the Treasury, in the performance of the duties that now devolve upon him, which will continue in the administration of this act, to get the lowest possible interest rate on loans made to the Government or in the purchase or sale of Government bonds?

Dr. WITTE. At the most the point you would make is that the United States Government in this bill adopts a slightly different policy with reference to this fund, for the purpose of safeguarding these reserves and using this money in such manner that it will not upset credit conditions.

Mr. VINSON. It looks to me like there is some conflict there in the duties that the Secretary of the Treasury will be called upon to perform.

Mr. HILL. In the event that a certain portion of this fund is not invested, and it lies as cash in the Treasury, does the Government pay interest upon that?

Dr. WITTE. It does.

Mr. HILL. If so, at what rate?

Dr. WITTE. It pays this rate, that you are adjusting it to the next lowest one-eighth point.

I might add that the Treasury Department advised us on this, and I think that they can explain it to your satisfaction.

Mr. COOPER. Just one question before you step aside, please.

What is the waiting period that is contemplated under this act for the unemployment insurance to become effective?

Dr. WITTE. You mean the waiting period after a man loses his job?

Mr. COOPER. I mean the waiting period for the system to become operative.

Dr. WITTE. The Federal act will take effect January 1, 1936. The first tax would be collected under the Federal act in 1937 for the year 1936, and there is a clause in this bill that no benefits shall be paid under any State law for a period of 2 years after contributions begin. That is for the purpose of building up some reserve fund, so that you have a reasonable opportunity to make good the promised benefits.

Further, we have in mind that the rate in the first 2 years may be 1 or 2 percent, so that you are accumulating very little, then. So for the State that starts off with the Federal act January 1, 1936, benefits would not be payable until 1938.

Mr. COOPER. That 2-year waiting period is contemplated under all State acts?

Dr. WITTE. We require that there shall be that provision in the State law. The State of Wisconsin has an act now, and it is collecting contributions that started July 1, 1935, and it could start paying benefits on July 1, 1937.

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The CHAIRMAN. You may proceed, Dr. Witte.

Mr. HILL. Doctor, what subject are you taking up this morning?

Mr. WITTE. I will take up the two subjects that have not been dealt with, assuming that we have finished the other subjects.

Mr. HILL. Which one are you taking up first?

Mr. WITTE. Security for children.

Mr. HILL. When you get through with the discussion of the bill on that subject, you will then be in the hands of the committee for examination.

Mr. WITTE. That section is dealt with in titles II and VII.

Mr. SANDERS. What page of the bill?

Mr. WITTE. Title II starts on page 9, title VII on page 50.

There are four measures in the bill for security for children. The first dealt with in title II provides for a \$25,000,000 appropriation

for grants in aid of the States, to cover one-third of their expenditures for aid to dependent children, popularly called mothers' pensions.

In title VII there are three appropriations, a \$4,000,000 appropriation for grants in aid—

Mr. NEWTON. What page is that on?

Mr. WITTE. That starts on page 50; \$4,000,000 for grants in aid, for maternal and child health services; a \$3,000,000 appropriation for grants in aid for the physical welfare and restoration of crippled children; a \$1,500,000 appropriation for grants in aid, for local child-welfare services.

Coming to the first of these four measures, the measure dealt with in title II, appropriations for aid for dependent children: The problem dealt with in this title is that of families in which there are young children and no father to support them, and in which long-time provision must be made for the support of the children. The total number of such families is large. In the census of 1930 there were 1,055,000 such families.

Mr. KNUTSON. Fatherless families?

Mr. WITTE. Families with female heads in which there were children under 21 years of age—fatherless families with children under 21 years of age.

To take care of those families our American civilization has developed what have been called the "mothers' pension laws," which are more appropriately called laws for aid to dependent children.

There are 45 States that have such laws. These laws, however, are not operative in all States over the entire area of these States. Of 2,714 counties authorized to grant aid, only 1,490 were actually doing so in 1931. Since 1931 there has been a decrease in this number, due to the financial exhaustion of counties and States. At least 162 counties that were giving aid in 1931 had abandoned the giving of aid to dependent children by 1934.

Mr. VINSON. How many did you say, Dr. Witte?

Mr. WITTE. One hundred and sixty-two out of 1,490 that were doing it in 1931. There may be more. That was ascertained in response to a questionnaire with incomplete answers.

In 1934, however, there were still 109,000 families that were being aided under these laws, with about 280,000 children under 16 in these families.

The States expended \$37,000,000; that is, States and local governments combined. The States themselves put up \$6,000,000. The local governments put up \$31,000,000. The largest number of these families are in the larger cities. In this matter of aid to dependent children it is the urban communities that have given most of the aid. The rural communities, because of financial difficulties have given far less extensive aid.

During the depression the need for this form of assistance has very greatly increased, as has the need for all other forms of assistance, but the actual assistance given has increased but slightly, if at all.

An estimate based on surveys in a large number of communities disclosed that in the early summer of 1934 there were 358,000 families with female heads and young children—the same type of families

that are aided under the mothers' pension laws—on Federal Emergency Relief lists. In other words, there were more than three times as many families of this type on relief as there were families in receipt of mothers' pensions. The number of children in these families on relief is estimated at 718,000, again more than three times as many as were in receipt of mothers' pensions.

Federal aid is the only possibility for making the mothers' pension laws operative throughout the country. They exist on the statute books of all but three States, but they are inoperative in a large portion of the States which have such laws, due to the financial embarrassment of these States.

Mothers' pensions are the effective, humane method of meeting this problem. We have recognized that in the enactment of these laws. Unemployment compensation, work programs—nothing of that kind—will help these families. These are families without a breadwinner in them, except the mother, who is needed to care for the children. Our American civilization has concluded that the best way to make provision for these young families without fathers is to make a long-time provision under these laws for aid to dependent children, under which the children can be cared for in their own homes and under their mother's guidance. That is the most humane and efficient way of meeting this problem.

With that brief statement, in order to economize your time, I will pass to a detailed explanation of the bill, title II.

Mr. KNUTSON. Mr. Chairman, if I may interrupt; may I ask Dr. Witte, will you put in the hearings, Doctor, at this point, a table showing the average paid by each State to dependent families with dependent children—fatherless families?

Mr. WITTE. I inserted earlier in our statistical supplement a table showing what the different States are doing in the field of mothers' pensions at this time. That does not give you the average, but we will be glad to prepare a table on average expenditures.

Mr. KNUTSON. What we are interested in is to find out what they are actually being paid, not what the law says they shall be paid.

Mr. WITTE. We have a table which has been inserted in the record, which shows the number of families receiving aid, the number of children benefited, and the amount expended in total, and it is a simple matter to compute the average.

Mr. KNUTSON. I think it should be inserted at this point in the record.

Mr. WITTE. Yes.

(The table referred to is as follows:)

Estimated average monthly grant per family in areas granting mothers' aid, based on annual or monthly expenditures from mothers' aid grants during 1933 and 1934

	Average monthly grant		Average monthly grant
Alabama.....	(1)	Montana.....	24. 00
Alaska.....	(2)	Nebraska.....	13. 62
Arizona.....	\$16. 46	Nevada.....	17. 98
Arkansas.....	(3)	New Hampshire.....	26. 42
California.....	26. 89	New Jersey.....	26. 43
Colorado.....	22. 60	New Mexico.....	(6)
Connecticut.....	44. 41	New York.....	42. 77
Delaware.....	22. 26	North Carolina.....	15. 93
District of Columbia.....	60. 14	North Dakota.....	22. 07
Florida.....	9. 76	Ohio.....	19. 77
Georgia.....	(1)	Oklahoma.....	⁴ 7. 29
Hawaii.....	(2)	Oregon.....	19. 80
Idaho.....	18. 08	Pennsylvania.....	34. 61
Illinois.....	20. 55	Puerto Rico.....	(2)
Indiana.....	22. 03	Rhode Island.....	47. 00
Iowa.....	17. 01	South Carolina.....	(1)
Kansas.....	⁴ 14. 05	South Dakota.....	⁴ 21. 78
Kentucky.....	⁵ 38. 26	Tennessee.....	⁷ 24. 91
Louisiana.....	8. 81	Texas.....	⁴ 12. 07
Maine.....	29. 60	Utah.....	10. 64
Maryland.....	36. 66	Vermont.....	17. 86
Massachusetts.....	51. 83	Virginia.....	20. 76
Michigan.....	28. 31	Washington.....	17. 35
Minnesota.....	26. 37	West Virginia.....	13. 20
Mississippi.....	(3)	Wisconsin.....	25. 82
Missouri.....	⁴ 26. 22	Wyoming.....	⁴ 22. 55

¹ No mothers' aid law.

² No report.

³ Aid discontinued.

⁴ Average grant in 1931.

⁵ Mothers' aid available only in Jefferson County.

⁶ Law not in operation.

⁷ Mothers' aid available only in Knoxville and Memphis.

Source: The U. S. Children's Bureau.

Mr. WOODRUFF. Doctor, is it not a fact that a number of the States find it impossible today to care for all of the people who should have this care, under these laws?

Mr. WITTE. As I stated, there are now three times as many families of this character—families with children under 16 in which the head is a mother, and in which there is no breadwinner—on relief, as are covered under the mothers' pension laws—more than three times as many. That condition has resulted from the fact that the States and counties have been financially embarrassed, and the further fact that, under relief, the Federal Government has paid the whole bill, whereas, under mothers' pensions, the States and counties have had to pay the whole bill.

Mr. WOODRUFF. Having been unavoidably detained at my office, I had just come in and had not heard your previous remarks; I thank you very much for the information.

Mr. WITTE. This is on page 9, to which I am now about to refer. An appropriation of \$25,000,000 a year for the 2 years that are contemplated in this bill. That appropriation is believed to be adequate for the present. If, as we may hope, this method will really become universal for the care of these dependent families that are fatherless and that have young children, then you will need, in the course of

time, more than \$25,000,000. But it is believed that \$25,000,000 will be adequate for at least the first 2 years.

Mr. KNOTSON. You stated a while ago that there were over a million families.

Mr. WITTE. They are not all dependent.

Mr. HILL. Mr. Chairman, I suggest that the gentleman reserve his questions until we get through with the general statement of the witness. We will never get anywhere if everybody starts asking questions before the witness has finished his formal presentation.

The CHAIRMAN. That was the understanding.

Mr. WITTE. I shall be glad to answer that question at this point.

Mr. KNOTSON. It seemed pertinent at this point.

Mr. HILL. It is pertinent, but we are all withholding questions until the witness finishes his general statement.

Mr. KNOTSON. I shall try to withhold, too.

Mr. WITTE. There are 1,000,000 families, sir, in this class. But they are not all dependent. Thank goodness, they are not. This is a provision for families that have no means of support, or inadequate means of support, that have got to be provided for by the public.

If all of the families that were dependent were provided for in this manner, the cost would be in excess of \$25,000,000. But, for the immediate future, it is the best judgment of the committee that \$25,000,000 will be adequate.

As to conditions of the grants: The grants are given on a basis of one-third of the cost. The conditions of grants are set forth in section 204, which begins on page 10. These conditions can be summarized in this manner: The law must be State-wide in operation, must apply throughout the State and not merely within counties of the State. There is a further provision that the State itself must make a substantial contribution toward the payment of the aid. It cannot shove the burden off entirely on the counties. The grants, as in the old-age pension portion of this bill, must be sufficient, with other income of the family, to provide a reasonable subsistence compatible with decency and health. The administration must be headed up in a single State agency and the methods of administration and payment must be approved by the administrator.

Under this bill the Federal Emergency Relief Administrator and his successors are the administrators. The residence requirement must not be longer than 1 year. That differs from the old-age pension law, where the residence requirements must not be longer than 5 years. That difference is due, in part, to the fact that practically all of the laws that are now in operation have a residence requirement of only 1 year. It does not mean as great a change in the laws, if we have a 1-year standard, as the 5-year standard does in the old-age pension laws.

With the mothers' pension laws we never have started in this country with long residence requirements, because these families, wherever they are, obviously must be taken care of. The point to be kept in mind is that this not really a mothers' pension. It is aid toward the care of these unfortunate children who have been deprived of a father's support. That is the essential idea of the laws. They must be taken care of, regardless of residence requirements. The only alternative, if they have no other means, is relief, instead of this more regular, orderly procedure. The allotments are made at the beginning of the year on the basis of appropriations, as under the old-

age pension laws, and the actual payments are made quarterly to the States as the money is expended.

Now I shall pass to title VII on page 50. The first subject dealt with are the grants-in-aid for maternal and child-health services.

Mr. HILL. Doctor, are you still on the same subject?

Mr. WITTE. The same general subject of security for children. There are four measures. I have dealt with the first of those, aid to dependent children. Now I pass to the next one, aid for maternal and child-health services, dealt with in sections 701 and——

Mr. HILL. Mr. Chairman, may I ask, have you finished with the statement of——

Mr. KNUTSON. May I suggest, Mr. Chairman, that the gentleman withhold?

Mr. HILL. Have you finished with your statement as to payments for dependent children? Is that one subject?

Mr. WITTE. I am treating it——

Mr. HILL. What I am trying to do is to find out whether we may ask some questions.

Mr. WITTE. The general subject is security for children. There are four measures dealing with that general subject.

Mr. HILL. Do you want to complete the subject and embrace all these others?

Mr. WITTE. Whatever the committee desires. I am at your service.

Mr. HILL. Then I suggest that you proceed.

Mr. WITTE. This is the problem of maternal and child health. I shall not take your time, because people more competent than myself are here, to explain the need for action, except to call your attention to the fact that we have inserted in the record, in the supplemental tables issued with our report, which are included as a portion of my testimony of the first day, a table which will show you, State by State, how much the appropriations for child and maternal health services in this country have been reduced since the Federal Government ceased in 1929 to extend any aid in that field. These reductions have occurred in spite of the very great increase in the need for such services.

We have now on relief lists in this country more than 7,400,000 children under 16 years of age. More than 40 percent of all the people on relief are children under 16, whereas, in the total population of the country, children under 16 constitute only 28 percent.

These children are the worst victims of the depression. In this matter of health services there has been during this period a great reduction in appropriations. The total funds for child and maternal health services, which in 1929 in this country amounted to \$2,158,000, in 1934 amounted to \$1,157,000.

The provisions on this subject are in section 701, pages 50 to 53: An appropriation of \$4,000,000 per year is made for extending and strengthening the services for the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress.

The appropriation is made to the Children's Bureau, and 5 percent of the amount of the appropriation may be used for administration and special studies and investigations. The balance is for grants in aid. There is an automatic allotment of \$20,000 to each State

that accepts the provisions of this section. Another million dollars is to be distributed to the States that cooperate in proportion to the number of births within the State as compared with the number of births within the entire registration area of the United States. There is a provision for special assistance to States which are in severe economic distress, which cannot match the regular allotments. The Federal aid, the regular allotment, is matched 2 to 1. There is an allotment of \$800,000 which the Children's Bureau may allot to States which are unable, because of severe economic distress, fully to match the requirements of the regular allotment. The balance of \$960,000 is to be allotted to the States for special demonstrations and research in maternal care in rural areas and for other aspects of maternal and child health.

The conditions of the grants are set forth in paragraph C on page 52.

The States must have a plan which calls for some State supervision, and for the development of local maternal and child-health services, with State financial assistance; which calls for cooperation with existing social agencies and for the development of demonstration services of a permanent character in rural and other needy areas, and among groups in particular need.

The next appropriation for child security is section 702, for the care of crippled children, on page 54. That is an entirely new departure.

The Federal Government heretofore has not participated to any extent in the work of restoring, so far as it is possible to restore, crippled children, physically and in other respects. The need for action is great. Somewhere between 6 and 9 people out of every 1,000 in this country are physically handicapped. The number of physically handicapped among the children, runs into the hundreds of thousands. They cannot all be restored, many of them can be only partially restored; but, to the extent that it is possible to overcome their physical handicaps, that is a profitable investment for the community, because it means reducing dependency in future years.

Eighteen States now have laws under which they are doing something in the field of hospitalization, physical care, and restoration of crippled children.

The services are principally in larger cities. The rural areas so far have hardly been touched. The entire work is relatively new. The States which are probably doing the most are the States of New York, New Jersey, and, in the Middle West, Iowa, and Wisconsin.

Services for crippled children are woefully lacking in rural communities; in this matter, as in so many of these problems, the rural communities are involved as much as are the urban centers. There are as many crippled children, or more, in the rural communities as in the urban centers.

The bill contemplates, in section 702, an appropriation of \$3,000,000 per year for grants in aid to States which cooperate in the program of the physical restoration of crippled children. Five percent of that appropriation may be used for administration; \$20,000 is to be allotted to each cooperating State automatically. The balance is to be allotted on the basis of need. The States must match the allotments made by the Federal Government, except in case of severe economic distress or other exceptional circumstances, in which aid may, for the time being, be given without complete matching.

The conditions of the grants are in paragraph (b) on page 55. Again, the States must submit a plan for meeting this problem. This must include reasonable provisions for administration, adequate facilities for locating and diagnosing children, adequate medical care, hospitalization and after-care, and, cooperation with existing agencies, medical, health, and welfare groups.

The final appropriation in this series is the appropriation for aid for child-welfare services, in section 703, on page 56, an appropriation of \$1,500,000 per year. Again 5 percent is set aside for administration, investigation, and research; that is, the maximum is 5 percent. It does not have to be spent; but that is the maximum that may be used for that purpose. One million dollars is to be distributed automatically to the States. The balance is to be allotted as special assistance to States that cannot match the Federal funds at this time.

The conditions of the grants occur in paragraph (c) on page 57. A plan must be submitted under which the State must make provisions for State administration, State financial participation, and for furthering local child-welfare services.

The purpose of this section is the promotion of local child-welfare services. We are concerned here with the 300,000 dependent and neglected children. We are concerned with the 200,000 children who annually are adjudged delinquent. We are concerned with the more than 75,000 children per year who are born out of wedlock.

In some States—one-fourth of the total number—there are provisions on a State-wide basis for county child-welfare boards and similar agencies. In the balance of the States, such local services for these dependent, neglected, and homeless children are lacking or are existent only in a few of the wealthier counties.

The purpose of the appropriation is to stimulate that sort of service throughout the country, in the thought that in so doing we are reducing the load of dependency and destitution in future years. These children that we are dealing with here are children whose childhood has already been impaired, who have already suffered, many of them, a loss that they cannot possibly ever make up. But they are children who are very much in need of social service, with a view toward making them law-abiding, self-supporting citizens in the future.

Mr. WOODRUFF. May I ask the gentleman a question at this point?

Mr. Witte, are you familiar with the activities in Michigan under the Couzens fund, the fund established by Senator Couzens of Michigan?

Mr. WITTE. Only in the vaguest way, Mr. Woodruff.

Mr. WOODRUFF. I personally know of the tremendous value of that activity to the crippled children in the State particularly and, Mr. Chairman, I wonder if I may have the privilege of incorporating in the record at this time a brief report of those activities. I ask that because of the fact that if it is generally understood throughout the country just what is being done by this philanthropic individual in the State of Michigan, it may offer an inducement to others, well fixed financially, to establish other funds in other States to do the same work.

The CHAIRMAN. Do you think it would be wise to incorporate that in the testimony of this witness, or at some other point?

Mr. WOODRUFF. I think it should properly come in at this point.

Mr. HILL. Will the gentleman entertain the suggestion that it follow the completed statement of the witness instead of being put in at this point?

Mr. WOODRUFF. That is satisfactory.

The CHAIRMAN. Without objection, that will be done.

Mr. KNUTSON. Mr. Chairman, I would like to ask at this point if the recommendations as embraced in this bill were made with the knowledge of the work being done by the Shriners in the care of crippled children.

Mr. WITTE. There are many private agencies that are engaged in this work. There are 18 States that have entered the field. But the number of crippled children is somewhere between 300,000 and 500,000 in this country at this time and, with all the work that has been done, a tremendous problem remains. There is very laudable work being done by the Shriners and many other agencies, and by private philanthropists, like Senator Couzens; also by 18 States. It is work that I know must appeal to all of you if you have visited, as I believe you have, any of these crippled-children hospitals, or the Warm Springs Foundation.

Mr. WOODRUFF. Did your committee give any thought to including in this bill the activities provided for in the annual appropriations for vocational training and rehabilitation, in conjunction with the various States?

Mr. WITTE. The report of the committee stresses that vocational education and rehabilitation are a necessary part of a complete program of economic security. There is an existing Governmental agency now dealing with that problem. We felt that it was not necessary to bring this problem into this bill. But our committee expressed itself as strongly believing that vocational education and training should be regarded as a necessary part of an adequate program for relief from dependency and destitution in future years.

Mr. WOODRUFF. Dr. Witte, under the present legislation on this subject, these particular activities are dependent upon annual appropriations?

Mr. WITTE. Yes.

Mr. WOODRUFF. Do you not believe that that particular activity, being of a character such as it is, has a very proper place in this bill? Do you not believe all these activities ought to be gotten together under one head?

Mr. WITTE. If that is the thought of Congress, I am sure that I personally would have no objection.

Mr. LEWIS. Mr. Chairman, I would like to ask a question. The vocational education just referred to is not a method to be applied merely to apprentices, but to men and women who are older, who might need to change occupations because of technological changes in industry; is that correct?

Mr. WITTE. That is the thought that our committee emphasized in its report. It is not merely a children's problem. It is far more a problem of the readjustment, at this time, at least, of adults and of young people beyond this group we are dealing with here.

The term "children" as we use it here are children, let us say, under 16, young children, the ones who are below the age of self-support, who, under any economic system, must be provided for by someone else.

Mr. BROOKS. Dr. Witte, was any consideration at all given to the army of feeble-minded in our Nation?

Mr. WITTE. There is a large group of children that we are not bringing into this picture. We are not taking into account the blind, the deaf, the mentally retarded, not because they are not important, but because the services that the States have been rendering in that field are very much more nearly adequate than the services that are being rendered to the children with whom we deal in this bill.

It is not a new proposition for the States to do something about the mentally retarded. It is a new thing for the States to interest themselves in the physical restoration of crippled children. There may be some very good reasons why the Federal Government should aid the States in these other fields also, but it was the thought of our Committee that, as a beginning, at least, the program should concern itself primarily with the children who are most neglected.

Mr. BROOKS. Do you not think that it would be most important in a State such as our State, where these innocent, feeble-minded children have to be taken care of, but where it is impossible adequately to take care of all of them, with these children mixing in our schools with other children, which we regard as a detrimental element in the education of the other children, to take into consideration the thought of helping the State on that line, so that we may solve this problem of taking care of these imbecile, weak-minded children who are circulating among our other population?

Mr. WITTE. I think no member of the committee would have any objection to your extending the services to other types of children. But our thought, as I repeat, was that we have to take care, first and foremost, of the children who are on relief. The largest group of these children are these children in the young families without a father's support. Nearly 10 percent of all families on relief are of that type. That is the situation now and some better provision than keeping those families on relief should certainly be made.

In this matter, as in all other parts of our program, we have only made a beginning.

Mr. KNUTSON. Did your Committee give any consideration to the adoption of a permanent policy with reference to the hopelessly idiotic children?

Mr. WITTE. We gave very little consideration to these groups in the thought that that is a problem which the States have been dealing with over a much longer period than these other problems, and in which the need for assistance is probably not as great—or at least not as urgent; it may be just as great—as with reference to these children that are on relief.

I have one more section, Mr. Chairman. This is the final subject dealt with in the bill, title 8, the extension of public health services. That starts on page 61. It is the last part of the bill.

The legislation proposed is an appropriation of \$10,000,000 a year to the United States Public Health Service, of which \$8,000,000 is to be allotted to the States at the discretion of the Secretary of the Treasury on the basis of the need of each State for such assistance. No definite matching provision is included.

It is to be used for the development of State health services, including the training of personnel for State and local health work, for aid to counties and local governments in maintaining adequate

public health services. Two million dollars more is to be expended directly by the United States Public Health Service for investigation of diseases and the problems of sanitation which are interstate or national in character.

This does not represent a new departure in Federal policy. The Federal Government has long recognized its responsibility for public health. It does represent, however, a very material increase in public-health services by the Federal Government. The Federal appropriations for public health at this time, exclusive of hospitals and similar services, are approximately \$5,000,000. This appropriation is twice the present appropriation, but it is only 8 cents per capita, and is small in comparison with many other expenditures. For instance, the appropriation for the eradication of scabies in sheep and cattle is, in round numbers, \$14,000,000 at the present time.

The reason it is brought into this program is that sickness is one of the major causes of destitution. In normal times, at least one-third and perhaps one-half of all cases where families are forced to go on public relief are caused by sickness. This results from the fact that sickness strikes some people very hard, and that in low-income groups there is little margin for unexpected expenditures. Sickness causes on the average a loss of about 2¼ percent of the total time of the industrial population, or an average loss of about 8 calendar days a year. But that does not give the right impression at all. Everybody is not sick; and when people are sick, they are sick for varying periods. The real problem arises when there is a long period of sickness. The sickness may be sickness of the wage earner or it may be sickness within the family. In either case the family—if we are dealing with a family of low income, and if the sickness is prolonged—is likely to be forced on public relief.

A study made in urban centers covering the period from 1929 to 1932, in families with incomes of \$1,200 to \$2,000, discloses that 62 percent of these families expended less than \$60 per year for medical care; 7.7 percent spent over \$200 per year; and 1.5 percent spent over \$500. In the latter group there were a large percentage that spent from one-third to above one-half of their total income for medical and hospital bills. When families have that sort of a streak of luck, if they are in low-income groups, it means destitution.

The first thing to be done to meet this problem is obviously to prevent as much sickness as possible. On that point I want to quote from a report which was made to our committee by the group known as the "Medical Advisory Board", a group composed of eminent medical men from all parts of the country, medical men who differ widely on the subject of health insurance but who join in a unanimous recommendation to this effect:

A logical step in dealing with the risks and losses of sickness is to begin by preventing sickness so far as is possible by methods of demonstrated effectiveness. At the present time we believe that appropriations for public-health work are insufficient in many communities, whereas a fuller application of modern preventive medicine, made possible by larger public appropriations, would not only relieve such suffering but would also prove an actual financial economy. Federal funds, expended through the several States, in association with their own State and local public-health expenditures, are, in our opinion, necessary to accomplish these purposes and we recommend that substantial grants be made.

The need for increased appropriations of this character turns on these points.

While in the more advanced communities—I mean by “advanced” those that have been able to provide financially for these services—the burden of preventable sickness has been reduced by at least one-third, the fact remains that despite the great progress that has been made, only a fraction of the population has benefited to the fullest extent from the application of existing knowledge of disease prevention. There are still in this country 150,000 deaths each year from infectious and parasitic diseases, 13,000 deaths of mothers in childbirth, 63,000 deaths in early infancy. A large part of that loss could be prevented by more adequate and prompt service.

There is also this: With the depression, health conditions have been adversely affected. The sickness rate in 1933—these figures are procured through the United States Public Health Service—among families which have suffered the most severely in decline in income during the period 1929 to 1932 was 50 percent higher than in families whose incomes were not reduced. The death rate in unemployed families was approximately 20 percent higher than in families which had wage earners working. In 1934, for the first time in many years, the death rate in our large cities went upward, and that despite the fact that we had no epidemic of any serious character.

With this increased need that has come with the depression, a need which has arisen because families have been less able to provide for their own health services, public-health expenditures have gone down. The per-capita expenditure from tax funds for public health in 77 cities was 58 cents in 1934, as contrasted with 71 cents in 1931.

Public health cannot be left to the localities and States entirely. At this time, out of 3,000 counties in this country, only 528 have full-time health supervision. A study made by the United States Public Health Service, rating the adequacy of the local health departments and local health services, discloses that only 21 percent of the population of the country is included within areas in which there are adequate public-health services at this time, and those are principally in the larger cities and the wealthier metropolitan counties.

Public health has been recognized as a responsibility of all governments. The Federal Government has long been in this field. Grants have been made by the Federal Government to the United States Public Health Service for encouraging the organization of local health departments since 1920. They ranged from about \$50,000 per year in the early twenties to nearly \$2,000,000 in 1932, when there were large additional appropriations to take care of the problem of sanitation in the flood areas. In 1933 the appropriation went back to \$300,000. At this time there is great need for increased Federal appropriations. Local appropriations for public health have been decreased on the average by about 20 percent since 1930, and that in face of the much greater need for such services.

In that connection, I would like to insert in the record a recent statement by Dr. E. L. Bishop, who is the State health officer of Tennessee, president of the American Public Health Association and chairman of the Committee on Federal Relations of the State and Provincial Health Authorities. Dr. Bishop states:

There appear to be two phases to the present situation. One which is concerned with the existing emergency and one which is concerned with the development of permanent policy and plans. With reference to the first, there is now no Federal cooperation available under any bill before Congress through

which State and local health agencies may receive financial aid. Both State and local health agencies have been for 3 years disintegrating with more or less rapidity and while it is all very well to say that they should bear their own burdens, apparently this is the only field of government activity remaining to which such a policy is applied. We are spending huge sums for the relief of almost every agency and for the maintenance of almost all other functions of government but we are permitting our health agencies, so painstakingly developed through the last two or three decades, to perish from a lack of support. Both the present and future generations will pay the price of our folly yet the amount necessary to relieve this situation is not more than is spent in one day by the Federal Government for the relief of unemployment. This situation is a challenge to the intelligence of our public-health leadership.

Mr. HILL (presiding). Is that the statement you want to make?

Mr. WITTE. That concludes the statement.

Mr. KNUTSON. Mr. Witte, is it your thought that the money that this bill proposes to allocate to the Public Health Service be used for preventive rather than curative work?

Mr. WITTE. Entirely, sir, for preventive work, for public-health services.

Mr. KNUTSON. It is not the thought of your committee that we should socialize medicine and hospitalization?

Mr. WITTE. Most certainly not.

Mr. LEWIS. I believe the thought is this, that of the \$10,000,000, \$2,000,000 should be in the hands of Federal authorities for investigational and scientific development, and the other \$8,000,000 should go to the aid of the States in developing field services. Is that about a correct statement?

Mr. WITTE. That is correct, sir.

Mr. TREADWAY. Doctor, I notice in the bill that you set up this board known as the "Social Service Board." Is that the name of it?

Mr. WITTE. "Insurance." "Social Insurance Board."

Mr. TREADWAY. What is the name of the commission you set up in the Department of Labor?

Mr. WITTE. Social Insurance Board, dealt with in title IV.

Mr. TREADWAY. Yes; I have it now. Section 401 reads:

To establish in the Department of Labor a Social Insurance Board, to be composed of three members to be appointed by the President.

What is the idea of having within a department a board having the wide powers that evidently will be placed upon this board? Why is it not set up independently of the department?

Mr. WITTE. This board will have charge at the outset of unemployment compensation and old-age annuities, aside from studies of the social-insurance problems. Unemployment compensation and to some extent also the old-age-insurance system will actually have to be administered through the employment offices. The employment offices are now within the Department of Labor. Essentially this is a labor problem. An independent agency of the Government would mean taking from the Labor Department a large portion of its present functions, and would also mean multiplication of independent agencies, which your legislation contemplates should rather be consolidated than extended through the creation of new agencies.

Mr. TREADWAY. Is that last statement borne out by the facts? Have we not set up no end of new agencies of various types and kinds in the last few years?

Mr. WITTE. Emergency agencies, sir. This is a permanent agency.

Mr. TREADWAY. That is a nice word, but it is getting pretty well worn out. Naturally, I do not quite follow your argument as to why this should continue to be in a department.

One other feature in connection with this board. Why are not appointments to such important positions as these—and I am sincere in saying that I realize how important they are—to be confirmed by the Senate as are appointments of other officials of the Government?

Mr. WITTE. I think that is a question of policy for the Congress to determine.

Mr. TREADWAY. It is your recommendation that they should not be. On what is that based?

Mr. WITTE. I think the committee in its report made no recommendation on this point at all.

Mr. TREADWAY. Would you approve of the insertion in there of a provision that these appointments should be confirmed by the Senate?

Mr. WITTE. I have no authority to make a statement either way on that point. I say, as of other matters, it is up to the Congress what the policy shall be.

Mr. TREADWAY. In other words, you prefer not to express an opinion as to why that is omitted here, is that correct?

Mr. WITTE. I personally have no opinion on the subject.

Mr. TREADWAY. Did you not draw this provision?

Mr. WITTE. No, sir; I did not draw it. As I stated, the bill was drafted by the counsel of the committee in cooperation with legislative members.

Mr. TREADWAY. Who are the counsel of the committee?

Mr. WITTE. Mr. Thomas H. Eliot.

Mr. TREADWAY. Mr. Eliot? He has not appeared as a witness, has he?

Mr. WITTE. No, sir.

Mr. TREADWAY. But he drew this bill?

Mr. WITTE. This matter is entirely a subject of legislative policy. Whatever the Congress sees fit to do in that respect will certainly be agreeable.

Mr. TREADWAY. Who are the legislative members to whom you are referring?

Mr. WITTE. Particularly Senator Wagner, also Mr. Lewis.

Mr. TREADWAY. Our esteemed colleague on the committee, I assume?

Mr. WITTE. Yes, sir.

Mr. TREADWAY. Perhaps he would want to express his views on the policy of confirmation. I really feel—unless I am entirely in error in judgment, which I evidently often am because I am so continually in the minority—that when you are setting up such a very important group of officials—and I recognize you are glad to overlook the civil service and things of that nature, mostly—the Senate, with all due respect to their prerogatives, ought to have some power of control of confirmation of such a group as these. However, evidently you prefer to “pass the buck”, if that is a proper phrase to use in such a dignified hearing as this.

Mr. WITTE. It is up to the Congress.

Mr. TREADWAY. I see. Well, it is very good of you to give us a little privilege. We have got to the point where we do not think we

have a whole lot. However, that is another matter of difference of opinion.

Mr. WITTE. On this matter of civil service, sir, if I may address myself to that?

Mr. TREADWAY. All the principal places are patronage and the clerkships are civil service.

Mr. WITTE. The reason for the exemption of officers, attorneys, and experts is primarily that we are contemplating setting up what amounts to one of the largest business ventures that has ever been undertaken. This annuity system that we are starting is a large-venture. I doubt whether business would select its executives for such a venture under the provisions of the civil service law.

Mr. TREADWAY. I agree with you to a certain extent; neither would any large business select them from a purely political patronage standpoint, either. I will put that statement against yours.

Mr. VINSON. Did I understand the gentleman from Massachusetts to indicate that he favored a new commission to serve in lieu of the Social Insurance Board?

Mr. TREADWAY. I stated my views and I will be glad to hear the gentleman's views—

Mr. VINSON. I was called out.

Mr. TREADWAY. As well as the witness'. I cannot get the views of the gentleman who has been a witness here for several days on the point as to why these officials should not be confirmed by the United States Senate.

Mr. VINSON. I heard that discussion, but I was called out just as you entered upon the subject of the Social Insurance Board. I did not understand what your position was with reference to that.

Mr. TREADWAY. I did not state my position. I was trying to make the witness state his.

Mr. VINSON. Did you indicate that you favored a new commission?

Mr. TREADWAY. I did not, to my knowledge. I was acting in complete ignorance, asking why a new board was not set up.

Mr. HILL (presiding). If there are no further questions, that concludes the statement of Dr. Witte.

The CHAIRMAN. At this point, we would like to have a recess in your testimony, and we will ask that you hold yourself in readiness to resume it. I think that you might be excused for the day.

In accordance with the previous understanding, the Secretary of Labor, Madam Perkins, is here now, and the committee will be honored and delighted to have her present a statement to the committee. She had had much to do with the preparation and consideration of this bill, and we are all delighted to have the Secretary of Labor, Madam Perkins, come forward and present her statement.

Mr. HILL. I move that the rule heretofore adopted by the committee with reference to the statement made by Mr. Witte apply to the statement by the Secretary of Labor, in other words, that she be permitted to finish her statement to the committee without interruption by questions from members of the committee, and that after she has finished her general statement, that the members of the committee be permitted to ask her questions.

The CHAIRMAN. Mr. Hill moves that Madam Perkins, Secretary of Labor, be permitted to make her main statement without inter-