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

11

MESSAGE FROM THE PRESIDENT

To the Congress of the United States:

In addressing you on June 8, 1934, I summarized the main objectives of our American program. Among these was, and is, the security of the men, women, and children of the Nation against certain hazards and vicissitudes of life. This purpose is an essential part of our task. In my annual message to you I promised to submit a definite program of action. This I do in the form of a report to me by a Committee on Economic Security, appointed by me for the purpose of surveying the field and of recommending the basis of legislation.

I am gratified with the work of this Committee and of those who have helped it; the Technical Board on Economic Security drawn from various departments of the Government, the Advisory Council on Economic Security, consisting of informed and public-spirited private citizens and a number of other advisory groups, including a committee on actuarial consultants, a medical advisory board, a dental advisory committee, a hospital advisory committee, a public-health advisory committee, a child-welfare committee and an advisory committee on employment relief. All of those who participated in this notable task of planning this major legislative proposal are ready and willing, at any time, to consult with and assist in any way the appropriate congressional committees and members, with respect to detailed aspects.

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 actions 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. In the first place, 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 mother's 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.

With respect to unemployment compensation, I have concluded that the most practical proposal is the levy of a uniform Federal payroll tax, 90 percent of which should be allowed as an offset to employers contributing under a compulsory State unemployment compensation act. The purpose of this is to afford a requirement of a reasonably uniform character for all States cooperating with the Federal Government and to promote and encourage the passage of unemployment compensation laws in the States. The 10 percent not thus offset should be used to cover the costs of Federal and State administration of this broad system. Thus, States will largely administer unemployment compensation, assisted and guided by the Federal Government. An unemployment compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization. This can be helped by the intelligent planning of both public and private employment. It also can be helped by correlating the system with public employment so that a person who has exhausted his benefits may be eligible for some form of public work as is recommended in this report. Moreover, in order to encourage the stabilization of private employment, Federal legislation should not foreclose the States from establishing means for inducing industries to afford an even greater stabilization of employment.

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.

The amount necessary at this time for the initiation of unemployment compensation, old-age security, children's aid, and the promotion of public health, as outlined in the report of the Committee on Economic Security, is approximately \$100,000,000.

The establishment of sound means toward a greater future economic security of the American people is dictated by a prudent consideration of the hazards involved in our national life. No one can guarantee this country against the dangers of future depressions but we can reduce these dangers. We can eliminate many of the factors that cause economic depressions, and we can provide the means of mitigating their results. This plan for economic security is at once a measure of prevention and a method of alleviation.

We pay now for the dreadful consequence of economic insecurity—and dearly. This plan presents a more equitable and infinitely less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to attain the objectives sought in this report.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *January 17, 1935.*

LETTER OF SUBMITTAL

The PRESIDENT,
The White House, Washington, D. C.

DEAR MR. PRESIDENT:

In your message of June 8, 1934, to the Congress you directed attention to certain fundamental objectives in the great task of reconstruction; an indistinguishable and essential aspect of the immediate task of recovery. You stated, in language that we cannot improve upon:

Our task of reconstruction does not require the creation of new and strange values. It is rather the finding of the way once more to known, but to some degree forgotten, ideals and values. If the means and details are in some instances new, the objectives are as permanent as human nature.

Among our objectives I place the security of the men, women, and children of the Nation first.

This security for the individual and for the family concerns itself primarily with three factors. People want decent homes to live in; they want to locate them where they can engage in productive work; and they want some safeguard against misfortunes which cannot be wholly eliminated in this man-made world of ours.

Subsequent to this message, you created, by Executive order, this Committee on Economic Security to make recommendations to you on the third of the aspects of security which you outlined—that of safeguards “against misfortunes which cannot be wholly eliminated in this man-made world of ours.”

In the brief time that has intervened, we have sought to analyze the hazards against which special measures of security are necessary, and have tried to bring to bear upon them the world experience with measures designed as safeguards against these hazards. We have analyzed all proposed safeguards of this kind which have received serious consideration in this country. On the basis of all these considerations, we have tried to formulate a program which will represent at least a substantial beginning toward the realization of the objective you presented.

We have had in our employ a small staff which included some of the outstanding experts in this field. This staff has prepared many valuable studies giving the factual background, summarizing American and foreign experience, presenting actuarial calculations, and making detailed suggestions for legislation and administration.

We have also had the assistance of the Technical Board on Economic Security, provided for in your Executive order, and composed of 20 people in the Government service, who have special interest and knowledge in some or all aspects of the problem you directed us to study. The Technical Board, functioning as a group, through subcommittees, and as individuals, has aided the staff and the Committee during the entire investigation. Many of the members have devoted much time to this work and have made very important contributions. Plus these, many other people in the Government service have unstintingly aided the Committee with special problems on which their advice and assistance has been sought.

The Advisory Council on Economic Security, appointed by you and constituted of citizens outside of the Government service, chosen

from employers, employees, and the general public, has assisted the Committee in weighing the proposals developed by the staff and the Technical Board, and in arriving at a judgment as to their practicability. All members of the Council were people who have important private responsibilities, and many of them also other public duties, but they took time to come to Washington on four separate occasions for meetings extending over several days.

In addition to the Council, this Committee found it advisable to create seven other advisory groups: A committee of actuarial consultants, a medical advisory board, a dental advisory committee, a hospital advisory committee, a public health advisory committee, a child welfare committee, and an advisory committee on employment and relief. All of these committees have contributed suggestions which have been incorporated in this report. The medical advisory board, the dental advisory committee, and the hospital advisory committee are still continuing their consideration of health insurance, but joined with the public health advisory committee in endorsement of the program for extended public health services which we recommend.

Finally, many hundreds of citizens and organizations in all parts of the country have contributed ideas and suggestions. Three hundred interested citizens, representing practically every State, at their own expense, attended the National Conference on Economic Security, held in Washington on November 14, which was productive of many very good suggestions.

The responsibility for the recommendations we offer is our own. As was inevitable in view of the wide differences of opinion which prevail regarding the best methods of providing protection against the hazards leading to destitution and dependency, we could not accept all of the advice and suggestions offered, but it was distinctly helpful to have all points of view presented and considered.

To all who assisted us or offered suggestions, we are deeply grateful.

In this report we briefly sketch the need for additional safeguards against "the major hazards and vicissitudes of life." We also present recommendations for making a beginning in the development of safeguards against these hazards, and with this report submit drafts of bills to give effect to these recommendations. We realize that some of the measures we recommend are experimental and, like nearly all pioneering legislation, will, in course of time, have to be extended and modified. They represent, however, our best judgment as to the steps which ought to be taken immediately toward the realization of what you termed in your recent message to the Congress "the ambition of the individual to obtain for him and his a proper security, a reasonable leisure, and a decent living throughout life."

Respectfully submitted.

FRANCES E. PERKINS,
Secretary of Labor (Chairman).

H. MORGENTHAU, Jr.,
Secretary of the Treasury.

HOMER CUMMINGS,
Attorney General.

H. A. WALLACE,
Secretary of Agriculture.

HARRY HOPKINS,
Federal Emergency Relief Administrator.