

Similarly, persons in the armed forces will be at a post-war disadvantage in respect to unemployment insurance.

I know that several Senators have been studying these problems. Chairman Altmeyer made a very able and comprehensive report to some of us last week. But I am impressed with the fact that the subject is so technical that it will be difficult to handle without expert and considered advice. In 1935, in a similar difficulty when we were struggling with the problem of social-security reserves, we were greatly helped by the creation of a temporary advisory council. I am proposing the same course in the present instance.

INQUIRY INTO ADMINISTRATION OF RURAL ELECTRIFICATION ACT

Mr. SMITH submitted the following resolution (S. Res. 197), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the subcommittee of the Committee on Agriculture and Forestry appointed by the chairman of such committee to inquire into the administration of the Rural Electrification Act is authorized, for the purposes of such inquiry, to employ clerical and other assistants and to expend during the Seventy-eighth Congress not in excess of \$15,000, to be paid out of the contingent fund of the Senate, which shall be in addition to any other funds available for expenditure by the Committee on Agriculture and Forestry or any subcommittee thereof.

PROTECTION OF FEDERAL OLD-AGE AND SURVIVORS INSURANCE TO MEMBERS OF ARMED FORCES

Mr. GEORGE. Mr. President, I have received a letter from Dr. A. J. Altmeyer, Chairman of the Social Security Board, in which he calls attention to the fact that, responsive to a number of inquiries and requests from Members of the House and Senate, a document has been prepared concerning the protection of the social security rights of individuals in the military service. He has enclosed a copy of this statement to the chairman of the Finance Committee, and I ask that it be printed as a part of my remarks in the RECORD, for the benefit of the Members of the House and the Senate who are interested in this subject.

The VICE PRESIDENT. Without objection, it is so ordered.

The statement is as follows:

General nature of plan: There are two methods that could be utilized in extending the protection of the Federal old-age and survivors insurance system to persons in the armed forces. One is the moratorium plan whereby all preexisting rights under the Federal old-age and survivors insurance system, possessed by persons entering the armed forces, would be frozen at the time they entered the armed forces. The other method is simply to extend the coverage of the old-age and survivors insurance system to include service in the armed forces.

The moratorium plan has three disadvantages. One is that a large proportion of persons entering the armed forces have no previous existing benefit rights to be frozen. The second is that there is no increase in the benefit rights as occurs in the case of periods of insured employment. If these men had not been in the armed forces during the war, but had continued at their regular jobs or gone into war industry in most cases they would have been building up their benefit rights. The third is that it is more difficult

to understand because it would be necessary to explain in each individual case that the period of military service would be blocked out in computing an individual's average wage (upon which benefits are paid) and in determining eligibility for benefits, both of which are related to the period of time elapsing from the date the Federal system originally went into effect (or from the date the individual became 21 years of age, whichever is the later).

It seems preferable, therefore, to treat service in the armed forces as though it were insured employment and to credit to the serviceman's social security account the wages received during his military service.

Amount of wages to be credited: In selecting the amount of wages to be credited to the serviceman's social security account consideration must be given to equity to the serviceman, and to administrative factors. The actual amount of pay received by the serviceman might be credited under the program plus an arbitrary amount such as \$60 or \$75 per month to represent the value of the subsistence which he receives. Crediting the actual pay, however, may involve substantial administrative difficulties. Two other simpler possibilities are either the highest pay during military service, or pay at time of discharge—plus some amount in lieu of subsistence. Another even more simple possibility is to provide some flat sum for all persons in the service, such as \$160 per month, as is provided in the military service amendments to the Railroad Retirement Act. It should be noted that the crediting of any amount less than \$250 per month (the maximum under the present insurance program) may reduce the amount of any benefit slightly for those few persons who had higher earnings and were covered under the insurance system before entering military service.

Contributions by servicemen. Since the old-age and survivors insurance program is a contributory program, it is suggested that the legislation affording military service credit provide that contributions be paid just as they are in private employment. This should add to the assurance that any benefits derived from military service are being provided through a contributory program. In private employment, the employer may pay the individual's contributions for him. Analogously, provision can be made that the Federal Government should pay the serviceman's contributions.

Duplicate benefits. An important question to be decided is the relationship of regular veterans' benefits to benefits which would be payable under the Federal old-age and survivors insurance system. It is desirable not only to eliminate gaps, but also overlaps in providing protection against economic loss. In other countries having a social insurance system adjustments are usually made to prevent the payment of duplicate benefits for the same hazard. In Great Britain, for example, social security benefits usually are not payable if the person is eligible for veterans' benefits. In Germany the social insurance benefit may be reduced to one-third when veterans' benefits are payable.

In this country the problem of adjustment of duplicate benefits payable for the same hazards under the Social Security Act and other laws has not yet been faced or solved. If the social security law had been passed first it is probable that the various other laws Federal, State, and local, providing protection against economic loss due to the same hazards would have taken into account the basic protection provided under the Social Security Act. That is to say, the benefits provided under such other laws would have been made supplementary to the extent necessary to a more desirable degree of protection. However, as it is, in this country benefits are paid under veterans' legislation, under workmen's compensation laws, and,

under other Federal, State, and local government retirement plans without any adjustment for the fact that we now have a basic social security law. The result is that frequently the benefits provided are in excess of the economic loss sustained.

In the case of workmen's compensation the duplication of benefit payments occurs only in the case of death, since disability benefits are not yet provided under the basic social security law. But in the case of death, while each type of law calculates benefits as a percentage of the wage loss sustained with a maximum to prevent payment of more than the wage loss, the payment of the given percentage under several laws results many times in a payment in excess of 100 percent of the wage loss sustained. If veterans benefits are intended to cover a proportion of the economic loss, the same result occurs in the case of death as under workmen's compensation.

Duplicate benefits can also occur in the case of persons who are entitled to old-age retirement benefits under both the old-age and survivors insurance system and under some other Federal, State, or local government retirement plan. While this duplication is reduced somewhat by the fact that all old-age retirement benefits are generally related to the actual period of service, this duplication is by no means eliminated in its entirety, since the benefits provided under the Federal old-age and survivors insurance system have very little relationship to the actual actuarial value of the contributions that have been made by or on behalf of each individual who is insured. This is particularly true in the early years of the operation of the Federal old-age and survivors insurance system. Of course, if in the present instance the Government bears the cost of the employee's contributions as well as the employer's contributions, this is all the more true.

In this respect social insurance differs from private insurance. A comparison of the actuarial value of contributions and the actuarial value of benefits payable in the early years of the old-age and survivors insurance system will be found in table 5 of the report of the Senate Finance Committee on the Social Security Act amendments of 1939 (S. Rept. No. 734, 76th Cong., 1st sess.). That table indicates, for example, that a person who receives under the old-age and survivors insurance system \$27.50 a month makes contributions which would purchase an annuity of only 41 cents a month. However, eventually, as this table indicates, the employees' contributions will cover approximately one-half of the actuarial cost of the benefits for the high-paid employee.

The Federal Government would of course have no power to require our State or local governments to make adjustments in benefits to take account of the basic benefits provided under the Social Security Act. However, it would appear that the Federal Government should make adjustments in the benefits provided under various Federal laws to cover economic loss in order to take account of the basic protection provided by the Federal old-age and survivors insurance system. This adjustment should, of course, be made in such a manner as to eliminate any gaps in the protection and to prevent any reduction in combined protection below a reasonable level. In the case of the various special Federal old-age retirement plans which relate the amount of benefits to length of service, while the problem of duplication exists, it is not quite so great, although its solution is more difficult. Therefore, any adjustment should start with Federal employee noncontributory plans where benefits are paid that are not related to the length of service; such as veterans' benefits and benefits payable under the United States Employees Compensation Act, the District of Columbia Work-