

LOW-INCOME FAMILIES AND ECONOMIC  
STABILITY

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REPORT  
OF THE  
SUBCOMMITTEE ON LOW-INCOME FAMILIES  
OF THE  
JOINT COMMITTEE ON THE ECONOMIC REPORT  
CONGRESS OF THE UNITED STATES  
PURSUANT TO  
S. Con. Res. 26



MARCH 9 (legislative day, MARCH 8), 1950.—Ordered to be printed

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SENATE RESOLUTION NO. 233

[SUBMITTED BY MR. O'MAHONEY]

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IN THE SENATE OF THE UNITED STATES,  
*March 9 (legislative day, March 8), 1950.*

*Resolved*, That the committee print entitled "Low-Income Families and Economic Stability," printed for the use of the Joint Committee on the Economic Report, be printed as a Senate document.

Attest:

LESLIE L. BIFFLE, *Secretary.*  
By EMERY L. FRAZIER, *Chief Clerk.*

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(Created pursuant to sec. 5 (a) of Public Law 304, 79th Cong.)

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## LETTER OF TRANSMITTAL

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FEBRUARY 23, 1950.

HON. JOSEPH C. O'MA'HONEY,  
*Chairman, Joint Committee on the Economic Report,  
United States Senate, Washington, D. C.*

DEAR SENATOR O'MA'HONEY: Transmitted herewith is the report of the Subcommittee on Low-Income Families, which was appointed by you on July 2, 1949, pursuant to Senate Concurrent Resolution 26, for the purpose of conducting a study and investigation into the problem of low-income families in relation to economic instability.

In making our study we have concentrated our attention first, on the numbers and circumstances of low-income families in order to find the basic causes of low incomes and dependency; second, on the major problem of how to bring within our national circle of high employment, production, and purchasing power, these millions of American families who fail to find entrance even in good times. Within this broad area we have made our investigation as complete as our limited time permitted, and we have indicated those aspects of the problem which require more study before constructive, remedial action can be taken.

Our staff has made use of available resources within the Federal Government and elsewhere. Basic materials on the numbers and circumstances of American low-income families were gathered from the executive departments of the Government and published as a joint committee print entitled "Low-Income Families and Economic Stability, Materials on the Problem of Low-Income Families." To provide background information on public programs for the aid of dependent and underprivileged groups, the staff of the Subcommittee on Unemployment prepared the joint committee print, *Selected Government Programs Which Aid the Unemployed and Low-Income Families*. These factual and descriptive documents were distributed to members of the joint committee and to other interested persons on November 9, 1949. Although they do not necessarily represent the views of the subcommittee nor of its individual members, we believe them to be valuable contributions to existing knowledge in the field. In their preparation the staffs of the subcommittees were assisted by technicians from the Bureau of the Census, the Federal Security Agency, the Bureau of the Budget, the different bureaus of the Department of Labor, the Housing and Home Finance Agency, the Bureau of Agricultural Economics, the Board of Governors of the Federal Reserve System, the Veterans' Administration, and the Legislative Reference Service of the Library of Congress.

Ten days of open hearings were held, and testimony received from Government officials, economists, representatives of various social-welfare organizations, and other interested groups.

We wish to emphasize that the Federal Government cannot and ought not, unaided, try to carry out a successful attack on the causes of low incomes. Without the cooperation of local communities, State and local governments, labor unions, and private business and professional organizations, an attack on these causes cannot succeed. To bring the dependent and underprivileged into full participation in American life is a task which requires vigorous action on the part of all citizens.

In transmitting this report we wish to thank the many persons who so generously assisted the subcommittee and its staff. Without their aid, our study of the causes of poverty and dependency could not have been accomplished. We also wish to express our special appreciation to Samuel L. Brown, economist, and Elizabeth G. Magill, research assistant for the subcommittee, for their excellent services in connection with all phases of our work.

Sincerely yours,

JOHN SPARKMAN,  
*Chairman, Subcommittee on Low-Income Families.*

# LOW-INCOME FAMILIES AND ECONOMIC STABILITY

## I. LOW-INCOME FAMILIES AND THE NATIONAL ECONOMY

1. *We recommend that local communities, private business and professional groups, and Federal, State, and local governments take all appropriate action to provide opportunities for low-income families to become full partners in prosperous American communities. Concerted action is required to provide employment opportunities for the aged at tasks within their powers, to help the disabled regain their productive place in society, to develop new industries and employment opportunities in backward regions of the country, to give the unskilled worker a chance to improve his income and his status, and to provide opportunities for the children of low-income families to develop their capacities by suitable education.*

2. *We recommend that the Council of Economic Advisers, the Departments of Agriculture, Commerce and Labor, the Joint Committee on the Economic Report, and other Government agencies continue to study the relationship between the distribution of income and the stability and progress of the economy as a whole. Our investigation has indicated that the low-income group constitutes a large underdeveloped productive resource and a large potential market. Further research is needed to define the size and the importance to the whole economy of this reservoir of human resources.*

We have found that about one-third of all the families and individuals in the United States had total money incomes of less than \$2,000 in 1948. This conclusion is based upon income data gathered by the Bureau of the Census from a sample of about 25,000 households. Because some people may understate their incomes to census enumerators, the true proportion below the arbitrary figure of \$2,000 may be somewhat lower.<sup>1</sup> Nevertheless, a surprisingly large proportion of the Nation's families was underproducing and underconsuming in the generally prosperous full-employment year of 1948.<sup>2</sup>

There are several different causes of the poverty and, in many cases, the dependency of these families. Included in the group of 10,000,000 families below \$2,000 are about 3,300,000 farm families (1,700,000 of

<sup>1</sup> The subcommittee staff report, *Low-Income Families and Economic Stability, Materials on the Problem of Low-Income Families*, Joint committee print, Washington: 1949, p. 9 (hereinafter referred to as *Materials on the Problem of Low-Income Families*), placed this proportion at one-third, on the basis of data supplied by the Bureau of the Census. The Council of Economic Advisers in its *Annual Economic Review*, January 1950, has attempted an adjustment of these data for underreporting of income. The adjustment results in reducing the proportion below \$2,000 from one-third to one-fourth. See the appendix of this report for a discussion of the method and importance of this adjustment.

Since the publication of our staff report, the Bureau of the Census has completed a more detailed breakdown of its 1948 data on income distribution among families and single persons. See *Current Population Reports, Consumer Income*, Bureau of the Census, series P-60, No. 6, February 14, 1950.

<sup>2</sup> A similar conclusion has been reached independently by the Division of Research and Statistics, Board of Governors of the Federal Reserve System, on the basis of its annual *Survey of Consumer Finances* conducted by the Survey Research Center, University of Michigan. See *Materials on the Problem of Low-Income Families*, p. 86. "However, despite these differences in circumstances which, in general, tend to reduce the disparity in the relative well-being of various income groups, substantial numbers of units do fall below almost any generally accepted minimum standard of economic welfare."

whom had cash incomes of less than \$1,000), whose poverty is due to causes differing greatly from those resulting in urban low incomes. In the urban or nonfarm group, low-income families tend to be headed by women, by aged persons, by persons having little skill or education, and by disabled persons.<sup>3</sup> Remedial measures to increase productivity, incomes and consumption must therefore be of many different kinds. The complex causes admit of no single prescription, no rapid cure.

Yet remedies can and should be found. In its new and inescapable role of world leadership our country needs all its spiritual and intellectual resources and all its latent economic strength. Adam Smith long ago pointed out that the wealth of a nation—as well as its industrial and military strength—depends upon the aptitudes and capacities of its people. The 16,000,000 families and individuals—38,000,000 persons in all—with money incomes of less than \$2,000 are a national resource which should be more fully developed. One-fifth of our children are in these families.<sup>4</sup> Ways and means must be devised to expand our investment in our people, to raise these millions with small incomes and low living standards to a higher role of production and consumption in the American economy.

Such investment in the basic productive capacities of our people will safeguard their free and independent status as citizens, and will help to knit together and strengthen the social and economic fabric of our Nation. The Assistant Secretary of Commerce has pointed out that enhancement of the productive power of the lowest third of our families will promote “higher long-range utilization of economic resources and vigorous economic progress.”<sup>5</sup> Raising their productivity and incomes will expand domestic markets for industrial and agricultural production, and will thereby contribute to the prosperity of all. The Secretary of Agriculture estimated, for example, that if the group of farmers having incomes below \$2,000 in 1946 could be raised to the \$2,000–\$3,000 level, their total consumption expenditure would increase by more than a billion dollars annually, and additional hundreds of millions would be spent for production equipment and supplies. In discussing the problem of food consumption, the Secretary stated that one-fifth of our families are now consuming less food than the average rate of consumption for the country as a whole in the period of 1935–39. If their consumption could be increased to the prewar national average—a modest goal—the domestic demand for food would rise by 7 percent, or about \$3,500,000,000 annually at 1948 prices.<sup>6</sup> Just as the industrialization of undeveloped countries during the nineteenth and early twentieth centuries provided expanding markets and rising living standards for the western industrial nations, so the development of the low-income market will raise the standard of living of the whole American Nation.<sup>7</sup>

<sup>3</sup> *Ibid.*, pp. 4, 5, and 86–89.

<sup>4</sup> Low income and its concomitants, bad housing, slum neighborhoods, prevalence of gangs and lack of community organizations, are highly correlated with juvenile delinquency. Provision of adequate and stable family incomes would be a powerful preventive influence in reducing this economic and social loss. Testimony of Dr. Ernest W. Burgess, hearings of the Subcommittee on Low-Income Families, December 17, 1949.

<sup>5</sup> Testimony of Assistant Secretary of Commerce Thomas C. Blaisdell, Jr., December 13, 1949. See also the testimony of Acting Administrator of the Federal Security Agency, John L. Thurston, December 12, 1949, concerning the fivefold increase in the productivity and incomes of handicapped persons who participated in the vocational rehabilitation program in 1948.

<sup>6</sup> Testimony of Secretary of Agriculture Charles F. Brannan, December 15, 1949.

<sup>7</sup> Testimony of Thomas C. Blaisdell, Jr., December 13, 1949.



Raising the incomes of the lowest third may be accomplished either by transferring wealth from the more fortunate members of the economy, that is, by taxation and subsidy, or by providing better opportunities for the members of the low-income group to develop their own productive capacities and so to become full partners in American prosperity. While the first method, the palliative of relief, may be necessary for a small proportion of the low-income families, we believe that most of them will rise by their own efforts—once they are given the traditional American fair field and no favor. To this end we have aimed our investigation and designed our recommendations. We believe that our study and our hearings have established three ruling principles to guide constructive plans to raise the productivity and incomes of the lowest third.

First, good employment opportunities are essential; the economy must be kept at high levels of employment and production. Our success in raising the productivity and incomes of the lower groups depends upon our success in solving the problems of investment, of monetary and fiscal policies, and of periodical unemployment. These problems are now being studied by other subcommittees of the Joint Committee on the Economic Report. Long-range policies such as we recommend can never succeed against a background of drastically fluctuating employment, for the lowest third suffers most in periods of deflation and depression.

The problem of low income and dependency is only in part a problem of unemployment and the business cycle; maintaining full employment is a necessary but not a sufficient condition for the solution of the problem. Even in times of good employment opportunities as in 1948, a large proportion of the Nation's families had low incomes. Of the 10,000,000 families with money incomes of less than \$2,000 in 1948, only about 420,000, or 5 percent, reported their family head as "unemployed" when the census income survey was made.<sup>8</sup> Hence, long-run measures to increase productivity and incomes are necessary, and we have devoted our attention primarily to such recommendations.

Second, development of human resources should be fostered by providing equal opportunities for all to improve and use their own capacities. Initiative can be encouraged and given room to work by calculated measures but simply passing a law will not do the job. No legislation or community action can guarantee a good living, but much can be done to provide equal opportunity to make a good living.<sup>9</sup>

Third, we believe there is a danger that poverty and dependency may tend to perpetuate themselves by a vicious circle process. Opportunities should be provided to break this circle.<sup>10</sup> For example, there is a clear tendency for low incomes to result in poor education for the children of poorer families. The committee on the objectives of a general education in a free society, of Harvard University, has estimated that the lower-income group sends only about 30 percent of its children through high school and about 5 percent to college. It is usually a sacrifice for parents in this group to keep their children even in high school and they cannot possibly pay money toward college.<sup>11</sup>

<sup>8</sup> Materials on the Problem of Low-Income Families, table A-3, p. 62.

<sup>9</sup> Testimony of Msgr. L. G. Ligutti, executive director of the National Catholic Rural Life Conference, December 21, 1949.

<sup>10</sup> Testimony of Dr. Caroline F. Ware, December 14, 1949.

<sup>11</sup> Materials on the Problem of Low-Income Families, p. 17.

In turn, deficient education tends to result in low incomes for the children, by disqualifying them for better-paying jobs.<sup>12</sup>

Similar cycles can be traced in the relations between incomes and factors such as health, juvenile delinquency, geographical location, and housing. Thus, poverty and low living standards of the present generation tend to breed poverty and low living standards for the next. We believe that these vicious circles can be broken by measures calculated to enlarge and equalize opportunities for all our people. In the balance of this report, we have arranged our recommendations for such measures according to the principal categories of the low-income group; the rural low-income family, the unskilled, the broken family, the disabled, and the aged.

## II. RURAL LOW-INCOME FAMILIES

We have found that about 3.3 million farm families had money incomes below \$2,000 in 1948, and 1.7 million of these families had money incomes below \$1,000. Cash received during the year is only a rough measure of the economic well-being of farm families. For example, in 1941 the Department of Agriculture found that farmers at low-income levels received about 40 percent of their incomes in the form of goods or services rather than in cash.<sup>13</sup> Statistics of money income for farmers must therefore be interpreted with care.

We believe that low incomes in agriculture are in large measure a regional problem. In certain areas of the country the main cause of continuing agricultural poverty appears to be that too many people, using outmoded methods, are trying to make a living exclusively from agriculture.<sup>14</sup> The particular aspects of this general problem are: (1) the inability of qualified farmers to secure landholdings large enough and productive enough to make an adequate living; (2) lack of modern capital equipment on low-income farms; (3) lack of supplemental nonagricultural employment; and (4) lack of nearby markets for diversified farm products in many rural areas.

Besides the problem of low-income farm operators there is the special problem of hired farm workers and migratory farm laborers. These workers and their families comprise perhaps the most disadvantaged group in our economy, and they do not share in the benefits from Federal and State social legislation.<sup>15</sup>

Neither the low-income farm operator nor the hired farm laborer, whether a local resident or a migratory worker, benefits from the present price-support programs, except indirectly when such programs result in an improvement in employment opportunities on larger farms.<sup>16</sup>

*1. We recommend a thorough investigation of the effect of the Federal farm price-support programs on farm families in the different income groups, with the purpose of determining how such pro-*

<sup>12</sup> *Ibid.*, pp. 15-16; also appendix E-2, pp. 109-110.

<sup>13</sup> *Ibid.*, p. 35.

<sup>14</sup> Testimony of Dr. D. Gale Johnson, December 16, 1949: " \* \* \* there are two main causes of low incomes in agriculture—an economic depression and an excess of farm population (usually associated with an obsolete technology) \* \* \* in the areas of chronic low income, the main and continuing cause is that of excess farm population and an outmoded production technology."

<sup>15</sup> For a more complete discussion of the conditions under which the hired farm worker and the migratory laborer and their families live, see *Materials on the Problem of Low-Income Families*, pp. 47-52.

<sup>16</sup> With respect to the effect of these programs on the status of low-income farm operators, see testimony of Dr. D. Gale Johnson, December 16, 1949. With respect to the effect of the programs on the welfare of hired farm workers see testimony of Charles F. Brannan, December 15, 1949.

grams might be designed to make a greater contribution to the welfare of low-income farmers.

2. We recommend that sufficient funds, in an amount consistent with sound economic policy, be provided for supervised farm purchase loans and supervised production loans by the Farmers Home Administration of the Department of Agriculture, to enable competent low-income farmers to acquire and operate sufficiently large holdings, and to make the change from the one-crop system to diversified farming.

The Farmers Home Administration now has authority to make loans at low interest rates to help low-income farmers purchase larger and better farms, improve their equipment and their property, and buy needed supplies for production. This agency has a notable record of success in raising the level of living of its borrowers.<sup>17</sup> Because of inadequate appropriations, its operations are now restricted. During the last 2 years its funds have permitted operating loans to only 30 or 40 percent of applicants and farm ownership loans to only about 2½ percent of such potentially independent enterprises.<sup>18</sup> We wish to emphasize that funds provided for supervised operating loans or farm-purchase loans constitute good investments. The Secretary of Agriculture has estimated, for example, that such loans to low-income farm operators would yield a net return to the Government, after allowance for losses and expenses of supervision.<sup>19</sup> The higher production and higher incomes of these families would also yield indirect returns in the form of greater national income and prosperity. Hence we recommend that sufficient funds for such loans be provided to accommodate a larger proportion of qualified applicants.

3. We recommend that comprehensive studies of the reasons for regional rural poverty be inaugurated by the Bureau of Agricultural Economics, and by other interested research groups, and that coordinate studies of the possibilities of area development of economically lagging regions be undertaken by the appropriate public and private agencies, with the purpose of fostering part-time farming supplemented by industrial employment. In this connection, we recommend that the procurement policy of the Federal Government be designed as far as possible to encourage development of new private industries in such areas. We also recommend that in regions where supplemental employment opportunities cannot be established, and where improvement of farming methods will not suffice to raise the level of living of low-income farm families, suitable means be found to help such families move to areas of better opportunity. We believe that such programs should contain safeguards against the danger that migrating low-income farmers may become unskilled or casual workers, entirely dependent upon intermittent cash wages.<sup>20</sup>

<sup>17</sup> Testimony of Charles F. Brannan: "In 1948, 50,000 borrowers graduated from FHA's production loan program. After adjusting the figures for the rise in prices these families had practically doubled their net worth and gross cash income during the average of 4 years they were in the program. Farm ownership borrowers of FHA did equally well and are well ahead of schedule in repaying loans on their farms."

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> See statement submitted by Rev. William J. Gibbons, S. J., on behalf of the National Catholic Rural Life Conference. "Today we see that while the encouragement of urbanization of population and industrialization of the economy may solve some problems, it creates new ones as well. Completely deprived of any opportunity for meeting their needs by primary production, the urban industrial families become wholly dependent upon cash income from their employment. In times of depression this employment is quite precarious; in times of relative prosperity it often provides insufficient income to meet family needs."

Our study and our hearings have convinced us that farm poverty is to a large extent a regional problem.<sup>21</sup> There are certain "disadvantaged" agricultural areas in the United States, which may be defined as those containing large proportions of low-income families, hired workers, farm tenants, and farm families on poor land. Before the war these disadvantaged areas were concentrated in the Old South (the Cotton Belt, the Ozarks, and the southern Appalachians), in northern New Mexico and Arizona, in the northern high plains, and in scattered sections that included the Great Lakes cut-over country. With the single exception of the northern plains, all of these areas are still disadvantaged, despite the relative prosperity which the country as a whole has experienced in recent years.

The reasons for this regional poverty are not yet fully understood.<sup>22</sup> We recommend that the appropriate public agencies, as well as interested universities and private research foundations undertake or continue the study of its causes. Previous studies and experience have indicated that the development of new manufacturing industries in rural areas, around available raw materials, would provide full- or part-time jobs for low-income farmers near their homes, and make it possible for them to raise their living standards. A thorough study of the possibilities of this approach to the problem is necessary, and will involve extensive surveys of the industrial potential of these regions. It may be found that some low-income farm areas do not possess the resources necessary for the establishment of new industries. In such instances, it may be necessary to help low-income farmers migrate to regions of better opportunity.

As industries become established in rural areas there will be a need for a program of vocational guidance and special assistance so that low-income families may take advantage of new employment opportunities. There will also be a need for a program of supervised loans to enable farm families to shift to more profitable kinds of farming which will meet the requirements of the newly developed areas. As towns develop around a new industry the population will require many farm products such as dairy products, poultry and eggs, and fresh vegetables. The remaining farm population should be helped to change methods of farming to meet the requirements of the urban group.

A program of providing part-time industrial employment to supplement low farm incomes can in many cases serve other useful purposes. For example, it has long been accepted public policy to help small business. During 1949 considerable effort was likewise made to channel public purchases to distressed areas of unemployment. We therefore recommend that the procurement program of the Federal Government be examined to ascertain what purchases might be directed to rural industries and industries generally in underdeveloped regions.

*4. We recommend that educational opportunities for children of rural low-income families be enlarged and improved. We believe that better access to traditional kinds of education must be provided for these children, but we would emphasize the need for a more practical kind of guidance and training which will help them to make the best use of their own resources and opportunities, in their own communities or elsewhere.*

About half of the Nation's children of school age live in rural areas—farms and small towns and villages of fewer than 2,500 people.

<sup>21</sup> Materials on the Problem of Low-Income Families, p. 46. See also testimony of Dr. T. W. Schultz and Dr. D. Gale Johnson, December 16, 1949.

<sup>22</sup> Testimony of Dr. T. W. Schultz, December 16, 1949.

These areas receive only 10 to 12 percent of the Nation's annual income. The burden of rural education is therefore disproportionately heavy. Every thousand adult farmers support 791 children of school age, while every thousand city workers support only 408. By regions, the differences are equally striking. In South Carolina, for example, there are 936 children, 5 through 17 years of age, for each thousand adults in the farm population, while in Nevada this ratio is only 432 per thousand.<sup>23</sup>

While the poorer States and rural regions contribute higher proportions of their incomes to support their schools than do the wealthier urban areas,<sup>24</sup> the differences in wealth and income are so great that urban children have, on the average, about a 2 to 1 advantage in educational opportunity over rural children.<sup>25</sup>

We believe that this inequality of educational opportunity results in the waste of the potential capacities of rural children, and we believe that every effort should be exerted to give these children better educational opportunities.

The present program of rural vocational education is limited in scope and purpose. If young people who had had the advantages of vocational courses in agriculture were to replace the farm operators who die or retire each year, it is estimated that there should be approximately 1,000,000 farm youth enrolled in such courses. But during 1942, a year of high enrollment, the number was only about 340,000. The content of the courses is generally limited to agriculture, home economics, and elementary commercial subjects.

In the field of adult education the Cooperative Agricultural Extension Service has thus far emphasized the problem of increasing agricultural production.<sup>26</sup> The Federal Extension Committee of the Department of Agriculture has recommended that the aims of the Service be greatly broadened. We concur in this recommendation and suggest that more emphasis be placed upon practical problems of farm and home management—of helping low-income farmers make the best use of their existing resources and of their opportunities for supplementary nonfarm employment. We believe that much could be done in this direction by properly designed programs of practical education.<sup>27</sup>

*5. We recommend that the appropriate legislative committees devote special attention to the problem of adapting social-welfare legis-*

<sup>23</sup> Rural Life in the United States, Carl C. Taylor, editor, New York 1949, ch. 6, The Rural School and Education, by Douglas Ensminger, p. 93.

<sup>24</sup> Ibid., p. 94. "For example, Mississippi, which has the lowest level of support for schools in the United States, spends 3.41 percent of its income in maintaining its schools, with a median expenditure of \$400 per classroom unit. Thus it ranks ninth with respect to percentage of income devoted to education. On the other hand, New York spends only 2.61 percent of its income for schools, but its median expenditure per classroom unit is \$4,100."

<sup>25</sup> Ibid., p. 93. "For example, the average salary of rural teachers in 1944 was \$1,275, whereas urban teachers received \$2,215. The expenditure per pupil in average daily attendance in rural schools was \$100, whereas \$128 was expended for urban pupils. And the estimated value of school property in rural areas was \$2,187,000,000 as compared with \$5,841,000,000 for school property in urban areas."

<sup>26</sup> It is doubtful that this kind of aid from the Extension Service has any effect in raising the level of living of low-income farm families. See the testimony of Dr. D. Gale Johnson, December 16, 1949: "The gains from research and extension activities are quickly passed on to consumers of farm products. The same is true of better market information." For a demonstration that improved farm technology does not redound to the benefit of farmers—except insofar as they consume their own produce—see Agriculture in Modern Life, by Baker, Borsodi, and Wilson, New York, 1939, appendix IV, Are Farmers Benefited by Advancement in Farm Technology? by T. W. Schultz.

<sup>27</sup> See the statement submitted by Dr. Harold F. Clark, professor of educational economics, Teachers College, Columbia University: "There are low-income families in the mountainous sections all over the United States. This poverty is created primarily by the fact that these people do not know how to make a high income in mountainous territory. Many of the people in Switzerland make a high income out of extremely mountainous territory. People in most sections of the United States live at an extremely low level of poverty, when they have much better natural conditions. We have been unable to find a single good school in the United States with a program showing people how to use mountain resources."

*lation to meet the needs of hired farm workers. In particular, we recommend that a thorough study be made of the present numbers and problems of migrant farm labor families.*

Hired farm workers constitute a low-income group which has so far been largely overlooked in the framing of agricultural and social-welfare legislation. Such workers are now excluded from the protection of wage-and-hour standards, social-security laws, workmen's compensation acts, and they benefit very little from the existing farm price-support legislation.

The Department of Agriculture reported last year that there were approximately 1,500,000 farm migrants, including nonworking dependents; and that of that number at least 880,000 were workers. (Every child 10 years and over was considered a worker, but there are many under 10 years who are also workers.) The Department also estimated that the number had increased 40 percent since 1945 and that it is probably still increasing.<sup>28</sup>

The exclusion of migrants from local health and school facilities has resulted in a lower standard of living for them than for any other low-income group. In November 1949, the United Press reported that 10 babies, infants of migrant families, had died of starvation in Kings County, Calif.<sup>29</sup>

The Nation should not continue denying the children in these families access to the health and educational services which are available to others. The nature of the occupation of their parents makes the problem difficult, but social-welfare legislation can and must be adapted to meet the needs of this group. Since no general study of the problem of the migratory laborer and his family has been made since the war ended, we recommend that a thorough investigation be made by the appropriate Government agencies or by a special commission.

Within the larger problem of rural poverty there exists the special problem of low-income Negro farm families. While about 44 percent of white farm families receive less than \$2,000 in annual money income, over 80 percent of the Negro farm families are in this income group.<sup>30</sup> More important than this statistic is the fact that the rapid mechanization of southern agriculture is now displacing the Negro cotton farmer. Providing opportunities for him is a special problem of great difficulty. Dr. Ernest E. Neal, director of the rural life council, Tuskegee Institute, has given the following examples of possible remedial measures:

(1) The establishment of farm machine schools in those areas where mechanization of agriculture is rapidly displacing Negroes as farm laborers, in order to train ex-tenant farmers and Negro youth to operate and maintain machinery.

(2) The establishment of departments of animal husbandry and agricultural engineering in Negro land-grant colleges.

(3) The establishment of an experiment station and a research foundation to explore the possibilities for developing the Negro farm owner, and the small farmer generally, to perform needed functions in the new agricultural economy of the South.<sup>31</sup>

<sup>28</sup> Testimony of Mrs. Gertrude Zimand, general secretary, National Child Labor Committee, December 19, 1949.

<sup>29</sup> *Ibid.*

<sup>30</sup> Materials on the Problem of Low-Income Families, table A-1, p. 59.

<sup>31</sup> Testimony of Dr. Ernest E. Neal, Tuskegee Institute, December 15, 1949.

## III. THE UNSKILLED

We have found that about 2,500,000 of the families having incomes of less than \$2,000 in 1948 were headed by service workers, laborers, or operatives—occupations which require relatively little skill or education, and which usually provide small assurance of continuous employment.<sup>32</sup> The available evidence indicates a danger that the unskilled and little-skilled may become a self-perpetuating occupational group, tending to form a low-income caste. Such a development is repugnant to all American traditions and ideals, and would result in substantial waste of the productive capacities of the children of these families.

*1. The unfavorable bargaining position of the unskilled is sometimes an important cause of low incomes among this group. We suggest that the respective States could profitably consider action to establish minimum wages in industries not covered by Federal statute.*

At the present time only about 22,000,000 civilian employees out of a total of 50,000,000 are covered by minimum-wage legislation. The fact that we have such legislation probably creates wage differentials between workers of equal competence, depending upon whether or not they work in covered or noncovered employment.

The subcommittee recognizes the difficulties involved in the removal of this discrimination by Federal legislation, but its existence could well be explored and remedial action taken by the respective States. If, by appropriate State action, the wages of the 28,000,000 workers employed in noncovered industries were provided a floor similar to that of the Federal statute, the purchasing power of the low-income families in America would be considerably increased.

Although complete evidence is not yet available, sample studies which have been made lead to the disturbing conclusion that the unskilled and the little-skilled tend to become a permanent, low-income stratum in American society, as their disadvantages are transmitted from one generation to the next.<sup>33</sup> Poverty breeds poverty by generating low standards within the family and by making it difficult for the children to climb the educational ladder. We believe that broadening educational opportunities is a promising long-range attack on these causes of low income.

*2. We recommend that a thorough study be made of existing systems of vocational training and practical education with the purpose of determining improvements which will help children to obtain the kind of guidance and training they need to realize and develop their aptitudes and skills.*

Statistical information and testimony at our hearings have emphasized the relationship between inferior education and low income. Sixty-two percent of the nonfarm families headed by persons between the ages of 25 and 64 and receiving incomes below \$2,000 in 1946 had not progressed beyond the eighth grade. Only 6 percent had gone beyond high school. More important is the caste-making tendency clearly visible in this relationship. Inferior education tends to cause low incomes in the present generation, while low incomes tend to

<sup>32</sup> Materials on the Problem of Low-Income Families, table A-4, p. 64.

<sup>33</sup> *Ibid.*, appendix E. See also the testimony of Dr. Dewey Anderson, December 20, 1949.

cause inferior education for the next, because educational opportunity in America still depends in marked degree upon the income of the family.<sup>34</sup> Improving educational opportunity is a remedy aimed at the basic causes of low income.

The need is not simply for better access to grade school, high school, and college, but for opportunity to learn fundamental skills. As one witness expressed it:

The chance to break through by means of education should be viewed not only in terms of access to high school and college but to the kind of basic education which will enable people to take hold of a situation and bring about change.<sup>35</sup>

Another educator submitted a statement making the same point in more detail:

\* \* \* The school programs in the slum sections of our great cities are not at all well adjusted to raise the incomes of these families. These families should be doing more things for themselves. Many of these slum areas and sections could be cleaned up, painted up, and fixed up by the young people alone. These are the same young people who are creating problems of juvenile delinquency because they have nothing to do. Few, if any, schools in the slum sections of our great cities are really designed to give boys and girls the information they need to raise their own standards of living.

\* \* \* A study we have made of the poor countries of the world has convinced us that they are poor because they do not know what they need to do to be rich. The countries that are relatively well-to-do are in that position because, through a small part of their economic life, some people do know what to do. No country in the world has yet built a good school system which meets the needs of its population.

\* \* \* A few countries are compelling most of the children to go to a school system designed for a handful of people. There is every reason to assume that the low-income sections of the United States could have a high income by the simple process of showing the people what to do to get a high income, then helping them become skilled in doing those things.<sup>36</sup>

A study made by the National Child Labor Committee of 13,000 children who dropped out of school before completing high school revealed that nearly 70 percent had left school for reasons relating to the school program.<sup>37</sup> It is difficult to avoid the conclusion that the educational program in many of our high schools is unrelated to the needs of the majority of the students. We therefore suggest that the Nation's educators form a special committee to recommend improvements in existing educational programs.

*3. We recommend provision of Federal financial assistance to the States for education through the high-school level in order to help equalize educational opportunity throughout the Nation.*

As part of its general responsibility for equalizing opportunities, the Federal Government should provide financial assistance to the States for education through the high-school level. Funds thus expended constitute investment of such profitability as to make public parsimony here a counsel of folly. The poorer areas of the country are producing a high proportion of the Nation's children; our continuing national strength and productivity demand that these children have enlarged access to educational opportunities.

*4. We recommend the establishment of a national scholarship fund for the higher education of students of demonstrated ability but limited means.*

<sup>34</sup> Ibid., p. 16.

<sup>35</sup> Testimony of Dr. Caroline F. Ware, December 14, 1949.

<sup>36</sup> Statement submitted by Dr. Harold F. Clark, professor of educational economics, Teachers College, Columbia University.

<sup>37</sup> Testimony of Mrs. Gertrude Zimand, December 19, 1949. See also the testimony of Edmond B. Butler, December 19, 1949.



The committee on the objectives of a general education in a free society of Harvard University has estimated that from 3 to 5 percent, or annually from 75,000 to 125,000 of the young people of America would benefit by college educations and would go to college if they could, but are prevented by the poverty of their families. To provide equal opportunity for higher education and to prevent waste of these most precious of human resources we recommend the establishment of a national scholarship fund for higher education of students selected on the basis of demonstrated ability.

#### IV. CHILDREN OF LOW-INCOME FAMILIES

We have found that approximately one-fifth of the Nation's children are in the farm and nonfarm families receiving \$2,000 or less in annual incomes. Broken families (those in which one of the parents is either dead or absent) constituted about one-fourth of the nonfarm families in this income group. The dependency of many persons today can be partly attributed to inadequate diet and lack of medical care during childhood. Preventive measures taken now can make a substantial contribution to the productive capacity of the next generation. We therefore make the following recommendations to assist these children:

1. *We recommend revision of the aid to dependent children section of the Social Security Act of 1935 to provide funds which will more nearly meet the needs of broken families, and to liberalize present eligibility requirements to permit assistance to children in families where the income of the chief earner is insufficient to provide adequate care.*

2. *We recommend the expansion and improvement of health services and medical care for children of school age.*

3. *We recommend the provision of sufficient funds to enable the national school-lunch program to serve all schools which now meet the requirements as stated in the law, and which have applied for participation in the program.*

4. *We recommend that funds be provided for an expanded program of research in the problems of child welfare.*

Since the enactment of the Social Security Act in 1935 Federal grants to States for aid to dependent children have never equalled its grants for the needy aged and blind. We believe that assistance benefits under this program should be raised to the level which will permit the mother of a family to remain at home and devote her efforts to family obligations.

A dependent child is defined by the act as one whose father is dead, continually absent, or incapacitated. This provision has in some cases resulted in deliberate abandonment of a family by an unemployed father in order to qualify his children for benefits.<sup>35</sup> We recommend that the program be liberalized to afford assistance to the children of families whose parents' income is not sufficient to provide adequate care.

Although much is being done now by Federal, State, and local governments, resources of health services and medical care for children of school age are still inadequate. For example, in December 1948, there were more than 30,000 crippled children awaiting care under the

<sup>35</sup> Testimony of John Taylor Egan, Administrator, Public Housing Administration, December 14, 1949.

grant-in-aid program because of shortage of funds.<sup>39</sup> These children must be prevented from developing into handicapped, dependent adults.

The national school-lunch program is now reaching only one-fourth of the school population. Many schools have provided the facilities required under the act establishing the program, but have not benefited because of a shortage of Federal funds. This program has considerably improved the diets of undernourished children. We recommend that funds be made available in the amount necessary to permit any school meeting the requirements to participate.

We realize that we have touched only on the most obviously pressing problems with regard to the needs of children of low-income families. In order that an independent and productive citizenry may grow out of this and future generations of young people, we recommend that problems of child welfare be made the subject of continuous research.

## V. THE DISABLED

Low incomes sometimes can be attributed to the disability of the family breadwinner. The exact importance of disability as a cause of low income cannot be determined from available statistics, but we have found that one-fourth of the families receiving assistance under the State-Federal program of aid to dependent children had an incapacitated father. In the fiscal year 1949, there were rehabilitated 58,000 disabled persons under the Federal-State rehabilitation program. When their applications were accepted practically all were in the low-income category. More than two-fifths were married, and approximately the same proportion had dependents. We recommend the following measures to alleviate the problems of disabled workers in America:

1. *We recommend that sufficient funds be appropriated to provide for an expanded program of rehabilitating physically handicapped persons.*

2. *We recommend the enactment of legislation to provide social insurance against the hazard of permanent and total disability.*

It is estimated that there are 1,500,000 disabled persons in the United States in need of rehabilitation services.<sup>40</sup> With present appropriations the Federal-State rehabilitation program is able to assist only about 58,000 disabled individuals a year, although each year about 250,000 persons become disabled either through accident or disease,<sup>41</sup> or arrive at the normal age of entry into the labor force with an affliction which prevents them from obtaining employment. In other words, the rehabilitation program now reaches only a little over one-fifth of the men and women who become disabled each year.

The rehabilitation program pays its own way by returning to the labor force those persons who would otherwise be partially or completely dependent. The program's productive gain to the economy has been appraised by the Acting Administrator of the Federal Security Agency in the following terms:

The estimate of these potential gains is not guesswork. Our rehabilitation program—limited as it still is—is paying its own way many times over. Take

<sup>39</sup> Testimony of John L. Thurston, Acting Administrator, Federal Security Agency, December 12, 1949.

<sup>40</sup> Testimony of E. B. Whitten, executive director, National Rehabilitation Association. December 16, 1949.

<sup>41</sup> *Ibid.*

the people rehabilitated during the year 1948 as an example: Their earnings before rehabilitation totaled around \$17,000,000 annually, as compared with \$86,000,000 reported in the year after rehabilitation. This fivefold gain reflects only the first year's earnings after rehabilitation. It does not include the earnings of the farmers and family workers who were also rehabilitated, because their income is harder to determine.<sup>42</sup>

These impressive results lead us to recommend an improved and expanded vocational rehabilitation program.

Unfortunately, all disabled persons cannot be rehabilitated. On an average working day, 2,000,000 persons are kept from gainful employment by disabilities which have continued for more than 6 months. These 2,000,000 persons and their families face the double economic hardship of loss of income and large medical expenses. Disability is a special hardship for families of younger workers who usually have not had an opportunity to accumulate a substantial amount of savings.

We recognize the dangers of abuse inherent in any program of disability insurance, but, we believe that the children of disabled persons must be protected from the consequences of the permanent incapacity of the family breadwinner. We therefore recommend that workers and their dependents be provided the opportunity to obtain social insurance against income loss due to permanent and total disability. We also recommend that such an insurance system be administered in close cooperation with the program of rehabilitation in order to prevent abuse.

## VI. AGED LOW-INCOME FAMILIES

We have found that aged families are numerically the most important group of low-income families. Persons 65 years of age or over headed more than one-fourth of all nonfarm families receiving \$2,000 or less in annual cash incomes during 1948. These families comprise one-half of all nonfarm families in this age group. The proportion of aged single individuals receiving less than \$2,000 in annual money income is even more striking, being 90 percent of all those over 65.

The dependency of our older citizens may be expected to become increasingly serious as the percentage they constitute in the total population continues to rise. (From 1945 to 1949 the number of people 65 and over rose by 11 percent.)<sup>43</sup> We believe that many older persons could avoid being dependent on relatives or charity if they were allowed to continue working as long as they desire.

Some older individuals, able and willing to work, find that job opportunities are closed to them because of their age. Some are retired at age 65 without regard to the condition of their productive powers. As the average age of the population increases, these practices may restrict unnecessarily the total productive capacity of the Nation. Advanced age usually brings with it disabling diseases and a normal reduction in individual stamina, but suitable jobs, within the capacity of older workers, can often be found.

*1. We recommend that the Joint Committee on the Economic Report request the appropriate Government agencies to study the incidence and extent of existing restrictions on employment of older*

<sup>42</sup> Testimony of John L. Thurston, December 12, 1949.

<sup>43</sup> See Selected Government Programs Which Aid the Unemployed and Low-Income Families, joint committee print, Washington, 1949, p. 26.

*workers in Government and industry, and report to the committee their findings with regard to ways in which these barriers may be removed and older workers encouraged to remain in productive employment.*

Many older persons cannot continue to work, and at the present time the Government attempts to provide for older people by two methods: (1) The employer-employee contributory old-age and survivors insurance system, and (2) the Federal-State program for old-age assistance. Both methods were established by the Social Security Act of 1935.

The old-age and survivors insurance program was originally intended to be the first bulwark against dependency in old age. It was believed that State old-age-assistance programs, financed in part by Federal funds, would diminish in importance as a larger number of individuals shared in the benefits of the contributory insurance program. Unfortunately, this has not been the case. The number on the rolls of State old-age-assistance programs and the expenditures therefor have continued to increase. Three main reasons may be given for this development: (1) while Federal funds for State old-age assistance programs have been increased by Congress twice (once in 1946 and again in 1948) in recognition of rising living costs since the end of the war, no comparable increases have been made in the level of benefits for beneficiaries under the insurance program, consequently families with only old-age insurance benefits as income have been forced to seek further assistance; (2) coverage of employed groups by the insurance program is restricted to about three-fifths of the country's gainfully occupied population;<sup>44</sup> and (3) a large number of workers have reached retirement age without having participated in the insurance program long enough to be fully insured.

Federal-State programs for old-age assistance must be continued for those who never become insured under the contributory system, but we believe that they should become less necessary. We consider the contributory system, with benefits related to past productive contribution, the preferable method of providing minimum incomes for aged individuals unable to work.

Nevertheless, we do not believe the contributory system should be allowed to operate so as to limit the participation of older workers in active economic life. As the Social Security Act stands now it permits a beneficiary under the old-age and survivors insurance system to earn only \$15 per month in any occupation covered by the act. This work clause thus prevents many aged people from taking advantage of casual employment opportunities and thereby supplementing their pensions by earnings. Average pensions now received by beneficiaries are approximately \$25 monthly, an amount which is not sufficient to maintain an elderly person without other resources.

*2. We recommend that the old-age and survivors insurance system established by the Social Security Act be revised to provide universal coverage, increased benefits, modification of the retirement test to permit beneficiaries to supplement their pensions by earnings, less strict eligibility requirements to permit larger participation in the program, and adoption of the pay-as-you-go system of financing with the establishment of suitable contingency reserves, adjusting the current tax rate to the current rate of disbursement.*

<sup>44</sup> *Ibid.*, p. 8.

As the proportion of older people in the total population continues to rise the economic burden of providing for them will become increasingly heavy. In a few decades a significantly larger number and percentage of the population may be consuming without making a comparable productive contribution. It would be impractical and fiscally dangerous to permit programs providing retirement incomes to develop and become a part of our economic life without appraising their long-term effects on the national economy. We believe such an appraisal to be essential.

3. We recommend that the Joint Committee on the Economic Report, while carrying out its general duties "to make a continuing study of matters relating to the Economic Report" initiate a special study of the effects on the national economy of public and private pension programs.

In our review of the problem of the dependency of the aged in our society, we have been impressed by the contraction, during recent inflation years, of the real purchasing power of annuity, insurance, and social security benefits, and the consequent distress of aged families who depend on those sources of income. For these people, inflation is a primary disaster, and their dependence on fixed incomes is a fact which must be constantly borne in mind in the framing of the Government's monetary and fiscal policies.

As helpful as pensions are to older persons, aged families have been more successful in maintaining their economic independence when they have been able to acquire their own homes. Governmental policies which have made it easier to purchase, hold, and pay for homes have thus assisted families in providing for their old age. It is possible that other policies might be devised to facilitate acquisition of property and thereby to aid in "nonmonetary financing" of old age. We recommend that the appropriate agencies of the Government investigate such possibilities.

## VII. THE RELATIONSHIP BETWEEN LOW INCOMES AND HEALTH

The inability of families receiving low-money incomes to pay for private medical care when needed was first documented nearly 20 years ago by President Hoover's Committee on the Cost of Medical Care, and is currently indicated by studies of the Federal Security Agency.<sup>45</sup> Since employed persons are usually ineligible for private charity, the full burden of inadequate income is inflicted on the entire family in the form of high death rates, high morbidity rates, and extraordinary severity and duration of diseases, particularly those due to malnutrition, inadequate clothing, and poor housing conditions.

The inadequate supply of medical facilities is especially acute in rural areas and States with low per capita incomes. There is now 1 doctor for every 737 people in the United States. In 1900 the ratio was 1 to 628.<sup>46</sup> Geographically, the ratio varies widely and is almost directly correlated with State income levels. In Mississippi there is 1 doctor to every 1,459 persons; in New York at the other extreme, there is 1 to every 496.<sup>47</sup>

<sup>45</sup> See Medical Care for the American People, the final report of the Committee on the Costs of Medical Care, adopted October 31, 1932, pp. 5-35.

Medical Care and Costs in Relation to Family Income, Bureau Memorandum No. 51, Social Security Administration, Federal Security Administration, pp. 101, 103, tables 74 and 76.

<sup>46</sup> Testimony of John L. Thurston, December 13, 1949.

<sup>47</sup> The Nation's Health, a report to the President, prepared by Oscar R. Ewing, Federal Security Administration, with the guidance of the executive committee of the National Health Assembly, pp. 63-65.

Without endorsing any plan, we wish to emphasize the necessity of providing sufficient medical care for low-income families. Lack of proper treatment at the proper time seriously impairs the productive powers of the individual worker. His work is more irregular, his take-home pay lower.

The problem of improving access to medical care is twofold. It is first a problem of increasing the total supply of medical services by encouraging investment in medical and nursing education and hospital facilities. It is secondly a problem of making medical care more available to those of limited means.

To meet this double problem:

1. *We recommend expansion of the program for construction of hospitals and clinical facilities, particularly in low-income areas.*

2. *We recommend that the Federal Government assist in the training of doctors and nurses.*

3. *We recommend that provision be made to assist in the expansion of existing medical schools and to establish new schools where needed.*

4. *We recommend that the present program of public health services be expanded through the cooperation of the Federal and State Governments.*

5. *We suggest the development of a comprehensive program, based upon the voluntary cooperation of public and private agencies, which will permit all persons who so desire to participate in a system of health insurance.*

We believe that a health program such as we have outlined above, if developed through the joint efforts of the medical and nursing associations, the medical and nursing schools, and the Federal and State governments, would make it possible to assure adequate medical attention to all of our people, regardless of how limited their incomes may be, or how remote their dwelling.

#### VIII. A CONTINUING STUDY OF THE CAUSES OF LOW INCOMES AND THEIR IMPORTANCE TO THE NATIONAL ECONOMY

*We have found that the existing data on low incomes, while invaluable for the purposes of the subcommittee, need to be supplemented by further studies. We therefore recommend that the Joint Committee on the Economic Report continue its investigation of poverty and dependency with the primary aim of discovering the root causes of these problems. More information and analysis are needed in three fields: first, the appraisal of present ameliorative programs with especial reference to whether or not such programs affect the basic causes of the problems; second, additional statistical compilations and analysis; third, studies of case histories of individual low-income or dependent families.*

We believe that from time to time we should reexamine our present social welfare and public assistance programs, in order to appraise their results in correcting the basic causes of low income and dependency. Such appraisal should be wholly objective and should be carried out by disinterested, nonpartisan agencies. We recommend

that private research foundations and universities be encouraged to study and report on this aspect of such programs.

Our work has made clear the need for and the value of general figures on income distribution. It has made it equally clear that those now available are not adequate. Further light is needed in two areas:

(a) In 1948 about 8,000,000 families and individuals had money incomes of less than \$1,000. But this does not mean that all of these people were needy and undernourished. An income of \$1,000 may be far too little for a family of five children living in a large city. But it may be enough for a widower with a reasonable nest egg of savings, or for a well-run subsistence farm. A combined statement of income, assets, and needs is required for each of the key low-income groups, the aged, farm families, unskilled, etc.

New programs of collecting data are not required. The need is only for careful planning of surveys already existing and projected, and for careful analysis of their results. The forthcoming survey of income and expenditure by the Bureau of Labor Statistics and the Bureau of Human Nutrition and Home Economics can be adapted to the purpose by extra sampling in the low-income group.

(b) Some of the people in the low-income group are there only temporarily; next year they may be earning a very satisfactory income. We should know the extent to which this is so. We can pick out the chronically low-income groups by interviewing a representative group of families this year and then checking with them in later years. These facts should be supplemented by asking the Public Housing Administration and the Farmers Home Administration to keep a running tally for those who receive assistance from these programs. A follow-up on these people would show to what extent the programs help in rehabilitating families, and to what extent they provide temporary aid.

The Survey of Consumer Finances, sponsored by the Board of Governors of the Federal Reserve System, has already begun work on this type of survey by interviewing a sample of identical families in successive years as it makes its annual survey of consumer finances. The Bureau of the Census can follow this practice in making its annual income survey.

We are convinced that statistical presentations and testimony by expert witnesses are not sufficient to illuminate the causes of low incomes or to suggest all the promising ways of attacking them. We must go behind the abstract statistical distribution or average to the human reality itself. We urge the Joint Committee on the Economic Report to encourage the compilation of case histories of individual low-income families by interested social-welfare agencies.

This method has been tested and found to be invaluable in the study of the causes and human effects of unemployment.<sup>48</sup> We believe that such case histories, gathered by personal interview, will shed light on the factors causing low incomes, and on the experience of low-income families in the war period and during the postwar inflation and recession. Such a study would be the human side, the needed missing half of our investigation of the problem of low-income families.

<sup>48</sup> See especially *Case Studies of Unemployment*, compiled by the unemployment committee of the National Federation of Settlements, introduction by Helen Hall, foreword by Paul U. Kellogg, edited by Marion Elderton. Philadelphia, University of Pennsylvania Press, 1931.

## CONCLUSION

The two greatest economic (and social) problems of our time come within the field of inquiry and advice assigned to the Joint Committee on the Economic Report by act of Congress.

One problem is the maintenance of employment, production and consumption at high levels and without severe fluctuations. The other problem (to which this report addresses itself) is how to bring within this circle of high employment, production, and consumption the millions who fail to find entrance even in good times.

The comfortable thing to do is to assume deficiencies of inheritance, to this group of our citizens, to assume that they are just congenital morons. This leads to the conclusion that nothing can be done about it. Or, instead, we may assume that the difficulties of these people are due to moral delinquency and so assuming, we may view this national lesion with a warm, moral glow.

While the impoverished circumstances of some families may be associated with the elements of bad inheritance and moral degeneracy, we must not assume that they constitute the major part of the problem. Nor should we assume that such elements cannot be diminished or compensated for. Causes and cures of low incomes in America exist and they must be sought and found.

Our concern is a humanitarian one. But it is more than this. The area we have been studying is that which furnishes a fertile bed for the seeds of physical and social disease. It is a powerful instrument for the fomentation of political movements which seek to destroy our way of life. It is essential that this threat to our existence as a nation of free men and women be removed by bringing the majority of these low-income groups within our system of high employment, production, distribution, and consumption.

## APPENDIX

## ADJUSTMENT OF SURVEY DATA ON INCOME DISTRIBUTION

Statistics of family income discussed in this document are taken from a Census Bureau field survey in which a sample of 25,000 households was interviewed and asked to report incomes during 1948. As indicated on page 7 of the staff report, Materials on the Problem of Low-Income Families, there is always a certain amount of understatement of income in all surveys of this kind because of underreporting and errors of response. Understatement can be measured roughly by comparing the total income of the population as calculated from the surveys with total income as calculated independently by the National Income Division of the Department of Commerce, the latter series having been adjusted, insofar as possible, to include the same items of money income that the field surveys attempt to cover.

These comparisons show that the surveys yield aggregate income figures from 10 to 20 percent below the comparable Commerce Department aggregates. Furthermore, it has been found that the different surveys vary with respect to this percentage understatement of income. For this reason comparisons of income size distributions for successive



years cannot properly be made unless adjustments are introduced to make the surveys comparable.

The Council of Economic Advisers, in examining changes in the income distribution that have taken place since 1935-36, has made adjustments in the statistics from the various field surveys to allow for income understatement and for certain other variations among the several surveys. Adjusted income size distributions for 1935-36, 1941, and 1946 were presented by the Council in the Economic Report of the President, January 1948, and adjusted distributions for 1947 and 1948 were shown in the Annual Economic Review, January 1949, and January 1950, respectively.

Methods of adjusting the various survey data are described in appendix A of the Economic Report of the President, January 1948, and in appendix B of the Annual Economic Review, January 1950. As these descriptions indicate, the adjustments were necessarily arbitrary because of the lack of adequate information on the distribution of understatement of income by income level. The adjustments for 1948, shown in the January 1950 review, represent an improvement in techniques used in earlier reports of the Council. For 1948, separate adjustments were made for each type of income (e. g., wages and salaries, business income) whereas in previous reports the assumption was made that incomes at all levels, regardless of source, were understated by the same percent. However, the adjustments for 1948 retain some of the arbitrary character of the earlier procedures because percentage understatement for each type of income was assumed to be the same at all income levels. This was, nevertheless, an advance over earlier techniques because it allowed for the fact that different types of income predominate at different family income levels.

Work is now going on to improve techniques of adjusting the data from field surveys, with particular emphasis on the integration of income statistics from Federal individual income-tax returns with field survey data. This is a difficult problem because the unit in tax statistics—the tax return—does not correspond with the unit in the survey—the family—and because certain types of income are not covered, or not covered fully, in the tax-return statistics.

The adjustments introduced by the Council of Economic Advisers have always resulted in a general shifting of units up the income scale to allow for understatement of income. One effect of this was to reduce the proportion of families and individuals not in families in the lowest income level. In the income distribution for 1948, the adjustment resulted in lowering the proportion of families and individuals with money incomes under \$2,000 from the 33 percent shown in the Census Bureau survey to 27 percent, with the greatest change occurring in the under \$1,000 class. Putting this in other terms, the group of families and individuals with incomes under \$2,000 in the survey were found to have incomes under \$2,480 in the adjusted distribution.

These results were found to be in reasonably close agreement with an adjusted income distribution independently derived by the Federal Reserve Board on the basis of its recent Survey of Consumer Finances. As in the case of other surveys, adjustment for understatement of income was also required in the FRB survey. Since data with breakdowns by income source are not available from the FRB surveys, an over-all adjustment to allow for understatement was made. The

adjusted distribution for 1948 based on the FRB survey data showed 23 percent of family and individual units with incomes under \$2,000, as compared with 27 percent in the adjusted Census Bureau distribution. It is to be expected that the FRB surveys would show somewhat smaller percentages of families and single individuals in the lower income levels than the Census Bureau surveys because "spending units" living in large boarding and lodging houses and other quasi households—comprising for the most part individuals with incomes lower on the average than those of family units in private households—are not covered in the FRB surveys.

The adjustments for 1948 could be carried through by the Council only for the income distribution of the population as a whole, and not for component groups, farm and nonfarm families, families of different sizes and composition, individuals not in families, etc. Consequently it is not possible to use the adjusted distribution to analyze the composition of the low-income group. Therefore, in the present report, the statistics used for 1948 are from the Census Bureau survey without adjustment. These figures overstate somewhat the total number of family and individual units in the low-income groups, as was pointed out in the staff report on low-income families. However, the unadjusted survey data give a good approximation of the relative importance of the various kinds of families which compose the low-income group.

(Signed) JOHN SPARKMAN, *Chairman*.  
RALPH E. FLANDERS.  
WALTER B. HUBER.<sup>1</sup>  
FRANK BUCHANAN.

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<sup>1</sup> I am in agreement with the objectives sought and with the general analysis in this report, and am happy to sign. However, I reserve final judgment on certain specific measures recommended until the proposals take more definite legislative form.

Present State laws to enforce support of dependent children are sometimes ineffective in cases where parents abandon families by crossing State lines. I suggest that the appropriate committees of the Congress consider legislation to provide Federal jurisdiction and penalties for such offenses.

## DISSENTING VIEWS OF REPRESENTATIVE ROBERT F. RICH

HOUSE OF REPRESENTATIVES,  
*Washington, D. C., February 24, 1950.*

HON. JOHN J. SPARKMAN,

*Chairman, Committee on Low Income Families, Joint Committee  
on the Economic Report, United States Congress.*

DEAR SENATOR: I herewith submit my individual dissent from the subcommittee report on low-income families. I regret exceedingly that in this instance and other instances in the work of this committee that it has not been possible to achieve a greater degree of unanimity on matters so basic and vital to the economy and the people of the United States. I have repeatedly urged at numerous meetings of this committee that economic problems of this country and governmental activities and attitudes thereon should be kept on a plane of sound principles for the good of all the people and with a minimum of political or group interest.

I wish to acknowledge the assistance of Fred E. Berquist, staff member of the committee, in the preparation of this statement.

The following comments and criticisms are therefore submitted in support of my position.

Very respectfully,

ROBERT F. RICH.

The report of the Subcommittee on Low Income Families and Economic Stability covers a wide range of observations, conclusions, and recommendations that relate fundamentally to the economic and political life of the American people. It portrays many circumstances and conditions of poverty, misfortune, illness, accident, lack of education, poor environment, food deficiency, lack of medical care, broken homes, as well as special problems of children, aged persons, racial and sectional groups, and other factors. The report briefly outlines in some cases how these problems appear to have developed, assesses responsibility and shortcomings mainly in terms of income distribution among the population, and recommends methods and devices to "cure" the many inadequacies and evils outlined.

No one can quarrel with efforts to improve the lot of his fellowman. The people of this country through its whole history have moved step by step in the direction of alleviating the condition and circumstances of want, disaster, and tragedy, whether at home or abroad. In matters of child welfare, of care of the aged, educational opportunity, the tragedies of broken homes, the mentally sick, the crippled and disabled and the indigent—on all these fronts progress has been made steadily in the direction of betterment. True, this advance has not been uniform at all times and in all places, and much more needs to be done and will be done. The accomplishments to date have largely been made by States, counties, and cities through establishment of

institutions for care, treatment, or protection of young and old, destitute and sick, and many other unfortunate and dependent victims of a complex society. Many private organizations contribute in this area—in health, in child guidance, assistance and recreation, in care of the aged, in relief and rehabilitation. The Federal Government has entered in a large way in fields of old-age assistance and insurance, unemployment insurance, and many other areas. Generally speaking, I am strongly in favor of all these activities when fairly and efficiently administered and kept, as much as possible, on a local or State basis.

The majority report proposes to go far beyond all current activities in these fields. It discovers a figure of 38,000,000 people whose family or individual incomes are said to be less than \$2,000 per year. It then proceeds to outline the many social and economic problems, evils, and situations prevailing throughout the land, presumably applicable in one way or another to most, if not all, of the persons so classified. The report throws no real light of a qualitative nature concerning the living conditions and standards of the 38,000,000 people who are included in the low-income classification. It tells nothing of the number of people who have retired and have other sources of supplementary income in kind, such as home ownership and the general support and assistance received from other family members; or the number who live in suburban or rural areas, with small tracts of land largely supplying their basic needs and affording a way of life chosen and preferred by those individuals. Nor does it reflect those who would prefer to live in their current environment, with their level of incomes, in preference to moving into industrial or other centers where the cost of living, payment of higher rents, and other disadvantages far outweigh gains in income which would promote them to higher income brackets. Nor does it stress in any way the fact that 75 percent of the spending units under \$1,000 are constituted by one or two persons, and that 65 percent of the spending units falling within the range of \$1,000 to \$2,000 are likewise in the class of one or two person units (table B-3, p. 87 of the committee's report *Materials on the Problem of Low Income Families*).

The report refers to these low-income groups as a part of an existing and developing "caste" system, victims of an economic and social environment with which they are unable to cope. Therefore, the Government is urged to legislate, organize, promote, supervise, and support in many ingenious ways to overcome these handicaps and equalize opportunity.

The ground covered is so vast, the problems so complex, the facts and evidence so incomplete and inadequate, and the recommendations so numerous and far reaching that it is impossible for me to join in approval of this report.

The following discussion gives some elaboration of my reasons for arriving at that decision:

I. First, I desire to comment on the composition and validity of the many figures, in aggregates, as well as the many individual components, used in this report. The opening sentences of the report state:

We have found that about one-third of all families and individuals in the United States had total money incomes of less than \$2,000 in 1948. This conclusion is based upon income data gathered by the Bureau of the Census from a sample of about 25,000 households. Because some people may understate

their incomes to census enumerators, the true proportion below the arbitrary figure of \$2,000 may be somewhat lower.

It should be noted that from this small sample, the aggregate figures used in the report are "blown up" to cover a total figure of 46,670,000 families and individuals, as shown in table 1, page 9, of *Low Income Families and Economic Stability*, published by the joint committee in November 1949. The basic figures of income distribution are broken down into many categories as to income size, by farm and nonfarm, by geographic area, by family size, by age of family head, by sex and color of family head, by marital status, by employment status, by occupational groups, and other classifications. This means that for every family unit enumerated, with its various facts and circumstances, the main and subsidiary facts found have been "blown up" over 1,860 times, a very thin sample indeed upon which to base economic conclusions of great significance and magnitude. The scarcity of information in the fields of social and economic classes referred to in this report has long been recognized. The joint committee itself, in its report titled "Statistical Gaps," points out the many inadequacies of these data upon which to base reasonably sound conclusions. On page 86 of the *Joint Economic Report for 1949*, appears, in appendix D, a statement on "statistical gaps." It refers to income studies based on samples of households covered by surveys and states:

In none of these studies, however, was the sample of sufficient size (referring to earlier studies) to permit adequate subclassification by size and type of family, number of family earners, occupation and industry, geographic area, and other significant factors. The Census Bureau surveys ranged in size from 7,000 to 25,000 households, and those conducted by other agencies were even more limited in scope. \* \* \* These census data are essential for providing bench-mark statistics.

It is further stated:

One of the most serious gaps in our present statistical knowledge is in the field of consumer purchasing power and demand. \* \* \* During the past 4 years work has gone forward on some phases of this program, but in general the progress made has been far from commensurate with the need for information on this area of the economy.

It is stated that plans for the 1950 census of population and agriculture provide for the collection of income data from "an adequate sample of the Nation's households." This adequate sample is stated to be 20 percent (or nearly 10,000,000) of the total households, instead of on the basis of only 25,000, or 1 out of 1,800, used as evidence in the committee's report. Therefore, the data used in the majority report should be reviewed in the light of the committee's other reports on the inadequacy of reliable information in this field.

The committee's report, *Materials on the Problem of Low Income Families*, states:

It is probably that income surveys present too pessimistic a picture of the income status of the respondents because of underreporting and errors of response. \* \* \* These comparisons (with the National Income Division of the Department of Commerce) show that the survey technique yields aggregate income figures from 10 to 20 percent below the Commerce Department aggregates.

Even the Council of Economic Advisers, whose record of use of statistical and analytical methods to further its political philosophies is well known, has introduced a "correction factor" in regard to the number estimated in the less than \$2,000 income group, thus reducing

the estimate from one-third to one-fourth of the income receivers in that class. Stated another way, its "techniques" have corrected the lowest income third to that of receiving incomes of less than \$2,380 rather than \$2,000.

Attention is called to these facts to show how easy it is to move from the area of sketchy, inadequate statistical evidence, adjusted by statistical "techniques," to that of broad and significant conclusions, and finally to detailed recommendations, legislative cures, and Government interventions. The committee and its staff should first use its utmost efforts to bring about improvement of knowledge in these basic and controversial areas, rather than risk adding to confusion and misunderstanding by use and dissemination of sketchy, vague, and enormously blown-up sample figures. Further comment on inadequacy of basic information and its interpretation is given in connection with Low-Income Farm Families at a later point.

II. On page 2 it is stated:

Raising their (low-income groups) productivity and incomes will expand markets for industrial and agricultural products, and will thereby contribute to the prosperity of all—

and—

just as the industrialization of underdeveloped countries during the nineteenth and twentieth centuries provided expanding markets and rising living standards for the western industrial nations, so the development of the low-income market will raise the standard of living of the whole American Nation.

A higher standard of living can only be achieved by improving productivity in every area and activity, regardless of income class. This embraces continued improvement in technology, further increases in the investment in plant and equipment, better training in skills and improvement in methods in our present industrial and economic environment as it did in "the industrialization of underdeveloped countries during the nineteenth and early twentieth centuries. \* \* \*"

The same processes of expansion and development by the operation of the private enterprise system, which have brought us so far, have by no means reached their ultimate potentialities, and these need to be continued and encouraged today as much as in any past period. On page 3 the report states:

Raising the incomes of the lowest third may be accomplished either by transferring wealth from the more fortunate members of the economy, that is by taxation and subsidy, or by providing better opportunities for the members of the low-income group to develop their own productive capacities and so to become full partners in American prosperity.

This implies an alternative between taxation and subsidy, on the one hand, and some other method on the other. Can it be that the many suggestions and recommendations in this report are to be accomplished without taxation, without taking from all taxpayers, and giving to particular individuals and groups? A review of the recommendations can hardly create the impression that the benefits proposed could be effectuated without burdens falling somewhere. In fact, to do all the things indicated on a scale commensurate with the sizes of the various groups set forth could not be done without the employment of a very considerable share of the Nation's income. It is noteworthy that in no instance does the report indicate any upper or lower limits of probable costs, nor the possible effects upon the fiscal position of our Government, nor the effects upon the economy generally.

As to the alternatives, the report states:

While the first method, the palliative of relief, may be necessary for a small proportion of the low-income families, we believe that most of them will rise by their own efforts—once they are given the traditional American fair field and no favor.

And further:

Development of human resources should be fostered by providing equal opportunities for all to improve and use their own capabilities.

These are strong indictments of the operation of our social and economic order.

Much has been said in recent years of disadvantaged groups and much oratory has been devoted in their cause. One important expression has been the strong agitation for the passage of FEPC legislation, the major emphasis of which has been to improve the condition of various groups through equalizing employment and earnings opportunities in the economic field. Although the report urges many things for many people, it is strangely silent on this kind of proposal, unless perchance it is intended to be conveyed in the selection of words "American fair field and no favor."

III. Part II of the report, Rural Low Income Families, is a further illustration of the inadequacy of data presented in the report, and also raises questions as to the many recommended solutions contained therein.

The first paragraph of that section reads:

We have found that about 3,300,000 farm families had money incomes below \$2,000 in 1948, and 1,700,000 of these families had money incomes below \$1,000. Cash received during the year is only a rough measure of the economic well-being of farm families. For example, in 1941 the Department of Agriculture found that farmers at low-income levels received about 40 percent of their incomes in the form of goods or services rather than in cash. Statistics of money income for farmers must therefore be interpreted with care.

After a strong opening sentence stating the incredibly large number of farm families with extremely low incomes, the report states that the statistics of money income should be interpreted with care. With the latter part of that statement I agree, especially when the nature of a "farm" as well as "farm families" is taken into account. Inquiry into the nature of the figures reveals most interesting information which might readily affect one's appraisal of the nature and magnitude of the problems discussed.

The following information supplied by the Legislative Reference Service of the Library of Congress under date of February 20, 1950, is quoted exactly:

#### DEFINITION OF A FARM

A farm \* \* \* is all the land on which some agricultural operations are performed by one person, either by his own labor alone or with the assistance of members of his household, or hired employees. \* \* \* A farm may consist of a single tract of land or a number of separate tracts. \* \* \* When a landowner has one or more tenants, renters, croppers, or managers, the land operated by each is considered a farm \* \* \* dry lot or barn dairies, nurseries, greenhouses, hatcheries, fur farms, mushroom cellars, apiaries, cranberry bogs, etc. (are considered farms). \* \* \*

Any tract of land of less than 3 acres, unless its agricultural products in 1944 were valued at \$250 or more (is not considered a farm). \* \* \*. (From the United States Bureau of the Census, Special Report, 1945 Sample Census of Agriculture, p. 8.)

*Number and percentage of farms and gross value of farm products sold by economic class, 1944*

	Farms (number)	Percent of all farms	Percent of total value of products sold
Large-scale farms.....	102, 136	1.7	24.1
Large commercial-family farms.....	408, 914	7.0	25.3
Medium commercial-family farms.....	1, 172, 971	20.0	30.6
Small commercial-family farms.....	1, 661, 920	28.4	15.4
Small-scale farms.....	923, 459	15.8	3.0
Part-time units.....	602, 212	10.3	.9
Nominal units.....	987, 277	16.9	.7
Total.....	5, 858, 889	100.0	100.0

The data above were taken from the 1945 Agricultural Census, as were the following definitions of various types of farming units:

*Small-scale farms.*—A large group of farms which have from \$500 to \$1,199 value of products, with a value of land and buildings of less than \$8,000. If the operator of such a farm worked off the farm less than 100 days, it was classified as a small-scale unit.

*Part-time units.*—A special grouping of farms with \$250 to \$1,199 value of products, value of land and buildings less than \$8,000 where the operator worked off the farm 100 days or more in the past year.

*Nominal units.*—Those farms which do not fit any of the above classifications because of having a value of products of less than \$250, a value of products of \$250 to \$499 with the farm operator working off the farm less than 100 days, or because of having a very high value of land and buildings associated with too low a value of farm products sold to meet the limits of the other economic classes.

Thus it is seen that the figures purporting to cover "farm families" are certainly much broader than would naturally be assumed by the average reader of this report. The result is to magnify the extent and character of the "low-income farm family" problem. It also throws considerable light on some of the recommendations pertaining to the large number of low-income families which fall within the categories of small-scale farms, part-time units, and nominal units. These constitute, as shown in the tabulation, 43 percent of all "farms" with a value of product sold only 4.6 percent of the total value of products sold by all farms.

In this connection attention is called to the great rise in prices of agricultural commodities since 1944, the probable effect of which would be to make the percentage of value attributed to the three smaller groups even less than that indicated for the year 1944.

Thus the first two recommendations in this section, of (1) a differentiated price-support program applicable to the different income groups, and (2) supervised farm-purchase loans and supervised production loans, assume character and proportions quite different from what might be supposed from a casual reading of the report. With a program on a scale sufficient to be of material assistance numerically out of the total number of farm families in this class, it is pertinent to ask how such special programs and enlarged farms might affect the total supply of agricultural products and hence the existing program of price supports, unless we conclude that many of these would fall within the categories indicated in the definition, such as nurseries, greenhouses, hatcheries, fur farms, mushroom cellars, apiaries, cranberry bogs, as well as the many varieties of truck, berry, nut, and others of the numerous products that might be listed.



### The report quotes Secretary Brannan:

During the last 2 years its (the Farmers Home Administration) funds have permitted operating loans to only 30 or 40 percent of worthy applicants and farm-ownership loans to only about 2½ percent of such potentially independent enterprises.

In view of the millions of farms in the low-income class of uneconomic size or condition, it would be interesting to know how many such farms have been assisted by these loans to acquire additional land, how much money was so loaned, and what acreages were thereby added to their existing operations. From this information it might be possible to get some notion of the magnitudes involved to make any dent in the problem posed, in the manner suggested, and at what lay-out of funds. Also it would be desirable to have some appraisal of the cost of a differentiated price-support program for low-income farm families within the framework of an existing price-support program, the latter now approaching the limit of its lending and purchase authority of \$4,750,000,000 granted to the Commodity Credit Corporation for its stabilizing operations. It should be noted in passing that bills are before Congress to increase the CCC funds by another \$2,000,000,000.

On the loan recommendation the report states: "We recommend that sufficient funds, in an amount consistent with sound economic policy, be provided. \* \* \*" Are such loans, as well as the differentiated price-support program, currently consistent with a combined Federal deficit for fiscal 1950 and 1951 of at least \$11,000,000,000, and possibly much greater?

IV. On page 6, the report recommends that educational opportunities for children of rural low-income families be enlarged and improved and that better access to additional kinds of education must be provided for these children, and emphasizes the need for a more practical kind of guidance and training which will help them make best use of their own resources and opportunities in their own communities and elsewhere. I agree that this should be the aim, not only for rural low-income families, but for the children of all families. This is a matter, however, primarily of State, county, and local concern and only secondarily that of the Federal Government insofar as certain States and areas are not able to provide satisfactory educational facilities.

This is a subject which has been thoroughly reviewed by congressional committees, and on which various types of legislative assistance have been proposed. Providing as it does such meager treatment of the subject of educational aid, the report adds little if anything to an understanding of these needs, costs, objectives, or manner of administration. It is interesting to note that in one part of the report, it is stated that "the lower income group sends only about 30 percent of its children through high school, and about 5 percent to college." At another point it is stated:

A study made by the National Child Labor Committee of 13,000 children who dropped out of school before completing high school, revealed that nearly 70 percent had left school for reasons relating to the school program.

It would thus appear that the character and content of the curriculum is quite as important a factor explaining the failure to complete the high-school course as is the matter of lack of adequate finances. As in the case of other institutions related to our public

life, the resources of our educational system should be better adapted to the promotion of better living as well as improving the resources and skills of our young people for the problem of making a livelihood.

The report further recommends "the establishment of a national scholarship fund for higher education of students of demonstrated ability but limited means." The report refers to the 3 to 5 percent, or annually from 75,000 to 125,000 of young people of America who would benefit from college education but are prevented because of poverty. The question might well be posed to the reader whether in his observations, he has known of those who have made their way through college without the aid of Government grants. In fact, even today, literally thousands are attending our colleges and universities, day or night school, while engaged in earning a livelihood and defraying their expenses. It is probably equally true that the opportunities for accomplishing such an educational program today are as good or better than ever in our history.

The report does not even suggest that sums advanced for college education might be in the form of loans, repayable in future years out of the increased earnings which would supposedly accrue to those who had received the aid. Paraphrasing Dr. Hutchins of the University of Chicago, "the important thing in the matter of getting an education is the will to get it," and only secondarily is it a question of achieving the means.

V. On page 9, the report refers to two and a half million families having incomes of less than \$2,000 in 1948 and headed by service workers, laborers, and operatives—occupations which require little skill or education and which usually provide small assurance of continuous employment. The report further admonishes that "evidence indicates a danger that the unskilled and little-skilled may become a self-perpetuating occupational group tending to form a low-income cast through the operation of cultural and educational factors."

The report gives no evidence, in fact there are no data, showing by occupational groups the numbers of persons employed, nor whether competent by aptitudes or physical conditions to perform other than menial or unskilled tasks. Nothing is said as to the distribution of these families, whether urban, suburban, or rural, nor the circumstances of their environment, nor is there any indication of how many of these may be employed on a part-time basis as a matter of preference, nor how many of them prefer, in terms of the expenditure of effort, to do other than relatively easily performed and in many cases jobs with minimum of responsibilities. Included in this category are probably many older persons, some of whom are retired who do not aspire to other than the types of jobs which call for a minimum of energy, wear and tear, and which yield incomes, when savings and home ownership and other factors are taken into account, to satisfy reasonably well their needs and desires.

In this connection the report suggests that the respective States should consider action to establish minimum wages in industries not covered by Federal statute. It appears from this whole report that those receiving less than \$2,000 a year are generally disadvantaged in the various ways indicated in the report. From this it follows that to overcome these problems it would require that minimum wages should be at least \$1 an hour (a 250-day working year at 8 hours

per day necessary for \$2,000 income) and that such rates be applicable to all forms of employment, in whatever line, and whether in interstate or intrastate commerce. Although the report suggests that the States could properly consider action to establish minimum wages in industries not covered by Federal statute, no evidence or analysis is given in support of such program as to effects upon the whole range of industries and activities and a multitude of occupations, or upon the functioning of the economy in general.

The prospects of enactment of State minimum wage laws to be helpful in the areas indicated would be least likely in those States in which the proportions of persons in the lowest income group are the highest. Such recommendation does not take into account the relative capacity to pay, nor the economic significance of the services performed. In many cases the result would be increased unemployment rather than any improvement in income levels for persons involved. This fact is recognized in the exclusion of classifications of employment in the Federal minimum wage law.

VI. In sections IV, V, and VI, are very limited discussions in connection with a considerable range of recommendations for extension of activities in the field of social security. The recommendations are so broad and of such nature that it is difficult, if not impossible, to determine what all the ramifications may be, or the ultimate costs involved. Committees of Congress, as well as the Stettinius committee, composed of many experts in this field, have given these problems far more attention and consideration than the Joint Committee on the Economic Report could be expected to do. Considering the limitations of our hearings, as well as the staff work that could have been done in the time allotted, it seems to me it would be presumptuous on my part to go along with the recommendations contained in this report. From my reading of these sections, I cannot determine whether these recommendations comport with H. R. 6000 (for which I voted), or how much further. These recommendations would extend our activities and expenditures in this field.

The committee has not had presented to it any estimates of costs involved in these proposals, how they are to be financed, nor any discussion of the impact upon the economy nor their actuarial feasibility. I agree thoroughly with the recommendation that a "special study of the effects on the national economy of public and private pension programs" should be initiated. To this end I believe a select committee, similar to the Stettinius Social Security Committee, should be established and make a thorough study and report to the appropriate committees of Congress on this subject.

VII. In section 7, the relationship between low incomes and health is discussed. When the five recommendations in this section are considered, especially recommendations 4 and 5 as well as the concluding paragraph of that section, I find it difficult to determine what kind of a medical-care program is recommended, what kind of voluntary cooperation of public and private agencies is contemplated. Would not the practical result of any such program soon resolve itself into some kind of dominated Federal medical plan?

The report states "without endorsing any plan" in reference to health proposals. It makes it appear as though "any" plan might be read into the recommendations. I desire to make it crystal clear that I am opposed to the compulsory health-insurance plans as they

have been proposed by the administration, and advocated and propagandized at Government expense by the Administrator of the Social Security Board.

VIII. In the conclusion of the report is the paragraph:

The comfortable thing to do is to assume deficiencies of inheritance, to this group of our citizens, to assume that they are just congenital morons. This leads to the conclusion that nothing can be done about it. Or, instead, we may assume that the difficulties of these people are due to moral delinquency and so assuming, we may view this national lesion with a warm, moral glow.

This paragraph rather implied that to differ with the presentation and recommendations of the majority report, one assumes "deficiencies of inheritance" in the low-income group, or that they are just "congenital morons" for whom nothing can be done. As a matter of fact (and there are no data to the contrary) there are probably millions in these groups who are helping themselves and advancing in their own way and not asking for Government funds or assistance in any of the various ways suggested in this report. They do not desire to be viewed as a "national lesion" by their Government or anyone else. Many of them will, as millions have done before, improve their economic and social status on the basis of their individual labor, thrift, and initiative.

The foregoing statement expresses my views and position in regard to the majority report.

Respectfully submitted.

ROBERT F. RICH.