Congress and Social Security:
In the Beginning....
An Introductory Essay
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> *We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my social security program.*
> --President Franklin D. Roosevelt

> *Social Security is the third rail of American politics. Touch it and you die.*
> –Attributed to House Speaker Thomas P. Tip O'Neill, Jr.

President Franklin Delano Roosevelt is widely recognized as the father of the New Deal, including the landmark Social Security Act of 1935. Arthur M. Schlesinger, Jr., calls Roosevelt "the single national political leader to identify himself with the social insurance cause."[1] Martha Derthick says the 1935 Act "marks the founding of the welfare state in the United States."[2]

The impression one gets from most histories of the depression era is that Roosevelt and his "Brain Trust" conceived the New Deal programs, sent them to Hill, and Congress dutifully and expeditiously enacted them into law with little change. However, a closer examination reveals a different picture. As Patrick Maney of the University of South Carolina tells us, "Far from being the brainchild of one person, the enduring accomplishments of the Depression decade were the products of a richly collaborative process in which FDR, presidential advisers, government bureaucrats, well-organized interest groups, grass-roots activists, and legislators all played parts." And, Maney continues, ". . . of the participants in the New Deal, it was Congress, not the president, that took the lead in initiating and shaping most of the legislation not only during the first hundred days but throughout Roosevelt's first term." Only two of the 15 measures enacted during the first 100 days of FDR's Administration in 1933 originated with the President, according to Maney.[3]

Social Security, which was a product of FDR's second hundred days, was no different in terms of having a multitude of mid-wives, both inside the Administration and Congress and out. The

1932 Democratic Platform stated quite simply: "We advocate unemployment and old-age insurance under State laws." That same year, Senator Clarence C. Dill of Washington and William P. Connery, Jr. of Massachusetts introduced legislation to provide states with grants-in-aid to cover one-third of old-age pensions. Their bill was based on a proposal of Abraham Epstein, executive director of the American Association for Old Age Security. Epstein and others believed there was an urgent need for Federal action. By 1934 the House had passed the bill and the Senate Pensions committee had reported it. In February of that year, Senator Robert Wagner (D-NY) and Representative David J. Lewis (D-MD) introduced a national unemployment compensation bill.[4]

Roosevelt endorsed the latter bill in March 1934, and on June 8 sent a message to Congress reaffirming his faith in social insurance: "among our objectives I place the security of the men, women and children of this Nation first." The President identified three factors that contribute to security: a decent home, a productive job, and "security against the hazards and vicissitudes of life." "Next winter," he continued, "we may well undertake the great task of furthering the security of the citizen and his family through social insurance." What he had in mind was not new but was based on lessons learned from what had already been tried by the states, industries, and many nations of the civilized world, and that was "to provide at once security against several of the great disturbing factors in life–especially those which relate to unemployment and old age."[5]

Three weeks after his June message to Congress, the President issued an executive order a to create a cabinet level Committee on Economic Security to be chaired by his Secretary of Labor, Frances Perkins. Other members of the Committee were the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Administrator of the Federal Emergency Relief Administration. The simple mandate of the committee was to "study problems relating to the economic security of individuals" and to report back to the President "not later than December 1, 1934." [6]

The Perkins committee eventually recommended an unemployment compensation plan based on a payroll tax on employers which could be deducted from their federal taxes. With respect to old-age insurance, the committee adopted a national system of contributory old-age and survivors insurance. Finally the committee called for a program of assistance to the states for the needy aged. By the time the committee submitted its report to the president, FDR already had his own views on the concept of social security. He once told Perkins that he saw no reason why everyone in the United States should not be covered– why "every child from the day he is born shouldn't be a member of the social security system....why not, from the cradle to the grave...." [7]

Notwithstanding such visionary ideas, however, as late as mid-November 1934, Roosevelt still had some doubts about the advisability and feasibility of a national old-age insurance plan. In an address to the Advisory Council of the Committee on Economic Security (which had been created by the same executive order as the committee) Roosevelt said the following:

> I do not know whether this is the time for any Federal legislation on old-age security. Organizations promoting fantastic schemes have aroused hopes which cannot possibly be fulfilled. Through their activities they have increased the difficulties of getting sound legislation; but I hope that in time we may be able to provide security for the aged–a sound and a uniform system which will provide true security.[8]

The main argument within the Committee on Economic Security was over whether to make the unemployment compensation program national or states-based. The Advisory Committee had come out for the latter state-based, Federal subsidy plan. A National Conference on Economic Security convened in Washington in November 1934 seemed more nationally oriented, though when Roosevelt addressed the group he expressed his preference for a state system. As Arthur Schlesinger concludes of this controversy within the Committee: ". . .the preference of the President for a state system, the anticipated resistance in Congress to a national approach, the presumed constitutional vulnerability of such an approach–these considerations influenced a group under strong pressure to achieve a unanimous recommendation. Consequently, Committee decided on November 9 to abandon a national approach. A few weeks later it came close to reversing itself.

Finally, on Christmas week, with the president's deadline closing in, the Committee voted unanimously (though "reluctantly and with mental reservations," as Secretary Perkins put it), to endorse the state approach. At the same time, the Committee had no qualms in recommending a national old-age insurance system, in part because there were no state precedents, in part because of strong public pressures favoring such an approach, and in part because the feasibility of a state approach was actuarially questionable given the mobility of workers during a lifetime. The Committee also called for a program of assistance for the aged-needy, for Federal aid to the states for the blind and dependent children, and for maternal and child health aid, child welfare, and pubic health services.[9]

The Committee on Economic Security transmitted its final report to the President on January 15, 1935, and two days later Roosevelt sent his message to Congress requesting enactment of his social security proposal. Roosevelt felt the social insurance program should be based on employer and employee contributions through payroll taxes–a view not shared by Frances Perkins or FDR's close advisor, Rexford Guy Tugwell. As Roosevelt would later explain his position, "those taxes were never a problem of economics. We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my social security program."[10]

In his January 17 message to Congress, the President underscored the soundness of his financing mechanism: "First, the system adopted, except for the money necessary to initiate it, should be self-sustaining in the sense that funds for the payment of insurance benefits should not come from the proceeds of general taxation." In discussing old-age pensions specifically, the president called for "compulsory contributory annuities which in time will establish a self-supporting system for those now young and for future generations." He went on to propose a supplemental system of "voluntary contributory annuities by which individual initiative can increase the annual amounts received in old age." These were to be in the form of Treasury annuity certificates which were designed primarily to encourage those not covered by the compulsory system to save for retirement. And, he continued, "It is proposed that the Federal Government assume one-half of the cost of the old-age pension plan, which ought ultimately to be supplanted by self-supporting annuity plans."[11]

In concluding his message to Congress Roosevelt invoked anxieties of the depression era to make his case:

> No one can guarantee this country against the dangers of future depressions but we can reduce these dangers. We can eliminate many of the factors that cause economic depressions, and we can provide the means of mitigating their results. This plan for economic security is at once a measure of prevention and a method of alleviation.[12]

Senator Robert F. Wagner of New York introduced the president's bill in the Senate and Representative Robert L. Doughton of North Carolina, chairman of the House Ways and Means Committee introduced it in the House. Doughton began committee hearings on the measure on

January 21, a day before the Senate Finance Committee began its hearings. The hearings began with testimony from the executive director and members of the President's Committee on Economic Security. The Ways and Means Committee then heard from critics of the Administration's plan including an unemployed California doctor, Dr. Frances Townsend, and his supporters who advocated a non-contributory, flat-rate pension for everyone over 60 of $200 a month to be funded by a 2% national sales tax.[13] The Townsend plan had gained a great deal of national notoriety since the doctor first published it in a Long Beach newspaper in early 1933. By 1935 there were 7,000 Townsend Clubs across the nation claiming more than 2.2 million members who worked actively to have it adopted as the nation's old-age pension system.[14] Capitol Hill was flooded with mail from constituents who supported the "Townsend Plan." The Ways and Means Committee let the proponents o the Townsend Plan make their case, then subjected them to piercing cross-examination aimed at discrediting Townsend's pie-in-the-sky scheme.[15]

Business interests also weighed in against the bill and began mobilizing immediately. The National Association of Manufacturers said the legislation would bring about "the ultimate socialistic control of live and industry." James L. Donnelly of the Illinois NAM saw the plan as "destroying initiative, discouraging thrift, and stifling individual responsibility; while Charles Denby, Jr. of the American Bar Association said it would lead to "the inevitable abandonment of private capitalism." The opposition rhetoric was just as harsh inside the Congress, mostly from Republicans. Representative John Taber of New York said the bill was "insidiously designed to prevent business recovery, to enslave workers, and to prevent any possibility of the employers providing work fort the people." And Representative Daniel Reed predicted that "the lash of the dictator will be felt."[16]

The House Ways and Means Committee concluded its hearings on February 20 and began an arduous, word-by-word consideration of the Administration's bill that consumed 20 executive session sittings of the committee. Part of the problem was that the Administration's bill had been drafted as an appropriations measure instead of an authorization bill. A larger problem, though, was that many members of the committee were skeptical of the old-age provisions. Because Roosevelt refused to intervene personally in the committee's deliberation, the chairman was left to build a consensus within, member by member.

As one history put it, "Doughton utilized his popularity and fairness to postpone action, finally making a compromise possible. The original draft had provided for both voluntary and compulsory old-age annuities. By agreeing to drop the voluntary provision, the bill's supporters were able to obtain support for the passage of the compulsory insurance title."[17] The bill that was finally reported from committee was significantly rewritten and ordered, and even had a different title. Instead of the "Economic Security Act," it was now called the "Social Security Act." A motion to strike the old-age pension title lost on a 7-16 vote. Rep. Dingell (R-Mich.) moved to reinsert the voluntary annuities provision as contained in the Administration's original draft, but then withdrew his motion. The bill was then favorably reported on a 17-0 roll call vote.[18]

The Republican minority members of the Ways and Means Committee expressed opposition in the committee's report to the old age insurance provisions and taxes, stating that they established a "bureaucracy in the field of insurance in competition with private business," and would " destroy old-age retirement systems set up by private industries which in most cases provide more liberal benefits than are contemplated under title II."[19]

Six days after the committee reported, the House began debate on it. Although the Ways and Means Committee had requested a closed rule (no amendments) for the bill, the House Rules Committee instead granted a wid-open rule, meaning any member could offer a germane amendment. Presumably the open process was offered to give the appearance that proponents of the Townsend plan would not be shut-out. However, behind the scenes the Democratic leadership made certain through their Caucus that no amendments would be adopted. And indeed, even though 50 amendments were offered on the floor over nine days of debate, not one was adopted. Prior to final passage of the bill on April 19, 1935, the ranking minority member on Ways and Means, Rep. Allen T. Treadway (R-Mass.), offered a motion to recommit the bill to committee with instructions to strip the old-age pension provision from the bill and increase the welfare program of old-age assistance. The motion failed by a vote of 149 to 253, with 95 Republicans and 45 Democrats sin support of the motion and just one Republican and 288 Democrats opposed. The bill then easily passed the bill by a vote of 372 to 33 with 77 Republicans and 288 Democrats in support, and 18 Republicans and 13 Democrats opposed (the other votes for and against being by Independents).[20]

The Senate Finance Committee held its hearings between January 22 and February 20, 1935, and reported its version on May 13, with eight substantive changes from the House bill including the authority to issue Treasury bonds for voluntary annuities to be purchased by those not covered by the Federal system. The measure was debated by the Senate over six days and passed on June 19, 76 to 6. The ranking minority member on the Senate Finance Committee, Sen. Daniel Hastings (R-Del.) offered a floor amendment comparable to the Treadway amendment in the House to strike the old-age pension benefits system. The amendment failed, 15 to 63, with 12 Republicans and 3 Democrats supporting the amendment and 7 Republicans and 54 Democrats opposed. The bill went on to pass the Senate, 77 to 6, with only 5 Republicans and one Democrat opposed.[21]

The two houses worked through July on hammering out a compromise in conference committee, and on August 8 the conference report cleared the House by voice vote, and the Senate passed the final version the following day by voice vote.[22] On August 14, 1935, President Roosevelt signed the measure into law. In his signing statement, the President reminded the public that, "We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of job and against poverty-ridden old age."[23]

As signed into law, the old-age pension portion of the law (Title I) covered nearly all workers in commerce and industry, providing a monthly pension for insured workers beginning at 65 if they were no longer working. Excluded from coverage were over 9 million workers, including farmers, domestic workers, the self-employed, teachers, non-profit employees, railroad retirees, some professionals, and government employees. A payroll tax of one percent each was levied on employers and employees on the first $3,000 of an employee's annual wages, beginning in 1937, rising in steps to three percent by 1949. The first benefits were to be payable beginning in 1942 to persons 65 and older who had been paying the taxes for at least five years. Benefits would be based on the average monthly income and number of years worked.[24]

In reflecting on the significance of the Social Security Act of 1935, George Washington University history professor Edward D. Berkowitz has written that enactment was "a near thing" in that "Roosevelt slipped it through a window of political opportunity that opened in the middle of the depression and closed very soon afterward." Despite the Townsend movement and similar populist plans, Berkowitz notes there was no popular groundswell behind social insurance programs "because they did not affect the major problems of relieving the victims of the depression." The work of the Perkins committee did not affect the immediate consequences of coping with massive unemployment or elderly poverty. Those pressing needs were dealt with by the old, state poor laws combined with federal emergency public works programs. Consequently, Berkowitz continues, Roosevelt did have to intervene at several points in the legislative process when Congress threatened to drop old-age insurance from the omnibus bill. The president insisted that the package must be kept together as a single piece.[25]

William E. Leuchtenburg writes disparagingly of the social security law in his history of the New Deal, calling it "an astonishingly inept and conservative piece of legislation." In no other welfare system in the world, he observes, "did the state shirk all responsibility for old age indigency and insist that funds be taken out of the current earnings of workers. By relying on regressive taxation and withdrawing vast sums to build up reserves, the act did untold economic mischief." However, Leuchtenburg concedes that the act was "a new landmark in American history" in that it "reversed historic assumptions about the nature of social responsibility," and "established the proposition that the individual has clear-cut social rights." [26]

Leuchtenburg underscores the weakness of the new social security law by noting that the Townsend movement's strength "reached its apex after the passage of Social Security Act," and that Townsend "gained recruits precisely because of the inadequacy of the New Deal pension system which left millions of elderly Americans unprotected." Townsendism, he continues, citing one newspaper's account, was "easily the outstanding political sensation of 1935," claiming control of two western governors and seven western state legislatures."[27]

While the Townsend movement would collapse in 1936 over charges of corruption (which were not proven), its existence foreshadowed an emerging phenomenon on the political landscape and that was the growing power of the elderly. Leuchtenburg notes, "Dr. Townsend unleashed a new force in American politics: the old people." And he continues:

> Thanks to gains in medicine, more of them lived longer; thanks to changes in the organization of the family, many of them no longer felt wanted. Buffeted by the depression, often made to feel a burden to their own children, which, indeed, they often were, they found in the Townsend clubs a home; in the movement, a sense of unity with other elderly people; in the plan, a cause; and in the crusade, a newfound sense of political power.[28]

Martha Derthick has credited passage of the old-age pension plan to the fact that"the congressional rank and file sympathized with the aged and feared the Townsend movement..."[29] While the first old-age pension act had its shortcomings, it was probably the best that Roosevelt could get at that time. However, it was not long before the Act was broadened and strengthened. In 1939 the Act was amended to provide benefits for dependents of retired workers and surviving dependents of deceased workers; in 1950, coverage was extended to farmers and the self-employed; in 1956 disability benefits were added; and in 1972 a very large benefit increase was approved along with a provision for indexing benefits to the consumer price index–obviating the need (and temptation) to make frequent benefit adjustments legislatively, usually in even-numbered years.

Margaret Weir calls the old age pensions of the social security system "the one undisputed areas of success for American social policy. The level of poverty among the elderly declined substantially as benefits rose, dropping from 40 percent in 1959 to about 12 percent in 1990."[30]

Congress has played a dual role in shaping social welfare policy over the years, according to Weir. "On the one hand, Republicans and conservative southern Democrats have regularly blocked extensions of social welfare policy. On the other hand, once programs have been established and won broad public support, Congress has often taken the lead in making benefits more generous." In short, Congress has played a moderating role, "blocking the most activist presidential inclinations either to cut or to extend social welfare benefits."[31]

The Republicans' loss of the Senate in 1986 is generally attributed to their inclusion in their fiscal 1986 budget resolution's reconciliation instructions of a provision eliminating the cost-of-living adjustments (COLAs) for 36 million Social Security recipients. While President Reagan initially supported the provision, House Republicans ran from it as fast as they could (and Reagan later joined them). They had already been burned once, having lost 26 House seats in the 1982 elections for supporting Reagan's proposed Social Security cuts in 1981.[32] As it turned out, Senate Democrats picked up eight seats in 1986 (including those of five Republican incumbents), for a 55-45 seat majority. Tip O'Neill's "third rail" of American politics had taken a heavy toll on congressional Republicans in two successive mid-term elections.[33]

Today, the financial solvency of the Social Security system is again in peril as the baby boomers approach their retirement years. It is estimated that the costs of the system will exceed its income by the year 2017, and that by 2041 all the system's assets will be exhausted.[34] There are some in Congress who think the "third rail" metaphor is no longer apt when it comes to Social Security, and that the American people want Congress and the President to deal forthrightly and directly with the problem before it is too late. But, even such courageous politicians are first to admit that unless Congress proceeds in a bipartisan manner to solve the problem, the issue can still be used as a potent political weapon against those who try.

Endnotes

1. Arthur M. Schlesinger, Jr., *The Coming of the New Deal* (Cambridge: The Riverside Press, 1958), 301.

2. Martha Derthick, "Social Security," in *The Encyclopedia of the United States Congress* (New York: Simon & Schuster, 1995), volume 4, 1840.

3. Patrick Maney, "The Forgotten New Deal Congress," in *The American Congress: The Building of Democracy*, Julian E. Zelizer, editor (New York: Houghton Mifflin Company, 2004), 446.

4. Schlesinger, 301-303.

5. Franklin D. Roosevelt, "Message to Congress Reviewing the Broad Objectives and Accomplishments of the Administration," June 8, 1934, from "FDR's Statements on Social Security, Social Security Online, History, accessed at: **http://www.ssa.gov/history/fdrstmts.html#message1** , on July 7, 2005 .

6. "The Initiation of Studies to Achieve a Program of National Social and Economic Security," Executive Order No. 6757, accessed at Social Security Online, History, op. cit., on July 7, 2005.

7. Schlesinger, 308.

8. Franklin D. Roosevelt, "Address to Advisory Council of the Committee on Economic Security on the Problems of Economic and Social Security," November 14, 1934, accessed from Social Security Online, History, op. cit., on July 7, 2005.

9. Schlesinger, 304-307.

10. Schlesinger, 308-309.

11. Franklin D. Roosevelt, "Message to Congress on Social Security," January 17, 1935, accessed at Social Security Online, History, op. cit., on July 7, 2005.

12. Ibid.

13. Margaret Weir, "Social Welfare and Poverty," *The Encyclopedia of the United States Congress*, Donald C. Bacon, Roger H. Davidson, and Morton Keller, editors (New York: Simon & Schuster, 1995), 1843.

14. Social Security Online, History, the History Page, op. cit., accessed on July 7, 2005. According to William Leuchtenburg, Townsend claimed 25 million Americans signed his petitions, and even his critics conceded he had at least 10 million signatures.

15. Ronald R. Kennon and Rebecca M. Rogers, *The Committee on Ways and Means: A Bicentennial History, 1789-1989* (Washington: Government Printing Office, 1989), 286.

16. Schlesinger, 311.

17. Kennon and Rogers, 286.

18. Ibid, 283, from photocopy of the Committee's minutes of April 5, 1935.

19. Cited in Carmen D. Solomon, "Major Decisions in the House and Senate Chambers on Social Security, 1935-1985," CRS Report for Congress (86-193 EPW), December 29, 1986, CRS-6.

20. Solomon, op. cit., CRS-9.

21. Solomon, CRS-11.

22. The Senate/Administration provision for voluntary annuities was dropped in the face of opposition from private insurance companies that sold retirement annuities.

23. Franklin D. Roosevelt, "Presidential Statement Signing the Social Security Act," August 14, 1935, accessed at Social Security Online, History, op. cit., on July 7, 2005.

24. The Act also included assistance to aged needy citizens (Title I), unemployment compensation (Titles III and IX), aid to families with dependent children (Title IV), relief for the blind (Title X) and grants for state maternal and child welfare programs (Title V).

25. Edward D. Berkowitz, "Social Security and the Financing of the American State," in *Funding the Modern American State, 1945-1995: The Rise and Fall of the Era of Easy Finance*, W. Elliot Brownlee, editor (Washington: Woodrow Wilson Center Press, and Cambridge, U.K.: Cambridge University Press, 1996), 152-154.

26. William E. Leuchtenburg, Franklin D. Roosevelt and the New Deal (New York: Harper and Row, Publishers, 1963), 132-33.

27. Ibid, 180. The Townsend movement collapsed at the height of its power in 1936 when charges of corruption were leveled at the doctor and his political adviser, Robert Clements, by the organization's former national publicity director. A congressional probe found no wrong-

doing by Townsend, though Clements had profited handsomely. Ironically, Townsend was saved from a 30-day jail sentence for contempt of Congress by a last-minute pardon from FDR.

28. Ibid, 106.

29. Derthick, 1840.

30. Weir, 1850.

31. Ibid, 1841.

32. “Social Security: Much-Discussed Fiscal Topic,” *Congressional Quarterly Almanac, 1985* (Washington: Congressional Quarterly, Inc., 1986), vol. XLI, 465.

33. “It was House Speaker Tip O’Neill who coined the phrase and O’Neill who, more than anyone, made Social Security murderous to touch,” according to George Mason University History Professor Rick Shenkman, “When Did Social Security Become the Third Rail of Amnerican Politics?,” accessed at:< http://hnn.us/articles/10522.html,> The History News Network, on July 12, 2004; a review of Martha Derthick and Steven M. Telese chapter, “Riding the Third Rail: Social Security Reform,” in *The Reagan Presidency: Pragmatic Conservatism and Its Legacies,* ed. W. Elliot Brownlee and Hug Davis Graham (University Press of Kansas, 2003).

34. *The 2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurances and Disability Insurance Trust Funds* (Washington: Government Printing Office, 2005), 3 (printed as House Document 109-18, 109th Congress, 1st Session, April 5, 2005).