

## Social Security Act: Activity 1

Student Name \_\_\_\_\_ Date \_\_\_\_\_

A. [President's Message to Congress](#), January 17, 1935, [New Deal Network](#).  
<http://newdeal.feri.org/speeches/1935b.htm>

### MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING A RECOMMENDATION FOR LEGISLATION ON THE SUBJECT OF ECONOMIC SECURITY

It is my best judgment that this legislation should be brought forward with a minimum of delay. Federal action is necessary to, and conditioned upon, the action of States. Forty - four legislatures are meeting or will meet soon. In order that the necessary State action may be taken promptly it is important that the Federal Government proceed speedily.

The detailed report of the Committee sets forth a series of proposals that will appeal to the sound sense of the American people. It has not attempted the impossible, nor has it failed to exercise sound caution and consideration of all of the factors concerned: the national credit, the rights and responsibilities of States, the capacity of industry to assume financial responsibilities and the fundamental necessity of proceeding in a manner that will merit the enthusiastic support of citizens of all sorts.

It is overwhelmingly important to avoid any danger of permanently discrediting the sound and necessary policy of Federal legislation for economic security by attempting to apply it on too ambitious a scale before actual experience has provided guidance for the permanently safe direction of such efforts. The place of such a fundamental in our future civilization is too precious to be jeopardized now by extravagant action. It is a sound idea - a sound ideal. Most of the other advanced countries of the world have already adopted it and their experience affords the knowledge that social insurance can be made a sound and workable project.

Three principles should be observed in legislation on this subject. First, the system adopted, except for the money necessary to initiate it, should be self-sustaining in the sense that funds for the payment of insurance benefits should not come from the proceeds of general taxation. Second, excepting in old-age insurance, actual management should be left to the States subject to standards established by the Federal Government. Third, sound financial management of the funds and the reserves, and protection of the credit structure of the Nation should be assured by retaining Federal control over all funds through trustees in the Treasury of the United States.

At this time, I recommend the following types of legislation looking to economic security:

1. Unemployment compensation.
2. Old-age benefits, including compulsory and voluntary annuities.

3. Federal aid to dependent children through grants to States for the support of existing mothers' pension systems and for services for the protection and care of homeless, neglected, dependent, and crippled children.

4. Additional Federal aid to State and local public-health agencies and the strengthening of the Federal Public Health Service. I am not at this time recommending the adoption of so-called "health insurance," although groups representing the medical profession are cooperating with the Federal Government in the further study of the subject and definite progress is being made.

... In the important field of security for our old people, it seems necessary to adopt three principles: First, noncontributory old-age pensions for those who are now too old to build up their own insurance. It is, of course, clear that for perhaps 30 years to come funds will have to be provided by the States and the Federal Government to meet these pensions. Second, compulsory contributory annuities which in time will establish a self-supporting system for those now young and for future generations. Third, voluntary contributory annuities by which individual initiative can increase the annual amounts received in old age. It is proposed that the Federal Government assume one-half of the cost of the old-age pension plan, which ought ultimately to be supplanted by self-supporting annuity plans.

If they go to the website for this reading, students should read paragraphs 3 through 7, and paragraph 9.

B. [George B. Chandler, representing the Ohio Chamber of Commerce](#), in Senate Hearings on Roosevelt's "Economic Security Bill," 1935. The [Social Security Online](#) website is linked to the EDSITEMent-reviewed [History Matters](#) site.  
<http://www.ssa.gov/history/pdf/s35chandler.pdf>

## STATEMENT OF GEORGE B. CHANDLER, REPRESENTING THE OHIO CHAMBER OF COMMERCE

May I first be permitted to indulge in two general observations: first, that Ohio business protests against the coercion of the States by the Federal Government as represented by the assessment on pay rolls and in other ways. We deem this procedure repugnant to American institutions, destructive of the historic relationships between State and Nation, and calculated in the end to do permanent harm and little immediate good.

...Ohio business believes that legislation of this class will permanently weaken the fibre of the American people. Self-reliance has been the key to American success. It has been the initiative, thrift, and self-sacrificing foresight of the individual and the family which has brought this country to its proud position. And I say, "proud position" advisedly even in the midst of this depression. We are incomparably in a better position than any other nation in the world.

This legislation starts this country on a pathway from which there will be no retreat in the course of the next two generations. When the time comes, as it surely will, to reverse these policies, incalculable harm will have been done to the character of the population.

Only the other day when there was a blizzard in New York, it was impossible in this period of unemployment to get men to work. I live in a suburb of Columbus, where men used to apply at the door every day for work and we tried to give them work. No more apply any more; there is no application for work.

Gentlemen of this committee, I want to say in all seriousness that this Nation can recover and will recover from the economic depression in which we are now floundering. We recovered in the panic of 1873, which ran for 6 years and was about as serious as this. We recovered under our own power; but, gentlemen, the loss to the morale of the people through this period and through the methods which have been adopted to alleviate it is something which I will not say is incurable, but whose result will persist for one or two generations; it is the most grave situation which this Nation is facing. And, to enter upon a broad policy whereby the individual is relieved of the responsibility for his unemployment, for his old age, for the care of his children, you are entering upon a pathway which has destroyed other nations. The downfall of Rome started with corn laws, and legislation of that type. I say that and I hope you will be patient with these general observations.

C. ["I Will Not Promise the Moon": Alf Landon Opposes the Social Security Act, 1936](http://historymatters.gmu.edu/d/8128)  
<http://historymatters.gmu.edu/d/8128>

...Beginning next January employers must, in addition, begin paying taxes on the payrolls out of which your wages are to come. This is the largest tax bill in history. And to call it "social security" is a fraud on the workingman.

These taxes start at the rate of \$2 in taxes for every \$100 of wages. They increase until it is \$6 in taxes for every \$100 in wages.

We are told that this \$6 will be equally divided between the employer and the employe [sic]. But this is not so, and for a very simple reason. The actual fact will be, in almost every case, that the whole tax will be borne either by the employe [sic] or by the consumer through higher prices. That is the history of all such taxes. This is because the tax is imposed in such a way that, if the employer is to stay in business, he must shift the tax to some one else.

Do not forget this: such an excessive tax on payrolls is beyond question a tax on employment. In prosperous times it slows down the advance of wages and holds back re-employment. In bad times it increases unemployment, and unemployment breaks wage scales. The Republican party rejects any feature of any plan that hinders re-employment... One more sample of the injustice of this law is this: Some workers who come under this new Federal insurance plan are taxed more and get less than workers who come under the State laws already in force.

For instance, under the new law many workers now 50 years old must pay burdensome taxes for the next fifteen years in order to receive a pension when they are 65; whereas those of the same age who come under some State laws- pay no taxes and yet actually get a larger pension when they reach the age of 65.

These are a few reasons why I called this law unjust and stupidly drafted. There is a further important point in connection with the compulsory saving provided by the plan of the present administration. According to this plan, our workers are forced to save for a lifetime. What happens to their savings? The administration's theory is that they go into a reserve fund, that they will be invested at interest, and that in due time this interest will help pay the pensions. The people who drew this law understand nothing of government finance...

...Let me explain it in another way—in the simple terms of the family budget. The father of the family is a kindly man, so kindly that he borrows all he can to add to the family's pleasure. At the same time he impresses upon his sons and daughters the necessity of saving for their old age.

Every month they bring 6 per cent of their wages to him so that he may act as trustee and invest their savings for their old age. The father decides that the best investment is his own I O U. So every month he puts aside in a box his I O U carefully executed, and, moreover, bearing interest at 3 per cent.

And every month he spends the money that his children bring him, partly in meeting his regular expenses, and the rest in various experiments that fascinate him.

Years pass, the children grow old, the day comes when they have to open their father's box. What do they find? Roll after roll of neatly executed I O U's.

I am not exaggerating the folly of this legislation. The saving it forces on our workers is a cruel hoax.

There is every probability that the cash they pay in will be used for current deficits and new extravagances. We are going to have trouble enough to carry out an economy program without having the Treasury flush with money drawn from the workers...

Source: Alfred M. Landon, "I Will Not Promise the Moon," Vital Speeches of the Day (October 15, 1936), 26-27.

- D. ["Jackson's Voice Clear on Social Security Issues"](#) by biographer John Q. Barrett contains excerpts of Jackson's defense of Social Security before the Supreme Court in *Helvering v. Davis*, 1937. The [Robert H. Jackson Center](#) is a link on the EDSITEment-reviewed [Center for History and New Media](#). <http://www.roberthjackson.org/documents/PJ021305/>

## ATTORNEY GENERAL ROBERT JACKSON

### Arguments from the *Helvering v. Davis* Supreme Court Case (1937)

...The failure of private pension plans is explored by the evidence, and pointed out in our brief. The failure of private charity to meet this problem is conclusively shown by the figures of the Bureau of Internal Revenue. In 1928 the persons with \$3 million and up of income contributed an average of \$25,400 to purposes for which they were entitled to the charitable deduction. By 1931 they had reduced those contributions, the same group, to \$12,900 average, showing that the well to do retrenched in their charitable contributions during the period of Depression, although the need was greater...

The resources of the States have been declining. Real estate reserved to the States as a source of taxation has been taxed to the limit of its capacity to bear, and personalty has never been successfully taxed locally. The Federal Government, which is able to tax incomes and to lay excises, has sources of revenue which have been drying up for the States, not because of any change in the legal system but because the economic emphasis on personal property has left the States without a comparative source of revenue such as they had at the beginning of our constitutional system...

The condition which is promised as an implication of our system, that thrift would be followed by plenty, failed in the Depression, for the man who had responded to the inducements and had accumulated a bank account and selected the wrong bank, or the man who had saved to purchase a home, found himself in the same position as the one who had never saved at all. In fact, the man who had not tried to acquire a home perhaps was better off because he was not faced with a deficiency judgment. The unfortunate consequences of this Depression bring home to us the fact that self-denial had not assured comfortable age...

[I]f we are to review in this Court the question whether Congress has served the general welfare in fact, I am frank to admit that we face a tradition of 150 years of practice that is against the making of old-age relief a matter of national welfare. But I would call your attention to the fact that old-age welfare has been a constantly widening concern. The matter of the care of the old was at one time a matter for the family only. It became gradually a matter for the town poormaster if the family failed. From the town poormaster it became a matter for the county with its poorhouse, and then the State, because of failures of counties, intervened, and now we argue that it has become a matter of national welfare and this old-age-pension system was set up in the hope that it would make true the promise to men that if they were thrifty and industrious and self-disciplined their age would be spared at least extreme poverty. This plan does no more than spare extreme poverty, and may not in many instances do that. This plan was that if the workman during his productive years would contribute to the Treasury of the United States, then the Treasury of the United States in his unproductive years would contribute to his necessities...

## Social Security Act: Activity 3

Student Name \_\_\_\_\_ Date \_\_\_\_\_

Activity Three: **Transcripts of Francis Perkins and George Sokolsky's statements from [America's Town Meeting of the Air](#)**, "Should We Plan for Social Security?" of December 19, 1935. [Social Security Online](#)  
<http://www.ssa.gov/history/1935radiodebate.html>

### Transcript of minutes 11:20 to 14:50 of Francis Perkins' Speech

"The Social Security Act provides, if I may take out time to outline what it is directly, provides federal grants and aids for old age pensions provided for in the state, to those who are now both aged and indigent. The federal government will match the state, dollar for dollar, up to fifteen dollars per month by the federal government, and any amount more, which the state may seem fit to add in providing free pensions for all people who are without other means of support. The state must, however, comply with certain standards in order to get this federal grant and aid. Certain standards, in their old age pensions, administrations, and laws. Including an age limit of sixty five, although seventy is the usual rule today, and a residents requirement of not more than five years other than the nine years preceding application. Thirty nine states already have old age pensions, but most, many of the state laws have to be revised in order to meet these standards. The same sort of assistance is given by federal grants and aid to the needed blind and twenty eight states now make many of them inadequate provisions for assistance to the needed blind. The bill also provides federal grants and aid for mothers pensions where there is a dependent family without a bread winner. Forty six states have pension laws for mothers with dependent children, but the funds are so inadequate that about, only about one hundred and nine thousand families in the United States are receiving regular mother's aid allowances under state laws, although there are three times that numbers of fatherless families now on the relief role. The inadequacy of the state funds and irregularity of their administration, has been the cause of this anomaly. Under the present act, the state may secure federal aid of one third of their total expenditure on fatherless families up to eighteen dollars a month for one child and twelve dollars for each additional child in the household to enable mothers to take care of their own children at home. And this, of course, will be an extraordinary, a great expansion of a principle of taking care of dependent children in their own home. The act also provides grants and aid for child and maternal healthcare. It provides grants and aid for neglected and handicapped children. It provides grants and aid by the federal government to the state for health protection. The federal appropriation will be allotted to the states for strengthening their present public health services or developing public health services where they have none. This, of course, in the direction of preventing illness. The state also provides two other forms of social security which are in the insurance aspect rather than the relief aspect. The act provides for compulsory old age insurance under United States government supervision. The problem with the wage earner, to old to be hired is growing yearly in size. Today, six percent of our population is sixty five years of age and over, and by 1965 the percentage will be doubled. To prevent future old aged dependency as far as possible, now is the time to set up a compulsory old age insurance program."

## Transcript of minutes 6:22 to 9:35 of George Sokolsky's Speech

“Human liberty, my friends, is a rare privilege. Not likely gained, nor is it to be sacrificed for bread alone, for without it, the guaranteed, the secured bread becomes the wages of a driven slave. There are no poor, no unemployed, no indigent, but I also want liberty. I want the human right which my ancestors never enjoyed, but which, to me, are more precious than life. For without them, life is a concha of crushing death. It is upon... It is upon this basis that I shall now devote myself to the specific plan for social security, the federal government's Social Security Act passed by Congress and signed by the president and now is the law of the land. When we talk of that we have something very specific before us. Pretty close to five billion dollars annually within the next 15 years to be met by taxes which will produce increased prices, reduced profits and possibly even reduce the employment of labor. We need not be abstract or idealistic about this plan. It is here with us and we have to face it. Curiously enough, one of the first obstacles we encounter in this plan arises from our form of government. Clearly the rights to provide for unemployment insurance rests with the state but the federal government has the right to tax us too. The authors of this bill face their dilemma which in time, we must all encounter. They wanted to do something which they are not allowed to do. They got around their difficulty by a very simple device. They would tax all the payrolls of the United States and then they would remit ninety percent of the tax if the burdened citizens could free their state, could force their state legislature to pass such an act as the federal government wanted pass, passed. Here is a new principle of policy, a new departure from liberty. The federal government cannot coerce the state to pass a law, but it can offer the citizens of each state a bait, a monetary bait to have the law passed. Ninety percent of the federal tax is to be remitted if the state passes a law to conform to federal standards. The remaining ten percent remains with the federal government, but the federal government does not engage in the unemployment insurance business except to make grants and aids for administrative purposes for the state. The actual administration of the business is admittedly the function of the state therefore the remaining ten percent has no function. It is either a clear profit for the federal government, a hidden form of taxation, or it is a service charge for coercion.”