

[1964?]

A SEVEN POINT PROGRAM FOR OLDER AMERICANS

Health. The health and medical care they need should be readily available to the nation's 20 million older Americans. Essential measures to assure this right include: social insurance coverage of hospital and nursing home costs; broader coverage and improved medical care for needy aged under the Medical Assistance for the Aged and Old Age Assistance programs; expansion of health facilities and manpower; Federal aid to States to establish high standards, enforced by strong licensing programs, for nursing homes and other medical facilities.

Income. The aged must be lifted out of their poverty by: increased social security benefits; higher public assistance payments and elimination of restrictive policies that deny aid to the needy aged; Federal insurance of private pension plans.

Community Organization and Services for the Aged. Communities need comprehensive, well planned programs so that all older people--from the energetic, newly retired man in his sixties to the frail centenarian--can get the services they need, when and where they need them. Federal grants to States and grants for the construction of activity and service centers would stimulate the development of coordinated, comprehensive programs in every community. Federal legislation can also prevent old age assistance payments from subsidizing sub-standard rental housing and sub-standard institutional shelter for the needy aged.

National Center for Aging. Just as the National Institutes of Health have stimulated research which has benefited the physical health of the elderly, so a National Center could stimulate the social research necessary for successful adaptation to the shift in the age distribution of our population. The Center would be a focal point for both intramural and extramural research and for stimulating training programs for gerontologists and other needed personnel specializing in services to the elderly.

Employment. Employment of the aged involves special problems and requires special attention to enlarging opportunities for full-or part-time employment, including increased personnel, training programs, elimination of age discrimination, and special allowances.

Housing. Adequate housing for the elderly is still a major need, despite the accomplishments of the last few years. To continue to move forward will require special loan, grant, and rent supplementation programs; training, planning and research programs; and elimination of certain current restrictions on space and eligibility with respect to housing programs for the aged.

Senior Citizens Corp. There are half a million persons in executive and professional positions who are between 60 and 64 years of age and will be retiring within the next few years. There are many ways they, and persons with similar backgrounds who have already retired, could serve their communities without competing in the labor market. To use their valuable talents for public service, a senior citizens corps should be established to mobilize retirees for volunteer work.

SENIOR CITIZENS CORPS

It is a basic fact of our time that there are a dearth of public services. Libraries, schools, hospitals, museums, and parks are understaffed and unable to fulfill their mission adequately because of lack of personnel. At the same time, there exists in our society among our retired people a reservoir of skill, talent and experience seeking a way to be used.

There are today a half-million professional and executive persons between the ages of 60 and 64 and within the next few years these people will be retiring and seeking ways of being useful.

It is, therefore, proposed that a National Senior Citizens Corps be established that would enable retired persons to serve as volunteers in developing public services that would be non-competitive with existing occupational programs. The volunteers could receive a modest stipend. They would serve on either a full or part-time basis in either their home communities or other communities that requested their services within the United States.

File - Soc Security 1964

I would like to spend the next few minutes talking with you about a most important domestic issue, social security. I choose this first of all because the Democratic Party and the Johnson Administration have such an outstanding record with this program, and secondly, because Senator Goldwater, for the past several years, has made rather extraordinary statements in regard to the Social Security System.

The Senator's social security pronouncements are more varied, more contradictory, and more in need of explaining than his excursions into any other domestic area. However, his position is clear if one simply follows Barry Goldwater's own instructions for decoding.

In May of this year he said, "By our votes you can judge us, not by our talking." That's good enough for me, but do you know how he has voted?

He voted against adding disability benefits in 1956.

He voted against a 10 percent benefit increase in 1958.

He voted against health care for the aged in 1960, 1962, and 1964.

However, although he has had no chance to vote on it, his proposal that social security should be voluntary is the most depressing display of a candidate's total failure to grasp the social security concept ever witnessed by the American people.

Can you picture the social security system that would draw its participants almost solely from the ranks of the halt and the ailing on a voluntary basis?

Can you picture a system that would insure anyone anytime they felt that they might need its benefits? Only the poorest risks--the most expensive--would elect to participate.

There is no modern legislative parallel to this unsound proposal, but it would be similar to a situation in which the government would set up a program which allowed a home owner to take out fire insurance after he smells the smoke.

I would not want my tax money in that kind of program, and I certainly would not want that kind of fiscal irresponsibility in the White House.

Let us take a look at social security as it is today. The program was one of the first and most outstanding contributions of President Franklin Delano Roosevelt's first administration.

Social security, molded in the forge of the depression, has continued to grow with the size and needs of the American economy so that today nine out of every ten American workers participate in this contributory insurance program and rely upon it to provide them with a basic measure of security and dignity in the future.

The purpose and principle of the system are simple. Social security provides a continuing income for individuals and families who have lost income from work through death, retirement in old age, or permanent and total disability.

Under this program, employees and self-employed people pay a percentage of their earnings into a fund. When the risks I just mentioned materialize, payments are made from the fund to replace a portion of the income lost.

Today, almost 20 million beneficiaries are drawing benefits every month-- 14 million of whom are retired workers and their dependents; over 4 million who are survivors of deceased workers; and well over $1\frac{1}{4}$ million disabled workers and their dependents. These benefit payments amount to more than \$15 billion a year. I do not believe anyone could have envisioned, in 1935, the unmatched growth of the American economy, and with it the social security program.

This program has created basic financial protection for almost every man, woman and child in the United States, and in so doing, has created the largest financial trusteeship in history. Social security today affects the

personal security of nearly every American, and for many will spell the difference between deprivation and assured income--not welfare or charity income, but income from a prepaid social insurance "policy" consistent with the self-respect, the dignity, and the individuality which are the birthright of every American.

The financial soundness of the social security program and the worker's right to benefits are both assured through the contributory financing of the program.

The fact that today's worker pays a share of the cost of his own later benefits is his assurance that he and his dependents will receive the scheduled benefits as a matter of right.

The employee contribution gives assurance that social security is not a government handout, but rather a cooperative program in which the American people use their government as an instrument to provide protection for themselves and for their families against loss through old age, death, or disability.

What actually happens is this. Under the law, all contributions are allocated to two trust funds--the disability insurance trust fund, and the old-age and survivors insurance trust fund. These trust funds are kept entirely separate from other Treasury accounts and are used only to pay benefits and administrative expenses. Incidentally, the administration of the entire program costs only 2.2 cents of every social security tax dollar. I do not know of any private insurance program administered at such low cost.

The contribution rates in the early years of the program were, by design, higher than necessary to cover expenses. The money not needed

immediately has been invested in interest-bearing government securities, and today, that interest is helping to pay benefits and administrative costs for the program. It is your money, and while providing a contingency reserve, it is still working for you.

When opponents of the social security program wish to attack its improvement or expansion, in the area of hospital care for example, they invariably attempt to cast doubt on the financial soundness of the program and its ability to deliver increased services.

No aspect of the program has received more careful and continuous consideration by Congress than the financing. No aspect of the program has been treated more thoughtfully and conservatively. Never have improvements been made or changes contemplated without more than adequate provision for meeting their costs.

In our national social security program, we are not dealing with a private company. A private insurance company must have funds on hand to meet all its accrued liabilities at any given time. It must do this because no one can guarantee the continued existence of any given company. In social security we are dealing with the most stable and enduring government in history. Because that government is stable and enduring, it can be assumed that such a program will continue to collect contributions and pay benefits indefinitely into the future.

This is accepted as a sound concept by experts in the field, and its successful application to the social security program is a matter of public record. I can think of no better way to emphasize this than to quote the

1959 report of the Advisory Council on Social Security Financing which stated that "....the present method of financing the old-age, survivors, and disability insurance program is sound, practical, and appropriate." That Council was appointed under a Republican President, Dwight Eisenhower.

So far, I have talked about the concept of social security and the method by which it is financed. I hope that I have not given the impression that I consider the status quo to be the ideal. I do not.

Social insurance, like any other kind of insurance, is not good if it does not adequately meet the needs of the insured. Neither here, nor anywhere else, can we shut our eyes to change. Nor can we, like Senator Goldwater, employ the simple expedient of removing the lenses from our eyeglasses. We must see change and meet its challenge. Social security must be open to modification to meet the needs created through changes in the labor force, wage levels, medical costs and various other factors that affect the appropriateness of the program in our dynamic economy. The continuing need for changes in benefit amount, taxable wage base and other important aspects of the program is obvious. Basically, what has happened is that as wages have risen, the maximum wage base for benefits and contributions has not been correspondingly increased. Today, it is only \$4,800 as against the original \$3,000 although wage levels have more than tripled in the meantime. Such a situation requires modification of not only benefit amounts, but also, to stay with sound financing principles, modification of taxable earnings base and social security contribution rates. Such changes were included in the Social Security Amendments of 1964 which the Johnson Administration attempted to get through the Congress. Under these amendments, benefits would ^{have} been increased across the board to almost 20 million beneficiaries; some 600,000 Americans in their 70's who have some social security

credits, but up to now have not had enough to qualify for benefits, would have been able to receive payments; widows of workers who died before accumulating more than a few quarters of coverage would have gained social security benefits; and child's benefits to children attending school or college would have been payable to age 22.

Many of these improvements would, of course, cost money, and in keeping with sound financial practices, the amendments included methods for providing that money. Such fiscally sound improvement of the system is the truly conservative approach. I would remind you that the irresponsible attitude of Mr. Goldwater on this issue is not.

The Senate version of the 1964 Social Security Amendments provided for an increase of the maximum taxable earnings base from \$4,800 per year to \$5,600. It also would have increased the employee and employer contribution rate from 3.625 percent (1965) to 4.25 percent (1965). This increase, passed by an overwhelming majority in the Senate, was constructed to serve not only to finance these improvements, but to provide adequate funding for one of the Johnson Administration's most important domestic programs--hospital care for the aged. You know this plan as "Medicare."

For years, the Democratic Party under Harry Truman, John F. Kennedy and Lyndon Johnson has been the Party of vision. We have seen that our older citizens need a program to protect them against the hardship of illness in old age. And along with the other improvements, we wanted to give them that protection this year.

~~Unfortunately, we did not succeed.~~

It is true that we could have passed some social security bill this year.

It is true that we could have gotten a few dollars benefit increase.

However, to do so we would have had to give up the fight for Medicare.

Senator Goldwater says that President Johnson scuttled the social security bill because he would not knuckle under for that kind of deal.

The Senator says that the President undermined the program by not buying the so-called compromise.

Well, I do not agree with the Senator.

Four Democratic Presidents have worked to build the social security system. Four Democratic Presidents have worked to make it truly mean something to the economic security of the aged. When nine million senior citizens have absolutely no health insurance, we are not going to take a little benefit increase in place of Medicare. We are not going to say to America's aged, "We know that you are going to have a thousand dollar medical bill in the next few years, so here are a couple of dollars to buy tranquilizers."

The people who are scuttling legislation and undermining the program are people like Senator Goldwater who vote against program improvements, who vote against medicare, and who come up with such harebrained schemes as voluntary social security.

We will get benefit increases and coverage extensions, and Medicare. But we will not sell out the American aged to do it.

We will get them because they are needed.

In this, the richest nation in the world, our aged have less income, less adequate hospital insurance and more proven hospital use than any other age group. The median annual income of an aged married couple in the United States is less than \$2,900. About half of America's aged couples have a combined income of less than \$2,500 per year and nearly half of our other senior citizens receive less than \$1,000 per year.

Out of this group of 18 million Americans 65 and over, 9 out of 10 will become hospitalized at least once before they die. Two out of 3 of them will be hospitalized at least twice.

If Senator Goldwater can see this, he is indifferent to it. He made a special transcontinental jet flight to vote against the Administration's hospital insurance proposal. This action was even more disturbing in the light of his comments on the issue. He said, and I quote, "I've got my own medicare plan. I've got an intern for a son-in-law."

The retired worker and his wife, who are living on the modest income I just mentioned, can expect to spend in the year he or his wife is hospitalized, an average of \$1,220 on medical care. This is almost 6-months income for that couple and is 5 times what he would normally spend on medical care in any given year. If the retired worker is fortunate, he will be among the 9 million aged who have some sort of hospital insurance. The odds are better than even that he will be, instead, among the 9 million who do not have any type of hospital insurance. If he is fortunate enough to be in the first category, there is one chance in three that his policy will pay \$10 or less per hospital day. Only one out of every nine insured aged, that's one out of every 18 Americans 65 and older, has insurance that will cover 40% of average medical costs.

The reasons for the general lack of health insurance coverage of America's aged are varied. Some simply cannot afford the \$400 to \$550 every year that would be required for adequate insurance. Some have had their policies cancelled. Others have lost health insurance coverage upon retirement and are unable to obtain a policy. For those who are fortunate enough to have coverage, it is costing them between 1/6th and 1/5th of their total annual income.

The social security financed program of hospital insurance is not a panacea for everyone, but it will give substantial relief to a large percentage of those millions of Americans who, after years of planning for retirement, stand to lose their savings, and even their homes, due to high hospital and medical bills.

The program we want would provide protection against the cost of inpatient hospital, outpatient hospital diagnostic, skilled nursing home, and home health services for people 65 and over who are entitled to monthly benefits under the social security program. These services would be financed by funds allocated to a special hospital insurance trust fund much the same as the present disability insurance trust fund, and benefits would be paid much the same as Blue Cross payments to the providers of services. Free choice of physician and hospital are assured. Also included is a private insurance pooling arrangement to provide complementary health insurance plans for the aged who wish to subscribe to them.

I am confident that the next decade will see even the most adamant opponents of this plan lauding its success. Certainly our senior citizens will rejoice in a pre-paid plan of hospital insurance that will lift a heavy burden from their shoulders and those of their children. I will always take pride in having helped them gain the protection, the dignity, and the security it will provide. America's senior citizens, in their working years, have brought the nation to the brink of a great new society. Today's workers--tomorrow's senior citizens--will bring that society to fruition.

The absolute minimum we can do in return is to provide them with a mechanism to meet the realities of old age--to protect themselves without a bended knee or a bowed head--to provide for themselves with honor.

[1964] Draft Speech

Social Security

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However, his proposal that social security should be voluntary is a most depressing display of the candidate's total failure to grasp the basic concept of social security.

Can you picture the social security system that would draw its participants almost solely from the ranks of the halt and the ailing on a voluntary basis?

Can you picture a system that would insure anyone anytime they felt that they might need its benefits? Only the poorest risks--the most expensive--would elect to participate.

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I would not want my tax money in that kind of program, and I certainly would not want that kind of fiscal irresponsibility in the White House.

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The purpose and principle of the system are simple. Social security provides a continuing income for individuals and families who have lost income from work through death, retirement in old age, or permanent and total disability.

Under this program, employees and self-employed people pay a percentage of their earnings into a fund. When the risks I just mentioned materialize, payments are made from the fund to replace a portion of the income lost.

Today, almost 20 million beneficiaries are drawing benefits every month-- 14 million of whom are retired workers and their dependents; over 4 million who are survivors of deceased workers; and well over $1\frac{1}{4}$ million disabled workers and their dependents. These benefit payments amount to more than \$15 billion a year. I do not believe anyone could have envisioned, in 1935, the unmatched growth of the American economy, and with it the social security program.

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The employee contribution gives assurance that social security is not a government handout, but rather a cooperative program in which the American people use their government as an instrument to provide protection for themselves and for their families against loss through old age, death, or disability.

What actually happens is this. Under the law, all contributions are allocated to two trust funds--the disability insurance trust fund, and the old-age and survivors insurance trust fund. These trust funds are kept entirely separate from other Treasury accounts and are used only to pay benefits and administrative expenses. Incidentally, the administration of the entire program costs only 2.2 cents of every social security tax dollar. I do not know of any private insurance program administered at such low cost.

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No aspect of the program has received more careful and continuous consideration by Congress than the financing. No aspect of the program has been treated more thoughtfully and conservatively. Never have improvements been made or changes contemplated without more than adequate provision for meeting their costs.

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Other improvements under these amendments include coverage of some 600,000 Americans in their 70's who have some social security coverage, but up to now, have not had enough to qualify for benefits. This provision is also being extended to widows of workers who died before accumulating more than a few quarters of coverage.

Included also are the extension from age 18 to age 22 of child's benefits to children attending school or college, and the payment of actuarially reduced benefits to widows at age 60 rather than 62. Now many of these improvements are going to cost money, and in keeping with sound financial practices, these amendments include methods for providing that money. Such fiscally sound improvement of the system may truly be called conservative. I would remind you that, in contrast, the irresponsible attitude of the opposition on this issue is not.

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The program, as passed by the Senate, would provide protection against the cost of inpatient hospital, outpatient hospital diagnostic, skilled nursing home, and home health services for people 65 and over who are entitled to monthly benefits under the social security program. These services would be financed by funds allocated to a special hospital insurance trust fund much the same as the present disability insurance trust fund, and benefits would be paid much the same as Blue Cross payments to the providers of services. Free choice of physician and hospital are assured. Also included in the plan is a private insurance pooling plan to provide complementary health insurance plans for the aged who wish to subscribe to them.

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This is accepted as a sound concept by experts in the field, and its successful application to the social security program is a matter of public record. I can think of no better way to emphasize this than to quote the

1959 report of the Advisory Council on Social Security Financing which stated that "....the present method of financing the old-age, survivors, and disability insurance program is sound, practical, and appropriate." That Council was appointed under a Republican President, Dwight Eisenhower.

So far, I have talked about the concept of social security and the method by which it is financed. I hope that I have not given the impression that I consider the status quo to be the ideal. I do not.

Social insurance, like any other kind of insurance, is not good if it does not adequately meet the needs of the insured. Neither here, nor anywhere else, can we shut our eyes to change. Nor can we, like Senator Goldwater, employ the simple expedient of removing the lenses from our eyeglasses. We must see change and meet its challenge. Social security must be open to modification to meet the needs created through changes in the labor force, wage levels, medical costs and various other factors that affect the appropriateness of the program in our dynamic economy. The continuing need for changes in benefit amount, taxable wage base and other important aspects of the program is obvious. Basically, what has happened is that as wages have risen, the maximum wage base for benefits and contributions has not been correspondingly increased. Today, it is only \$4,800 as against the original \$3,000 although wage levels have more than tripled in the meantime. Such a situation requires modification of not only benefit amounts, but also, to stay with sound financing principles, modification of taxable earnings base and social security contribution rates. Such changes were included in the Social Security Amendments of 1964 which the Johnson Administration attempted to get through the Congress. Under these amendments, benefits would ^{have} been increased across the board to almost 20 million beneficiaries; some 600,000 Americans in their 70's who have some social security

credits, but up to now have not had enough to qualify for benefits, would have been able to receive payments; widows of workers who died before accumulating more than a few quarters of coverage would have gained social security benefits; and child's benefits to children attending school or college would have been payable to age 22.

Many of these improvements would, of course, cost money, and in keeping with sound financial practices, the amendments included methods for providing that money. Such fiscally sound improvement of the system is the truly conservative approach. I would remind you that the irresponsible attitude of Mr. Goldwater on this issue is not.

The Senate version of the 1964 Social Security Amendments provided for an increase of the maximum taxable earnings base from \$4,800 per year to \$5,600. It also would have increased the employee and employer contribution rate from 3.625 percent (1965) to 4.25 percent (1965). This increase, passed by an overwhelming majority in the Senate, was constructed to serve not only to finance these improvements, but to provide adequate funding for one of the Johnson Administration's most important domestic programs--hospital care for the aged. You know this plan as "Medicare."

For years, the Democratic Party under Harry Truman, John F. Kennedy and Lyndon Johnson has been the Party of vision. We have seen that our older citizens need a program to protect them against the hardship of illness in old age. And along with the other improvements, we wanted to give them that protection this year.

Unfortunately, we did not succeed.

It is true that we could have passed some social security bill this year.

It is true that we could have gotten a few dollars benefit increase.

However, to do so we would have had to give up the fight for Medicare.

Senator Goldwater says that President Johnson scuttled the social security bill because he would not knuckle under for that kind of deal.

The Senator says that the President undermined the program by not buying the so-called compromise.

Well, I do not agree with the Senator.

Four Democratic Presidents have worked to build the social security system. Four Democratic Presidents have worked to make it truly mean something to the economic security of the aged. When nine million senior citizens have absolutely no health insurance, we are not going to take a little benefit increase in place of Medicare. We are not going to say to America's aged, "We know that you are going to have a thousand dollar medical bill in the next few years, so here are a couple of dollars to buy tranquilizers."

The people who are scuttling legislation and undermining the program are people like Senator Goldwater who vote against program improvements, who vote against medicare, and who come up with such harebrained schemes as voluntary social security.

We will get benefit increases and coverage extensions, and Medicare. But we will not sell out the American aged to do it.

We will get them because they are needed.

In this, the richest nation in the world, our aged have less income, less adequate hospital insurance and more proven hospital use than any other age group. The median annual income of an aged married couple in the United States is less than \$2,900. About half of America's aged couples have a combined income of less than \$2,500 per year and nearly half of our other senior citizens receive less than \$1,000 per year.

Out of this group of 18 million Americans 65 and over, 9 out of 10 will become hospitalized at least once before they die. Two out of 3 of them will be hospitalized at least twice.

If Senator Goldwater can see this, he is indifferent to it. He made a special transcontinental jet flight to vote against the Administration's hospital insurance proposal. This action was even more disturbing in the light of his comments on the issue. He said, and I quote, "I've got my own medicare plan. I've got an intern for a son-in-law."

The retired worker and his wife, who are living on the modest income I just mentioned, can expect to spend in the year he or his wife is hospitalized, an average of \$1,220 on medical care. This is almost 6-months income for that couple and is 5 times what he would normally spend on medical care in any given year. If the retired worker is fortunate, he will be among the 9 million aged who have some sort of hospital insurance. The odds are better than even that he will be, instead, among the 9 million who do not have any type of hospital insurance. If he is fortunate enough to be in the first category, there is one chance in three that his policy will pay \$10 or less per hospital day. Only one out of every nine insured aged, that's one out of every 18 Americans 65 and older, has insurance that will cover 40% of average medical costs.

The reasons for the general lack of health insurance coverage of America's aged are varied. Some simply cannot afford the \$400 to \$550 every year that would be required for adequate insurance. Some have had their policies cancelled. Others have lost health insurance coverage upon retirement and are unable to obtain a policy. For those who are fortunate enough to have coverage, it is costing them between 1/6th and 1/5th of their total annual income.

The social security financed program of hospital insurance is not a panacea for everyone, but it will give substantial relief to a large percentage of those millions of Americans who, after years of planning for retirement, stand to lose their savings, and even their homes, due to high hospital and medical bills.

The program we want would provide protection against the cost of inpatient hospital, outpatient hospital diagnostic, skilled nursing home, and home health services for people 65 and over who are entitled to monthly benefits under the social security program. These services would be financed by funds allocated to a special hospital insurance trust fund much the same as the present disability insurance trust fund, and benefits would be paid much the same as Blue Cross payments to the providers of services. Free choice of physician and hospital are assured. Also included is a private insurance pooling arrangement to provide complementary health insurance plans for the aged who wish to subscribe to them.

I am confident that the next decade will see even the most adamant opponents of this plan lauding its success. Certainly our senior citizens will rejoice in a pre-paid plan of hospital insurance that will lift a heavy burden from their shoulders and those of their children. I will always take pride in having helped them gain the protection, the dignity, and the security it will provide. America's senior citizens, in their working years, have brought the nation to the brink of a great new society. Today's workers--tomorrow's senior citizens--will bring that society to fruition.

The absolute minimum we can do in return is to provide them with a mechanism to meet the realities of old age--to protect themselves without a bended knee or a bowed head--to provide for themselves with honor.

[1964?]

To: Max Kampelman and John G. Stewart
From: Merton C. Bernstein
Re: Campaign Issues and Proposals on Social Security and Private Pensions

I. The Problem: Some 18 million Americans are 65 years or older and a large majority of them (some 60%) are in family units classifiable as "poor"; most who escape do so because they still are at work, but obviously their days are numbered. Those with part-time employment face difficulties imposed by the earnings limitations of the Social Security program. Our goal should be that public and private programs assure that the elderly live in decency and do not suffer a drop in their standard of living when retirement is reached. We are woefully far from achieving such a goal.

A. Social Security

Most of these older citizens, and several hundred thousand more under 65 who are "retired", rely principally upon Social Security retirement or survivor benefits for their support. But benefits are painfully inadequate; they average \$120 for couples, \$90 for men and under \$60 a month for widows. Little wonder that the overwhelming majority of the aged can afford neither private health insurance nor the frequent and heavy bills caused by deteriorating health. Even if the Senate's Social Security bill survives in something like the form it was passed, the elderly American will have some (but insufficient) insured medical care when

ill enough to be hospitalized; despite this new benefit a large majority will remain poor. Hence more and more -- rather than fewer and fewer -- must resort to welfare payments for both income supplements and medical care.

Social Security benefits are so small today, despite repeated improvements starting in 1950, because the design of the 1935 act was very conservative and the entire program languished between 1940 and 1949 due to high employment rates among the elderly during the war and post-war years. The basic design remains, i.e., employee and employer contributions (payroll taxes which realistically must be viewed as labor costs derived from whatever is available for compensation) must fully pay for benefits without any financing from general tax revenues. As payroll taxes are payable only on the lower levels of compensations (now up to the first \$4,800 of pay or self-employed earnings a year -- boosted to \$5,600 in the Senate bill) the tax rates are kept down because those with small earnings can ill afford larger bites by payroll taxes -- now at 3 5/8% and scheduled to go up to 5.2% of taxable earnings by 1971 under the Senate bill just to maintain the scale of benefits provided in that measure.

Private savings are insignificant for income purpose even though the assets of the elderly on the

average are greater than for other age groups; these larger amounts -- a few hundred or thousand dollars at best, ^{are} enough for ^{only} a short rainy day.

While perhaps two-thirds of those over 65 own their own homes only a bare majority of houses are held mortgage free (data are not very good on this point). A goodly number of those who own their own homes are farmers; more and more of those entering the ranks of the aged-unemployed will be urban dwellers and home ownership probably will become less common among the elderly.

B. Private Pensions

Private pension plans provide supplements for only a small number (perhaps a million or so retirees -- again data are poor). Even the comparatively generous Steelworker and (pre-Chrysler) Autoworker plans provide benefits which combined with Social Security replace less than half his former earnings for the retiree with long years of service; the shorter service man is worse off. (For technical reasons the report of the UAW-Chrysler settlement overstates the benefits that will result.) Where wives worked, as is now so common, an even smaller portion of the former family income is achieved.

Private pension plan participants number about 22 million out of 43 million civilians employed full

time the whole year and the more than 80 million people who work at one time or another during the year. Worse yet, probably fewer than half will achieve benefits under their plans -- indeed, even with conservative assumptions perhaps as few as 20% of the people under plans will achieve benefit status under them. This is so because about 85% of the employees under plans must remain with that employer until retirement age (after substantial service) or, if separated, meet stringent age and service requirements, typically 10 or 15 years with that one employer plus attained age of 40 or 45; most separated employees do not qualify. And, ~~the~~ the average benefits of those lucky few are modest (on the order of \$60 a month) to small.

But employees not only leave plans, plans leave employees. Two of the most dramatic and grievous examples were when Packard shut down in Detroit in 1958 and Studebaker ended operations in South Bend just before Christmas 1963. The pension plans terminated and by their terms all pension credits earned by those still employed vested. In the case of Packard, pension trust funds were insufficient to continue full payment of benefits to those already retired and eligible for retirement. In the case of Studebaker, fund assets were adequate for retirees but many thousand workers

under 60 -- some with decades of Studebaker service -- have no pension benefits and will have none to show for it because funds are insufficient and employer liability is limited to amounts contributed or required by collective agreement to be contributed; no employer contributions were owing.

There are two problems here: (a) inadequate funding for pension credits earned after the plan was "installed" and (b) inadequate funding for pension credits payable for years of service prior to institution of the plan (called "past service" or "prior service"). Past service credits are essential to decent benefits for those near retirement age when a plan gets under way because most plans vary benefits according to length of service. But funding such credits takes at least a decade and often longer; they present little problem where a plan lasts for a long time and funding is conscientious. But, where plans are terminated before they have operated for 20 or even more years assets are almost bound to be inadequate; where funding has been skimpy, although within the bounds permitted by Treasury regulations, the cupboard may be even more bare.

II. Possible Solutions

A. Social Security

Further improvements in benefits require, in the alternative or possibly in some combination: (1) higher

payroll tax rates; (2) adoption of graduated rather than uniform tax rates; (3) higher limits on taxable earnings; (4) supplementation from general tax revenues.

Until the early 1960's, there seemed to be little complaint about the level of Social Security payroll taxes, principally because they were low, with higher rates scheduled for the future -- a fact unknown by most and obscured by more pressing matters. Starting with the payroll tax increase in 1962, some resistance and criticism among working people and employers became evident. Many Social Security Administrative experts in and out of government feel that the Senate bill's tax rates reach the maximum feasible. However, the impact upon earnings is diminished for many by larger incomes -- but ~~because~~ rates are uniform on all taxable payroll ^{and} higher rates upon those earning small incomes ~~are unthinkable.~~ ~~probably prevents further increases.~~ It is for just this reason that major increases in revenue for this program have been achieved by repeated increases in the maximum of taxable income (initially \$2,400, then \$3,600, changed to \$4,800 in 1958 and to \$5,400 in this year's House bill and \$5,600 by the Senate bill).

No one has proposed graduated tax rates. The regressive nature of the uniform tax on the bottom segments of earnings has been offset by a benefit formula

which is more favorable to those with lower earnings. (This design does not apply to hospitalization and nursing care benefits which do not vary in amounts according to income; indeed, the low income worker may be forced to choose the option providing the least benefits because they cannot afford the deductible that goes with longer benefits.)

To the extent that a larger part of the program is financed by increasing taxable earnings, the regressive nature of the uniform tax is reduced. And this seems to be the most practical alternative. Those who would pay more payroll tax also would get higher benefits so that there is an incentive offsetting the normal reluctance to pay higher taxes.

For the foreseeable future the financial demands upon the Social Security retirement-disability-hospitalization program will be prodigious in the medical care sector alone. This is so because HEW estimates may well be low and, more importantly, because there will be pressure to extend the program to those below 65 (after all retirement is possible at age 62 and under the 1964 measure widows will be eligible to receive benefits at 60 rather than 65) and there will be pressure to extend benefits to pay for physician's care and drugs outside of hospitals and nursing homes. To meet these demands (and they are practically

irresistable -- I both hope and expect) and to increase cash benefits would require prodigious infusions of fresh financing.

The dilemma then becomes: to increase taxable payroll with possible resistance among those with earnings in excess of \$5,600 or ^(to impair) the "insurance principle" (that the system pays its own way and benefits are paid for by the recipients and hence are due as of right) ~~will be impaired~~ by financing part of the program through general tax revenues. This latter step is not only presently difficult but will make difficult future benefit and program improvements; in the past the "pays its own way" argument has greased the skids despite the fact that in reality it is present wage earners who, in large measure, are paying for the current benefits of retirees.

Philosophically, the use of general revenues rather than a rather regressive tax seems warranted. Practically, tapping general revenues seems to be the only way of financing adequate benefits.

Perhaps the innovation of a graduated Social Security tax achieves both ends. Politically, any such proposal should be tentative. And as organized labor is deeply devoted to the "insurance principle" of OASDI, any such proposal should be unveiled first in private.

The elderly and those approaching retirement constitute a growing proportion of the population -- especially the voting population. They have real and pressing problems which the anti-poverty program does not reach. They deserve more consideration; but promises of an enlarged, more generous Social Security program will immediately lead to questions of how it is to be financed.

Among proposed improvements is retirement at age 60 with reduced benefits rather than at age 62 as at present. However, the reduced benefits available at 62 (and ^{even} the unreduced benefits at 65) are patently inadequate and the reduction persists throughout the period of retirement. The availability of such retirement subjects the eligible older workers to often irresistible pressure to retire from co-workers. Forcing a worker into retirement while he can and wants to work is regrettable, all the more so because his income is bound to be too small for his needs. Earlier retirement with unreduced benefits also is undesirable. The attached two page piece (minus its original closing summary paragraph) from the August 22, 1964 New Republic summarizes my analysis of this issue.

Employment and self employment earnings up to \$1200 a year are permitted without loss of any OASI

benefits; for the next \$500 in annual earnings there is a benefit loss of \$1 for each \$2 earned; above \$1,700 each \$1 of earnings means an equal reduction in benefits. After age 72 there is no limitation on earnings. There is constant pressure to liberalize the limits and that has taken place repeatedly (the Senate bill raises the \$1,200 limit to \$1,500). But, it is expensive to the system and so its desirability has to be weighed against other possible improvements. But, such liberalization is very popular among older people -- especially in the most numerous group from ages 65 to 68 when earning power remains and adjustment to the lower income of retirement rankles most.

B. Private Pension Plans

1. Proposed Improvements

Private pension plans proliferated -- not simply because of favorable tax treatment -- but because the chronic inadequacy of Social Security benefits demand supplementation. I have no doubt that this will continued to be the case.

As presently designed private plans actually cover only a minority of employees and only a small proportion of them will achieve benefits; moreover, private plans usually provide no supplementation to the paltry Social Security benefits received by widows -- so where need is greatest, they help least.

The shortcomings and gaps in private plans indicate the required improvements; plans should be redesigned so as to:

1. Provide benefits to a much larger proportion of participating employees;
2. Cover more employees, especially in small companies and in non-manufacturing enterprises where coverage now is sparse and where employment is growing;
3. Pay larger benefits (and the best way to do this is for more years of service, especially the early ones, to result in benefits thereby minimizing out-of-pay envelope and payroll cost); and
4. Provide benefits to survivors, especially widows.

To accomplish these goals I would recommend:

1. The establishment of a National Pension Clearing House to facilitate the transfer of the value of vested pension credits of employees separated from jobs with plans. The clearing house would "bank" such amounts and operate a national group plan for such employees; it might also act, much as a bank clearing house does, for the transfer of such amounts from the plan an employee leaves to any new plan he might enter when starting a new job (while this might appear a more simple function, technical problems make the former function easier to achieve; however, the rivalry of such

a plan with private plans presents a problem of acceptability, discussed below.)

2.a The clearing house national group plan would offer basic coverage to groups of employees of small enterprises (I would suggest that only companies with fewer than 500 employees could make use of the national plan) for whom the overhead costs of private plans often are prohibitively high. Such small company coverage also is desirable because of the high rate of mortality among small-sized firms -- running to the hundreds of thousands a year. Such coverage is also important because of the growing proportion of employment in service industries where firms typically are small.

b. The preservation of pension credits would be greatly enhanced if more plans were "contributory," i.e. financed in part by employee as well as employer contributions. Because employer contributions are deductible for income tax purposes but those of employees are not, contributory plans have been on the wane. This is unfortunate because when an employee leaves a job with a contributory plan he almost always gets his own contributions back, usually with some interest. So I would urge changing the Internal Revenue Code to make employee contributions deductible (within the present limits on employer contributions) provided they were irrevocably dedicated to pension (including

survivor income) purposes. Employers might still favor this; unions might also once they see that their members would be better served.

One reviewer found the arguments in my book for this change "powerfully persuasive". Treasury probably would oppose on ground of revenue loss, for which estimates vary from \$97 million to \$170 million. Whenever a contributory plan is transformed into a non-contributory plan, a common occurrence, that kind of revenue loss occurs (because the money contributed is no longer subject to income tax).

Improved transferability also means that more years of work will result in pension credits. The early years are especially valuable because of constantly compounded earnings on (tax free) earnings. So, \$1 contributed to a plan when an employee is 45 years old produces \$5 at age 65 (at 3 1/2% interest); but the same \$1 invested for him at age 25 produces \$20 at age 65. Under the clearing house plan therefore larger benefits can be produced at lower cost per employee per year. Of course, larger aggregate amounts are required -- but most of the increase would come from tax free earnings. (There are also additional advantages for older workers -- greater employability, larger retirement benefits, and disability benefits from the pension fund.) However, it would be several

years before these improvements would be realized -- but the sooner we get started the better.

3. Survivor benefits would be facilitated by lowered unit costs for pensioner's benefits. However, to achieve survivor benefits (especially for widows) of any substance additional costs must be incurred. A few of the larger plans are getting into this area, some on an optional basis. The purpose is so appealing and the need so pressing that I think a special deductibility "bonus" (of more than one dollar of deductibility for a dollar's contribution for this purpose) should be considered. This is an entirely novel proposal.

2. Means of Promoting Pension Progress

(a) Mandatory Vesting and My Proposals

Employment-based private pension plans are encouraged by federal tax law which provides deductibility of employer contributions and tax free earnings of pension trust funds and insurance company pension reserves. Plans are "qualified" for such favorable treatment (the tax free earnings are the more valuable despite the popular notion that deductibility is the big thing) if they observe certain prescribed conditions, which, I must say, provide very little protection to employees; they are designed primarily to discourage tax avoidance.

Some, including federal officials in Treasury, Labor and HEW, would further condition qualified treatment upon mandatory vesting of pension credits. (The details are in the Cabinet Committee report, vigorously opposed by some members of the Advisory Committee on Labor-Management Relations, including George Taylor). I vigorously recommend against mandatory vesting. In the first place, there is no political demand for it, hence no foreseeable possibility of achieving such legislation. The amorphous potentiality of such legislation is likely to induce private action, whereas the proposal and defeat of specific vesting proposals would positively retard improvement. The arguments against the merits also are pretty persuasive at least at first blush, which is the only blush, if any, that Congress usually sees. The basic argument is that the cost of vesting varies enormously from plan to plan, even within the same industries, because of differing employee turnover. This is dead right, although the differing costs can be equalized by adjusting benefits accordingly (but that's the second blush). Perhaps more importantly, it is fairly easy to defeat mandatory vesting by forcing employees off the job just before they achieve the conditions of eligibility. Since my book came out I have been told of several companies which already do that.

My own strongly held view is that every means of inducing plan improvement should be exhausted before resorting to compulsion. If vesting were facilitated by reducing its unit cost, I have little doubt that it would become available on more liberal terms. The process is familiar: a major union negotiates a provision; another or several major unions follow suit; before long the provision is close to universal even in non-bargained plans which try to keep pace as a means of fending off unionization.

The National Pension Clearing House with a National Group Pension Plan (for separated employees and workers in small companies) would facilitate coverage, promote vesting, expand the ranks of those achieving benefits and result in larger benefits.

The NPCH (very likely the Humphrey imagination can generate a more appealing name, perhaps "National Pension Bank") could be all private, all public or some public-private combination. The advantages and disadvantages of each are

(a) All private

advantages: probably most easily put together and certainly the most acceptable to the banks and insurance companies which already preside over several tens of billions of dollars of private plan assets.

Disadvantages - questionable whether it would achieve the requisite universality; it probably would build in the least desirable and quite expensive aspects of private plans - large acquisition costs. Also, there is the problem of public effective control. There is no state agency or set of agencies to regulate the new institution, a hybrid of banking and insurance. Moreover, state regulation of insurance often has been inadequate (especially on rates); most importantly, a nationwide agency should not be subjected to overlapping, possibly inconsistent, state regulation. However, there is no federal agency with the experience to regulate; a new agency might be objectionable and, because of its limited function, not very economical.

(b) All public

Advantages - universality and low cost (especially because the collection and recording facilities of the Social Security system would be available)

Disadvantages - because it would be in direct competition with private plans (especially in the area of small employer plans where insurance companies do so much of their pension business)

the private financial community would oppose with the vigor and tenacity insurance companies have shown on Medicare. I think such a conflict is both undesirable and unnecessary. Moreover, a real question arises about the desirability and feasibility of public agency investment in private stock and bond issues which would be necessary to maximize investment income.

(c) Public-private

Advantages - greater acceptability to the private financial interests; use of highly efficient, low-cost contribution gathering and record-keeping Social Security mechanisms; use of consortium of private interests (banks, insurance companies, self-insured plans plus labor) to do what they do best - investment of funds. (Details are to be found in my book, Ch. X.) Among the possible public private arrangements I favor a private corporation which would manage the federally collected fund for an agreed fee. This arrangement obviates the need of a public regulatory agency.

Disadvantages - In all candor I can not think of any.

The reviewers of my book have been unanimous in singling out my clearing house proposals as a

proposal of major importance. Professor Dan McGill of the Wharton School and Director of the Pension Research Council (financed principally by insurance companies) in a review to appear in the Fall issue of the Industrial and Labor Relations Review was good enough to say that I not only identify but successfully resolve the problems of its establishment.

The Cabinet Committee report recommends exploration of national clearing house arrangements. (Treasury, HEW and Labor had my chapters on the subject in draft form.) It made no explicit recommendations; it is my impression that many of the departmental officials involved want an all public arrangement but do not believe they can say so.

(b) Other Proposals

To meet the Packard-Studebaker kind of situation the UAW has proposed (and Senator Hartke introduced a bill providing) that as a further condition of "qualification" for favorable tax treatment plans "insure" that in the event of termination with insufficient funds to meet valid claims the insurance fund will make good the deficiencies. This is likened to FDIC; but it is obvious that the analogy does not hold: under FDIC the depositor is insured for amounts he deposited,

but under the proposed pension insurance he is insured for amounts not deposited.

In a rather exhaustive report on this subject which I did at the request of HEW two years ago I concluded that this approach, although desirable, does not seem feasible. Either the large plans of stable employers will be paying for the funding deficiencies of the small unstable companies or the latter, who already usually can barely afford pension plans, will have to pay prohibitively high premiums because of the high risk they present. In additions, the scheme is subject to abuse by the institution of lavish plans which cannot be funded and whose deficits would be paid by the insurance plan. To offset this, a long waiting period could be imposed before plan liabilities would be eligible for insurance. Obviously such a limitation is self-defeating.

Without doubt the Treasury Department should promulgate minimum ~~standards~~ standards of funding as a condition of "qualification". At the least "level" funding should be required.

THE NEW YORK TIMES, SUNDAY, AUGUST 16, 1964.

WORKERS FINDING
PENSIONS EMPTYWhen Plants Close, Funds
Are Often Inadequate

By ROBERT METZ

The closing of the Studebaker Corporation's auto works in South Bend, Ind., last December washed away the accumulated pension rights of practically every man on the work force under 60.

But Studebaker cannot be censured for failure to feed the pension kitty. The local of the United Auto Workers Union readily admits the company has lived up to its obligations under the contract. And the union's contract provides that the money available goes first to the retired and the ready-to-retire. The fact that this will take nearly all of the money, leaving thousands in their 40's and 50's without benefits, is a calamity but not a crime.

Lacking employment, the men face a potential reduction in Social-Security benefits—when they finally qualify—the dreary prospect of county relief in the meantime, and probably despair.

This is a serious problem—1,832 pension plans were terminated during a recent four-year period and perhaps 150 men were involved in the average case. It happens all over the nation.

About 1,000 persons lost their jobs when American Bakeries Companies closed its 103 local Cushman bakeries. At this point, it appears that Cushman pension benefits will be paid out to the retired and those ready to retire, leaving little for the others.

Company mergers frequently

Continued on Page 11, Column 4

WORKERS FINDING
PENSIONS EMPTY

Continued From Page 1

result in plant closings, and defense contracts awarded in one part of the country often mean loss of jobs in another locality for the employees of the unsuccessful bidder.

The unions have been deeply concerned over this problem for some years. Where feasible, the unions have sought regional and industrywide contracts in an attempt to offer some continuity for displaced workers.

But the closing of a plant in such a region or industry still means hardship. Re-employment when the job market is shrinking, as it often is, is not easily accomplished.

The United Auto Workers is seeking public guarantees or insurance programs under which valid benefit claims would be paid when a terminated plan does not contain enough money to guarantee all vested rights. Ordinarily, a man aged 40 with 10 years of service has vested rights.

Senator Vance Hartke, Democrat of Indiana, has introduced legislation to implement the idea. Under his plan, a pool, financed from premiums paid in by pension plans, would "make good" payments that individual plans could not meet.

Hard Journey Seen

Congressional observers foresee a long and arduous journey through the legislative mill with many pitfalls ahead. Senator Hartke said when he introduced the bill that more comprehensive legislation would be needed for an adequate solution to the problem.

The Senator, who is up for re-election, would be expected to help the Administration with its own pension legislation plans. At present a Labor-Management Committee headed by Secretary of Labor W. Willard Wirtz and Secretary of Commerce Luther H. Hodges is studying a confidential report on pensions.

The report covers pension "portability," vesting and other topics. It is believed to be an extensive study, but the specifics are not generally known. Walter Reuther, president of the U.A.W., is one of the labor representatives.

A few months ago, Merton C. Bernstein, a pension expert at the Yale Law School, published a book on the technicalities of pension plans and where, in his opinion, they fail. The book is called "The Future of Private Pensions."

Mr. Bernstein gives many proposed solutions to the pension problem in an exhaustive text. He concludes that the solution lies in insurance for lapsing plans and in transferable pension "credits."

Monetary Value

Mr. Bernstein writes that at any given time it is possible for an actuary to place a monetary value on the pension credits of an employee. This can be fairly routine.

He notes that this sort of thing is done in Norway, where white-collar workers' private pension credits are universally transferable. He says:

"Experience under a transfer scheme could develop more or less standard criteria for valuing the credits of existing and incoming employees. This would make possible continuity of credits and participation in growing plans presently denied tens of thousands of employees who lose or leave jobs covered by plans."

By translating pension credits into monetary value, the problem of matching the myriad types of pension plans would be overcome. This idea would have particular benefits for the older employees who have difficulty in finding new jobs.

Mr. Bernstein says there is some evidence that employers with plans do not hire older workers because their pensions would be substandard or would cost too much to be made more equal to those of long-term employees. A block of credits would be a ticket to a new job for many older workers, in Mr. Bernstein's view.

Clearing House Discussed

Mr. Bernstein goes into extensive detail about a clearing-house arrangement to "bank" credits while a man is between jobs. The clearing house would maintain records, facilitate transfers for employees leaving one job and beginning another. It could even provide basic coverage for small groups of employees for whom regular-plan coverage is impractical due to high costs and the uncertain longevity of the job, or "indeed, of the employer."

Mr. Bernstein notes that in Ontario in 1963, the Canadian province set up a compulsory private-pension scheme for employers with 15 or more employees. Vesting is to be compulsory on a scaled basis for service after age 30.

To conserve credits of separated employees and those earned under plans that become defunct, a Central Pension Agency is to be available to provide wage-related retirement benefits with specified minimum standards and benefits.

Incidentally, part of the impetus for the Ontario plan arose out of dissatisfaction with the Canadian Social Security System, which provides relatively modest benefits.

The Push for Early Retirement

by Merton C. Bernstein

The UAW this summer will ask the auto companies for optional "early retirement" with full benefits at age 60, and compulsory retirement at age 65 instead of the present 68. Other unions are "following the leader." Demands to lower the Social Security retirement age to 60 are growing more insistent. "Optional" earlier retirement often in practice is forced on older workers by younger workers; since retirement at age 62, with reduced benefits, became available under Social Security, many men between 62 and 65 have found such pressure irresistible.

This drive to push out the elderly to protect jobs for the young (really those in their middle years) comes from the rank and file. Yet it is questionable that for every forced retirement a job will open up for younger workers. Some employers are willing to defer an employee's separation until he reaches retirement; when he leaves, the job is blanked. One utility company reports that it filled only one out of eight jobs vacated by retirees: it introduced new devices to coincide with retirements.

The supply of workers in their "prime" working years — between 30 and 45 — will grow proportionally smaller over the next several years, because of the lower birth rates of the depression years. Therefore these people should be in greater demand by employers.

The cost of benefits for early retirees is high. The same money could be better spent to promote more adequate retirement protection and greater job security. The cost for private pension plans would vary considerably, depending upon the age distribution of the employees. For one group analyzed by me, normal retirement age of 65 would be about 25 percent more expensive than age 68. According to one union estimate, reducing retirement age to 60 from 65 would increase plan costs 50 percent. For some plans the differential would be even greater. And a reduction of retirement age to 60 under Social Security might require a payroll tax increase of one full percent of covered payroll, in addition to the present nine and one-quarter percent which is equally shared by employer and employee, i.e., a boost of better than 10 percent.

Exiling the elderly from their work while they still are able and willing to do their jobs inflicts a great

psychological wound as well as hurting them financially. This may explain why a high proportion of older workers declare that they want to keep working past 65, but that most of those out of work after 65 tell interviewers that they are not well enough to work. Not only is status destroyed, but the whole pattern of social life is disrupted with loss of a job, because the work place also provides a man's closest companions and many of his leisure activities.

Exile from the job also results in financial demotion; economic want becomes more severe as the years go by. We have yet to realize the need in which most retirees live. Just consider that the average retiree's Social Security benefit is \$80 for men and \$120 for couples — which means that perhaps half of the 13 million retirees and their survivors over 65 draw less. Nor do private pensions help many of them. Moreover, private plan benefits generally are quite modest. Even the relatively opulent steelworker and auto-worker plans provide (with Social Security benefits) less than half the retirees' former earnings. Who wants to try to live on less than half his current income? Little wonder that about two out of three elderly persons live below the poverty level — as compared with one out of five in the population at large.

The earlier we retire people the sooner they will fall below the poverty level because their fixed benefits are eroded by inflation, their earning power is diminished by age, and the benefits themselves must be smaller than they would be if retirement age was higher. This is obviously so because most plans pay in proportion to length of service, therefore any amount of money available for retirement income will provide smaller benefits for each year, if these must be paid out for more years. Moreover, under private plans, where earnings on pension fund principal often generate a large portion of the benefit, the earlier the benefit is drawn the shorter is its period of earning. Not only will most of the unemployed aged live miserably, many will be financial burdens to their children or their communities. Pretty clearly, their consumer purchasing power will be weak at a time when the economy needs all the effective consumers it can get.

Older job seekers, who according to the Department of Labor already account for a disproportionately high amount of chronic unemployment among displaced men, will be given yet another handicap. Employing them will be yet more expensive if they must be re-

MERTON C. BERNSTEIN is a labor arbitrator, lecturer at Yale Law School and author of the recently published book, *The Future of Private Pensions*.

tired earlier, because of the increased pension costs. Moreover, retraining them will be even less worthwhile because the costs, often high, will be amortized over a shorter period of work.

Better use can be made of whatever amounts are won for retirement programs in collective bargaining and from Congress.

Underlying the proposal for earlier retirement is the notion that it is better to unemploy an older worker with a regular source of income (Social Security and perhaps pension as well) rather than a younger worker with larger family responsibilities and without the substitute income source. This overestimates the income available to the older jobless person. In more and more states, he does not receive unemployment compensation benefits if getting a private pension benefit. Also younger workers usually will have unemployment compensation benefits, which usually will exceed the combined Social Security and private pension benefits of a comparable retiree, though unemployment compensation runs out after a specified number of weeks, usually 26.

The younger unemployed person is more employable than the older. He is more retrainable because of generally superior education and often superior learning power. For those now in their 50's and 60's a full high school education was a rarity; for younger workers it was a commonplace. The costs of training younger workers represent a better investment because they can be at their new work for longer.

While the Getting Is Good

In contrast, where employment opportunities are shrinking and earlier retirement permits younger workers to stay on their present but tenuous jobs longer, many may last only long enough to reach the age at which reemployment and retraining opportunities are less promising—a category which today sets in at age 45 or even lower. In other words, what I suggest is that younger employees should get out of unpromising job situations while the getting is good.

Rather than unemploy the (not-so) elderly workers, our efforts should be upon retraining the young, possibly even *before* they become unemployed, in the many new skills for which there is a demand. Retraining subsistence allowances under the Manpower Development and Training Act are limited to the state's average unemployment compensation benefits, which are pretty low especially when compared to the regular wages of those with good jobs—the kind of worker being talked about here. Special retraining allowances attractive enough to prevent loss of earnings would be necessary to persuade younger workers to leave well-paying jobs to undertake training for new skills. Of course, some such employees might be on lay-off. Even

with many of them, training allowances would have to be far more substantial than they are today for them to decide to train for a different job and, in effect, concede that their chances of recall to the old were gone; understandably, workers do this very reluctantly.

There are supposed to be several hundred thousand highly-skilled jobs going begging; it is difficult to train the unskilled and semi-skilled for many of these tasks, but many highly-skilled employees would fit the bill. If we were to enable and induce promising younger people, both unemployed and employed, to train for those jobs, we would achieve more production of goods and services which are in demand (that's why the jobs are open); greater status and financial security for older employees; and well-paying jobs which are relatively secure for younger workers.

Such an arrangement assumes that *some* of the quite prodigious amounts required for earlier retirement (both under private plans and Social Security) would be devoted to higher retraining benefits and, in some cases, more expensive and longer training for the younger transferring workers. That should leave a substantial surplus for making improvements in the benefits and protection afforded to those who retire at the older ages. There, the first order of business is to boost Social Security benefits above their prevailing below-subsistence levels, especially for widows—many quite aged—for whom the average benefit is less than \$60 a month.

Our private pension system also stands in need of basic improvement, indeed some profound redesigning. Obviously widows—especially older ones—are in urgent need of a supplement to their Social Security benefit—only a bare handful of plans provide one. Most plans provide paltry death benefits for survivors of those workers who die *before* reaching retirement age. Benefits for ~~such~~ younger widows (many not eligible for any Social Security benefits) and children should also receive high priority.

Under the typical private pension plans most employees separated from their jobs lose the entire value of their pension credits—they might just as well have never been under a plan. This stems from the fact that eligibility depends upon retiring while still employed by the company or, if separated before that, having had service with that company of 10 or 15 years and reaching age 45 or 40; conditions not met by most who leave or are put out of their jobs. Plans should enable most separated employees to take with them at least some of the value represented by their earned credits—the more the better—so that when they reach retirement their resources will be more adequate to provide a standard of living of decency. (Such arrangements, known as “vesting,” could be facilitated by a national private pension clearing house, a proposal to which I devote a substantial part of my book.)

Sidelights

Retirement at 60 Is Disputed

Early retirement has become a subject of growing interest as negotiations between the auto companies and the United-Automobile Workers progress.

The company recently offered the union new benefits to encourage retirement at 60; in line with the union idea that early retirement helps open jobs for younger workers.

Not all the experts agree with this thinking, however. Merton C. Bernstein, labor arbitrator and lecturer at Yale Law School states that the cost of benefits for early retirement is high, so high that costs of some pension plans might increase as much as 50 per cent if the retirement age is dropped to 60.

In an article in The New Republic, he is also concerned by the bad psychological effect on those who retire early as well as the fact that the income of most would drop close to or below the comfortable level. Such income is also likely to be eroded by inflation.

He also points out that most employees lose their pension rights if they leave a company before retirement. "Plans should enable most separated employees to take with them at least some of the value represented by the earned credits," he says.

Higher benefits under social security for widows of retired workers and for younger widows and children would make more sense, he maintains, than lowering the retirement age.

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[Aug. 1964]

KEY STATISTICS ON THE SOCIAL SECURITY PROGRAM

Coverage

More than 9 out of 10 people in paid jobs are covered or eligible for coverage. About 76 million people had covered earnings during 1963.

Protection

Retirement--At the beginning of 1964, 82 percent of the population age 65 or over were eligible for benefits; 91 percent of the people reaching age 65 in 1964 are eligible.

Survivors--Nine out of every 10 young children and their mothers can count on monthly benefits if the family breadwinner dies. At the beginning of 1964, the face value of this survivors insurance protection was \$620 billion.

Disability--At the beginning of 1964, about 53 million workers were insured should they become disabled this year.

Benefits

At the end of June 1964, 19.5 million people were getting benefits at a monthly rate of \$1.3 billion: 13.5 million retired workers and their dependents, 1.5 million disabled workers and their dependents, and 4.5 million survivors of deceased workers. About 1.8 million beneficiaries were age 62-64 and 13.4 million were age 65 and over.

Estimated Average Family Benefits--March 31, 1964

Retired worker with no dependents getting benefits	\$ 74
Retired worker and aged wife	129
Aged widow	67
Young widowed mother and two children	193
Disabled worker, young wife, and one or more children	195

Financing

Social Security Trust Funds--Fiscal Year 1964 (in millions)

	<u>OASI</u>	<u>DI</u>	<u>OASI & DI</u>
Income	\$ 16,044	\$ 1,208	\$ 17,253
Outgo	15,285	1,338	16,623
Assets June 30, 1964	19,699	2,264	21,963

For the social security program as a whole, income and outgo are estimated to show a steady increase during the next 4 fiscal years. The two trust funds combined are expected to increase by \$5 billion during the 4-year period.

Social Security Administration
Division of Program Evaluation and Planning
Program Planning Branch
August 1964

WHY SOCIAL SECURITY CANNOT BE VOLUNTARY

file:
SD: Social Security
[Sept. 24,
1964]

If social security were changed into a voluntary program, its financial soundness would be destroyed and its effectiveness in carrying out its vital role of preventing dependency would be lost.

Disastrous Financial Consequences

The financial soundness of our present self-supporting social security program depends on the assurance of income from the contributions of practically all present and future workers and their employers. If participation were left to individual choice, many workers and practically all employers would stay out. The loss of their contributions would mean a large-scale reduction in the prospective income to the social security trust funds, without a corresponding reduction in the benefit obligations. It would then be only a matter of time until social security became unable to continue payment of benefits to the 20 million present beneficiaries--old people, widows, orphans, totally disabled workers and their families--and to meet its commitments to people who qualify for benefits in the future.

The loss of the employer contributions (over 45 percent of the present income of the social security trust funds) would by itself be enough to prevent the financing of present and future benefits. Employers would have good grounds for strongly objecting to a requirement that they pay contributions on the earnings of their employees, regardless of whether any of their employees participated. And it would not be practical to require an employer to contribute with respect to only those of his employees who participate. Aside from the constitutional question of whether a tax can be imposed on one person as a result of the voluntary choice of another, if the amount of an employer's social security tax depended on the extent to which his employees elected coverage, employers would be induced to seek a cost advantage over other employers by employing workers who choose not to be covered.

Another problem of financing, which seems insurmountable, would arise from the benefit structure of social security if one tried to operate a program anything at all like the present program on a voluntary basis. The present benefit structure is designed to protect all American families, regardless of the worker's age or the size of his family, or any other factor which might make the value of the protection much higher than the worker's own contributions. Because social security is financed in part by employer contributions, it can provide in virtually all cases protection worth more than the worker's contributions and still take care of the more expensive risks--those cases where the protection is much more valuable than the contributions paid by the worker. This benefit structure is highly desirable from the standpoint of preventing dependency, and it is practical under a compulsory program. But if coverage were left to individual choice, participation would strongly tend to be concentrated in the group of those who are the higher-cost risks, that is, those who could expect to profit most by electing coverage (such as older persons or people with larger families). The high-cost risks would not be offset by corresponding proportions of low-cost risks (for example, unmarried workers, who might expect no personal

advantage from the dependents and survivors benefits). Thus, the kind of worker-participation that could be expected if coverage under the present program were made voluntary would rapidly force costs upward. The arrangement would soon become unworkable.

Voluntary Social Security Could Not Prevent Need

It would be possible to design an equitable and financially sound voluntary program but such a program could not carry out the vital social security purpose of preventing dependency. The protection provided would merely duplicate what is already available under private insurance. For each participant, the protection provided would be the equivalent of the contributions paid. People who do not now obtain protection under private insurance--those for whom the premiums are prohibitively high, the uninsuredables, and the improvident--would similarly fail to obtain protection under such a Government-operated insurance program.

The major failing of any plan which would be voluntary for employees is that it would fall far short of the goal of preventing dependency because some employees would not elect coverage. Those who recognize a bargain would come in, but others who might have greater need would stay out and yet not obtain protection elsewhere. Under any plan which permitted workers a choice as to coverage, many low-income workers would choose not to participate because their difficulty in meeting their day-to-day living needs would weigh more heavily than their need for future protection, even though social security protection would be particularly valuable to them and their families. Among middle-income workers, the improvident would generally not elect coverage and they and their families would eventually help to swell the public assistance rolls.

All Would Lose if Social Security Were Voluntary

In a modern industrial economy the prevention of need has become one of the things that cannot be left to individual voluntary action. Just as school attendance has been made compulsory to maintain the informed citizenry that is essential to a democratic system, and just as rules of sanitation are imposed to protect the health of all, so also the prevention of need among large numbers of old people, widows, orphans, and the disabled is too important to the general welfare to leave entirely to individual voluntary action. Most people depend on continuing earnings from work for a living and few can hold out for very long if work income is cut off. The potentiality of widespread poverty among persons whose usual work income is cut off--and the resulting danger to the orderly functioning of society itself--leads a prudent society to require its members to insure in part against the loss of their earned income.

Thus, our Nation requires practically all workers--those with low earnings and those who are better off--to take part in social security. Through their participation they protect not only themselves but the Nation against the calamitous effects of dependency resulting from income loss occasioned by old age, death, and total disability--hazards which are confronted by all and are generally beyond the control of the individual.

MEMORANDUM FROM YALE LAW SCHOOL

September 14, 1964

To: Max Kampelman and John G. Stewart
From: Merton Bernstein
Re: Campaign Issues and Proposals re (1) Disability and
(2) Medical Care

I. The Problems of Disability

State Workmen's Compensation Acts provide an income substitute (usually inadequate) to employees or their survivors for work-connected injury or disease and medical treatment (including drugs) for their cure. The Social Security Act's disability provisions provide an income substitute (benefits as if the employee were retired) but not medical benefits for employees who, after a six month waiting period, are mortally ill or so disabled as to be unable to do substantial work.

But the most usual form of disability, temporary non-work-connected injury and illness falls in neither category; it is the subject of public insurance programs in only 4 states (California, New Jersey, New York, Rhode Island) and on the railroads; they provide income substitutes (generally better than Workmen's Compensation) but not medical benefits. Partially because of these programs and their extension by collective bargaining, slightly more than half of those employed in private industry are covered by non-work-connected disability insurance paid for by employers or partly by employers and by payroll deductions; roughly 30%

of those covered are in jurisdictions where such protection is exacted by statute. Probably most participants in these plans also are covered by employment-based hospital care policies (paid for in the main by employers) and many of them also have surgical insurance; typically wives and minor dependents also are covered. Only a small segment of employees and their dependents enjoy major medical coverage (for physicians services) and few have insurance coverage for drugs when not hospitalized.

Clearly there are considerable gaps in income and medical protection for the temporarily disabled. While employment is not arguably chargeable for non-work-connected injury and illness, the fact is that millions of employees and their dependents have ^{employer-paid} insurance against some of their costs -- primarily because that is the most economical way of providing such protection. For the same reason insurance against wage loss is most readily provided for by group employment-based insurance. Moreover, from the point of view of both the worker and society, a substitute for wages lost due to injury or illness is just as desirable when not work-connected as when they are.

These gaps should be filled. They are not being filled by voluntary action because they occur principally in low wage employment. Many of the poor are employed. In other words, those who most need insurance against involuntary income loss and medical expenses when disabled do not have it. (Unemployment compensation is not payable because eligibility for such benefits depends upon availability for work.)

Compulsory insurance against these hazards might well be the next improvement to be made in the minimum wage law. However, there has been no demand for such improvements; yet they seem more imperative and desirable than improvements in cash wages. Of course, to do real good, gaps in coverage of the Fair Labor Standards Act must be plugged -- the areas of greatest need are laundry and domestic workers.

On a broader scale, if all forms of disability were similarly covered by wage substitute and medical care insurance the least satisfactory, most frustrating and time-consuming aspect of Workmens' Compensation -- determination of disability and its causation -- might be eliminated, with not inconsiderable administrative savings. Safeguards against malingering would be necessary; examination by a publicly compensated physician might do the trick. As Workmens' Compensation is strictly within traditional state jurisdiction the federal role probably is limited to exploration and advice. But the federal government might well provide the blueprint for such programs to be instituted by the states. Moreover the legislation covering the District of Columbia might provide a pattern.

Obviously compulsory health insurance (even if limited to injury and illness causing inability to work) would raise the cry of socialized medicine. Unless medical care were included, determination of cause would be required because only work-connected injury and disease would be the subject of compulsory insurance.

The requirements might well be limited to low wage workers, e.g., those receiving from the minimum to the minimum plus some increment. Recent amendment of the Davis-Bacon Act (under which government contractors must pay wage rates prevailing in the area) so as to define wages to include fringe benefits provides some precedent for this kind of requirement. (As a technical matter, to prevent over-insurance, workers already covered as dependents -- as quite a few low-paid women workers are -- should not have to receive the duplicating medical protection.) By such a limitation medical care would be compulsory for only a small minority of workers who nonetheless would number several million.

In addition, a suggestion could be made for state action which would coordinate Workmens' Compensation and private income substitute and medical insurance; some of the money required for such improvement would come from eliminating sometime costly and often psychologically injurious controversies over the cause and extent of disability. However, these savings would have to be supplemented quite considerably to provide medical care on the scale now afforded by most Workmen's Compensation acts.

General improvement of medical care insurance at manageable private out-of-pocket cost therefore is the next subject considered.

II. Medical Care

A. A Sketch of the Problem

Assuming that the medical care provisions of the Senate Social Security bill survive in some form, the gaps in its coverage

(especially for drugs and physicians' service in and out of institutions), the financial requirements for plugging the gaps, and extending similar coverage to others eligible for Social Security benefits (those between 62 and 65, "young" (below 65) widows with minor and disabled children, and even minor and disabled children) will be prodigious.

For this reason, if no other -- and there are others, it is not within the realm of political possibility to extend medical care under Social Security to the population at large.

Nor does it seem feasible to institute a separate but similar national program of compulsory medical insurance, if for no other reason than the fact that private insurance and the Blue Cross-Blue Shield programs provide some form of insurance to large groups of the population. Moreover, if these private instruments are relieved by the public program of the over-65 population, now served at considerable losses which are passed along in higher rates to younger subscribers, they will be enabled to offer more comprehensive insurance at lower cost (or at least without raising rates).

In my judgment it simply is not possible to displace these carriers by a federal insurance system or federal-state insurance carriers, even if it were desirable to do so (which I think it is not). I might say that I persuaded a group of nationally-known independent medical care experts assembled by the UAW of this. A major reason that a national system is not desirable is that the technology of medicine and medical care are undergoing such rapid transformation that we require wide experimentation in the means of providing economical and satisfactory

comprehensive medical services. For example, at present great emphasis is placed upon hospital and surgical care and individual non-institutional physician's care. But it may be that both the in-patient hospital and the individual physician should give way to hospital-based out-patient care provided by well-balanced medical-psychological-therapy teams. Other arrangements may be in order as preventive care becomes more important and effective than the treatment of chronic illness. We need time and elbow room for experimentation in new institutional settings for new kinds of medical care.

At present most medical insurance is employment based with premiums paid principally by employers. But there are serious gaps in coverage and grave shortcomings in the quality of care thus afforded.

Commercial and non-profit insurance (with the former now accounting for more than half the people covered) provides limited indemnity for hospitalization costs for the great majority of the American people (perhaps as many as 140 million). A smaller majority also have some insurance against the costs of major surgical procedures. Only a minority -- rather small in national terms -- have insurance coverage for physician's services (whether in or out of the hospital) and very few have drug insurance (and drug costs are a very large part of medical care costs). Few have coverage for preventive care, such as periodic examinations. A fraction have dental care insurance.

What coverage there is in all of these categories in fact pays only about one-quarter of the medical costs of those with insurance.

This results from deductibles, excluded services, and the predominant commercial pattern of paying fixed dollar amounts for specified services without arrangements that the payments will cover all or a specified portion of the services rendered -- leading to the frequent allegation that ~~changes~~ have been raised (especially by surgeons) to take account of the insurance payment thereby enriching the doctor but saving the patient little or nothing. It also seems likely that because the most expensive services are insured their overuse is encouraged; as a result costs are increased, amounts available for this purpose are misapplied and the wrong treatment is given. Moreover, the general lack of preventive services probably results in more chronic illness which means unnecessarily impaired health and avoidable expenditures.

There is striking evidence that some proprietary hospitals either profiteer by rendering unnecessary services, especially surgery; even if the lapses are due to ignorance rather than bad faith the result is as bad for health as it is for medical economics. To cope with this problem in all hospitals, review committees of doctors are urged; the Senate medicare amendment has such a requirement.

B. Existing Programs

Contrary to the popular impression and the usual terms of public discussion, governmental programs already finance, and in some cases administer, large scale medical care programs.

The largest national program is operated by the Veterans Administration which affords hospitalization to veterans, most of it free, for non-service-connected illness as well as for service-connected disease and injury.

All of the states provide medical service payments, usually small and paid for in large measure by Federal grants-in-aid, for those elderly who are sufficiently poor to qualify for Old Age Assistance benefits -- and in some states one must be poor indeed to qualify.

A majority of the states, with liberal Federal grants-in-aid, provide assistance to a relatively small group of those 65 and over under the MAA (Kerr-Mills) program. A few large industrial states account for the bulk of the benefits paid. Not only is this program the wrong approach because of its humiliating means test, but the requirement of state contributions means that in some of the neediest areas, notably West Virginia, benefits have been lowered and eligibility requirements raised when state funds become short.

Small Federal grant-in-aid programs provide benefits for the needy blind and "totally and permanently" disabled (a needs test program quite apart from the OASDI disability program).

Medical cost payments also are included, where necessary, for recipients of Aid to Families of Dependent Children; the amounts depend upon state prescribed standards of need; benefits generally are small. I have not seen published data on how many of the very numerous recipients of AFDC receive medical assistance -- the proportion must be quite high, however, because ill health is so frequent among the group.

All states operate needs-test welfare programs for those under 65 without Federal grants-in-aid. Benefits are very inferior to those under the Federal grant programs. Many of the larger cities go beyond state programs in affording medical care to the indigent.

Despite the fact that most people have some medical care available

to them under either private or public auspices, the care is usually available only when health has deteriorated, often drastically, and the public programs require a showing of financial need which is not only distasteful but forces many to resort to such assistance only when their physical condition has become desperate or even irreparable.

C. A Proposed Program

Legislation can employ two basic methods to affect private conduct: compulsion or inducement. (In the field of social legislation I call the latter "seduction to virtue" -- a politically unusable phrase which nonetheless delights the experts; in governmental terms, the seduction, not surprisingly, is accomplished by money).

I take it as given that for the immediate and medium-range future a national system of compulsory health care insurance is not possible. Hence the chosen method must be inducement (except that for low-paid workers compulsion via FLSA may be possible, as already discussed under I).

What I recommend, then is a federal subsidy derived from general tax revenues to help all citizens purchase comprehensive health insurance from private carriers, including the non-profit Blue Cross-Blue Shield and other non-profit agencies such as Kaiser-Permanente, HIP, and GHI. Parenthetically it may be noted that such a program may help Blue Cross (whose national officers are quite progressive) out of the severe financial difficulties which are forcing it in state after state to abandon community rating (which makes coverage available at uniform cost) in favor of experience rating (which gives the best rates to those --

the healthy -- who need them least).

In my judgment, the subsidy approach is actually more desirable than the Social Security insurance approach for two major reasons: (1) the financing would be from the generally progressive income tax rather than the decidedly regressive uniform payroll tax of OASDI -- note that in the area of health care, which requires uniform benefits, the benefit formula does not offset the taxing method -- as it does in part with cash benefits; and (2) the private groups -- both profit and non-profit which now occupy so large a part of the field, however inadequately, might be induced to cooperate in early establishment of the program rather than fighting and delaying it to the bitter end.

A subsidy program would pay part of the premium of private insurance which is "comprehensive," i.e. provide all kinds of medical care including preventive services. The definition of "comprehensive" should be sufficiently broad to meet varying needs (e.g. low income families need "first dollar" coverage while higher income families prefer deductibles if other more expensive services also are available). Moreover, the definition should permit wide latitude in the way the services are provided so that there can be ample experimentation among various -- and new -- institutional arrangements. While the arrangements will not be conflict-free, private groups -- especially the commercials -- will have to be convinced that they will get a fair shake and not be gobbled up by government. Hardest for them to swallow would be abandonment of the indemnity (we don't care what the doctor charges) approach;

what is needed is insurance for the entire cost of services, which means doctors would agree to fee schedules.

(Parenthetically, but importantly, the Javits approach, recommended by the blue ribbon Flemming Committee, is highly undesirable. It would segment health care so that hospitalization (the presently most expensive kind of care) would be taken care of by government insurance through OASDI while other less expensive forms such as physicians' services would be left to private insurance. The report deals only with the aged but we must view the recommendations as of potentially universal application. There are two major objections: (1) there will be a tendency (now observable as between Workmens' Compensation and private disability insurers) to shunt claims over to the other; and (2) present patterns of care will become frozen.)

Some will object that this proposal to give individual options to purchase noncomprehensive insurance or subsidized comprehensive coverage -- will founder on the shoals of adverse selection, (i.e. the poor risks will take the comprehensive and bid up the costs) or most purchasers will be penny wise and not take the comprehensive coverage. These objections are demonstrably wrong. The overwhelming majority of federal employees chose the most comprehensive coverage available to them -- albeit at higher cost; and that was (and is) not subsidized insurance, although the rates were (and are) very good. Even more importantly, most coverage will continue to be obtained not by individual selection but by group purchasers with the decisions made by informed and sophisticated union and company officials who will recognize the desirability of comprehensive coverage and the bargain offered.

I suggest that this pattern not only is politically feasible but structurally sound medically and financially. It offers early accomplishment of comprehensive coverage with adaptability to change. Of course, the principal groups with interests in this area will have to modify long-held attitudes. I've already seen that accomplished in the UAW panel of experts, most of whom started with a bias toward national compulsory insurance of the British pattern. Whether, the private agencies (HIP was represented and apparently embraced the notions presented here) will be able to modify their distrust of a large government role remains to be seen. There is a lot in this program for them.

Medical Care Facilities

Since the close of World War II, the federal government has subsidized and induced a massive program of hospital construction under the Hill-Burton Act. During the same period a significant bloc of hospital beds were liberated for other uses by the near eradication of tuberculosis, primarily by prevention rather than by treatment. By and large, the demand for the general hospital beds for the treatment of pathological conditions has been satisfied, although better and more economic use could be made of existing facilities. Moreover, any additions should be integrated with existing facilities; regrettably, in the recent past new facilities have been built and outfitted rather indiscriminately.

The Mental Health legislation of 1963 was a major move toward dealing with a specific set of problems which were formerly handled badly or inadequately by general hospitals or state mental hospitals which did little more than incarcerate the mentally ill.

We need a similar program for the aged. While the elderly are afflicted by diseases and injury requiring extensive general care, an even larger group do not require the intensive and expensive care of general hospitals; many more require the custodial care afforded by nursing homes or the special services of geriatric hospitals designed to cope with the degenerative diseases peculiar to the aged. The British have an extensive system of geriatric hospitals which are better suited to the elderly and are less expensive than general hospitals; they also provide excellent research and study facilities for geriatric problems.

For the most part, nursing home facilities in this country have been private profit-making institutions. By and large they are miserably inadequate in both plant and staff. The hospital-affiliation and state licensing requirements of the Senate medicare amendments would tend to upgrade at least the medical care standards of nursing homes and may also improve their physical safety standards. But, qualifying requirements do not organize and build the new facilities that will be required to serve the growing legions of elderly people with physical impairments. Nor do they ameliorate the situation of hundreds of thousands of welfare recipients reserving institutional care.

There is an urgent need for a massive program of ^anursing home geriatric hospital facility planning and construction program. The latest Hill-Burton extension makes possible a start on the nursing home program. Its desirability on a large scale should be stressed with the elderly.

Future general hospital additions should be coordinated with existing facilities on a regional basis. I suppose a federal-state grant-in-aid program for hospital planning purposes is the most acceptable device to achieve such coordination. Special provisions for multi-state regional planning would be desirable to deal with metropolitan areas which spread across state boundaries, e.g. Omaha, Nebraska and Council Bluffs, Iowa. The purpose of such planning would be to minimize the unnecessary duplication of expensive facilities (such as cobalt cancer treatment units) where hospitals could share them or allocate patients according to the facilities required. There is a considerable amount of petty (private) empire building in the area of private non-profit hospitals which might be controlled by adverse recommendations from regional planning groups and certainly should be controlled directly where federal funds underwrite the construction. This would insure maximum returns for the medical care dollar.

Nursing and Other Supporting Services

Hospital personnel are among the hardest working, poorest paid people in the country. Increases in medical care costs, largely attributable to fabulous advances in technology and drugs, have placed non-profit institutions in a difficult position; they have increased charges and yet they often experience deficits -- hence insufficient funds are available for personnel compensation. Perhaps hospital services can be analogized to certain public facilities such as canals, which are not equally used by the entire citizenry but are in the common interest and hence only partially paid for by active users. Acting on

that principle, a grant or a grant-in-aid program for personnel compensation would insure adequate hospital services and economic justice. I doubt that this program would have wide appeal -- but the depressed groups of workers, many of them forced to seek welfare aid despite full time and overtime employment, would be enormously enthusiastic. The American Nurses Association is a generally progressive group and deserves assistance -- and probably would reciprocate. The non-professional workers are organized in only a few places (N.Y. City, Massachusetts, and Minnesota are notable areas); but their unions and the unrepresented hospital worker would look upon such a program as their deliverance. In practical terms, such a program would be easier to achieve than changes in the federal and state labor relations acts and more effective.

#

COPY

September 21, 1964

Mr. Merton C. Bernstein
Yale Law School Association
401A Yale Station
New Haven, Connecticut

Dear Mr. Bernstein:

Max Kampelman referred to me your request for a copy of the report of the President's Committee on Corporate Pensions.

I checked this out with the Labor Department, and they insist that no drafts or advance information can be made available. They will let us know when this report comes out. I wish I could be more helpful.

Best wishes.

Sincerely,

John G. Stewart
Legislative Assistant to
Senator Hubert H. Humphrey

4

From the desk of MAX M. KAMPELMAN

1700 K Street, N. W.
Washington 6, D. C.

296-3300

9/8/64

John,

This man is excellent. He teaches at the Law School and used to be on our staff assigned to the Labor Committee. He's an expert in the social security field and is doing these position papers for you.

Do you think somebody on your staff could get him that report that he asks for?



MMK

YALE LAW SCHOOL ASSOCIATION
401A YALE STATION
NEW HAVEN, CONNECTICUT

September 3, 1964

Max M. Kampelman, Esq.
1700 K. Street, N. W.
Washington, D. C.

Dear Max:

Over the weekend I shall be working on the draft of brief position papers on social security, private pensions, medical care and disability and man power -- employment problems and proposals.

It would be helpful if I had a copy of the report of the President's Committee on Corporate Pensions which was drafted almost a year ago and redrafted but never issued. I was a consultant to Treasury and H. E. W. in the course of the Committee's study, and I know in general its lines of analysis and proposal, but I have never seen the full text. To do a complete job I need the report. Naturally, I would observe it confidentially until official publication. From what I know of it I would expect and recommend that it not be released before the election.

You will be hearing from me soon again.

With warmest regards,

As always,

Mert
Merton C. Bernstein

MCB:joc

Dictated by telephone

*Wini
All if this
report can
be procured*

From the desk of MAX M. KAMPELMAN

1700 K Street. N. W.
Washington 6. D. C.

296-3300

9/7/64

John,

For your consideration.

MMK

807, Gage Street
Bennington, Vt.

September 3, 1964

Dear Max:

It just occurred to me that a pointed phrase like

Goldwater's Unmodern Republicanism

might be helpful in our differentiation game concerning the moderate Republicans. Eisenhower and the Eisenhower Republicans have made a lot of hay with their "Modern Republicanism" in their time. It might not only stick in the craw of the politically active, but also remind the general public of something that ain't anymore. Besides, it seems to me a quite precise description of the actual content of Goldwater's - if you excuse the expression -philosophy.

All the best on the campaign trail,

B.

From the desk of MAX M. KAMPELMAN

1700 K Street, N. W.
Washington 6, D. C.

296-3300

10/14/64

John,

Somebody on your staff might be interested
in the attached.

MMK

File Elderly Senior Citizens
September 21, 1964

TO: Senator Hubert H. Humphrey
William Connell

FROM: James Cuff O'Brien

WHAT IS THE VOTER STRENGTH OF SENIOR CITIZENS

There are 18,000,000 people over age 65 in this country!

It is estimated that one out of every five who will enter the voting booth in November will be over age 65.

The University of Michigan reported that in 1958 the older voter was definitely leaning Republican and conservative. In that year 24.4% of those who actually voted were over age 60.

The Republican National Committee reported that in the 1962 elections the "majority of older voters were sticking with the Democrats". Sam Lubell said one in twenty Republican voters switched to Democrats because of the Medicare issue.

Nearly 16% of those who are of voting age are over age 65. An estimated 18.5% of those who are registered are over 65. About one out of five, or 20% of those who actually vote are over 65.

One out of four (25%) will be over 60.

The percentage of those over 65 who vote ranges around 75% despite the fact that 5% are in hospitals or nursing homes, etc., and 12% have disabilities which seriously limit their mobility.

One-third of the senior citizens over 65 live in four states - New York, California, Pennsylvania and Illinois, with 130 Congressional seats.

New York	1.9 million	Texas	.8 million
California	1.6 million	Michigan	.7 million
Pennsylvania	1.2 million	New Jersey	.6 million
Illinois	1.1 million	Massachusetts	.6 million
Ohio	1.0 million	Florida	699,000

No incumbent Congressman or Senator who has actively campaigned for Medicare and has had senior citizen support has lost. The AMA defeated the Murray-Wagner-Dingell bill in 1948-51 by defeating key senate supporters of this bill. Medicare and senior citizens assisted in the big 1962 victories over incumbents of Senators Ribicoff, Bayh, Nelson and McIntyre and Congressmen Fraser, Fulton, Pepper, Van Dierlin, Burkhalter, Roybal, Edwards, Grabowski and Staebler. Senators Carroll and Hickey ducked the Medicare issue and avoided Senior Citizens support effort and we feel this was a factor in their defeat.

July 14, 1964

MEMORANDUM

TO: Cliff Carter

FROM: Jim O'Brien, Executive Director

Cliff, yesterday Al Barkan asked me to join him in a meeting with Roy Reuther to report on what I had observed in several weeks of travel and though there were specific situations he was interested in regarding forthcoming House and Senate contests he was primarily interested in an overview of the Senior situation as I had observed it in stops at Milwaukee, Chicago, Phoenix, Los Angeles, Oakland, San Francisco, Pittsburgh, Canton, Akron, Gary, Buffalo and New York City.

After we concluded an hour and one-half of discussion he requested that I summarize it and submit it to you. This was because, as I understand it, you had engaged last week in a review of the situation with Al Barkan and later John Edelman and Nelson Cruikshank. I have already touched on the subject with Dick Maguire and am hopeful of meeting with him on Thursday for further exploration. I have also read the report and evaluation prepared for you by Col. Bill Hutton and submitted to you at the meeting with Nelson Cruikshank and Al Barkan.

I am unhappy to have to indicate that the attitude of the Seniors and the degree of their discontent and bitterness is the worst that I have experienced in eight years of responsibility in this area. From one coast to the other, the militants who edit the newsletters, organize the clubs, furnish the leadership on political, social and legislative action are critical and discontent and they do not spare any of us; the President, the Party, the Trade Union Movement and those representing them in Washington.

It is quite obvious that they cannot bring themselves to go for Goldwater and in fact I doubt if we would have much difficulty on this score with Scranton, but thank God we are spared competition in this area with Rockefeller. The attitude of many of them is that after their all-out effort in 1960 and again in 1962 and in spite of

the commitments of President Kennedy and President Johnson, that with two Chief Executives supposedly favorable and an overwhelmingly Democratic domination of House and Senate, that to end up with the \$4 in Social Security increase and no Medicare is good and sufficient reason to sit on their hands.

From an audience of 1,000 in San Francisco to one of less than 100 in Olean, N. Y. I received exactly the same kind of static in question periods regardless of the defense that I drew for the President, Democratic Party and Labor Movement. This kind of response was typical: a 67 year old retired Chemical Engineer; Chairman of a Federation of 14 Clubs in Los Angeles - "Why is it that we can find ways to overcome the resistance of a man like Otto Passman to give \$3 billion plus abroad and cannot muster the strength to get Hospital Insurance for 18 million Americans; or this from a Retired Railroader in Lackawanna, N. Y. - "How come people can work so hard on Mass Transit and Youth Opportunities and forget about this legislation which has seen 1/3 of the people die who were over 65 since it was first introduced".

Now, obviously one tires to explain the difficulties we all encounter here and point out the effort the President has made with Mr. Mills and the fantastic endeavors of Larry O'Brien and his team as well as many others. Unfortunately, however, this is not coming through loud and clear in the newspapers and there is a general feeling on the part of the older and retired people that they have been given a low priority.

It is terribly important I think, for you to know that this is not a conclusion just recently reached. This kind of negativism has been a trend for quite a period and I am enclosing for your background information, copies of memos prepared in late November of 1962 and in January of 1963 for Dick Maguire, Larry O'Brien, etc.

You can rest assured that we are trying to develop through every means available to us, the ability to counteract the misconception and distortions that are disturbing the Seniors but as Al has asked me to convey to you my conviction - the job requires commitment and assistance from the Summit on down.

HONORARY PRESIDENT

CONGRESSMAN AIME J. FORAND
(Retired)

PRESIDENT

JOHN W. EDELMAN

ASSISTANT TO THE PRESIDENT

JAMES CUFF O'BRIEN

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Membership Field Director

LAURINE A. PEMBERTON
Administrative Assistant

November 23, 1962

MEMORANDUM

TO: Richard Donahue, Richard Maguire,
Kenneth O'Donnell, Lawrence O'Brien

FROM: James Cuff O'Brien

SUBJECT: Address of Secretary of HEW Celebrezze at
the National Press Club

Having seen on a late news broadcast in Lancaster, Penna. brief excerpts of Secretary Celebrezze's address to the National Press Club and being less than impressed with their political significance, I secured a copy of the text on my return and then asked Colonel Hutton, who had attended, for his reaction in writing (a copy of which is enclosed).

It does not seem to me that we can afford to have valuable opportunities granted to Administration spokesmen with maximum coverage available and then have them fail to consider in their presentation the political importance of their performance and the need to dramatize issues and promote effectively the politically necessary support for specific pieces of legislation that are an integral part of the President's program.

While the President must frequently be above party, there is no reason why with the exception of the Secretary of State, the Secretary of the Treasury and the Attorney General, the Cabinet must be. Essentially there was little in the Secretary's talk that could not have been delivered with equal ineffectiveness by a Republican Secretary of HEW. It is of vital importance, if fervor is to be maintained among the rank and file that the right words are said by the right people--so that those who have carried the endless petitions, have engaged in registration and get-out-the-vote drives, have given of their time as volunteers,

are helped to identify with the President and the Party by hearing at periodic intervals the kind of challenging and stimulating statements of conviction that renews determination and inspires confidence.

It is difficult to go out to groups of seniors in California and New York, Florida and Illinois, and hear them question the tangible evidence of a demonstration of tough and engaged lieutenants of the President fulfilling the role of effective political leadership; this was embarrassing throughout two years of Secretary Ribicoff's tenure at HEW--and if he had been as articulate in Washington as he was campaigning back in Connecticut perhaps we would have been no closer to a bill, but we certainly would have had more rank and file participation and contributions throughout the country.

Now I like Anthony Celebrezze and this is not meant as an indictment of him as an individual, but candor and a desire to see the job done require that I present these reflections frankly and fully. Not a month goes by that I do not address a minimum of half a dozen groups of seniors. In light of the record of the Democratic Party, it is to be deplored that they are not more appreciative and loyal; however, we are making great inroads and improving our percentage among them and, of course, they are no more forgetful than those auto workers who helped elect Romney in Michigan and those steelworkers who helped elect Scranton in Pennsylvania. The effort though to detach them from their traditional Republican loyalty and transfer them to Democratic allegiance is dependent on constant education and overwhelming evidence and reminders from major Democratic spokesmen of this fact of difference in party philosophy and what it means.

I close on the note on which I opened. Secretary Celebrezze at the National Press Club could have and should have expressed appreciation at the election returns, concluding that they represented an obvious display of sentiment in behalf of legislation such as MEDICARE, and grasped the opportunity to thank the seniors for their show of confidence and to predict their future support of the President and his program.

Faced with the unbalance in the press and the general opposition of powerful groups to implementing domestic legislative items, timidity and moderation will avail us very little. While tact and skill are necessary in dealing with Congressmen and Committees from the White House end, a greater concern for maximizing political assets is certainly necessary throughout the departments.

PRESIDENCY

CONGRESSMAN AIME J. FORAND
(Retired)

SECRETARY-TREASURER

HON. MARGARET C. SCHWEINHOUT

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Director of Special Projects

LAURINE A. PEMBERTON
Administrative Assistant

JOSEPHINE H. McDERMOTT
Administrative Assistant

November 20, 1962

I/IB

MEMORANDUM

TO: Operating Committee
National Council of Senior Citizens

FROM: Bill Hutton, Information Director

Secretary Celebrezze's speech before the members of the National Press Club on Monday was a disappointment all around.

It failed to project the Secretary as a political leader; it ignored Medicare except where it could not be avoided during the questions from the floor; it did not make the best use of the Secretary's warm talent as an "off-the-cuff" speaker.

We had sought - through personal contacts - to ensure that the first post-election speech by a Cabinet officer would reflect some enthusiasm regarding the prospects of Medicare legislation this year. Unsuccessful in these efforts, we "planted" some questions with members of the Press and submitted questions of our own on the cards provided at the luncheon. Though the Secretary's replies indicated his personal support of the Medicare proposals, they failed to carry the conviction that either the Secretary, his Department, or the Administration were enthusiastic about the prospects. Secretary Celebrezze felt that health care for the aged was "inevitable" but he did not seem willing to commit himself further.

Secretary Celebrezze's speech - which he read laboriously - was described by some old-time newsmen as "An HEW 'pot-boiler' which touched all bases in a humdrum way but significantly lacked newsworthy material." He was best during the question period - and his answers provided what little news copy was used as a result of the speech.

Discussing the speech with some newspapermen afterwards, I was given the following comments. (As I did not ask permission to quote these people, their comments should be kept confidential.)

2-Memorandum-11/20/62

W. Carlton (Bill) Kent (Chicago Sun Times): "Dull speech - but typical of anyone who is asked to head that Department. It would have been better to distribute his actual speech as background about the Department and let the Secretary give some personal observations which would have been more newsworthy."

Julius Frandsen (Managing Editor United Press Int.): "He'd have done much better turning over his entire time to questions."

Art Brandel (free lance): "The Secretary's downplay of Medicare - except under questioning - will do its cause no good. He almost confirmed what Dr. Annis is saying."... that Medicare was not really much of an issue in the elections."

Fred Blumenthal (Parade Publications): "His long speech about the Department seemed to disprove his claim that the Department was not too big to be broken up as his predecessor had suggested."

Bernard Mullady (International Labor Press Association): "It was strictly a run-of-the-mill HEW Department speech. The Secretary's public relations advisors had not given much thought to the provision of interesting, newsworthy material."

I. W. ABEL
SECRETARY-TREASURER

DAVID J. McDONALD
PRESIDENT

HOWARD R. HAGUE
VICE PRESIDENT

JAMES CUFF O'BRIEN
EXECUTIVE DIRECTOR



UNITED STEELWORKERS OF AMERICA
1001 CONNECTICUT AVENUE, N. W., WASHINGTON 36, D. C., ME. 8-6929

CHARLES L. COWL
SOUTHERN DIRECTOR

MICHAEL PLESHER
RESEARCH DIRECTOR

NATHAN E. COWAN, CHAIRMAN

COMMITTEE ON OLDER AND RETIRED WORKERS

January 29, 1963

ADVISORY COMMITTEE

JAMES P. GRIFFIN
JOSEPH GERMANO
JOHN S. JOHNS
CHARLES J. SMITH
PAUL M. HILBERT
O. L. GARRISON

MEMORANDUM: MEDICARE AND THE 88TH CONGRESS

FROM: JAMES CUFF O'BRIEN

Yesterday I secured the following estimates of the over 65 population in the key industrial states based on the latest Census Bureau figures. These are projected for November, 1964:

New York	1,811,000	Ohio	1,005,000
California	1,514,000	Michigan	705,000
Pennsylvania	1,190,000	Indiana	475,000
Illinois	1,380,000		

In the '58 elections the senior vote; (here interpreted as those over 60) accounted for 24.4% of the total vote; in '60, 18.5% and incomplete figures for '62 indicate 25.1%. We know that about 75% of seniors vote in all elections which is a much higher percentage than that of younger voters.

In his post-election analysis of the '62 Congressional races, Sam Lubell, no great friend of the President, the Party or Medicare, said that it was the one domestic issue that really helped and that one in 20 Republicans voted Democratic because of the Medicare issue.

All of this leads us to the conclusion that it can do us real damage in '64 if we don't pass Medicare this year and, in fact, have some benefits paid out in '64 - contrary to present Administration plans.

I was in California with Zalmen Lichtenstein four days last week. Carstenson is now in Florida for a series of meetings. We had Birch Bayh address a major rally in Daytona in Herlong's territory last Sunday night.

In general, however, we are uncertain about the Administration's plans and timing, and DNC's intentions on grass-roots mobilization, etc.

The Republican Senior Divisions are working fulltime trying to cut into our effort and blame the lack of progress on Medicare on our Party.

We feel that we had better get our plans developed and timing agreed upon soon.

DEMOCRATIC NATIONAL COMMITTEE

1730 K STREET, N.W.
WASHINGTON 6, D.C.

October 16th

TELEPHONE
FEDERAL 3-8750

Bryce:

The enclosure includes on page three
an item about social security for farmers
which I am sure John Stewart would like to
see, if he hasn't seen it already.

Betty Binder

Oct 13, 1964

Social Security for Farmers

Rural Americans - Secy. Freeman
737-1802 616 28-4004

- (1) Congressional Record, Aug. 20, 1954 - page 15406-14
Conference Report of social security amendments of 1954 - voice vote in Senate

House was for inclusion and Senate was against; but both chambers accepted inclusion under self-employed persons section of amendments of that year. This is only time social security laws have included farmers.

Senate version of bill omitted social security for farmers and House version included it. In Conference report, farmers were not mentioned by name. But they were included in the Conference Report, which passed on August 20, 1954, the day of adjournment.

- (2) Congressional Quarterly Almanac for 1954, page 194

Senator Miliken ~~announced~~ reported the bill.

Senator Barrett (R, Wyoming) was in the chair. Senator Goldwater was not.

- (3) Note the last paragraph on page three of the enclosed speech. Goldwater says that he was ~~was~~ presiding the day that the 1954 social security amendments were passed to include farmers. He does not say he was in the chair at the moment they passed; only on the day they were passed. According to the Congressional Record for August 20, 1954, it should be noted that:

(a) Senator Goldwater missed two quorum calls and two other roll call votes on that day and did not pair on the two roll calls that he missed.

(b) Sen. Barrett (R, Wyoming) was in the chair at the moment the 1954 social security amendments were passed by voice vote on the Conference Report, allowing farmers to be covered by social security ~~as~~ for the first time.

(c) I don't know where Senator Goldwater was during those four record votes and the Record does not indicate when he was in the chair, if he was there at all. Clearly, however, Senator Goldwater was not in the chair while the social-security-for farmers ~~amend~~ matter was being *agriculture* voted on.

- (4) The relevant paragraph of Goldwater's speech today is as follows:

"I pledge, as I have pledged before, my unqualified support of the social security system. On this, my record is clear. I have voted in favor of every Social Security Act since entering the Senate. I voted for the acts of 1954, 1955, 1956, 1958 and 1961. In fact, I had the opportunity of presiding over the United States Senate on the day the bill was approved bringing farmers under Social Security for the first time. And that ~~big~~ change had my active support."

- (5) Please also note that he omitted from that paragraph the reference to 1960 Kerr Mills which he voted against. Although he says in the next sentence that he supported all of the 1964 social security amendments except the "phony medicare" amendments. He of course now says he is for Kerr-Mills.

NEWS NEWS NEWS

FROM: REPUBLICAN NATIONAL COMMITTEE
1625 Eye Street, N.W.
Washington, D.C. 20006

AUTOMATIC RELEASE
PMs FRIDAY
October 16, 1964

CAMPAIGN SPEECH AT JOE FOSS FIELD, SIOUX FALLS, S.D., OCTOBER 16, 1964
BY SENATOR BARRY GOLDWATER, REPUBLICAN CANDIDATE FOR PRESIDENT OF THE U.S.

The time has come for straight and honest talk to the farmers of this nation. And that is just what I'm going to give you today. I can talk to you this way because you and I are true conservatives. We understand each other. We speak the same language, and we're concerned with the same problems.

We believe in the individual. We believe in the family. We believe that self-reliance, private initiative, reverence, and diligence are the keys to a full and prosperous life. We believe that every citizen should run his own life and attend to his own business. We believe every one should give humble thanks for the many blessings of Almighty God, including our priceless constitutional heritage.

We believe in an orderly life in an orderly society, a society whose basic nature changes only gradually and only when the people who make it up are absolutely convinced that there must be such a change if progress is to be made. That is why we oppose sudden and arbitrary revisions in our constitutional government by order of appointed justices of the Supreme Court. We do not approve of their order banning God in our schools. We do not approve of their order telling us how to form our legislatures and apportion our districts.

We are more concerned with the direction in which we are going than the speed with which we get there. We know that undue haste makes trouble and waste, and seldom gets us where we set out to go. We have learned the lesson of the tortoise and the hare.

(more)

Now, if there is one thing you and I know as well as our names, it is this: our nation is going in the wrong direction and far too fast. We are headed straight down the road to socialism -- and you know it. We must change that direction -- and you know that too.

In fact, nobody knows this better than you do. In some instances you are now being told what crops to grow and not to grow, what acres to plant and not to plant, what records to keep and not to keep. And bureaucrats are flying helicopters over your land to check up on you.

I know you will agree with me and with the Republican Party when we insist that farmers must be freed from the menacing control over their lives that is now being exercised by farm boss Freeman and his crew in Washington. And they must be freed from the cost-price squeeze being imposed on them.

You and I and all good Americans -- we all want a free and prosperous American agriculture, with a minimum of federal controls and intervention. That is the direction in which we must move -- forward, toward freedom and progress.

Do you really want to keep going backward with my opponent and his curious crew? Do you want to keep going backward into enslavement and decline?

Of course not, and that is why you will join me in turning this country back around, away from retreat and defeat, so that we may move forward again in progress through freedom.

But let me make myself absolutely clear. I know, as you do, that the mistakes of the past cannot be corrected overnight. And I will never try to correct them overnight.

We must honor commitments already made by the federal government.

We must keep faith with those who have made plans and acquired property on the basis of those commitments. We must have the good sense to move slowly in making changes so that the citizens of this nation -- and indeed, the economy itself -- can make smooth adjustments, adjustments that will cause nobody harm. Above all, we must not scrap existing programs until we are sure we have something better to substitute for them.

(more)

That is, after all, nothing more than the creed of the conservative. And I am a true conservative, not a make-believe one. I am a conservative wherever and whenever I speak -- whether in the midwest or the east, whether before election or after. I do not carry around fifty different speeches for the fifty different states.

My opponent has recently traveled through these parts, giving to you his midwestern, before-election message. You may have heard some of the twisted things he said about me. Perhaps he has been so busy counting his acres and sweeping scandal under the rug that he hasn't had time to get the record straight.

He said that I will put an immediate end to farm price support. This is not true, and he knows it.

He said that I want to kill the electrification program. This is not true, and he knows it.

He said that I want to destroy the social security system. This is not true, and he knows it.

He said that I will cut farm income in half. This is not true, and he knows it.

Let me set the record straight once and for all, so that no one may distort it again.

I pledge to you, as I have pledged before, that I will never propose a change in the price support program until something better has been developed that can be gradually substituted for it.

I pledge, as I have pledged before, my whole-hearted support for cooperatives owned and operated by farmers, including rural electric and telephone facilities. I stand firmly with the Republican platform in this pledge because I believe in a strong and healthy rural electrification program.

I pledge, as I have pledged before, my unqualified support of the social security system. On this, my record is clear. I have voted in favor of every Social Security Act since entering the Senate. I voted for the acts of 1954, 1955, 1956, 1958, and 1961. In fact, I had the opportunity of presiding over the United States Senate on the day the bill was approved bringing farmers under Social Security for the first time. And that change had my active support.

(more)

Rea

Social Security

I supported every section of the 1964 Senate Bill except the phony Medicare scheme. It was my opponent, the interim President, who denied you the increased benefits contained in the bill by killing the entire bill in conference -- simply because Congress would not approve of his phony overburdening Medicare scheme.

So much for the slanders of my opponent.

Now, I am not like my opponent or his running mate. I don't claim to be a farmer, successful or otherwise. And I don't approach every problem with an open mouth.

Let's not fool ourselves about this. Let's be honest. There just are no simple solutions to the mess that has been created by growing controls in agriculture. We must seek the best ways open to us to bridge the gap between the controlled agriculture we now have and the free agriculture we must move toward.

I will build that bridge with the aid of people who really know agriculture. My Secretary of Agriculture will be a man with experience in farming, a man who knows what it's like to plow a furrow and to have dirt on his hands. He will not be a defunct governor, trained as a city lawyer and looking for a political handout.

And my secretary and I will seek out the advice of farmers and farm organizations across the country, to find ways to make a sound and healthy transition away from controls in each particular sector hampered by them. We will be guided by one goal and one goal alone: To ease away controls while keeping full faith with the farmer.

I will never jerk the rug from under the American farmer.

Now, my opponent is not bothered by any of this. He thinks he knows so much about farming that he can get away with having a farm boss who doesn't know anything about it. But just how much does he know about farming?

He seems to think the way to handle the farm problem is to hire a bureaucrat for every farm, cook up a different scheme for every crop, and make a different promise to every farmer.

Do you remember back four years ago when this Administration promised you 100 per cent of parity? And what have they delivered? A parity level of 74 per cent, the lowest since 1939 and 10 points below the average
(more)

in the Eisenhower Administration. Unkept promises are cheap -- and even cheaper by the dozen.

What else have you been blessed with under this Administration?

Well, they dumped feed grains on your markets, forced down livestock prices, and then refused to do anything about a flood of meat dumped by foreigners. They manipulated your production and markets but did nothing to control imports. In fact, meat imports since 1960 under this Administration have more than doubled. As if this were not enough, they next tried to push through a program to subsidize grazing!

Does this make any sense to you?

Since July 1, the Freeman price-wrecking crew has engaged in a massive wheat dumping program. More than 136 million bushels of government-owned wheat have been sold to the private grain trade in direct competition with farmer marketings.

The purpose, obviously, is to hammer down the price of wheat and thus punish the nearly two-thirds of the nation's wheat growers who refused to sign up for farm boss Freeman's 1964 program. The cooperator is also getting hurt, since he receives only the free market price for a considerable portion of his production. There is no parity of treatment for the farmer when the U.S. Department of Agriculture itself becomes his competitor in the market place.

While the farm population dropped by more than two million persons and the number of farms by more than 400 thousand, new bureaucrats were added to the Department of Agriculture by the thousands. Did you know that, over the last four years, spending by that department has risen by 600 million dollars a year? Where has the money gone? Certainly not into your pockets. Much of it has gone into the pockets of more and more bureaucrats hired to control your farms and oversee you.

Are my opponent and his curious crew the kind of people you call your friends?

You know full well where they stand, and you know where I stand. I am the friend of all diligent Americans who want nothing more than an equal break and a fair shake -- who want parity of treatment.

And my Administration will dedicate itself to promoting a free and prosperous American agriculture. We will do this by encouraging research to create new industrial uses for farm products. We will do this by encouraging the expansion of markets throughout the free world. And we will do this by freeing farmers from the arbitrary controls of bureaucrats.

Make no mistake about it. The farm programs conceived a generation ago and made hopelessly oppressive by this Administration -- these programs have not worked. You know that full well. Some farmers operating under the support program earn less, relative to invested capital and production costs, than other farmers. Our farm programs will provide equality of opportunity for all farmers.

As our economy grows, the farmer's economy of this country must grow with it. That hasn't been happening and you know it. After this election I promise that together we will make it grow.

Those skyscraper bureaucrats have figured out how to support everything but your families -- and how to control everything except their own lust for power. That lust reaches beyond your farms to life itself. And so far the only control that's been successful is their control over your ability to get a fair return on your life's labor.

You and I know that a farmer can be helped without treating him like an idiot -- without taking him by the hand and telling him what to buy and what to pay and when to come in out of the rain.

You and I know that a federal government that really cares about the farmers would be honest enough to stop trying to patch up a worn-out program -- honest enough to look you straight in the eye and say it isn't working.

Yes, my friends, you and I know that the very best reason for rejecting the radical socialistic schemes of my opponent and his curious crew is just that. The best reason is not that they're radical, not even that they're socialistic. The best reason is that they haven't worked!

Well, that's the straight and honest talk. Starting with this November let's get down to some straight and honest policies.

These Bill Miller and I will give you when, with your help and with God's blessing, we lead you forward once again on the proven path of progress through freedom.

NATIONAL FEDERATION OF THE BLIND

Office of the President
2341 Cortez Lane
Sacramento 25, California

October 12, 1964

SPECIAL LEGISLATIVE BULLETIN

To the President, Officers, and Members of the
Minnesota Council of the Blind

Dear Friends:

In recent years, no Member of Congress has been our more loyal supporter, none has responded more often or more willingly to the requests of the organized blind for help in improving conditions and equalizing opportunities for all blind people in America, than Senator Humphrey!

During the 88th Congress, the Honorable Hubert H. Humphrey, senior United States Senator from Minnesota, continued to work and cooperate with the National Federation of the Blind.

Sharing our belief that the Federal Disability Insurance law should be liberalized to provide a "floor" of financial security to reduce the economic and social disadvantages of sightlessness in a sight-structured society, Senator Humphrey introduced, and vigorously supported, the Federation's proposal to amend and improve the Federal Disability Insurance law for blind persons.

On September 3, during the Senate debate on H. R. 11865 -- a House-passed Social Security amending bill -- Senator Humphrey offered, and the Senate accepted, our Federation-sponsored and -supported proposal to liberalize the Disability Insurance Program for blind persons -- and S. 1268 became known as the "Humphrey Amendment"!

However, since the House-Senate conferees were unable to reconcile the differences between House- and Senate-passed versions of H. R. 11865, the "Humphrey Amendment" failed of adoption, for H. R. 11865 died in conference.

But the Senate approval of our Disability Insurance bill, in spite of HEW opposition, was, in itself, a splendid victory for the organized blind -- and all because Senator Humphrey, although extremely involved in many major matters, still was concerned about our welfare, still helped us in our efforts to help ourselves!

Sharing our belief that the federally-supported state programs of aid to the blind should be amended to better the lot and livelihood opportunities of blind men and women who, because of adverse circumstance, must apply for assistance to public programs of aid to the blind, Senator

Humphrey joined with Senator Hartke, Indiana, in introducing S. 2181, the Federation's latest effort in Congress to make publicly-provided assistance to the blind more than support and survival subsistence, but a force for rehabilitation in the lives of needy blind people; a means of assisting blind people to live decently and with dignity, encouraged and assisted toward the desirable goal of self-sufficiency and self-support?

Late in August of this year, the Senate Finance Committee considered H. R. 9393 a Social Security amending bill, and adopted a proposal contained in Senator Humphrey's measure (S. 2181), extending from 12 to 36 months the availability of the exemption on all income and all resources of a recipient of aid to the blind working toward self-support and economic independence under an approved rehabilitation plan.

H. R. 9393 was adopted by Congress, with our Federation "full exemption" extension provision intact -- and H. R. 9393 will have been signed into law by President Johnson by the time you receive and read this bulletin.

As your national president, I have informed you, from time to time during the past two years, of our legislative progress and activities in Washington.

Now, I am sending you this particular bulletin, that you may know of the help and cooperation we have received from Senator Humphrey, and the contribution he has made toward our legislative accomplishments in Washington.

It is my hope that you will have this bulletin read at your chapter meetings, that you will publish it in your newsletter, and that you will do all possible, by distribution of copies of this bulletin to newspapers, radio and TV stations, and otherwise, to advise the citizens of Minnesota of the splendid work Senator Humphrey has performed in Washington for the benefit of all blind people in the Nation, that all may know of our gratitude and appreciation.

Russell Kletzing
President

Stephen J. Spingarn
1900 Que Street, N. W.
Washington, D. C., 20009
DUpont 7-0666

Friday, October 2, 1964

File
Social Security

MEMORANDUM

Subject: LBJ versus BMG on Social Security---Will the REAL
Supporter of Social Security Please Stand Up?

Item: From a news story on Barry Goldwater's campaign activities in Indiana on October 1, 1964 (Washington Post, October 2, 1964, page 2):

"His Social Security line, voiced at early whistlestops today, is that not he but President Johnson is an enemy of Social Security."

Item: From a publication of Congressional Quarterly (the authoritative reference service and research organization on Congress) titled "The Public Records of Barry M. Goldwater and William E. Miller" at page 1592:

"Goldwater has been sternly critical of the Social Security system and repeatedly urged that it be made 'voluntary'. He has expressed a clear preference for private insurance plans and warned that Social Security taxes will become prohibitively high by 1960. Goldwater has never advocated repeal of the Social Security system. In fact, he was with the majority when the Senate Aug. 10 1958 passed a bill increasing old age, survivors and disability payments by approximately 7 percent. The vote was 79-0 in favor of the bill. In 1956 Goldwater had voted to make Social Security benefits available to women at age 62, instead of 65. The affirmative Senate vote was 86-7. On virtually every other occasion, however, Goldwater has voted against proposed expansions in the Social Security system."

Item: From a publication of Congressional Quarterly titled "The Public Records of Lyndon B. Johnson and Hubert H. Humphrey" at page 2074:

"Johnson has stated his full support of the Social Security insurance concept and has consistently voted for increased coverage and benefit payments. He has committed his Administration to support the medicare program financed through Social Security. Johnson has been a strong supporter of federal financing of major medical research programs."

Item: From a Song popular in the 1940s:

"How could you believe me when I told you that I loved you
When you know I've been a liar all my life?"

Steve Spingarn
Stephen J. Spingarn

COPY

SW-SS

December 17, 1964

Professor Merton C. Bernstein
Yale Law School
New Haven, Connecticut 06520

Dear Mert:

Thanks so much for your letter and the memorandum on our Social Security problems. There appears to be a certain degree of willingness to rethinking some of these problems before pushing ahead with the Medicare Bill. So this is very timely and hopefully can be brought to bear in the process.

I will give Bob Nathan a call and get his thoughts on the initial use of general revenues. It seems like a very suggestive proposal.

Best wishes.

Sincerely,

John G. Stewart



YALE LAW SCHOOL
NEW HAVEN, CONNECTICUT 06520

December 4, 1964

Mr. John G. Stewart
Assistant to Senator Humphrey
United States Senate
Washington, D.C.

Dear John:

I enjoyed meeting you and chatting. As you suggested I am sending you a memo on the Social Security dilemma which I believe we face now.

Perhaps I should add that the Social Security Advisory Council (of which I am not a member) is considering recommending a program of ambitious improvement which would require 13+% of payroll taxes -- a rate which lower paid workers simply should not be asked to bear. Should it decide to make such a recommendation that would be all to the good because it would dramatize the immediate need for resort to general revenue supplementation.

After I spoke to you I had a long visit with Bob Nathan and we talked about this problem (among others). He thoroughly agrees that general revenues must be brought into play and he has a very good notion of how to make the first small but necessary break-through: that is, to provide for an "improvement factor" to be added to benefits in proportion to rises in real wages. Our discussion galvanized him into dusting off his file on the subject so as to write an article on it. He also made the suggestion to a task force member, so the report also may help get consideration of this new measure. But other discussions among government and union people (and business groups) concerned with Social Security should be opened up as well.

The Special Committee on Aging has tentative plans for pension hearings in January and has asked me to testify. So that I probably shall be in Washington just before or just after the inauguration. Perhaps I shall see you then, if not sooner.

With kind regards,

Sincerely,

Merton C. Bernstein

MCB/pt

Time blasts Goldwater on Social Security

The Social Security Argument

A disembodied pair of hands tips a social security card in half as a television voice confides: "On at least seven occasions, Senator Barry Goldwater said that he would change the present social security system. But even his running mate, William Miller, admits that Senator Goldwater's voluntary plan would destroy the social security system. President Johnson is working to strengthen social security."

That Democratic TV commercial is evidence of the fact that the U.S.'s social security system, so long accepted by so many, has become a red-hot issue in a presidential campaign for the first time in 28 years. And it has badly hurt Republican Candidate Goldwater, even though he went out of his way to bring up the argument.

A Turkey in New Hampshire. Last November, in a New York Times Sunday Magazine interview, Goldwater said: "I think social security ought to be voluntary. This is the only definite position I have on it. If a man wants it, fine. If he does not want it, he can provide his own."

During the early weeks of this year's Republican presidential primary in New Hampshire, Goldwater reiterated this stand. It did not go over very well, particularly with the large segment of the New Hampshire population that depends on social security. Rival Nelson Rockefeller jumped on the Goldwater argument, charged that to make social security voluntary would be to make the system actuarially unsound, bankrupt it, and turn it into a "personal disaster to millions of senior citizens and their families." Somehow sensing that he had said the wrong thing, Barry backed away, started replying to those who asked him about his sentiments for voluntary social security: "I don't know where you ever got the idea. You must have been listening to the Governor of New York."

Demagogic Cues. After New Hampshire, Goldwater came out with a paper insisting that he not only wanted "a sound social security system" but indeed hoped to see the system "strengthened." But right up to the time of the San Francisco convention, Rocky kept hammering away at Goldwater on social security, and so did Pennsylvania's Governor William Scranton, who termed Barry's voluntary scheme "the worst kind of fiscal irresponsibility." Since Goldwater's nomination, Democrats have picked up the issue, and President Johnson mentions social security in almost the same breath with "Peace and Prosperity." Said he to a Harrisburg, Pa., audience last month: "We do have a choice this year. It is the choice between the mighty voice of the American majority saying yes and the fading echo of the few who still say no. The majority said yes long ago to social security. The echo still says no." As often as not, the Democrats take

their cue from Rocky and Scranton, and Goldwater recently complained: "Rockefeller and Scranton have done me more damage than the Democrats ever could."

Goldwater has charged that Johnson is no friend of social security, since the President insisted that Medicare be attached to an already passed bill expanding the social security system and increasing its benefits. The whole bill, Goldwater says with some justification,



SOCIAL SECURITY TV COMMERCIAL
"On at least seven occasions."

died in conference committee because of the Medicare rider.

The Controversy Rages. Just what are the merits of Goldwater's notion of voluntary social security? Most authorities, whether liberal or conservative, or whether in or out of government, agree that it is totally impractical. According to at least one expert estimate, if the system were to be made voluntary and only 15% of today's covered workers under 30 elected to drop out, the 1965 loss in contributions would amount to \$1.5 billion; by 1968 the loss to the retirement benefit fund would amount to \$8.5 billion, and by 1988 the social security program would be bankrupt.

Almost beyond argument, the social security system could be improved. As of now, improvement is all that Goldwater has made clear he wants; and it is plainly galling to him, as to many another American, to see the system misused as a vote catcher, as in the case of the Medicare debacle. But Barry is not about to get well on this issue, especially so long as he fails to come up with a specific program of his own—a program that would keep the social security system going in one form or another.

Even though, since New Hampshire, Goldwater has virtually purged the word "voluntary" from his vocabulary, it has not done much good. Still the controversy rages, and the uncertainties over his true position abound. In Fort Dodge, Iowa, recently, a 500-signature petition was sent to the state's two U.S. Senators, asking that social security not be made voluntary. Like it or not, it seems that Barry is going to have a tough time convincing voters that he did not mean what he said before he was sorry he said it.

Time Mag.
10-23-64

File
Social
Security



Minnesota Historical Society

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