

Findings And Recommendations

*Veterans'
Benefits
in the
United
States*

A REPORT TO THE PRESIDENT

BY

THE PRESIDENT'S COMMISSION ON VETERANS' PENSIONS

APRIL 1953

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LETTER OF TRANSMITTAL

WASHINGTON, D. C., *April 23, 1956.*

DEAR MR. PRESIDENT: Your Commission on Veterans' Pensions, established by Executive Order No. 10588, of January 1955, herewith submits its final report, including findings and recommendations. The Commission has attempted to carry out the instructions contained in your letter of March 5, 1955, to the chairman, and the timing is in accordance with the approved extension of the completion date.

Existing veterans' benefit programs on the whole are working well and are being soundly administered. Veterans as a group are better off economically than nonveterans. The Commission was especially impressed with the recent trend away from the old backward-looking pension philosophy. The present practice of assisting the veteran in his immediate readjustment to civil life is much more effective. A veteran now receives help when he needs it most.

While the general situation is good, the Commission's studies did reveal some important weaknesses and inequities that can and should be corrected. One of the most serious is that under some of the programs benefits are not being channeled sufficiently to those who have sacrificed the most or whose needs are greatest. There is also a decided need for long-range programming and for coordination between related programs, especially between the veterans' non-service-connected pension program and the general social security programs.

The Commission endeavored to base its conclusions on factual data. Since many of the necessary data were not available, a number of extensive surveys and special studies were undertaken. These covered the economic and social condition of veterans, their special problems, and the effectiveness of present benefit programs. The factual data assembled will be generally available when the various factfinding studies are published as later parts of the report.

The Commission also secured the views of the veterans' organizations. At the outset they were requested to submit suggestions and recommendations. Later, extended conferences were held with representatives of the major organizations.

We hope that the information collected will be used for the development of more effective and better coordinated programs for veterans. We also hope our report will contribute to a better understanding of veterans' affairs by all the people. Now that one-half of our whole population consists of veterans and servicemen and their families, and Federal veterans' expenditures are \$4.5 billion annually, our national policy toward veterans concerns every citizen.

The Commission wishes to acknowledge its great debt to the Veterans' Administration, Department of Defense, Department of Health, Education, and Welfare, and Department of Labor, for their wholehearted cooperation. These agencies all furnished valuable background information, made extensive studies, and loaned personnel. We wish also to acknowledge the valuable assistance received from other agencies, including the Bureau of the Census of the Department of Commerce, Bureau of the Budget, Civil Service Commission, and General Accounting Office, and from the chairman, Committee on Veterans' Affairs, House of Representatives, and the committee staff, in the printing of the report.

Respectfully yours,

OMAR N. BRADLEY, *Chairman*.
CLARENCE G. ADAMY.
WILLIAM J. DONOVAN.
PAUL R. HAWLEY.
MARTIN D. JENKINS.
THEODORE S. PETERSEN.
JOHN S. THOMPSON.

THE PRESIDENT,
THE WHITE HOUSE.

TABLE OF CONTENTS

COMMISSION AND STAFF.
LETTER OF TRANSMITTAL.

Page

PART I

HIGHLIGHTS OF THE COMMISSION'S FINDINGS AND RECOMMENDATIONS

HIGHLIGHTS OF THE COMMISSION'S FINDINGS AND RECOMMENDATIONS .	3
HISTORICAL BACKGROUND OF VETERANS' PROGRAMS	6
BASIC FACTORS	7
GUIDELINES FOR THE FUTURE	9
MAJOR PROGRAMS	13
THE COMMISSION'S PHILOSOPHY	20

PART II

THE COMMISSION'S FINDINGS AND RECOMMENDATIONS

	Page
CHAPTER I. INTRODUCTION: A NEW ERA IN VETERANS' BENEFITS.....	23
THE PRESIDENT'S ASSIGNMENT TO THE COMMISSION ON VETERANS' PENSIONS.....	25
HOW THE PRESIDENT'S COMMISSION ON VETERANS' PENSIONS APPROACHED ITS TASK.....	26
THE COMMISSION'S PHILOSOPHY.....	31
CHAPTER II. VETERANS' BENEFITS: PAST AND PRESENT.....	33
THE DEVELOPMENT OF VETERANS' BENEFITS IN THE UNITED STATES.....	33
THREE PERIODS IN THE DEVELOPMENT OF VETERANS' PROGRAMS IN THE UNITED STATES...	35
THE VETERANS' BENEFIT PROGRAMS TODAY...	49
CHAPTER III. VETERANS IN OUR SOCIETY.....	62
THE VETERAN POPULATION.....	62
THE ECONOMIC AND SOCIAL CHARACTERISTICS OF VETERANS.....	75
IS MILITARY SERVICE A HANDICAP: WHAT DO THE VETERANS THINK?.....	90
ASSISTANCE TO VETERANS FOLLOWING THEIR SEPARATION FROM MILITARY SERVICE.....	91
ECONOMIC AND SOCIAL STATUS OF VETERANS AT PRESENT.....	92
CHAPTER IV. THE COST OF VETERANS' PROGRAMS.....	98
CHAPTER V. GUIDELINES FOR THE FUTURE.....	127
BASIC FACTORS.....	127
GENERAL PRINCIPLES.....	134
CHAPTER VI. COMPENSATION FOR SERVICE-CONNECTED DISABILITIES.....	146
GUIDEPOSTS FOR IMPROVEMENT.....	164
EVALUATION AND RATING OF DISABLEMENT...	170
OTHER FEDERAL DISABILITY PROGRAMS.....	181
RELATIONSHIP OF REHABILITATION AND COMPENSATION.....	186
MILITARY DISABILITY RETIREMENT BENEFITS..	190

	Page
CHAPTER VII. SERVICE-CONNECTED SURVIVOR BENEFITS, INCLUDING INSURANCE.....	197
PRESENT SITUATION OF SURVIVOR BENEFITS..	197
EVALUATION OF THE PRESENT SITUATION....	202
RECENT EFFORTS TO IMPROVE SURVIVOR BENEFITS.....	208
QUESTIONS OF A GENERAL NATURE.....	211
MILITARY COVERAGE UNDER THE SOCIAL SECURITY AND OTHER CIVILIAN RETIREMENT AND SURVIVOR SYSTEMS.....	214
DEATH COMPENSATION PAID BY THE VETERANS' ADMINISTRATION.....	219
BENEFITS FOR RETIRED MILITARY PERSONNEL..	228
CHAPTER VIII. READJUSTMENT BENEFITS FOR WAR VETERANS: THE PROGRAM AS A WHOLE.....	231
SCOPE AND VARIETY OF THE BENEFITS PROVIDED.....	232
BACKGROUND, OBJECTIVES, AND UNDERLYING CONCEPTS OF THE READJUSTMENT BENEFIT PROGRAM.....	234
HISTORICAL DEVELOPMENT OF THE READJUSTMENT PROGRAMS, AND CHANGES BASED ON OPERATING EXPERIENCE.....	239
MAGNITUDE, TIMING, AND ECONOMIC IMPACT OF THE READJUSTMENT BENEFIT PROGRAM..	247
RELATION OF GI BENEFITS TO VETERANS' READJUSTMENT NEEDS AND PROBLEMS.....	258
EFFECTIVENESS AND SIGNIFICANCE OF THE READJUSTMENT BENEFIT PROGRAM AS A WHOLE..	264
GENERAL CRITERIA FOR SOUND READJUSTMENT BENEFITS, AND RECOMMENDATIONS FOR FUTURE PROGRAMS.....	270
CHAPTER IX. REVIEW AND APPRAISAL OF THE MAJOR READJUSTMENT BENEFIT PROGRAMS.....	273
READJUSTMENT ALLOWANCES AND UNEMPLOYMENT COMPENSATION FOR VETERANS.....	273
EDUCATION AND TRAINING BENEFITS.....	287
LOAN AND LOAN GUARANTY PROGRAMS.....	300
READJUSTMENT BENEFITS RELATED TO EMPLOYMENT OR REEMPLOYMENT.....	313

	Page
CHAPTER X. BENEFITS FOR PEACETIME EX-SERVICEMEN.....	320
DEMobilIZATION.....	322
ENTRY INTO SERVICE.....	323
PROFILE OF THE PEACETIME EX-SERVICEMAN..	324
CONDITIONS OF MILITARY SERVICE.....	325
BENEFITS FOR PEACETIME EX-SERVICEMEN:	
BASIC CONSIDERATIONS.....	330
SERVICE-CONNECTED DISABILITY COMPENSA-	
TION AND DEATH BENEFITS.....	333
VOCATIONAL REHABILITATION FOR SERVICE-	
CONNECTED DISABILITY.....	333
MEDICAL AND HOSPITAL CARE.....	338
VETERANS' INSURANCE.....	338
MUSTERING-OUT PAY.....	338
REEMPLOYMENT RIGHTS.....	339
EMPLOYMENT ASSISTANCE AND RELATED SERV-	
ICES.....	339
PREFERENCE IN FEDERAL EMPLOYMENT.....	340
UNEMPLOYMENT COMPENSATION.....	341
EDUCATION AND TRAINING BENEFITS.....	342
LOAN BENEFITS FOR PEACETIME EX-SERVICE-	
MEN.....	346
NON-SERVICE-CONNECTED PENSIONS.....	346
CHAPTER XI. NON-SERVICE-CONNECTED PENSIONS.....	348
THE GENERAL SOCIAL SECURITY PROGRAMS..	357
RELATIONSHIPS BETWEEN THE VETERANS' AD-	
MINISTRATION PENSION PROGRAM AND THE	
GENERAL OASI PROGRAM.....	364
VETERANS' PENSIONS AND PUBLIC ASSISTANCE..	368
THE ROLE OF VETERANS' PENSIONS.....	369
METHODS OF COORDINATION.....	373
LEVEL OF PENSION BENEFITS.....	376
CONDITIONS OF ELIGIBILITY.....	385
ELIGIBILITY FOR SURVIVOR PENSIONS.....	389
CURRENT PENSIONERS.....	391
CHAPTER XII. DISCHARGE REQUIREMENTS FOR VETERANS' BENE-	
FITS.....	393
SERVICEMEN'S READJUSTMENT ACT OF 1944..	393
DISCHARGES.....	394
VETERANS IN PENAL INSTITUTIONS.....	398

	Page
CHAPTER XIII. ADMINISTRATION.....	399
THE ROLE OF THE ADMINISTRATOR.....	400
VETERANS' AFFAIRS IN GOVERNMENT AS A	
WHOLE.....	403
SCOPE OF THE ADMINISTRATOR'S AUTHORITY..	405
FINALITY OF THE ADMINISTRATOR'S DECISIONS..	406
OTHER ADMINISTRATIVE ASPECTS OF VETERANS'	
AFFAIRS.....	409
CONCLUSION.....	410
APPENDIX A—EXECUTIVE ORDER 10588 ESTABLISHING THE PRESI-	
DENT'S COMMISSION ON VETERANS' PENSIONS.....	411
APPENDIX B—WHITE HOUSE PRESS RELEASE, MARCH 5, 1955....	413

PART I.
HIGHLIGHTS OF THE
COMMISSION'S
FINDINGS AND
RECOMMENDATIONS

HIGHLIGHTS OF THE COMMISSION'S FINDINGS AND RECOMMENDATIONS

The state of veterans' affairs in the United States is on the whole good. After many years of trial and error this country has developed reasonably successful methods for meeting the needs of its veterans.

Veterans today are better off economically than nonveterans in comparable age groups. About 2 million disabled veterans are receiving liberal disability compensation and are in relatively good economic circumstances. The survivors of servicemen who died in line of duty and of veterans deceased from war causes are generally receiving adequate benefits. The readjustment programs are effectively assisting newly discharged war veterans to overcome their temporary handicaps.

The veterans' programs, however, are not perfect. Much remains to be done by way of improvements along forward-looking and constructive lines. The dominant problems are the carry-over from past decades of a backward-looking pension philosophy and our failure to adjust the existing veterans' programs to fundamental changes in our society.

Basic changes in military, economic, and social conditions have outmoded early conceptions of veterans' benefits. The Servicemen's Readjustment Act of 1944, which provided the assistance ex-servicemen needed most and at the time their need was greatest, began a new era. The expansion in general social security protection for veterans and nonveterans alike, enables the Government to meet the needs of veterans more effectively than was possible in years gone by. Our philosophy of veterans' benefits must accordingly be modernized and the whole structure of traditional veterans' programs brought up to date.

War service in the Armed Forces imposes many special handicaps on those who serve. War sacrifices should be distributed as

equally as possible within our society. This is the basic function of our veterans' programs.

The Government's obligation is to help veterans overcome special, significant handicaps incurred as a consequence of their military service. The objective should be to return veterans as nearly as possible to the status they would have achieved had they not been in military service.

Within the veterans' programs emphasis should be placed on those programs which take care of the needs arising directly out of military service. Particular emphasis should be placed on rehabilitating the service-disabled and maintaining them and their survivors in circumstances as favorable as those of the rest of the people. Their needs must be filled adequately and even generously.

More stress should also be placed on providing benefits for those who sacrificed most and who need help most. The Commission found instances in which assistance is not being channeled as much as it should be to those who are in greatest need, particularly in the service-connected disability compensation and the non-service-connected pension programs. Thus while the present programs are on the whole doing a good job, the Commission believes they will be more effective if the emphasis is shifted toward assistance for those whose needs are greatest.

For the great majority of veterans, military service entails only temporary handicaps, which the Government as a matter of equity should also help overcome, when they are significant, through readjustment assistance.

Veterans have many other needs not connected with military service, which continue after they are through with readjustment—needs that are more or less common to all people. In the opinion of the Commission, veterans with no service-connected disability after readjustment should be considered to be in the same category as citizens who are not veterans.

In the last two decades our country has developed important programs for the economic security of all the people. Gradually these programs are assuming the burden of filling the general needs which special veterans' non-service-connected pension pro-

grams filled in the past. These general programs are not, however, complete and sufficiently comprehensive at present.

Under our present social system we accept a responsibility to provide economic assistance for needy citizens who are disabled and unemployable. It can be assumed, therefore, that any veteran in this category will be given assistance through some public agency. While the Commission fails to see how a veteran with no service-connected disability is, after readjustment, entitled to treatment substantially different from nonveteran citizens, it recognizes that disability protection under the general social security programs is still inadequate. The Commission, therefore, believes it is appropriate to continue assistance to veterans who are disabled from non-service-connected causes through the medium of the veterans' pension program, as long as the benefits are based entirely on need and are in line with the amounts provided under the general social security programs. This can be done satisfactorily if the two sets of programs are coordinated so that each properly complements the other.

The Commission's proposals with respect to non-service-connected pensions would provide increased benefits for badly disabled veterans with family responsibilities. These proposals would likewise extend the coverage of these programs to more needy families of veterans.

The Commission believes that in our rapidly changing society, maintenance of an effective and consistent Federal system of veterans' benefits will require more positive leadership by the Veterans' Administration. The veterans' programs have reached such magnitude, and their impact on the whole people is so great, that they can no longer be run in isolation, but must be coordinated with other Government programs. The status of the Administrator of Veterans' Affairs in the executive branch should be raised and he should exercise a greater role in the formulation of veterans' policies in the executive branch. To discharge this responsibility properly he should have more adequate facilities for research, planning, and program analysis, so that the needs of veterans and the effectiveness of veterans' programs will be analyzed on a continuing basis. At the presidential level, also, there is need for better machinery for interagency

coordination of veterans' programs and policies. Improved organization for policy development will help keep the veterans' programs in concert with America's growth—not only economically, but socially as well.

HISTORICAL BACKGROUND OF VETERANS' PROGRAMS

Our present veterans' programs have grown up through three periods of American history. The first extended from the Revolutionary War to the decade before World War I. In this period, disability and death compensation for service-connected cases constituted the mainstay programs. Only mustering-out pay and land grants were provided to assist ex-servicemen upon separation. When these veterans grew older there were no general social welfare programs to aid them. The needy were compelled to appeal for charity or reside as paupers at local poorfarm or almshouse. To rectify this situation, veterans' pensions were enacted to provide economic assistance for ex-soldiers regarded as deserving by virtue of former war service.

The second period of development dates from the beginning of World War I to 1940. During this period the earlier death and disability-compensation benefits were continued and improved. Meanwhile, a number of constructive and forward-looking elements were introduced into the veterans'-benefit programs. These included the provision of life insurance, better medical care, and vocational rehabilitation for disabled veterans. During this period the country again failed to give adequate assistance to the ex-servicemen newly returned to civilian life, at the time when they most needed help. So pensions were again enacted. Moreover, in the 1930's a substantial bonus was paid to make up for previous inadequacies.

The third period of development began with World War II. Most of the earlier veterans' benefits were continued and expanded, and many were added. Significant innovations were made by the Servicemen's Readjustment Act, which made timely and effective assistance available to all veterans returning to civilian life. Also during this period the general social-security

programs began to mature. Important steps toward providing veterans basic income-maintenance protection were taken when military service was made creditable under the general old-age and survivors insurance system (OASI).

BASIC FACTORS

Significant changes have taken place in our society in recent years—changes which fundamentally affect the special veterans' programs. The Commission's studies produced the following general conclusions:

1. *Veterans and their families will soon be a majority.*—In 1940 there were only 4 million war veterans; there are now over 22 million in civilian life. In 1940 veterans and their families represented only 11 percent of the whole population. Today, veterans and their families number 75 million and constitute 45 percent of our total population—49 percent if those still in the Armed Forces and their families are included.

2. *Conditions of military service have changed for the better since the Civil War.*—Care, pay, and the civilian usefulness of service training have improved greatly in recent periods. Use of selective service has brought about a more equitable distribution of sacrifice. Mortality in battle and from disease has been reduced to a small fraction of the earlier rates. Soldiers, sailors, and airmen are employed in an increasing proportion of military occupations which have civilian counterparts and transferable skills. Special training in military service has correspondingly increased. Rates of military compensation have been brought more into line with pay for competitive jobs in industry, particularly since the Career Compensation Act of 1949. New benefits have been added and others improved since the Spanish-American War.

3. *Changes in our national-security requirements and in the nature of warfare are forcing us to reshape our traditional concepts of military service as the basis for special privilege and benefits.*—For the first time in our history it has become necessary to maintain substantial Armed Forces and to use conscription in peacetime. An even more drastic factor is foreshadowed by

the changing nature of warfare and the increasing potential of weapons. Modern wars impose ordeals upon the whole society and endanger the civilian populace as well as the military forces. The disparity of risk and sacrifice which once distinguished military man from civilian has been greatly reduced.

4. *The basic needs of all citizens, veterans and nonveterans alike, for economic security are being increasingly met through general Federal, State, and private programs.*—Since 1935 the Government has established comprehensive social security programs to give the great majority of our people basic protection against the economic hazards of old age, early death, and (to a limited extent) disability. Although these programs do not yet give 100-percent coverage, most people are now assured protection against many common economic risks. At the same time the Government has assumed a positive responsibility to help maintain a stable and growing economy.

Estimated income-maintenance payments under public programs alone, excluding veterans' benefits, have increased from \$2 billion in 1940 to over \$11 billion in 1955. (See chap. IV.) The Commission's studies developed projections to \$18 billion by 1965, and to nearly \$30 billion by 1985. These general income-maintenance expenditures will benefit veterans and their families as well as the general population.

5. *Veterans today are better off economically than nonveterans in similar age groups.*—There are more veterans in higher income groups and fewer in lower income groups, proportionately. This is equally true of the younger World War II and of the older World War I veterans. Veterans are higher on the occupational ladder than nonveterans in comparable age groups. They are also better educated, particularly in the case of World War II and Korean conflict veterans who received educational and training benefits. (See chap. III.)

6. *The United States today has the most liberal and comprehensive veterans' benefit programs in the world.*—The growth in the veteran population in recent years has been accompanied by great expansion in the scope of veterans' programs and by continued liberalization of their provisions. Veterans' expenditures

for all purposes increased from \$560 million in 1940 to \$7.4 billion in 1947 and are now at the rate of \$4.5 billion per year. Under laws now in effect they will rise again to a level of about \$6 billion annually toward the end of the century. Since outlays for readjustment benefits will go down, this increase will be attributable entirely to non-service-connected pensions.

If the laws were liberalized, the rise in veterans' expenditures would be tremendous. Our veteran population is so large that by the end of the century the United States would be spending nearly \$15 billion annually for veterans' programs, if a service pension of \$100 monthly at age 65 were enacted for our present war-veteran population and general benefits for widows were provided.

Last year, Federal veterans' benefits cost \$27 for each man, woman, and child in the United States—or about \$95 for the average family. If precedent should be followed and service pensions enacted for veterans of recent wars, the per capita cost of veterans' programs, on the basis of our increased population, would rise to \$47 by 1985, or to about \$165 per family. Even if our national income continues to grow at the present rate, in 1985 such liberalized veterans' benefits would take a much larger proportion of it than they do now. (See chap. IV.) Since veterans now constitute two-fifths of our workers and their incomes are higher than average, the veterans as a group themselves bear much of the cost of veterans' benefits.

GUIDELINES FOR THE FUTURE

Special programs for veterans have served and will continue to serve a most constructive purpose in our society. It is well recognized that special provision should be made for those who are injured or substantially handicapped as a result of wartime military service. However, survey data show that the overwhelming proportion of veterans believe that non-service-connected benefits should not be generally provided.

Our present structure of veterans' programs is not a "system." It is an accretion of laws based largely on precedents built up over 150 years of piecemeal development. The public at large has taken little interest and the laws have been enacted in re-

sponse to minority pressures. Most of these programs are sound and are effectively carrying out useful purposes. Others, however, are in urgent need of revision and modernization, to bring them in line with the basic changes which have occurred and are still occurring in our society.

There is, at present, no clear national philosophy of veterans' benefits. This Commission has endeavored to develop a philosophy and guiding principles, on the basis of which our national obligation to veterans can be discharged generously. These principles, which are discussed in chapter V of the report, may be summarized as follows:

1. Veterans' benefits are a means of equalizing significant sacrifices that result directly from wartime military service. It would be wholly unfair to place the entire burden of wartime sacrifices upon those who are selected or who volunteer to serve in the Armed Forces. The Government should do everything within its power to distribute the burdens of war service as equitably as possible. Veterans' benefits are one means by which society attempts to ameliorate the human tragedy of war and distribute its burdens.

2. Military service in time of war or peace is an obligation of citizenship and should not be considered inherently a basis for future Government benefits. Our national survival requires that every citizen do his part and make whatever contribution is required of him.

The performance of the duties of citizenship cannot be expected to be painless or free from sacrifice. Military service, in particular, may require sacrifice on the part of those who serve. This does not mean that it must be rendered without fair pay or redress for major handicaps or for injuries. However, it cannot justifiably be contended that all sacrifices, however small and transient, by those in the Nation's military service should establish entitlement to monetary claim and special privileges.

3. The service-connected needs of ex-servicemen should be accorded the highest priority among the special programs for veterans. The service-connected compensation and death benefits should be liberal, even generous.

The rehabilitation of disabled veterans and their reintegration into useful economic and social life should be our primary objective. Those who are disabled should be given priority for constructive assistance through rehabilitation as well as compensation.

Readjustment benefits to help newly discharged wartime veterans overcome service handicaps have proved their worth when these programs have been properly devised and used. Timely assistance on a temporary basis to help wartime veterans become self-sufficient and productive members of society is an effective alternative to the backward-looking, less constructive "old soldiers" pensions. Education and training and related readjustment benefits are now recognized as the best way of discharging the Government's obligation to the nondisabled. Such a program not only benefits the veterans but contributes to the stability of the society during the period of mass demobilization. Successful readjustment should place the veteran on a postwar footing equal to or better than that of those who were not in service, and eliminate any need for treating him throughout the rest of his life as a handicapped or privileged citizen. These readjustment aids fill service-connected needs and in priority stand next to the compensation benefits.

Veterans have many needs which are not connected in any way with their military service. In the past veterans' pensions pioneered in the field of social welfare, but today our society has developed comprehensive means for meeting most of these needs. Long strides are being made in closing remaining gaps, and the non-service-connected benefits accordingly should assume a "reserve-line status."

4. We should have a positive national policy toward veterans' programs. An important lesson learned from our experience over the last 150 years is that the problem of veterans' benefits must be squarely and promptly met immediately after the end of a war. Timely and adequate assistance must be provided to alleviate the war-incurred handicaps of servicemen as soon as possible after separation.

5. Our national policy toward veterans should be developed through widespread and realistic public discussion based on com-

plete and continuing factual information about the relative economic and the social status of veterans in our society. The Government should develop and maintain a rounded research program so basic comparative information on the condition of veterans and nonveterans will always be available.

6. Veterans with equal handicaps should have equal treatment. We should critically reexamine past precedents and avoid providing benefits on a piecemeal basis or on the basis of unusual cases. Providing compensation on a uniform basis to people with equal handicaps is the best possible way to discharge our obligation to them. Fair and equal treatment of all veterans, disabled and nondisabled, according to their service-connected needs, should be the guiding principle in all our programs.

7. The benefits paid to veterans with similar needs must in most programs be uniform throughout the country. Geographic or industrial variations in money incomes, wages, and living standards, however, must be given weight in determining the national rates of various benefits. The rates should not be set so high as to undermine incentive for productive activity nor so low that they fail to meet minimum needs. Benefit levels should be consistent with those in other public programs with similar functions.

8. Each generation must be forward-looking and willing to bear its own responsibilities. It is a mistake nationally, and a disservice to veterans who genuinely need assistance, to adopt benefits that place on the shoulders of future generations a greater share of the obligations than we are prepared to shoulder today. We should take a careful long-range look ahead to avoid the adoption of benefits which will be socially and financially unsound in future years. In veterans' programs particularly, the initial cost of a program is not a good indicator of its ultimate growth or size.

9. We should keep the whole range of our national needs in perspective. We ought to make sure that the service-connected needs of our veterans are fully met. However, it would be dangerous to overemphasize veterans' non-service-connected benefit programs at the expense of essential general programs. Social

institutions are always changing and veterans' programs are no exception. Our objective throughout should be to promote not only what is best for the veteran, but also what best serves the interest of the Nation. What best serves the Nation in the long run will be in the best interest of the veterans.

MAJOR PROGRAMS

Service-Connected Disability Compensation

The Veterans' Administration disability-compensation program on the whole is operating well. Total incomes, including VA compensation, of disabled veterans compare favorably with those of the nondisabled. Of the 2 million veterans on the rolls at present, more than one-half are rated as disabled 10 and 20 percent, so their earning capacity is not greatly impaired. Six percent are rated as totally disabled. Of all the disabled, only 25 percent have disabilities which were incurred in combat zones. The basis of the disability compensation program—compensation for average impairment of earning capacity—is sound and should be continued as the major factor.

Revisions of the compensation system have never reached the core of the problem. The Commission's studies show that the rating standards, presumptions, and followup procedures have many inconsistencies and are not in line with present-day medical science. The progression of ratings from degree to degree does not accurately reflect differences in capacity to earn or in longevity. The rates of compensation for those rated totally disabled appear inadequate. There is an overemphasis on obvious disabilities in comparison with equal disabilities which are not so evident. Consideration should be given to incorporating the statutory awards within a comprehensive rating scale that will encompass economic, physical, life impairment, and other factors.

The disability benefits programs of Government agencies are expanding. Various disability programs affect veterans, but there appear to be great differences in philosophy and purpose. There is a need for better coordination and for common standards on a governmentwide basis.

The need for coordination is only part of the problem. There are instances in which more than one program applies to the same category of people. For example, since 1949 a substantial overlap has developed in the VA disability-compensation program and the military-disability retirement program.

Monetary compensation is but one phase of the Government's responsibility to the disabled. The objective should be to restore every disabled veteran to a useful place in our economy and society. Effective rehabilitation offers the greatest possibility for further improvement in the Government's programs dealing with the disabled. All disability programs should be oriented toward effective rehabilitation.

Service-Connected Survivor Benefits

The survivor benefits have been under almost continuous study for a number of years both in the executive branch and in the Congress. The piecemeal growth of six different programs through the years has produced an uncoordinated and complex situation in this field. As a result, benefits for many families are relatively large, while in other cases, particularly for career officers, they are inadequate. A bill pending before Congress (H. R. 7089) would provide a more uniform and equitable system of survivor benefits, with appropriate recognition of attained pay level. This legislation is highly desirable from a career incentive standpoint in a free and competitive society.

The Commission strongly approves the system of survivor benefits that would be established by H. R. 7089.

Readjustment Benefits

The Servicemen's Readjustment Act of 1944—better known as the GI bill—opened a new and hopeful chapter in veterans' programs. It created a comprehensive system of benefits to assist veterans in reestablishing themselves in civilian life. This approach, which provides constructive assistance when it is most needed, is now generally recognized as the best way to meet the Government's obligation to nondisabled war veterans.

Except for land grants and mustering-out pay, veterans of early wars received little help in adjusting to civilian life. Vocational

rehabilitation for disabled veterans of World War I was a step in the right direction.

Veterans of World War II and the Korean conflict have had access to a wide variety of benefits: Mustering-out pay for every man; cash income during unemployment; assistance in obtaining new jobs or reinstatement in former jobs; opportunities for education or training at Government expense; and special loan programs to assist in purchasing homes, farms, or businesses.

The program as a whole recognized that individual readjustment needs would differ. Individuals were free to use those benefits which best met their problems. The benefits were intended to provide help during the period just after discharge from service, and to accomplish their purpose within a limited time, thus putting the veteran in a position where he would have no need for aid as a veteran in later life.

Four out of five World War II veterans used major readjustment benefits. By and large, the kind and amount of benefits adequately met the real needs. The World War II program was not perfect. Some benefits were used unwisely and others were ineffective. Most of these weaknesses were corrected over the years. They have been largely overcome in the present programs for Korean conflict veterans, although improvements are still possible, particularly in the loan-guaranty program and certain types of training benefits.

The Readjustment Act approach proved more effective than would have any system of uniform monetary payments to all veterans. As a group, the veterans for whom the two GI bills were adopted reestablished themselves successfully in civilian life. Their economic status, by objective measurements—income, occupation, home ownership, or steady employment—compares favorably with that of nonveterans of similar age.

Plainly, the expenditures for readjustment benefits were a sound investment. The readjustment program as a whole has fully discharged the Government's obligation to nondisabled veterans and has provided benefits that in many cases more than balanced any handicaps resulting from military service. The Nation, too, has gained. Education and training benefits, in particular, helped overcome what should otherwise have been

a serious deficit in education. The successful absorption into our economy of 10 million veterans during a single year after World War II, with relatively little friction or distress, was largely due to the GI bill.

Peacetime Ex-Servicemen

One of the most fundamental and potentially far-reaching questions considered by the Commission was whether and in what form readjustment, disability and related benefits should be provided for ex-servicemen and women who have had only peacetime military service. A continuation of selective service in the present cold-war situation, inevitably means that a substantial proportion of those who serve in the Armed Forces undergo an interruption of their normal pattern of civilian life.

The significance of this issue arises from the fact that our country may have to maintain substantial Armed Forces for an indefinite period. The Commission's projections indicate that if an armed strength of 3 million with an annual turnover of 700,000 is continued, there will be, by the end of this century, 26 million living peacetime ex-servicemen. This problem requires careful evaluation of the adequacy of military service in peacetime as a criterion for the extension of special educational and related benefits. Provision of benefits on this basis would have profound long-range effects on our society.

Under present-day conditions, military service in itself—especially if it is reasonably compensated—cannot continue to serve as a basis for special privilege. The young citizen must be prepared to serve in the Armed Forces as a matter of course, and under a permanent program he can plan for such service.

In keeping with this approach the Commission believes that the Government's postservice obligation to peacetime ex-servicemen should be limited to compensation and assistance for such significant disabilities as may arise directly out of military service, and to provision of the usual benefits to which any employee would be entitled. Under present circumstances of military service, the Commission believes the Government should provide the following major benefits to peacetime ex-servicemen: Service-connected disability and death compensation at the same

rates as for wartime servicemen; medical care for service-connected disabilities; reemployment rights; and unemployment compensation on a basis comparable to that given Federal civilian employees. Vocational rehabilitation should also be provided to those disabled in service through the Federal-State vocational rehabilitation program, on a priority basis, with the Federal Government bearing 100 percent of the cost.

The present selective service deferment policies allow all young men who so desire, to complete high school and also permit college students, who demonstrate ability, to complete their college education before induction. Military service is reasonably well compensated and there are substantial opportunities for training and useful experience while in the Armed Forces. The Commission believes that under such conditions military service does not involve sufficient interruption to the educational progress of servicemen to warrant a continuation of a special educational program for them.

There is an immediate and growing national need for highly educated and skilled personnel. This is a general problem and not one primarily due to the existence of compulsory military service. The solution should be achieved on a broad basis and not through a program open to a special group. The Commission believes that if this national need is to be recognized by the Federal Government, any assistance provided should be on a basis of the ability of all qualified aspirants, civilian as well as ex-servicemen.

Non-Service-Connected Disability and Death Pensions

Non-service-connected pension programs for veterans have existed for nearly 140 years. While not related to needs arising out of military service, they have been justified on the basis of war service. Fostered by organized pressures on behalf of veterans, they have pioneered in the field of social welfare and have kept "old soldiers" and their families from destitution. They represent perhaps the earliest effort by the Government to provide honorable protection against the loss of family income due to age, disability, or death.

Important changes in our society have recently come about which fundamentally affect the justification for veterans' pen-

sions. A practically universal social-security system protects veterans and nonveterans alike against the ordinary risks of life. Consequently, the veterans' pension program needs reorientation in its scope and direction.

Properly aligned with the old-age and survivors insurance (OASI) and other general welfare programs, the pension program can continue to serve a useful purpose for the time being by providing veterans a "reserve line of defense" against economic need. The aim should be to provide protection to war veterans and their dependents whose minimum needs are not met by OASI. Thus, the veterans' pension program has a holding mission to perform: To fill gaps in the general social-insurance programs, without duplicating them, until such time as those "falling through the meshes" will be few and their residual needs can be met acceptably by public assistance.

The Commission recommends that the veterans' pension benefits be coordinated with those payable under OASI, which now covers 9 out of 10 veterans and nonveterans. It is proposed that this be done by maintaining a separate veterans' pension program, but changing the present eligibility standards to take account of all income, including OASI but not public-assistance payments, as resources in determining need for a pension. Accordingly, veterans' pensions would supplement the income of the eligible beneficiaries from OASI and other sources up to a guaranteed minimum.

The Commission believes that the objective of the veterans' pension program should be to provide the greatest assistance to those who are most in need. At present the program does not always accomplish this. Current limits on outside income operate on an inequitable all-or-nothing basis and discourage productive work on the part of pensioners approaching these limits. As measures of need, present income limits are too high and result in payment of tax-free pensions to persons who are not in genuine need.

The Commission recommends that in place of the present limits on outside income, a realistic test of need based on the standards carefully worked out under the Federal-State public-

assistance programs be used. It also recommends that the pension benefit should be on a sliding scale with only a partial offset for earned income, so that pensioners will have an incentive to work and will not lose their entire pension because they earn a small amount. In view of the basic character of the OASI system, the gratuitous pension benefits should not exceed comparable benefits which will be paid by OASI when it reaches reasonable maturity.

The Commission also recommends that other eligibility conditions be adjusted to shift emphasis toward providing assistance for those who need it most and doing so in the most constructive fashion. In keeping with this policy, a disability of at least 30 percent should be required at ages below 70, and procedural arrangements should be established so that applicants for benefits will be served by the Federal-State Employment and Vocational Rehabilitation Services. Only those found incapable of rehabilitation and unemployable should be eligible for a pension bringing their income up to the level underwritten by the Government.

Benefits should take account of family responsibilities, and resources available should likewise be determined on a family basis. In line with present Federal-State public assistance standards, a guaranteed income of, for example, \$70 per month for a single veteran and \$105 per month for a veteran with a wife, would currently meet the stated criteria for the majority of cases. Rates and limits for widows and orphans should be correspondingly adjusted.

Administration

Sound programs to serve the welfare of veterans will be developed in the future only if their needs are fully understood and measured. The administration of veterans' programs cannot be forward-looking unless the Administrator of Veterans' Affairs has at hand the necessary facts about the effectiveness of his programs and their relationship to the total structure of benefits which other agencies provide.

The Commission believes that the Administrator should have improved facilities for the analysis and review of the many large

programs which he administers so that he can manage them effectively and also be equipped fully to advise the Congress and the President on policy issues. At the same time, limits and procedural safeguards should be placed on the exercise of the broad and unchecked authority now delegated to the Administrator.

Adequate and economical service to veterans by the Federal Government also requires improvement in the machinery for top-level coordination on a governmentwide basis of the various programs which serve veterans directly or indirectly. This machinery is necessary not only to assure that these programs operate in a coordinated framework, but also to enable the executive branch to provide more adequate information to the Congress.

THE COMMISSION'S PHILOSOPHY

No group of people in a year's time can hope to provide all the final answers to the complex problems involving veterans' benefits. The subjects touched on are deeply colored by emotion and tradition; they have been the cause of many debates in the past and will doubtless cause many in the future. Insofar as possible, the Commission has tried to limit the area of debate by resting its own conclusions on basic facts. Some of the most important of these facts are new—disclosed by the Commission's own research projects. Other facts were developed by other researchers and brought into the veterans' benefit picture for the first time by the Commission.

It is the hope of the Commission that these primary facts, augmented by continuing research, will lead to a more equitable and rational system of veterans' benefits—one adjusted to the real needs of veterans on the one hand, and to the requirements of a healthy national economy on the other. The Commission's recommendations have been made in this context. It has kept fully in mind, in all of its deliberations, that it is dealing directly with the welfare of almost half of the population who are either veterans or the dependents of veterans. It has also been mindful that the welfare of the nonveteran half of the population is concerned almost as directly.

PART II.

THE COMMISSION'S FINDINGS AND RECOMMENDATIONS

Chapter I

INTRODUCTION: A NEW ERA IN VETERANS' BENEFITS

The veterans' benefits programs have served a constructive purpose for many years. The United States has the most liberal and comprehensive benefits for veterans of any country in the world. The duty of this Commission has been to examine these programs to see how they might be made to work better, in light of the present-day needs of veterans and their growing number.

One overriding conclusion emerges from the Commission's studies. As a people we have entered a new era in meeting the problems of veterans. Changes of great and fundamental importance have occurred. These events are forcing us to clarify the nature and the scope of our public responsibility to veterans.

As the facts emerged from the Commission's background studies, certain striking changes involving veterans and society at large were seen to be dominant in an up-to-date appraisal of veterans' benefits.

One change is in the growing number of veterans. Most of the precedents in this field developed during periods when veterans and their dependents were a relatively small minority of the population. Today there are 22 million veterans in civil life and nearly 3 million persons in the Armed Forces. Since the beginning of World War II the number of veterans has increased fivefold. Servicemen, veterans, and their families now number approximately 81 million people—about 49 percent of the population.

Other changes are constantly occurring in the provisions of veterans' laws. Over the past 15 years, in particular, these laws have been expanded and liberalized. Partly as a result of this, and partly as a result of the increase in the number of persons involved, veterans' benefits are now the third largest item in the expanded Federal budget.

These programs have thus become an important factor not to just a small minority, but to our society as a whole. Veterans' benefits are now a significant force in our economy. Just how significant may be seen by looking at the estimated present value of commitments for pensions, compensation, and other benefits to our veterans under existing laws. These amount to some \$140 billion—a sum one-half the size of our total public Federal debt. Moreover, the Government's financial commitments to veterans are constantly being increased through laws to liberalize or add benefits. If pension proposals which are currently being seriously advocated were adopted, the magnitude of our Government's commitments for veterans' pension and compensation benefits in terms of present value, would literally be more than doubled and would exceed our Federal debt. For these reasons every citizen is concerned with the question of what our national policy to veterans should be.

Another change having a direct bearing on the problems of veterans' benefits is the growth of the general social security programs. In many ways these programs are designed to do for all the people what society once sought to do for veterans alone.

Technological advances in such fields as medicine and vocational rehabilitation offer opportunities for a modern system of disability benefits which will remove inequities in the present system.

Another new factor is the world political situation and its effect on our military posture. It is necessary to assume that for many years to come, we will have to maintain an expanded Military Establishment and to make large expenditures for national defense, unlike in previous periods of relative peace. This makes it necessary to develop a policy regarding large numbers of peacetime veterans—something new in our history.

In the light of such changes, it is plain that the greatest of statesmanship will be required as we adjust our system of veterans' benefits to new conditions. The magnitude and scope of veterans' requirements will be so large in future years—if traditional patterns are followed—that the moral and economic stability of our whole society can be adversely affected.

THE PRESIDENT'S ASSIGNMENT TO THE COMMISSION ON VETERANS' PENSIONS

Executive Order 10588 which established the Commission on Veterans' Pensions specified its functions as follows:

Functions of the Commission. The Commission is authorized and directed to make a comprehensive survey and appraisal of structure, scope, and administration of the laws of the United States providing pension, compensation, and related nonmedical benefits to veterans and their dependents, and it shall make recommendations to the President regarding policies which, in its judgment, should guide the granting of such benefits in the future. The Commission shall give particular attention to:

(a) Changes in basic military, social, fiscal, and economic factors in our society affecting the role of these benefits.

(b) The conditions under which benefits should be provided to different categories of veterans.

(c) The relationship of various veterans' benefits to each other to benefits for persons still in the military service, and to the broader social security and other benefits which are provided to persons without regard to their status as veterans.

The President in his letter of March 5, 1955, to General Bradley further clarified the task of the Commission:

DEAR GENERAL BRADLEY: The Commission on Veterans' Pensions, of which you are the Chairman, has been appointed by me to carry out a comprehensive study of the laws and policies pertaining to pension, compensation, and related nonmedical benefits for our veterans and their dependents. I would like the Commission, on the basis of its studies, to furnish me with a report, including recommendations regarding fundamental principles, which I can use as the basis for making recommendations to the Congress for modernization of these benefits and clarification of their relationship to our broader Government social insurance and family protection programs.

* * * It is my desire that this Commission systematically assess the structure, scope, philosophy, and administration of pension, compensation, and related nonmedical benefits furnished under Federal legislation to our veterans and their families, together with the relationships between these benefits and others which are provided our citizens without regard to their status as veterans. The objectives of this effort should be to bring up to date and correlate these benefits and services so that veterans and their survivors will receive equitable treatment consistent with the orderly development of public policy in this important area.

HOW THE PRESIDENT'S COMMISSION ON VETERANS' PENSIONS APPROACHED ITS TASK

In undertaking its assignment of assessing our present policies toward veterans and developing recommendations for the future, this Commission has been dedicated to the belief that its recommendations could be sound and equitable only if they had a solid factual groundwork.

Motivated by this belief, and in keeping with the directive from the President, the Commission developed a research program which would, with the limited time and funds available, provide the information most essential to the preparation of sound recommendations. This was done by organizing a series of research studies to assemble basic information.

To acquire a broad understanding of the evolution and philosophy of existing programs, the Commission made arrangements for preparation of two broad background studies. One of these was a historical report on the evolution of the major veterans' programs, concentrated on the basic philosophies or purposes underlying these programs and describing the situations which gave rise to them.

The second background project had as its purpose the assembling of general information bearing on issues affecting various more specialized programs. One of the most important parts of this project was a compilation of information by the Department of Defense on the changing conditions of military service from the Civil War to the present. The data supplied provided the Commission with a basis for determining in a factual and objective manner the extent to which military service handicaps servicemen, thus creating need for special veterans' benefits. Facts about the veteran population and expenditures for veterans in the past, together with projections for the future, were also assembled. In still another part, data were obtained from the Bureau of the Census and other sources on the comparative characteristics of veterans and nonveterans in corresponding age and occupational categories. Such information related to incomes, employment, marital status, and other characteristics.

The core of the Commission's work program consisted of intensive studies in three main fields: (1) Disability compensation benefits; (2) readjustment benefits; and (3) non-service-connected pensions. Research teams were assembled to prepare necessary background information in each of these areas.

Although there have been many investigations and studies of particular aspects of veterans' programs, there has never been an across-the-board study specifically directed to evaluating the fundamental philosophy and purposes of the veterans' programs as a whole and to assessing their effectiveness. Descriptive statistics on such items as numbers of beneficiaries and total expenditures are plentiful. But the Commission found a dearth of factual data about the economic and social conditions of the recipients.

Since the effectiveness of benefits in meeting the needs of beneficiaries is of primary importance, the Commission found it necessary to conduct a number of fact-finding field surveys. These provided basic information on the status of beneficiaries which would be used in appraising the effect of the various benefits, particularly in the disability compensation and readjustment categories.

Compensation for service-connected disability intrinsically deserves one of the highest priorities in the Veterans' Administration. At present, it is the largest veterans' program. The fact-finding studies in this field proceeded from a number of starting points and utilized various professional skills. Under the law the disability compensation benefits paid by the Veterans' Administration are predicated upon average impairment of earning capacity. The principal administrative tool for implementing this philosophy is the Veterans' Administration Schedule for Rating Disabilities. Since this schedule had its origin in the years immediately following World War I and was last thoroughly revised in 1945, the Commission undertook to determine whether disability benefits based on this schedule were equitable to disabled veterans.

Because medical factors have a heavy weight in the disability rating and in the compensation process, the Commission gave

particular attention to medical criteria in the schedule and to the related statutory awards and presumptions of service-connection. To obtain an up-to-date view on medical aspects of disability compensation, the Commission obtained through an extensive questionnaire the views of 155 medical specialists, both in and outside the Government. This was supplemented by an actuarial study of the mortality of disabled veterans.

To obtain an accurate picture of the economic and social characteristics of disabled veterans, the Commission conducted a scientific survey of a sample of 12,000 veterans now on the Veterans' Administration disability compensation rolls. Questions related to how their disabilities affected them physically, economically, and socially. The results of this survey were correlated with data on nondisabled veterans of similar age, education, and other characteristics. These data were obtained for the Commission by the Bureau of the Census through a special nationwide sample survey of 8,000 veterans.

Along with these investigations into the medical standards and into the earning capacity of disabled veterans, the Commission examined the philosophy of the Veterans' Administration disability compensation program and its relationship to other programs, such as the military disability retirement system. It also surveyed workmen's compensation programs, which in every State provide benefits in event of job-connected disability or death in industry, much as the Veterans' Administration programs provide benefits for those disabled as a result of military service.

In making a comprehensive investigation of the disability programs, the Commission briefly surveyed the extent of medical, vocational, and rehabilitation benefits for veterans—particularly the relation between rehabilitation benefits and the medical and monetary disability benefits. The constructive potential of rehabilitation in assisting disabled veterans was a factor which guided much of the Commission's thinking regarding disability programs.

Readjustment benefits also played an important part in the Commission's studies. These are a new but an extremely im-

portant addition to the family of veterans' programs. There is no substitute for measures to assist newly separated wartime servicemen to return to their former jobs and their places in the community, and to equip them to take full advantage of opportunities in our rapidly changing society. The timely assistance which was provided to World War II and Korean conflict veterans was a major step toward the solution of the veterans' problem—a problem which faced this country after each preceding conflict but remained unsolved until World War II.

While there have been numerous investigations of the readjustment programs, as provided in the so-called GI bills, the Commission found a dearth of factual information by which to measure their real effectiveness. The Commission accordingly found it necessary to have the Bureau of the Census conduct the survey—mentioned above—of 8,000 veterans to obtain information about their economic situation. It also used information available from previous investigations of the World War II GI bill programs by Congress as well as data assembled by the Veterans' Administration.

The Commission undertook to assay the importance of the GI bill programs for World War II and Korean conflict veterans. It also deliberated at length over the question of whether veterans' benefits should be extended to the so-called peacetime ex-servicemen who entered the Armed Forces after February 1, 1955, when entitlement to Korean GI bill rights was ended.

Non-service-connected pensions have been historically the most widespread and costly of all veterans benefits. The Commission's studies in this field were a major part of its work. They encompassed not only a survey of the origin and philosophy of pension benefits, but also a careful analysis of their potentialities in terms of fiscal, economic, and social factors, if the historic pattern of "service" pensions should be extended to our present and future veterans. Since no single benefit stands alone, the Commission paid special attention to the relationship between pension benefits and other veterans' programs, such as the readjustment benefits. It also studied carefully the relationship of veterans' pensions to the broader social and economic programs.

Service-connected survivorship benefits also have a very high priority and have been under sustained study by the Congress and in the executive branch for several years. The present programs are poorly coordinated, costly, and do not provide adequate protection for military personnel in higher ranks. The Commission reviewed the solution proposed in pending legislation. It also made a careful study of Veterans' Administration insurance programs, which are related to pension as well as compensation benefits.

The equitable discharge of the Government's obligation to its wartime servicemen requires clear foresight and the marshalling of all the Government's administrative resources. With our large veteran population, both the administration and the design of programs for veterans must always take into account not only what is good for the veterans but what is good for the country. Only in this way will the public interest be fully served. The realization of this goal will not come by chance but must be carefully sought by organizing machinery in all parts of our Government with this objective in mind. Accordingly, the Commission undertook studies to ascertain what improvements might be needed in the organization of the Veterans' Administration as well as in the executive branch at large to foster the sound programing of veterans' benefits for the future. It also examined the powers of the Administrator of Veterans' Affairs from the standpoint of their scope and their finality.

Along with the foregoing major studies, the Commission assembled other information. A study was made of standards which might be used as criteria for determining the level of benefits under varying conditions. General statistical information was assembled into a ready reference source. The benefit provisions embodied in the various Federal and State laws were analyzed. In addition, with a view to clarifying the eligibility standards for veterans' benefits, a study was made of the eligibility provisions in various veterans' laws in instances where discharges are other than honorable.

The various fact-finding studies prepared by the Commission are being published in a series of separate reports.

Procedures Adopted by the Commission

One of the first principles adopted by the Commission was to make the greatest possible use of pertinent information already available in the Government and among the veterans' organizations. Early in the work of the Commission, its staff attended extensive briefings by representatives of the principal agencies administering veterans' programs in order to learn how they operated and what factual information was available. Thereafter extensive contacts were made with these agencies as need arose.

The Commission endeavored to obtain factual information from the veterans' organizations and to take their views into account. This was accomplished in three stages. Immediately after the first meeting of the Commission in March 1955, letters were sent to every approved national veterans' service organization requesting their views as to issues which the Commission should study and also asking for the submission of any available factual information bearing on such issues. The responses from these organizations were carefully analyzed. Then, in November 1955 a second request for factual information was dispatched to five of the major veterans' organizations. Finally, toward the end of the Commission's work, arrangements were made for the staff of the Commission to brief the major veterans' organizations regarding the principal factual findings of the Commission, and then through a series of meetings for the Commission to obtain their views regarding possible solutions to basic issues which were under consideration.

THE COMMISSION'S PHILOSOPHY

No group of people can hope to provide all the final answers in a year to the complex problems surrounding veterans' benefits. The subjects touched on are deeply colored by emotion and tradition; they have been the cause of many debates in the past, and will doubtless cause many far into the future. Insofar as possible, the Commission has tried to limit the area of debate by resting its own conclusions as much as possible on basic facts. Some of the most important of these facts are new—brought to light

by the Commission's own research projects. Other facts were developed by others and brought into the veterans' benefits picture for the first time by the Commission.

It is the hope of the Commission that these facts, augmented by further, continuing research, will lead to a more equitable and rational system of veterans' benefits—one adjusted to the real needs of veterans on the one hand, and to the requirements of a healthy overall economy on the other hand. The Commission's own recommendations have been made in this context. It has kept fully in mind, in all of its deliberations, that it is dealing directly with the welfare of almost half of the population who are either veterans or the dependents of veterans. It has also been mindful that the welfare of that half of the population which is nonveteran, is involved almost as directly.

Chapter II

VETERANS' BENEFITS: PAST AND PRESENT

THE DEVELOPMENT OF VETERANS' BENEFITS IN THE UNITED STATES

Veterans' benefits in the United States date from before the Revolutionary War—in fact from 1636 in the Plymouth Colony. The Nation has engaged in eight major conflicts, excluding the Indian wars, and a new cycle of veterans' benefits legislation has come in the aftermath of each. Precedent has weighed heavily in veterans' legislation. The benefits provided for veterans of each succeeding conflict were built upon those provided for their predecessors. The numerous benefits embodied in present laws represent the legislative accumulation of many years.

Three Types of Veterans' Benefits

In reviewing the history of veterans' benefits in the United States, it is helpful to group the benefits into three categories:

Service-connected benefits are provided for veterans who are disabled as a result of their military service or for the dependents of veterans who die as a result of service. These include disability and death compensation benefits, medical and hospital care for injuries resulting from service, vocational rehabilitation for the disabled, and similar benefits.

Readjustment assistance is provided to take care of any temporary handicaps which veterans have incurred as a result of military service. These benefits are designed to assist in the transition from military to civilian life. They include the mustering-out pay and land grants of earlier wars, and the more recent GI bill benefits, such as education and training, unemployment allowances, loan guaranty, and reemployment preference.

Non-service-connected benefits have been enacted, not by virtue of any needs arising directly from military service, but on the ground that the Government owes an obligation to those who were in military service during wartime periods. Pensions are the chief example in this category. Medical and hospital care for non-service-connected ailments, insurance not based on service-incurred disability, and burial benefits are also largely in this group.

The Emergence of the Three Categories of Veterans' Benefits

Throughout the history of the United States compensation benefits (for disability or death resulting from service) have been the backbone of the veterans' programs. They have been provided on a timely basis for the veterans of every war, starting with the Revolution. In most cases they were introduced while the conflict was in progress. Although they were limited in coverage and meager in amount for the veterans of early conflicts, the need for service-connected compensation benefits was not questioned.

Non-service-connected pension benefits likewise date back to the Revolutionary War, although they did not appear until 1818, 35 years after the Revolution ended. Such benefits have also been provided for veterans of every one of the major conflicts in which the United States has engaged. Historically, these pensions have been an outgrowth of the compensation benefits. Unlike the compensation benefits, which are payable only for disability or death traceable to service, non-service-connected pensions—as their name implies—are paid to wartime veterans on account of disability, age, or death in later civilian life from ordinary causes.

Traditionally, pension laws have been enacted many years after the conflict to which they pertained. Usually the first postwar pension act granted payments to a limited group on account of age, or upon a showing of need or disability, or a combination of these factors. Eventually—usually 40 to 50 years after the end of the conflict—these limited pensions grew into straight service pensions for all veterans or their surviving dependents, regardless of economic circumstances. Term-of-

service requirements were so minimal as to exclude only the rawest recruits. In some cases (e. g., 1812) the veteran with only a few days' service could qualify.

Readjustment benefits, by contrast with compensation and pensions, now exist as an innovation. Vocational training was first provided for disabled World War I veterans. Readjustment benefits for nondisabled veterans were also first provided by the Servicemen's Readjustment Act (GI bill) of 1944. Mustering-out benefits, bounties, and land grants go back to the Revolutionary War and employment preference to the Civil War. However, those benefits were on a far lesser scale than the readjustment benefits provided to World War II and Korean conflict veterans.

THREE PERIODS IN THE DEVELOPMENT OF VETERANS' PROGRAMS IN THE UNITED STATES

The development of veterans' benefits in the United States may be divided into three chronological periods. The first, from the Revolutionary War to 1917, marks the development of service-connected compensation and non-service-connected pensions. The second relates to World War I and is notable for an effort to solve the historic non-service-connected pension problem. The third, beginning with World War II, encompasses a tremendous growth in the scope and liberality of veterans' programs. This period is significant not only for the introduction of the GI bill approach, but for the development and maturing of the general social security program which is closely related to the pension and compensation programs.

Pre-World War I Development of Veterans' Benefits

Compensation and pensions constituted the backbone of the benefits' system provided for veterans during the period before World War I. Many benefits of a lesser nature were added to the system from time to time during that period, but there was no attempt to make a fundamental change in the nature of the system.

The Revolutionary War.—Compensation for the war-disabled was well established in colonial laws prior to the Revolution, and was provided for veterans of the Revolutionary War shortly after it started. The act of August 26, 1776, provided compensation for service-connected disability on the basis of half pay for life, or during disability, for every officer, soldier or sailor losing a limb in any engagement or being so disabled in service in the Continental Army or Navy as to render him incapable of earning a livelihood. Proportionate relief was promised to those only partially handicapped in earning a livelihood. Various changes were made in the benefits in 1782 and 1785. The rate set in 1785 for a totally disabled enlisted man was \$5 a month. An officer received half pay.

Widows and orphans were first provided compensation by national enactment in a resolution of the Continental Congress adopted August 24, 1780. This resolution promised pensions of half pay for 7 years to the widows and orphan children of officers who died or should die in the service. It made no provision, however, for the widows and orphans of deceased enlisted men.

Administration and payment of the foregoing benefits were necessarily in the hands of the several States inasmuch as the Continental Congress had no real executive power. Its own payments could be made only in its depreciated currency.

The Revolutionary War was fought under the most adverse military, economic, and political conditions. The country was small in population, in area, and in wealth. Inflation was rife. The infant country had no tax system and very little credit against which it could borrow. Rapid depreciation of the currency seriously affected those serving in the Armed Forces. They were paid in paper money. This money sank lower and lower in value. The \$80 mustering-out pay for enlisted men and the half pay commutation certificates for officers likewise were paid at war's end in worthless currency or in Continental securities which soon became almost worthless. Ultimately, most of the securities were redeemed by the Government, but at a time many years later when most of them had passed into the hands of speculators.

These factors, together with sympathy for the plight of many aged veterans, motivated the enactment of a non-service-connected pension for Revolutionary War veterans in 1818, 35 years after the end of the conflict. Another basic factor was the absence of effective public or private social-security programs designed to meet the needs of the aged. In the undeveloped agrarian economy of the early nineteenth century, a veteran's pension was often the only alternative to going to the poorhouse.

Significantly, the enactment of this first pension program in the Nation's history coincided with its first Treasury surplus. This, too, gave strong impetus to passage of the pension laws.

The pensions of 1818 were at the rate of \$8 monthly for enlisted men and \$20 for officers. A showing of need was required. Step by step, however, the requirements were liberalized and by 1832 an outright service pension, with no requirement as to need, was provided by law.

The major readjustment benefit during the Revolution was actually provided as a recruitment incentive and was made part of the contract of enlistment. This consisted of grants of public land to officers and men, ranging from 100 acres for an enlisted man to 1,100 acres for a major general, provided they served to the end of the war. These were provided by acts of the Continental Congress, initiated in 1776.

The Revolutionary War era is notable for one of the two economy periods in the history of veterans' programs. The surpluses of 1816 and 1817, which had encouraged the passage of the liberal law of 1818, soon disappeared. During the ensuing period of financial stringency a reaction set in prompted by the discovery that fraud had been widely used to obtain pensions. Many names were removed from the pension rolls. However, by 1821, treasury surpluses again came into existence. Under this influence, pension policies were again liberalized.

The War of 1812 and the War With Mexico.—Compensation for the disabled of the War of 1812 and the war with Mexico, together with compensation for the dependents of the war dead, were provided at the time these wars were going on. Land grants to the men in the Armed Forces during these wars were

made, as in the Revolutionary War, although not on a uniform or consistent basis.

The War of 1812 and the Mexican War made no significant contributions to the historical development of Veterans' benefits, except for carrying the stream along its course. Non-service-connected pensions for the War of 1812 were provided in 1871, 56 years after the end of the conflict. Pensions for Mexican War veterans were first provided in 1887, 39 years after the end of the conflict.

Civil War.—The Civil War climaxed the first period of pension development. At the beginning of this war the compensation laws which had been inherited from the three previous wars were superseded by a new General Law system covering the Union Forces. It provided compensation for the service-disabled and the dependents of the war dead on a much broader and more comprehensive basis. Compensation was based upon rank and degree of disability. The rates for total disability ranged from \$8 a month for the lowest grade enlisted man to \$30 for a lieutenant colonel. Provisions for dependents were much more comprehensive than they had been previously. Survivors were paid the same rates as the totally disabled living soldier. Disability or death directly connected with military service were the only requirements for compensation.

During the years immediately following the Civil War, provisions of the General Law were liberalized and extended to include more disabilities and to raise the rates of compensation. By 1873 the laws were so complex and conflicting that a codification was enacted.

Shortly thereafter agitation began for the payment of "arrears" to veterans or to veterans' dependents who had not applied for compensation until after the 5-year time limit specified by law. For the individual who applied within the specified 5 years, compensation under the law commenced at the death or discharge of the veteran involved. For those who did not apply within 5 years, compensation commenced with the filing of the last evidence necessary to complete the claim. It was contended that this discriminated unfairly against veterans or their de-

pendents who tried to get along without compensation and on that account delayed filing the application. With support from the Grand Army of the Republic and the claims agents who expected to profit thereby, an Arrears Act was finally enacted in 1879. This act was much more costly than many of its supporters had been led to believe, because more applications were filed than had been anticipated.

The enactment of non-service-connected pensions for Civil War veterans was the resultant of many factors, including pressure from the Grand Army of the Republic and abuses of service-connected compensation resulting from the Arrears Act. The Civil War had been long and bitter. While inflation did not present as acute a problem during the Civil War as in the Revolution, prices did rise somewhat under the impact of paper money used to finance the war. As in the case of their Revolutionary War forebears, ex-soldiers returning to civilian life found that many businessmen had made large profits, some by selling inferior goods to the Government for military use, and that many civilians had prospered during the conflict.

Agitation for non-service-connected pensions began earlier in the case of Civil War veterans than for the veterans of any previous war. It came shortly following enactment of the Arrears Act in 1879. Increasing numbers of veterans were becoming disabled from causes which they felt, rightly or wrongly, were the result of hardships and deprivations suffered during the war. As it was not possible to connect these disabilities with service, such disabled were not eligible for compensation. The Dependent Pension Act was passed in 1890, only 25 years after the end of the war. It provided pensions for veterans disabled so severely as to be unable to earn a living by manual labor; veterans who could meet this requirement were eligible regardless of the cause of disability or of income, property, or other financial conditions, subject to certain minor qualifications. The act also provided pensions for dependents of deceased veterans. Gradually, this law was liberalized until in 1907, 42 years after the end of the Civil War, a service pension was finally enacted

for Civil War veterans, with rates of \$12 monthly at age 62, \$15 at age 70, and \$20 at 75.

At the close of the Civil War two new benefits were added and an old one was revised. In 1865 veterans were given their first legal preference in obtaining and holding positions in the United States Federal service. This was based upon the idea that the man who served in time of danger should be entitled to preference in any peacetime Government service for which his abilities fitted him.

Domiciliary and incidental medical care were also provided by means of the National Home for Disabled Volunteer Soldiers. Branches of the home were built in various locations throughout the country. Originally, to be eligible for admission, a veteran had to be suffering a disability from wounds or sickness contracted in line of duty. Subsequently these requirements were liberalized.

No grants of free public land were given to Civil War veterans, but under the homestead acts they were given preference through the stipulation that time in the Armed Forces could be used to shorten the period the veteran had to live on the land to receive title. Homestead preference was given to all veterans regardless of disability and it enabled them to receive title with only 1 year's residence, if their military service was sufficiently long. These minor benefits, together with mustering-out payments of \$20, constituted all the readjustment assistance provided to Civil War veterans.

War with Spain.—Veterans' benefits legislation for the war with Spain brought no changes or additions to the benefit system then in effect. Compensation under the "general law" system was provided at the start of the conflict.

Contrary to the earlier pattern, the first non-service-connected pension was enacted for the benefit of dependents of deceased veterans in 1918, 16 years after the end of the conflict. Disability pensions for veterans were enacted in 1920, 18 years after the end of the Spanish-American War. Service pensions were provided for surviving dependents in 1922, but not for the veterans themselves until 1938.

Summary.—The history of veterans' benefits for the first five major wars—from the Revolution through the Spanish-American War—indicates a reliance upon compensation and pension benefits and little in the way of readjustment benefits. Compensation for service-connected disability and death in the case of each war was provided at its start. The usual pattern thereafter involved a gradual liberalization in the eligibility requirements for establishing service-connection, then the subsequent abandonment of any requirement for service connection, and finally the conversion of the benefit into a pension. Along with this trend came abbreviation of the time elapsing before liberalization began and pensions were enacted. The time was progressively shortened from 56 years for the War of 1812 veterans, to only 18 years for veterans of the war with Spain. Finally, there was a slow but steady growth in the scope of veterans' benefits. Starting with compensation and land grants at the beginning of the Revolutionary War, the Congress added pensions, then civil service preference, then domiciliary and incidental medical care.

During the long period embracing the American Revolution and the Spanish-American War, the overall veterans' benefits program could be characterized as a backward-looking effort. Chief reliance rested on compensation benefits for service-connected disability and death and on gratuitous pension benefits. Pension benefits gradually predominated, and in every case prior to the Spanish-American War they were enacted many years after the veterans were discharged from the Armed Forces. Though called "veterans' benefits," pensions came to have little connection with needs arising from military service. Actually they constituted a type of old-age assistance payable only to veterans and their widows.

In terms of constructive and timely readjustment assistance, veterans received little during this period. They were given mustering-out payments, land grants, homestead preferences, and preference for Government jobs. But these were primarily used as enlistment incentives and their readjustment virtues were a byproduct.

Benefits for World War I Veterans (1917 to 1940)

At the beginning of World War I an effort was made to bring about a change in the nature and philosophy of the whole system of benefits. The pension system, in particular, had proved unsatisfactory. The Congress attempted, through the War Risk Insurance Act of 1917, to establish a new benefits system which would not suffer from the weaknesses of earlier laws.

The principal objective of the War Risk Insurance Act was to provide adequate aid to the serviceman and his family both during and after service and thus to avoid the necessity for non-service-connected pensions. Emphasis was placed on the benefits for service-connected disability and death as being "compensation" rather than "gratuities." These compensation benefits were regarded as the basic benefits. To permit the serviceman who felt the need for more adequate protection to supplement the compensation benefits, a system of optional low-cost Government insurance on a term basis was set up. This allowed a maximum of \$10,000 insurance against death or permanent total disability. A wartime system of allotments and allowances to dependents of servicemen was instituted to alleviate worry on their part that their dependents would be in need while they were away. Finally, the act looked toward new benefits in the form of vocational rehabilitation to return disabled veterans to useful employment. This was established by law in 1918. In addition, a law authorizing medical care was enacted in 1919, but funds and facilities to carry on the work under the program were not provided until a number of years later.

This bold new approach represented an innovation in handling the problem of veterans' benefits. In actual operation, however, it did not prove to be an answer to the demand for non-service-connected pensions, largely because the optional life insurance program did not provide complete or adequate protection to veterans, particularly after they left the service and discontinued their life insurance.

In addition, administration of the various programs became a major problem. Agencies were not prepared for the rush of paperwork, and the processing of veterans' claims fell far behind.

In some instances, responsible officials were guilty of corruption. The existence of three separate agencies—one administering the War Risk Insurance Act, another vocational rehabilitation, and a third hospital benefits—led in 1921 to a brief study of the whole administrative problem. The centralized Veterans' Bureau was subsequently created and placed in charge of all World War I benefits. Ultimately, in 1930, the pension and domiciliary activities related to earlier wars were also transferred to what became the Veterans' Administration.

Failure of the new system of benefits devised for World War I was signaled by renewed expansion of benefits in the years following the war. First, provisions governing entitlement to disability compensation were gradually liberalized. Presumptive service connection was extended to January 1, 1925—7 years beyond the end of the war—and various new diseases were added to the list. The rate of compensation for total disability was increased from the wartime level of \$30 a month to \$80 a month, and finally to \$100 a month.

Following the provision of funds for hospital construction and the building of new facilities, there came a major step in the extension of medical care. In 1924 new legislation allowed veterans whose disabilities or ailments were not related to service to obtain treatment in veterans' hospitals.

About the same time, a wholly new benefit entered the picture—adjusted compensation or bonus. This was originally accepted by Congress in 1924 on the ground that men in the lower grades had been underpaid during their service as compared with civilians, and were therefore entitled to adjusted compensation from the Government.

As first enacted, the bonus was payable largely in certificates which were to mature in 20 years as endowment insurance, or upon the death of the veteran. After 2 years, loans up to 90 percent of reserve value were authorized. Starting in 1926, a series of liberalizing amendments were enacted. Finally, during the depression, the Congress in 1936, succeeded in overriding a Presidential veto and the payment of the bonus in immediately

redeemable 9-year bonds was authorized. Most veterans promptly cashed their bonds.

In 1930, as a result of inequities in the disability-compensation program and under the impact of the depression, a non-service-connected disability pension was enacted for World War I veterans. This law provided that any veteran who had served 90 days or more during the war, who had a disability which was not the result of service nor of willful misconduct, and who was exempt from payment of Federal income tax during the preceding year would be eligible to receive a pension. Four degrees of disability were recognized: 25, 50, 75, and 100 percent. The corresponding rates of pension were \$12, \$18, \$24, and \$40 monthly.

A pension for World War I widows was not enacted when the disability allowance was authorized, but came 4 years later, in 1934. The act (Public 484, 73d Cong.) required a 30-percent service-connected disability on the part of the veteran, for the widow to be entitled to a pension in case of his death from ordinary causes. An income limitation barred from eligibility anyone who had paid Federal income tax for the preceding year, and the limiting date of marriage was July 3, 1931. Pension for the widow was \$22 per month with additional allowances for children. Total pension was limited to \$56 a month. The period of time required for pensions to be enacted was shorter than ever before—only 12 years after the war in the case of veterans, and 16 years for widows.

In the 1920's there was a Treasury surplus. Expenditures for veterans attracted little attention on the part of taxpayers even though they were increasing. The depression of 1929 brought with it a drastic reduction in Government revenues, and an effort to reduce expenditures. The veterans' appropriation for the fiscal year starting July 1, 1933, was the highest ever authorized by the Congress. President Hoover vetoed the appropriation bill, leaving the way open for the incoming President, Franklin D. Roosevelt, to take some action to reduce veterans' expenditures. Not since 1820 had such action been taken. Congress at first concurred with President Roosevelt's proposals. The

Economy Act of 1933 canceled all previously established benefits for veterans of wars since 1898 and substituted a system of veterans' benefits established by Executive order. The new system drastically curtailed all benefits, limited pension payments to veterans with total disability, and tightened requirements for compensation to those with service-connected disabilities. Many pensioners were removed from the rolls altogether.

A reaction to this drastic curtailment followed. Liberalization was achieved through Executive orders in the next 2 years and the enactment of legislation by Congress restoring the earlier World War I Veterans' Act. As a consequence, most of the curtailments undertaken under the Economy Act were eliminated, leaving as the main economy the limitation of pensions to those veterans who were permanently and totally disabled.

After 1933 gradual liberalizations in entitlement to pensions as well as to compensation benefits were enacted or effected by action of the Administrator of Veterans' Affairs. However, while the requirements for non-service-connected pensions are liberal, the final step of converting the pension benefits for World War I veterans to a service-pension basis has not been taken.

In retrospect one sees the benefits legislation of this period as a bold effort to revamp an inefficient and outmoded apparatus. Timely assistance to service-disabled veterans and to the surviving dependents of the war-dead was provided. A new idea was added in the form of life insurance which was closely related to compensation benefits. Also, the veterans' vocational rehabilitation program was pioneered. Imperfect conception and faulty administration resulted in a return to timeworn ways, and in this respect the effort proved disappointing. Compensation benefits initially adopted were inadequate and, under difficult administrative conditions, pressures led to liberalization of eligibility and to broad presumptions of service connection. Pension benefits were also provided in the postwar decade. As the Nation experienced a depression, a reaction culminated in the Economy Act, which cut deeply into the veterans' program. This act, however, was short-lived; most of its provisions were soon reversed. As a reflection of inadequate post-separation

assistance came the unfortunate bonus drama, culminating with the authorization of cash payments in 1936.

Developments Since World War II and the Korean Conflict

The challenge to veterans' programs imposed by World War II was unsurpassed in the Nation's history. Over 16 million servicemen were called to the colors. To meet the needs of these servicemen and future veterans, the Congress early turned to the benefits which had been used in World War I. A new system of insurance, similar in purpose to that of World War I but differing in details, was established in 1940. Compensation benefits for disability and for death resulting from service were extended to World War II servicemen on the same basis as for World War I veterans. The rates were gradually raised, partly to keep up with the declining purchasing power of the dollar. A presumption of soundness at induction was provided. Various other benefits, including family allowances and tax exemptions, were likewise enacted.

In the field of non-service-connected pensions the time cycle for World War II was speeded up beyond anything hitherto experienced. A disability pension for World War II veterans was enacted in 1944, while the war was still in progress.

Medical and dental care on a broad basis were also provided. Both inpatient and outpatient medical and hospital care was extended to World War II veterans with service-connected disabilities. Likewise, hospital care to non-service-connected ailments was extended to veterans of World War II who were unable to pay for such care, provided space was available in Veterans' Administration facilities.

The most striking development in veterans' benefits, however, occurred in the readjustment category. For World War I veterans the main readjustment benefit was provided only for those who had incurred service-connected disabilities and consisted of vocational rehabilitation. Under this program an estimated 180,000 veterans entered training at a cost of over \$645 million. Early in World War II, steps were taken to provide vocational rehabilitation to disabled veterans. Also, readjustment assist-

ance on a general basis was inaugurated through the Servicemen's Readjustment Act of 1944.

This act was based on the philosophy that veterans whose lives had been interrupted by military service, or who had been handicapped by virtue of military service, were to be provided assistance for a limited time, to aid them in becoming self-supporting and useful members of society. It provided for unemployment and self-employment allowances, education and training benefits, and loan guaranty benefits through the Veterans' Administration. In addition, mustering-out payments were provided through the military departments. The Veterans' Administration has already spent over \$19 billion in assisting World War II veterans to return to civilian life. This program was remarkably successful.

A second major innovation occurred with the granting of special rights to veterans under the general social security program of old-age and survivors insurance (OASI). This program, which was enacted in 1935, became more and more important to the security of individuals as coverage was extended and benefits were increased. Special status was granted veterans in two stages: First, beginning in 1946, veterans were granted insured status for an interim period of 3 years at assumed earnings of \$160 monthly, in order to assure them of survivorship protection under the OASI program, in the event of their death before they were reestablished in civilian life. The next step was taken in 1950 when all military service between September 16, 1940, and June 30, 1947, was credited under the OASI program at no cost to the veterans, on the basis of assumed earnings of \$160 monthly.

Following the outbreak of the Korean conflict, benefits essentially similar to those established in the World War II program were provided for this group of 6.8 million veterans. Korean conflict veterans received the same compensation, vocational rehabilitation, medical, and pension benefits as World War II veterans. Readjustment benefits, provided by the Servicemen's Readjustment Assistance Act of 1952, differed in detail but not greatly in substance from the World War II readjustment

benefits. Likewise, OASI credits were continued on a gratuitous basis for all service to April 1, 1956.

The third period, encompassing World War II and the Korean conflict, introduced the most successful improvements in veterans' programs. The compensation and pension benefits of earlier years were continued and the rates were raised. In the compensation area, one of the chief developments was the addition of dependents' allowances for seriously disabled veterans. Pensions were provided, but with the exception of an administrative liberalization in 1948 which loosened the requirements, disability, income and unemployability requirements are still in effect. Veterans of World War I, World War II, and the Korean conflict have not been granted entitlement to pensions solely on a service basis.

The insurance program initiated in World War I was continued for World War II veterans under the National Service Life Insurance Act. In keeping with World War I precedent, both active servicemen and veterans were allowed to retain their insurance. Since 1951 a \$10,000 indemnity benefit has replaced insurance for the man in uniform, but upon separation servicemen can still obtain veterans' insurance.

The most notable development in veterans' programs featured the GI bill benefits providing education and training, unemployment compensation, and loan-guaranty benefits. Thus, for the first time in history, readjustment benefits were provided on a timely basis to assist ex-servicemen in the transition from military to civilian life. Mustering-out pay and terminal leave pay were additional readjustment aids.

The World War II period also marked the growth of the general social-security program. By special provisions, servicemen and veterans received free survivorship benefits coverage and credit toward old-age benefits under OASI. Most veterans in civilian employment are now covered under this program.

During this period the Government was assuming broad responsibility for the national economy and the public welfare. The Employment Act of 1946 implements the Government's

determined effort to keep the expanding economy on an even keel and thus assure the welfare of veterans and nonveterans alike.

THE VETERANS' BENEFIT PROGRAMS TODAY

There are, at the present time, over 60 different programs under Federal laws which provide special benefits or services or preferences for veterans and their survivors. The scope of these programs may be indicated by the following general enumeration:

They are provided in one form or another by most of the major agencies and departments of the Government.

Some begin immediately upon entry into military service, others are available after discharge and until the death and burial of the veteran, and still others cover his dependents.

They include monetary payments, medical and other services, material aids such as prosthetic appliances, as well as preferences.

Most of the benefits are available not only to veterans injured from service causes, or to their dependents, but also to veterans without any service-incurred disability or their dependents.

Many of the benefits are provided to peacetime as well as to wartime veterans.

The major veterans' programs are as follows:

Disability Compensation for Veterans of All Wars and Peacetime Service

Veterans disabled by injury or disease incurred in or aggravated by active wartime or peacetime service may qualify for disability compensation. At the present time, this Veterans' Administration program involves the expenditure of \$1.4 billion a year to over 2 million disabled veterans. The benefits under this program are provided to veterans of all wars and peacetime service, both for total disability and for partial disability, for permanent disability and for temporary disability.

Veterans are assisted in qualifying for benefits by various presumptions of service-connection, including the presumption of soundness upon entry. The benefits are of two types: Basic per-

centage awards geared to degree of disability; and statutory awards paid for certain conditions like loss of foot, hand, etc.

The percentage benefits are based on average impairment of earning capacity and are the same for all grades as follows: (per month)

10-percent disability-----	\$17	60-percent disability-----	\$109
20-percent disability-----	33	70-percent disability-----	127
30-percent disability-----	50	80-percent disability-----	145
40-percent disability-----	66	90-percent disability-----	163
50-percent disability-----	91	100-percent disability-----	181

The statutory awards range from \$47 to \$420 per month. The \$47 rate is payable in addition to the percentage award and is for such conditions as loss or loss of use of a foot, a hand, or an eye. The higher rates are paid in lieu of the percentage awards, and cover such conditions as loss of both feet, both hands, both eyes, etc.

Veterans 50 percent or more disabled receive additional payments of up to \$91 monthly for dependents.

Veterans of peacetime service are paid 80 percent of the above wartime rates, but receive wartime rates where the disability arises under war hazard conditions. Payments of disability compensation are for an indefinite period or until the condition of disability changes to warrant an increase or reduction or discontinuance of benefits.

Military Disability Retirement for Persons Disabled in Service

Since the enactment of the Career Compensation Act of 1949, both enlisted men and officers who are retired or separated for disabilities generally have a choice between military-disability retirement benefits administered by the Department of Defense, and Veterans' Administration disability compensation. The military-disability retirement benefits are computed, alternatively, on degree of disability or length of service and also are geared to basic active duty pay. Under the military law, however, if the disability is less than 30 percent and length of service is less than 20 years, only severance pay is provided.

Death Compensation for Veterans of All Wars and Peacetime Service

Survivors of servicemen or veterans of all wars or of peacetime service are provided Veterans' Administration death compensation, if death results from disease or injury incurred in line of duty. This is a high-priority program under which benefits of over \$400 million annually are presently being paid to over 380,000 families or individuals.

The monthly rate of payment and classes of survivors are as follows: childless widow, \$87; widow and 1 minor child, \$121, with \$29 for each additional child; no widow, 1 child, \$67; no widow, 2 children, \$94; no widow, 3 children, \$122, with \$23 for each additional child; 1 dependent parent, \$75; 2 dependent parents, \$40 each.

Generally, peacetime-service death-compensation benefits are based on 80 percent of the above wartime rates. Full wartime rates may be payable in certain peacetime cases where the death resulted from injury or disease received in line of duty, as a direct result of armed conflict or while engaged in extrahazardous service.

Certain eligibility requirements as to survivors may vary somewhat from one war period to another, such as date and period of marriage prior to veteran's death, remarriage status of widow, marriage status and age of minor children, etc. There is no income limitation applied to survivors except as a factor used in determining dependency of surviving parents. Benefits under this program are payable to eligible beneficiaries for an indefinite period or until their conditions of eligibility change.

Insurance and Indemnity Benefits for Veterans of World War I, World War II, Korean, and Peacetime Service

Veterans of World War I were provided low-cost Government insurance, first on a term basis and later on a permanent-plan basis. This insurance provided both death and disability coverage. The Government reimbursed the insurance trust fund for losses due to extra hazards of war. The insurance was made available in amounts ranging up to \$10,000. Under this pro-

gram there are at present nearly 400,000 policies with \$1.7 billion of coverage outstanding.

World War II veterans, likewise, were made eligible for Government insurance up to \$10,000. However, their insurance was limited to death coverage. There are at present 5,600,000 policies still in force or in waiver status with a total of \$37 billion of this national service life insurance.

Issuance of new insurance was terminated on April 25, 1951, and servicemen thereafter were provided automatic indemnity coverage of \$10,000 at Government expense. The death must occur while in service or within 120 days after separation or release from such active service. Death benefits are payable to the following survivors: Spouse, child or children, parents, brothers and sisters. The benefits are payable in monthly installments over a 10-year period at the rate of \$92.90 per month if the maximum indemnity of \$10,000 is payable. The \$10,000 maximum is reduced by the amount of any United States Government or national service life insurance in force at the time of death.

After April 25, 1951, veterans leaving the service may be eligible for up to \$10,000 of insurance from the Veterans' Administration under 1 of 2 new programs. Those who have a service-incurred disability are eligible for service-disabled veterans' life insurance under which nonparticipating 5-year term or permanent plan insurance of up to \$10,000 is provided at low rates. Those who have no service-connected disability may take out up to \$10,000 of veterans' special term insurance. This insurance is issued only on a term basis and is nonconvertible and nonparticipating.

Hospital and Medical Care for Service-Connected Disability for Veterans of All Wars and Peacetime Service

Veterans who have disabilities as a result of service are eligible for medical and hospital care on an inpatient basis in Veterans' Administration hospitals. They are also eligible for outpatient medical treatment.

Veterans of wartime service, as well as certain peacetime cases, may receive medical care at Veterans' Administration

outpatient clinics or from authorized private physicians for service-connected disabilities. In certain instances disabled veterans participating in vocational rehabilitation training may be eligible for outpatient treatment of non-service-connected conditions.

Vocational Rehabilitation for Disabled Veterans for World War II and Korean Conflict

Disabled veterans of World War II and of the Korean conflict may receive vocational rehabilitation training at Government expense, covering tuition, supplies, and subsistence allowances. To qualify, the veteran must have a service-connected or service-aggravated disability which would entitle him to compensation. There must also be a need for vocational training to overcome the handicap of such a disability. Before beginning training a veteran must be given special guidance in the form of counseling and, if necessary, a series of tests to determine his aptitude and interest regarding a career objective.

Training may consist of: (1) school or college; (2) apprenticeship or other training on the job; or (3) institutional on-farm training; or (4) other programs which combine school and job training. Veterans may receive subsistence allowances in addition to any disability compensation. Basic monthly rates for full-time study in schools or colleges are \$75 for veterans without dependents, \$105 for veterans with 1 dependent, and \$120 for veterans with 2 or more dependents. For job trainees \$65 is provided to veterans without dependents and \$90 to veterans with one or more dependents. For veterans enrolled in combination-type training, the rates may be somewhat higher than the job-training rates.

Additional allowances may be provided, depending on the veterans' degrees of disability and the number of dependents. The subsistence when added to the compensation must equal \$105 for the veterans without dependents and \$115 for veterans with a dependent who are drawing benefits under a less than 30-percent disability rating. Veterans drawing benefits for 30 percent or more disability rating have their subsistence and

compensation total raised to \$115 for a veteran without dependents, or \$135 for a veteran with a dependent. Minimum amounts are increased in each case for additional dependents.

Special job placement assistance is given trainees who have successfully completed their training. Generally, training under the World War II program must have been completed by July 25, 1956, and under the Korean program by August 20, 1963.

Readjustment Benefits for World War II and Korean Conflict Veterans

Under the so-called GI bill of rights both World War II and the Korean conflict veterans have been provided temporary benefits to assist them in their transition from military to civilian life. These readjustment benefits include education and training, unemployment compensation allowances, loan guaranty and direct loan assistance, and mustering-out payments.

For World War II readjustment benefits the Veterans' Administration through June 30, 1955, spent \$19 billion, and the Department of Defense, up to the same date, had spent \$4 billion for mustering-out payments. Under the loan guaranty program, World War II veterans have obtained over \$31 billion in loans for homes, farms, or businesses.

Readjustment programs for veterans of the Korean conflict are still increasing; costs through June 30, 1955, were already over \$1 billion.

Education and training.—Veterans of World War II are provided education and training at Government expense for a period of 1 to 4 calendar years, depending upon the length of military service. To qualify for the minimum training entitlement, the veteran must have had 90 days of active war service, unless he was discharged for service-incurred disability. Training of 1 year is provided for all who have 90 days service, plus 1 month of training for each additional month of service, but not to exceed 48 months of training.

Veterans are permitted to choose their own course of training in an approved school or establishment as follows: (1) School or college; (2) apprenticeship on-the-job training; (3)

institutional on-farm training or other programs which combine school and job training; (4) correspondence school courses.

In the case of school or college training, the Government pays the customary tuition and other fees within the limits of \$500 per school year. A monthly subsistence allowance is also provided each veteran participating in one of the above-listed training activities, except correspondence courses. This allowance may vary somewhat, depending upon the number of veterans' dependents and nature of the training. The maximum monthly allowances for full-time study in schools and colleges are \$75 for veteran without dependents, \$105 for veteran with 1 dependent, and \$120 for veteran with 2 or more dependents. For the apprenticeship on-the-job training, \$65 is provided a veteran without dependents, and \$90 for veteran with one or more dependents. For veterans enrolled in combination type training, the rates may be somewhat higher than the job-training rates. These subsistence amounts are reduced for part-time courses and also may be affected by the extent of a veteran's income from employment. In this latter case, combined amounts of wages and subsistence cannot exceed \$210 for the veteran with two or more dependents. Generally, training under this program must have been completed by July 25, 1956.

Veterans of the Korean conflict period are provided Government assistance to pursue education and training for a period equaling 1½ times the duration of active service period, not exceeding 36 months. To qualify for minimum training entitlement, the veteran must have had 90 days of active service or discharge for actual service-incurred disability. Generally, the veteran is permitted to choose his own course of training in approved schools or establishments in the same categories as for World War II veterans. Tuition is no longer paid directly to the school or college as was the case under the World War II program. The Government pays directly to the veteran trainee a fixed monthly allowance to meet expenses for subsistence, tuition, fees, supplies, books, and equipment. The following is a

schedule of the monthly allowances paid to Korean conflict veterans in the various categories of training and dependency status:

Type of training	No dependents	1 dependent	2 or more dependents
Institutional training (school or college):			
Full time	\$110	\$135	\$160
Three-fourths time	80	100	120
Half time	50	60	80
Less than half time	(1)	(1)	(1)
Combination training	90	110	130
On-job training ²	70	85	105
Institutional on-farm training ³	95	110	130
Correspondence training	(4)	(4)	(4)
Flight training	(5)	(5)	(5)

¹ Established institutional charges, or the rate of \$110 per month for a full-time course, whichever is less.
² Subject to reduction as training progresses and to a ceiling of \$310 per month on allowance and income from productive labor performed as part of training.
³ Subject to periodic reduction subsequent to the initial 12 months of training. An amount of \$30 per month for tuition and fees is exempted from reduction.
⁴ Established charges, prorated quarterly.
⁵ 75 percent of established charges, entitlement reduced by 1 day for each \$1.25.

The rates for on-the-job training are subject to reduction as training progresses, and are also subject to a ceiling of \$310 per month on allowance and income from productive labor performed as part of training. The on-farm training rates are subject to periodic reductions subsequent to the initial 12 months of training. An amount of \$30 per month for tuition and fees is exempted from reduction.

With few exceptions, participation in this program is to be completed 8 years after a veteran's discharge or release from Korean conflict period service, or January 31, 1963, whichever is the earlier.

Unemployment (readjustment) allowances.—Veterans of World War II were provided Veterans' Administration unemployment allowances through the various State employment agencies. The rate was \$20 per week for each week of unemployment, less any weekly wages received in excess of \$3, with a maximum of 52 weeks depending on length of service. A veteran self-employed for profit received an allowance representing the difference between net earnings and \$100 per month, subject to the basic limitation as to time and amount. The termination date for this program for most veterans was July 25, 1949.

Veterans of the Korean conflict are provided unemployment compensation under a Department of Labor program through

the State employment offices. To be eligible the veteran must have 90 days' active service or have a service-connected disability. The rate is \$26 per week for each week of unemployment for a period not in excess of 26 weeks, or a total amount of \$676. No provision was made for self-employment allowances as furnished under the World War II program. This program will terminate by January 31, 1960.

Loan guaranty and direct loan benefits.—Veterans of World War II and the Korean conflict are eligible for Veterans' Administration guarantees to secure 4½ percent interest loans for the purchase of homes, farms, or businesses. For homes, loans may be guaranteed up to 60 percent of the loan, but the guaranteed portion may not exceed \$7,500. Other real estate loans may be guaranteed up to 50 percent, but not to exceed \$4,000. For non-real-estate loans, such as business loans, the guarantee is limited to a \$2,000 maximum.

Where private mortgage money is not available to veterans under the 4½ percent rate (as in many rural areas), the Veteran's Administration may make direct loans to veterans who want to buy or build a home, or build or improve a farm house.

Widows of otherwise qualified veterans who died of service causes may exercise any loan privileges to which the deceased husband was entitled.

The same type of loan benefits accrue to veterans of World War II and the Korean conflict. However, the World War II veterans who have returned to active duty may have the unused loan entitlement under the World War II GI bill replaced by the same amount of entitlement under the Korean GI bill. The net result is that they will not be bound by the July 25, 1957, deadline set for most of the World War II veterans, but, instead, they will have until January 31, 1965, to obtain GI loans under the Korean law.

Mustering-out payments.—World War I veterans received a so-called war service payment of \$60 at time of discharge.

Veterans of active World War II and Korean conflict periods are eligible for mustering-out pay at time of discharge in amounts ranging from \$100 to \$300. The amount of benefit is deter-

mined by the type and length of active service. For active domestic service of less than 60 days within the qualifying period, eligible veterans receive \$100. For 60 days or more of domestic duty, \$200 is paid. For service beyond 60 days, any part of which was served overseas (including Alaskan service), \$300 is paid. These benefits apply to all grades and ranks of military personnel except commissioned officers above the rank of captain in the Army, Air Force, and Marine Corps, or lieutenant senior grade in the Navy and Coast Guard. Prior receipt of these benefits under the World War II program does not bar an eligible veteran from collecting again under the Korean GI bill program. However, anyone eligible under the World War II Act and the Korean GI bill for the same period of service, must elect to receive it under one or the other law. In the event an otherwise eligible veteran dies before collecting the mustering-out pay to which he is entitled, payment of any amount due may be made to surviving spouse, children, or parents—in that order.

Most of the veterans under the World War II program were paid at time of discharge. Under the Korean conflict program, certain veterans may receive benefits until January 31, 1958.

Non-Service-Connected Pensions for All Wars

Under existing laws, a veteran who is without service-connected disability may be paid a non-service-connected pension. All Spanish-American War veterans, as well as veterans of earlier wars, are eligible for such a pension regardless of their economic condition. Veterans of World War I, World War II, and the Korean conflict are eligible for "limited" pensions if they meet certain disability, unemployability, and income conditions.

Non-service-connected pensions are also paid to the widows and children of veterans who died from conditions not related to their service. Such pensions are payable to surviving widows and minor children of the Spanish-American War and prior conflicts, regardless of their economic situation. Survivors of all World War I veterans are eligible, subject to certain income

limitations. Survivors of World War II and Korean conflict veterans are eligible only if the veteran had a service-connected disability of some kind at time of death, and if they meet income conditions.

Pensions have historically been the largest veterans' benefit program in terms of expenditures and numbers of beneficiaries. During the fiscal year 1955, over 1 million veterans and dependents' cases were receiving \$800 million in pensions. The trend is sharply upward.

A veteran of the recent conflicts, who has at least 90 days wartime service and who, as a result of a non-service-connected disability, is unable to follow a "substantially gainful" occupation, may be entitled to a disability pension. To qualify, generally, the veteran must meet certain standards of unemployability, extent of income, and degree of disability. Usually, veterans are rated permanently and totally disabled if they are unable to follow gainful employment and meet the following percentage standards of disability at given ages: (1) Under age 55, a 70-percent combined rating for plural disabilities, at least one of which must be a 40-percent rating, or a 60-percent rating for any one disability; (2) age 55, a 60-percent rating for one or more disabilities, with no percentage requirement for any one disability; (3) age 60, a 50-percent rating for one or more disabilities, and (4) at age 65, no percentage requirement other than one disability ratable at 10 percent or more. In some cases, where the veterans fail to meet the above percentage standards but meet other criteria, they may be considered for benefits.

Eligible veterans are paid \$66.15 monthly, which is increased to \$78.75 per month after 10 years of continuous permanent and total disability, or upon reaching 65 years of age. A veteran who is entitled to this pension and who becomes blind or is so helpless as to need regular aid and attendance may receive a larger payment of \$135.45 monthly. These pension benefits are payable only if a veteran's income does not exceed \$1,400 a year if he is without dependents, or \$2,700 a year if he is married or has a minor child. The above benefits apply generally to veterans of war service subsequent to the Spanish-American War. Vet-

erans of that war period need not have a disability to be eligible for pension benefits.

In the case of death pensions, the following benefits are paid to dependents: Widow, no child, \$50.40; widow, 1 child, \$63 and \$7.56 for each additional child; no widow, 1 child, \$27.30; no widow, 2 children, \$40.95; no widow, 3 children \$54.60, and \$7.56 for each additional child. These benefits are not payable to a widow or to a minor child whose annual income exceeds \$1,400. A widow loses her entitlement for those benefits upon remarriage, and unmarried children usually become ineligible when they attain the age of 18. A child attending a Veterans' Administration approved school after 18 will continue to receive the pension while attending such school, but not beyond the age of 21, or if married. A helpless child draws at any age, unless marriage occurs. Benefits under this program are payable to eligible beneficiaries for an indefinite period or until their conditions of eligibility change.

Non-Service-Connected Hospital and Medical Care for All Wars

Veterans with nonservice-connected disability are eligible for hospital and medical care only on an inpatient basis subject to the availability of beds in Veterans Administration facilities. With the exception of Spanish-American War veterans, they do not receive outpatient care.

Veterans Administration hospital and medical outlays are now running at the rate of about \$700 million annually, largely for hospital care. About two-thirds of the average daily Veterans' Administration patient load of 110,000 cases in fiscal 1955 was composed of nonservice-connected cases, chiefly in the neuropsychiatric and tuberculous categories.

Adjusted Compensation (Bonuses) for World War I Veterans

Veterans of World War I were not provided readjustment benefits, except vocational rehabilitation for the disabled. But they were paid a bonus which totaled \$3.8 billion. It was paid during the 1930's, computed at the rate of \$1 for every day of service in the continental limits, and \$1.25 a day for overseas duty, subject to maximum limits of \$500 and \$625, respectively.

Credits Under Old-Age and Survivors Insurance

Military service from September 16, 1940 to April 1, 1956 has been made creditable under the OASI system on a gratuitous basis at the assumed earning rate of \$160 monthly. This credit alone or together with any from civilian employment may qualify the veterans for old-age benefits at age 65, or in case of his death permit his family to receive survivor benefits. Such credits are subject, however, to the regular OASI provisions governing insured status and computation of benefits.

An earlier law, effective from 1947 to 1951, gave returning World War II veterans insured status for a 3-year period at an average monthly wage of \$160 for survivor benefit purposes.

Various Federal employee retirement systems also credit military service. Credit is also provided under the Railroad Retirement system during war or emergency periods.

Other Benefits

Many other preferences and benefits are provided for veterans, both by the Veterans' Administration and other departments. These include preferences for Government employment, mandatory reemployment rights, burial benefits, cemeterial privileges, grants toward homes for paraplegics, and cars for amputees and blind veterans.

Chapter III

VETERANS IN OUR SOCIETY

The size of our veterans' programs is dependent upon the number of veterans and the extent to which they are disabled or are otherwise handicapped. The economic and social conditions of the veterans are also major factors in their need for assistance. This chapter presents background data on the number of our veterans and their characteristics.

THE VETERAN POPULATION

There are now 22 million living wartime veterans in civil life in the United States. This is the largest veteran population, both absolutely and as a percentage of our population, that the United States has ever had. The number is still increasing.

The Growth of the Veteran Population

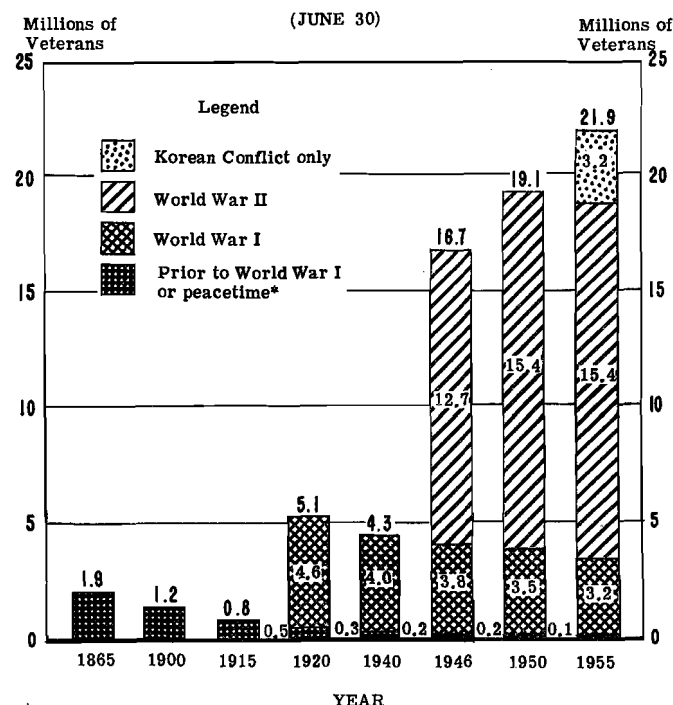
The present size of veteran population is attributable to the large number of men who served during recent wars. It is estimated that during the Revolutionary War some 250,000 men served at various times; 287,000 in the War of 1812; 392,000 in the Spanish-American War. In the Union Forces during the Civil War, an estimated 2,200,000 men participated.

By contrast, 4,744,000 persons were in the Armed Forces of the United States during World War I; 16,535,000 during World War II; and 6,807,000 (including 1,476,000 who had previously served in World War II) during the period of the Korean conflict. Out of these last major conflicts our present large veteran population has come.

The growth in the size of our total living veteran population is indicated by chart I. Since 1865 the number of veterans has grown more than elevenfold. It has increased nearly fivefold since 1940.

CHART I ESTIMATED LIVING WAR VETERANS*

By War of Service for Selected Dates, 1865 - 1955



* FIGURES INCLUDE "PEACETIME" OR REGULAR ESTABLISHMENT VETERANS ONLY IF THEY ARE DRAWING VA COMPENSATION

Source: Veterans Administration

Age and Service Characteristics of the Present Veteran Population

The age and service characteristics of the veterans in civil life on June 30, 1955, are shown in table 1. This table highlights two main points:

First, as was pointed out earlier, veterans of recent conflicts constitute the great majority of all living veterans. The 15.4 million veterans who served during World War II and the 3.2 million who served only during the Korean conflict together

TABLE 1.—*Estimated Age of Veterans in Civil Life*

As of June 30, 1955

[Thousands]

Age in 1955	All veterans	World War II	Korean conflict		World War I	Spanish-American War	Other ¹
			Total	No service in World War II			
All ages.....	21,878	15,405	4,015	3,188	3,150	72	63
Under 20.....	27	0	26	26	0	0	0
20-24.....	1,410	1	1,408	1,408	0	0	3
25-29.....	3,870	2,202	1,912	1,656	0	0	12
30-34.....	5,144	5,053	379	84	0	0	7
35-39.....	4,094	4,074	166	12	0	0	8
40-44.....	2,155	2,144	71	4	0	0	7
45-49.....	1,265	1,259	29	(²)	(²)	0	6
50-54.....	445	424	14	(²)	14	0	7
55-59.....	1,288	205	7	0	1,078	0	5
60-64.....	1,483	29	2	0	1,451	0	3
65-69.....	555	9	1	0	544	(²)	2
70-74.....	59	4	(²)	0	45	8	2
75-79.....	60	1	(²)	0	14	14	1
80-84.....	20	(²)	0	0	3	17	(²)
85 and over.....	4	(²)	0	0	1	3	(²)
Average age in years ⁴ ...	38.3	36.2	26.7	24.9	61.3	78.2	42.5

¹ Includes former members of the (peacetime) Regular Establishment and veterans of the Civil and Indian Wars who were receiving VA disability compensation or pension.² Includes 327,000 veterans who had served both in World War II and the Korean conflict.³ Less than 500.⁴ As of June 30, 1955. Computed from 1-year age groups.

Source: Veterans' Administration.

make up 18.6 million, or approximately 85 percent, of all living veterans in civil life. The 3.15 million World War I veterans represent 14 percent of the total. The 72,000 Spanish-American and the 63,000 peacetime veterans on the compensation rolls together are less than 1 percent.

Second, most of our living veterans are still in the younger age groups. The average age of the preponderant World War II group is only 36 years. The next largest group, the Korean conflict veterans, averages only 25 years. The World War I veterans, on the other hand, have now reached an average age of 61, and the Spanish-American War group are 78 years old on the average.

These facts are very significant for the problem of non-service-connected pensions. The pension load tends to become heavier on the Government as veterans grow older and become disabled or reach the age of 65, when existing laws and regulations make it easy to qualify for a pension. Similarly, widow's pensions are

typically heaviest when large numbers of veterans die from old age.

From these figures it can be seen that the impact of our recently enlarged veteran population on the non-service-connected pension program has scarcely begun. Only 700,000—or 3 percent—of our living veterans are 65 or older. World War I veterans, of course, are now crossing this line in large numbers. In 10 years all but a few of the living World War I veterans will be over 65. On the other hand, the tremendously large World War II group will not reach age 65 in large numbers until around 1985. This is indicated in the charts included later in this chapter.

Number of Disabled Veterans at Present

One of the highest priority programs which the Government operates for veterans is the disability compensation program under which benefits are paid for injuries or ailments resulting from military service.

Table 2 shows that 3.7 million—or 1 out of every 6 living veterans in civilian life on June 30, 1955—had some kind of a disability incurred or aggravated in military service. These figures cover all service-connected disabilities known to the Veterans'

TABLE 2.—*Estimated Number of Veterans in Civil Life With Service-Connected Disabilities*

War group	Receiving compensation as of June 30, 1955				Receiving pensions ¹	Not receiving compensation or pensions ²	Total with disabilities
	30 percent or less	40-60 percent	100 percent	Total			
Spanish-American.....	3	172	225	400	(³)	(³)	400
World War I.....	148,817	62,388	28,211	239,416	55,080	30,456	324,952
World War II.....	1,212,937	337,003	66,658	1,619,498	9,348	1,391,174	3,020,020
Korean conflict.....	102,897	33,249	17,685	153,831	98	91,469	245,398
Regular establishment.....	41,190	13,853	7,838	62,881	-----	17,022	80,503
Total.....	1,505,844	446,665	123,517	2,076,026	64,526	1,530,721	3,671,273

¹ Cases in which there is also a compensable service-connected disability; these do not include cases where there is a service-connected disability of less than 10 percent or 0 percent, which data are not available (December 1954 data used).² Figures represent only those veterans who are known by VA to have a disability and are largely based on records of those who applied for compensation but failed to qualify or those who formerly drew compensation but recovered to the point where their disabilities rate less than 10 percent. May 31, 1955, data used.³ Not available.

Source: Veterans' Administration.

Administration, including not only the serious ones but also minor ailments from which the veteran long since recovered. As can be seen 1.5 million of the cases included in the table are those from which the veteran was permanently disabled as the result of service so slightly as to be ineligible for disability compensation today on the basis under the 10 percent disability standard. Over 2 million—or about 1 out of every 10 veterans—are drawing disability compensation from the Veterans' Administration for service-incurred injuries. Of these, almost three-fourths are disabled 30 percent or less; 22 percent are rated from 40 to 90 percent disabled; and only 124,000 or 6 percent are rated as 100 percent disabled. As will later be made clear, however, these ratings are made on an "average" basis. Thus some veterans rated 100 percent disabled can work, and quite a few do.

World War II cases represent 78 percent of the 2,076,000 compensable disabilities; World War I cases, nearly 12 percent; and Korean conflict cases, 7 percent.

Of course, the proportion of service-disabled veterans differs from war to war. Table 3 compares the number of veterans living on June 30, 1955, and the number disabled.

TABLE 3.—*Proportion of Living War Veterans With Service-Connected Disabilities¹ as of June 30, 1955*
[Thousands]

War	Veterans with service-connected disabilities				
	Total veterans in civil life ¹	Number ¹		Percent of living	
		All disabilities	Drawing VA compensation	All disabilities	Drawing VA compensation
All veterans.....	21,815	3,500	2,013	16	9
World War II.....	15,405	3,020	1,619	20	11
World War I.....	3,150	325	239	10	8
Korean conflict.....	3,188	246	154	8	5
Spanish-American War.....	72	0.4	0.4	0.6	0.6

¹ Excludes "peacetime" Regular Establishment ex-servicemen.

Source: Veterans' Administration.

The foregoing figures on the service-connected disabilities recognized by the Veterans' Administration among presently living veterans may be compared roughly with statistics from the De-

partment of Defense on the number of nonmortal wounds received in the various conflicts by United States forces:

TABLE 4.—*Veterans Drawing Disability Benefits and Number Wounded*
[Thousands]

War	Veterans receiving VA compensation June 30, 1955	Nonmortal combat wounds during conflict
World War I.....	239	204
World War II.....	1,619	671
Korean conflict.....	154	103

This comparison can be made only in a rough way since the figures on the number wounded are overstated. Wounds received by the same individual on different occasions are counted, and those wounded may have subsequently died from the wound or from other causes. However, they do serve to bring out the fact that the Government's service-connected disability compensation program includes coverage for noncombat injuries and disease as well as combat wounds. In part, the comparison may also indicate the liberal nature of the presumptions of service connection under the compensation program. For example, two and one-half times as many World War II veterans are receiving service-connected compensation as there were wound cases during the war. Data from Veterans' Administration records indicate that only about 25 percent of the cases on the compensation roll are for injuries sustained in combat zones.

Service-Connected Deaths

Of equally high priority among veterans' programs are survivor benefits for dependents of servicemen and veterans who died from service-connected causes.

The records of the Department of Defense show that 383,000 battle deaths occurred among the United States forces during the last three conflicts and that another 199,000 deaths resulted from disease and other causes during the same periods.

Some of the deceased had no dependents; the dependents of others have remarried, grown up, or died. In the meantime,

TABLE 5.—Deaths in the Armed Forces
[Thousands]

War	Battle deaths	Other deaths	Total
Total.....	383	199	582
World War I.....	54	63	117
World War II.....	285	115	410
Korean conflict.....	34	21	55

however, other veterans and servicemen died from service-connected causes and left surviving dependents. As the result, there were on June 30, 1955, 384,000 death cases on the Veterans' Administration's death compensation roll representing a total of 610,000 dependents. (See table 6.)

Of the total of 384,000 cases, 72 percent are from World War II, 14 percent from World War I, and 9 percent from the Korean conflict. However, there are nearly two dependents in every Korean case, an average of one and two-thirds per World War II case, and just slightly over one in World War I cases.

TABLE 6.—Numbers on Veterans' Administration Death Compensation Roll, June 30, 1955

War	Death cases	Dependents					Annual rate of payments (millions)
		Total	Widows	Children	Mothers	Fathers	
	(Thousands)						
Total.....	1 384	610	114	165	219	112	\$401
Spanish-American War.....	1	1	1	(?)	(?)	(?)	1
World War I.....	55	60	34	4	19	4	53
World War II.....	275	457	60	134	172	91	289
Korean conflict.....	34	64	10	19	22	13	41
Regular Establishment.....	19	27	8	8	8	4	17

¹ Includes 7,263 cases from the Mexican, Indian, and Civil Wars.

² Less than 500.

Source: Veterans' Administration.

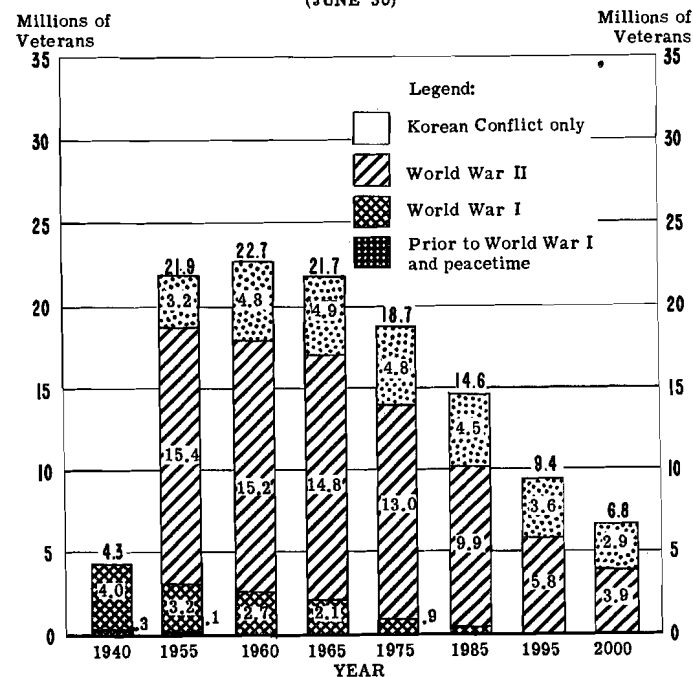
Living Wartime Veterans in Future Years

As has been mentioned earlier, the future of veterans' pension programs is tied closely to the number and the age distribution of living veterans. Estimates prepared by the Veterans' Administration show that the number of veterans with wartime service

in civilian life will increase somewhat as those presently in the Armed Forces are released, to a total of about 22.7 million in 1960. Then the number will gradually decline until by the end of this century there will be 6.8 million veterans with war service left. (See chart II.)

CHART II
ESTIMATED LIVING WAR VETERANS*

BY War of Service for Selected Dates, 1940 - 2000
(JUNE 30)

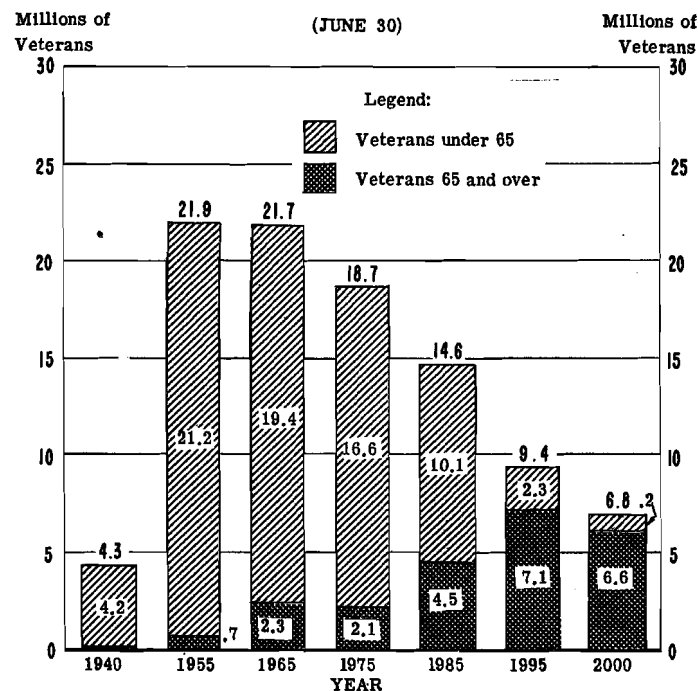


* FIGURES INCLUDE "PEACETIME" OR REGULAR ESTABLISHMENT VETERANS ONLY IF THEY ARE DRAWING VA COMPENSATION.

Source: Veterans Administration

While the number of living veterans with wartime service is estimated to decline after 1960, the number who are at age 65 or over is expected to increase over the next 40 years. (See chart III.)

CHART III
ESTIMATED TOTAL LIVING WAR VETERANS
AND VETERANS AGE 65 AND OVER*
Selected Dates, 1940 - 2000



Source: Veterans Administration

* Figures for 1940 and 1955 include "peacetime" or Regular Establishment veterans who were receiving VA compensation.

In the United States at the beginning of World War II, there were about 100,000 ex-servicemen, most of them Spanish-American War veterans, who were age 65 and over. At the present there are about 700,000 who are 65 and over, and the number is rising rapidly as the World War I veterans reached advanced ages. Despite the fact that this is the largest number of elderly veterans the country has ever had at one time, this is but 3 percent of all our living veterans. However, since World War I veterans constitute about one-seventh of our veteran population, the ratio of aged veterans to total veterans in the

population will remain small in 1965, when most living World War I veterans will have reached age 65. At that time we will have 2.3 million aged veterans.

By about 1985 a substantial number of World War II veterans will reach 65. But the peak in living veterans over 65 will not be reached until 1995. At that time there will be 5.8 million World War II veterans and 1.3 Korean conflict veterans in this age bracket out of our present living veterans and servicemen with war service. At the 1995 peak, 6 out of every 10 living males over 65 in the United States will be war veterans.

Dependents of Deceased Veterans

In considering veterans' benefits, the widows of veterans must also be taken into account—especially if death pensions on a general basis are proposed. Since most veterans are married to women younger than they are, and since women tend to outlive men, the aging of our existing war veterans toward the end of the century will also bring a big increase in the number of veterans' widows.

The estimated number of widows or children who would be left by deceased veterans in future years are shown in table 7.

TABLE 7.—Estimated Number of Veterans' Cases in Which Unremarried Widows or Minor Children Would Be Living,¹ Selected Years 1960-2000

[Thousands]

Year (June 30)	Spanish-American War ²	World War I	World War II	Korean conflict	Total		
					Eligible for service-connected compensation	Not eligible for service-connected compensation	All cases
1960.....	66	1,036	795	73	383	1,587	1,970
1965.....	49	1,281	1,392	114	422	2,414	2,836
1970.....	33	1,440	1,671	181	392	2,833	3,225
1975.....	20	1,350	2,210	241	354	3,467	3,821
1985.....	5	673	3,759	539	244	4,732	4,976
2000.....		38	5,471	990	106	6,393	6,499

¹ Excludes "peacetime" or Regular Establishment cases.

² From 1960 and 1965 a few cases from earlier wars are included.

By the end of this century the number of veterans' widows is expected to be nearly as large as the number of remaining veter-

ans. Early in the next century the widows will begin to outnumber the veterans.

Future Veterans

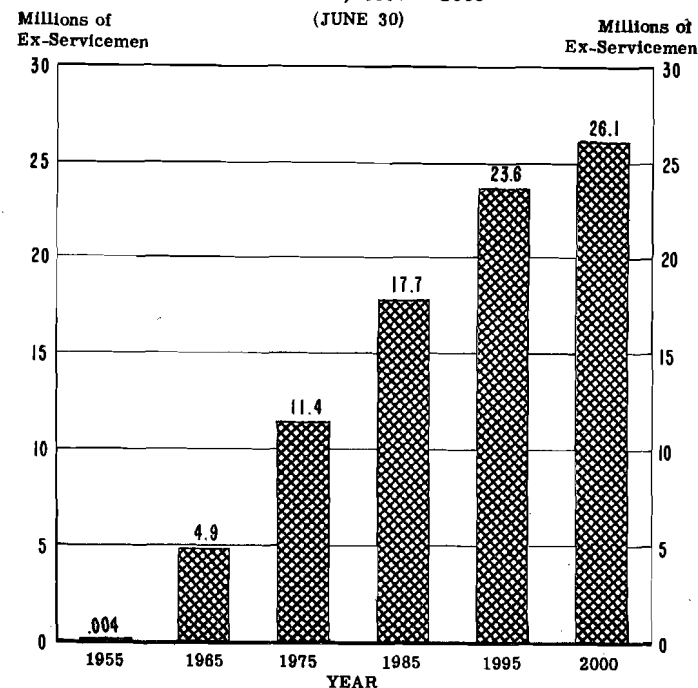
No one can foretell what the future may bring in the way of new conflicts. We all hope for peace. However, in view of the uneasy state of world affairs, it would not be prudent in analyzing our veterans' programs to exclude the possibility that new conflicts may arise and add new veterans to the present ranks.

It would be fruitless to conjecture on the shape of future events. The possibilities include everything from peace and reduced Armed Forces, to an uneasy truce, "police actions" on the model of the Korean conflict, or devastating atomic warfare.

Severe atomic conflict would, in all probability, make the question of veterans' benefits as we know them now academic, since civilians as well as military personnel would become almost indistinguishable in their exposure to war risks and injuries. Accordingly, for purposes of exploring the veteran population curve of the future, the Commission has merely assumed that the Armed Forces will be continued at about their present strength of 3 million and that the annual turnover would release some 700,000 ex-servicemen. On this hypothetical assumption, the number of living "peacetime veterans" with service since February 1, 1955, in our civilian population would increase gradually from 4,000 on June 30, 1955, to 11.4 million in 1975, and to over 26 million by the year 2000. (See chart IV.)

It should be recognized that while the peacetime ex-servicemen who have served in the Armed Forces since February 1, 1955, are not eligible under existing laws for veterans' readjustment and pension benefits, they are eligible for service-connected compensation and the indemnity and insurance benefits. However, if the international situation should worsen perceptibly at some point in the next several decades, the new crop of veterans could readily exceed the modest figures here assumed.

CHART IV
ESTIMATED NUMBER OF
PEACETIME EX-SERVICEMEN IN CIVIL LIFE*
Selected Years, 1955 — 2000



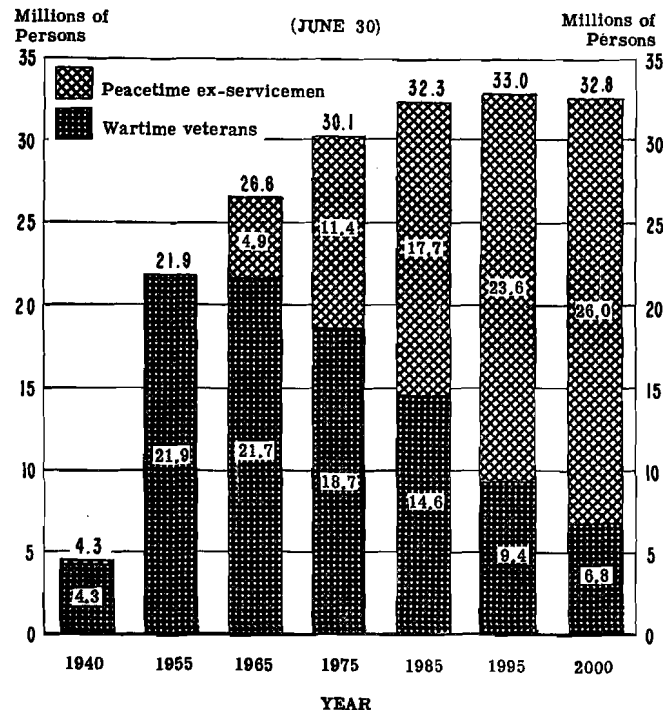
* INCLUDES ONLY PEACETIME SERVICEMEN ENTERING SERVICE AFTER FEB. 1, 1955.
ASSUMES ARMED FORCES OF 3,000,000 WITH 700,000 ANNUAL TURNOVER.

If this relatively conservative assumption should be borne out by history, the United States would be faced with a progressively increasing number of veterans and peacetime ex-servicemen in its population for the rest of this century. For although the existing wartime veterans would gradually diminish in number, the number of peacetime ex-servicemen would more than offset the decline. (See chart V.)

Veterans and Their Families

The benefits of the veterans' compensation, pension, indemnity, and related programs are paid to dependents of veterans.

CHART V
ESTIMATED NUMBERS OF WARTIME VETERANS
AND PEACETIME EX-SERVICEMEN IN CIVIL LIFE
Selected Years, 1940-2000



SOURCE: Veterans Administration (war veterans only).

Thus the wives and minor children of veterans are or may be potential beneficiaries of veterans' benefits, and in some cases dependent parents and other relatives may qualify. Accordingly in appraising the impact of the veterans' programs in our society, it is necessary to consider not only the veterans themselves, but also their families.

Prepared for this Commission by the Veterans' Administration, estimates of the number of people in households headed by veterans show that we are truly a nation of veterans. As of June 30, 1955, veterans and their families together totaled an esti-

mated 75 million persons, or 45 percent of our entire population. In addition, there are 3 million servicemen still in the Armed Forces who, with their families, are eligible for many veterans' benefits. Thus in all, 81 million persons, or 49 percent of all our population are today actual or potential beneficiaries under veterans' laws.

The present situation is a striking change from that in 1940. At that time, just before World War II, veterans and their families numbered only 15 million persons, or 11 percent of our population. (See charts VI and VII.) Counting members of the Armed Forces and their families, the total was 16 million persons, or only 12 percent of the whole population.

The projections show that wartime veterans and their families will increase in number to 78 million persons by 1965, at which time they will represent 41 percent of our increased total population. By 1975, however, the estimated number of persons in veterans' households is expected to decline to 65 million, and to represent only 29 percent of the enlarged total population.

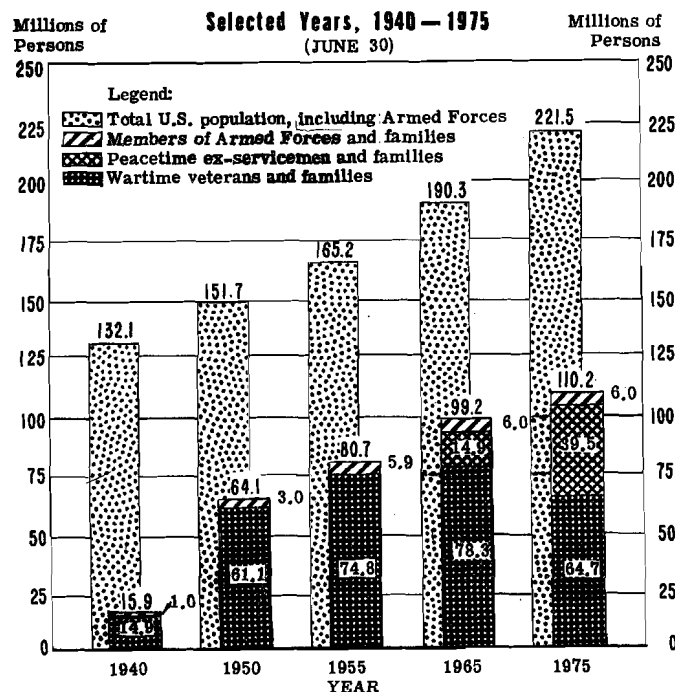
However, if members of the Armed Forces and peacetime ex-servicemen and their families are added in, the combined number of persons in families of war veterans and peacetime ex-servicemen by 1965 will total 99 million, or 52 percent of the population; and by 1975, 110 million, or 50 percent of the whole population. (See charts VI and VII.) Thus, within the next 10 years those who have served in the Armed Forces and their families will become a clear majority of our growing population.

THE ECONOMIC AND SOCIAL CHARACTERISTICS OF VETERANS

The basic contention underlying demands for non-service-connected pensions and similar benefits for veterans who go through their service without any disability has been that the time and opportunity they lost while in military service placed them at a disadvantage with their civilian contemporaries. Thus in event of adversity in old age or illness arising in the years subsequent to discharge, veterans have laid the blame on their war service and have banded together to demand benefits from

CHART VI

ESTIMATED NUMBERS OF PERSONS IN FAMILIES OF MALE VETERANS, EX-SERVICEMEN AND SERVICEMEN* COMPARED WITH TOTAL POPULATION IN THE UNITED STATES



* INCLUDES WARTIME VETERANS, PEACETIME EX-SERVICEMEN WITH SERVICE SINCE FEB. 1, 1955, & MEMBERS OF THE ARMED FORCES & THEIR FAMILIES.
Source: Veterans Administration, Bureau of the Census & Department of Defense

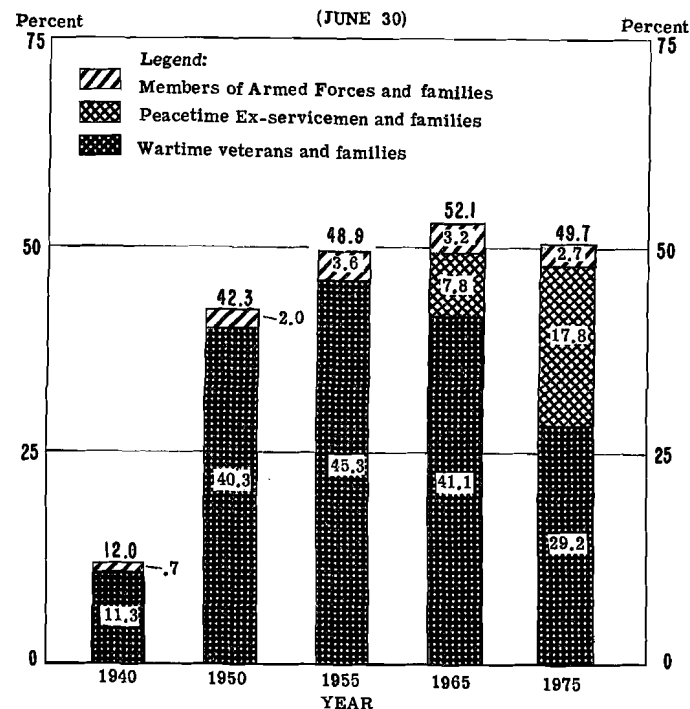
the Government. This process has been heavily colored through the years with emotional and patriotic overtones which arise in connection with a subject made sensitive by association with all the feelings war raises in men and women.

To provide a more factual basis for appraisal of the need for benefits for veterans, and especially for veterans without service-connected disabilities, this Commission initiated a number of factfinding studies. These studies were principally aimed at ascertaining in an objective way the nature and extent of handi-

CHART VII

MALE VETERANS, EX-SERVICEMEN, SERVICEMEN AND THEIR *FAMILIES AS PERCENT OF TOTAL U.S. POPULATION

Selected Years, 1940 — 1975



* Includes wartime veterans, peacetime ex-servicemen with service since Feb. 1 1955, and members of the Armed Forces & their families.

caps which were incurred by those who served in the Armed Forces, at determining how the present economic and social status of our veterans compares with that of nonveterans, and also at measuring the extent to which veterans themselves feel they are handicapped.

In its studies the Commission used information already available from such agencies as the Bureau of the Census, but also found it necessary to make several special surveys. The results of its studies are presented in several backup reports. The Com-

mission strongly feels that much more research of this character needs to be done. At this point only a brief indication of the highlights of the facts developed by the Commission can be given.

Conditions of Military Service

No single factor has contributed more to the development of non-service-connected pensions in the United States than the argument that those who served in the Armed Forces suffered privation and were underpaid, while their civilian contemporaries made large profits or worked in lucrative jobs. This applies with a great deal of truth to our early wars—the Revolution and the conflicts up through the Spanish-American War.

The Commission's data, of course, are broad averages based on large groups. They do not mean that particular individuals or particular groups within the Armed Forces are not disadvantaged, or perhaps, benefited greatly. For example, in the case of the data on pay, the figures on an average basis should not be taken to mean that present pay scales are necessarily adequate to attract and retain in the Armed Forces certain highly skilled or important categories of enlisted and officer personnel—particularly in view of the increasing attractiveness of competitive industrial pay scales for technical personnel.

Conditions of military service during any particular conflict in regard to such factors as medical care, diet, pay, and benefits must always be considered in relation to the prevailing capabilities and standards of the contemporary economy. It is hard to say with scientific accuracy how much worse the servicemen in these earlier conflicts fared than the civilians, but the historical evidence available supports the view that they were exposed to hazards which undermined their health, and that their pay was low or, in the case of the Revolutionary soldiers, was paid in valueless currency.

Assembled for this Commission by the Department of Defense, comparative data of some 2,000 pages on the Civil War, Spanish-American War, World War I, World War II, Korean conflict, and the present period, show a striking improvement in the conditions of military service from the earlier conflicts to the present

time. Data have also been provided by other departments—including the Departments of Labor, Commerce, Agriculture, and Health, Education, and Welfare—on the economic, health, dietary, and other conditions of the civilian population in the United States during these periods. As may be expected, the conditions of civilian life have also improved greatly.

While exact comparisons are difficult, this information indicates that the disparity between the economic and general situation of servicemen and that of civilians has narrowed greatly since the Spanish-American War. When all factors are considered, the gap for enlisted grades may have become inconsequential by the time of the Korean conflict.

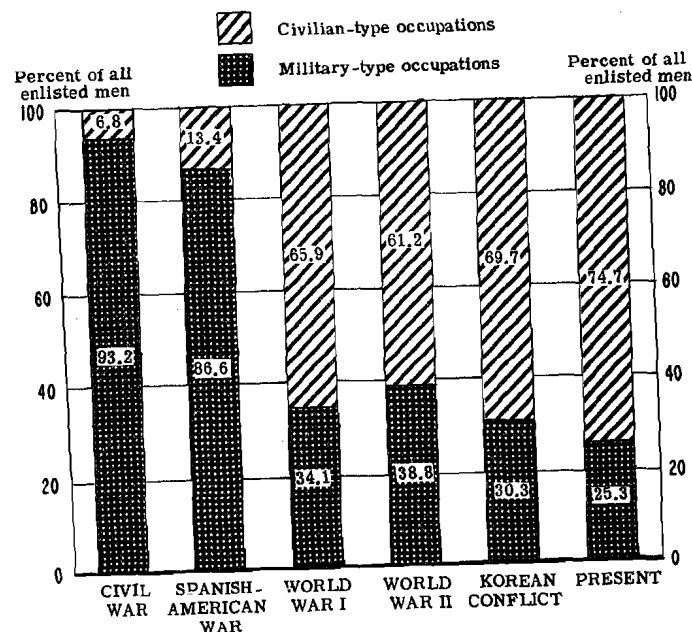
In making its studies the Commission has endeavored to concentrate on factors which can be objectively measured—such as methods of selection, extent and nature of military training, civilian utility of military occupational experience, rates of mortality from combat as well as disease, rates of pay, and nature of benefits provided to the servicemen during each of the major war periods. This naturally left out certain other factors which are difficult to measure but which are, nevertheless, important. Some of these factors are adverse from the standpoint of the serviceman—such as the rigors and strain of combat duty, the unique hazards of military service, the continuing disruption of family life, impact on moral standards, extra costs of supporting or moving families under the unsettled conditions of military life, regimentation and disciplinary restrictions, and the like. Other factors of military experience are all to the good. For example, the character building effect of military life, the gain of experience in dealing with people and organizations, and the broadening of horizons through travel and diverse experience on the part of young and generally inexperienced men are often cited. These intangible factors are difficult to weigh and they point in opposite directions. The factors which the Commission has been able to measure, at least in part, include the following:

Selection process has improved.—A definite trend toward the more equitable selection of those called to military service is

indicated by the increasing use of selective service. For example, data on the occupational distributions of World War II Army and Navy personnel indicate a highly representative cross section of our male population was serving in the Armed Forces.

Military occupations have civilian transfer value.—From the Civil War to World War I there was a drastic change in the nature of the Military Establishment. Ninety-three percent of all enlisted during the Civil War were in strictly military-type occupations; by World War I only 34 percent; at present only 25 percent. (See chart VIII.) As the Armed Forces become

CHART VIII
SERVICE OCCUPATIONS OF ENLISTED MILITARY
PERSONNEL FROM CIVIL WAR TO PRESENT*



* FIGURES ARE BASED ON ARMY FOR FIRST THREE PERIODS; THEREAFTER ON ALL SERVICES.

Source: Department of Defense

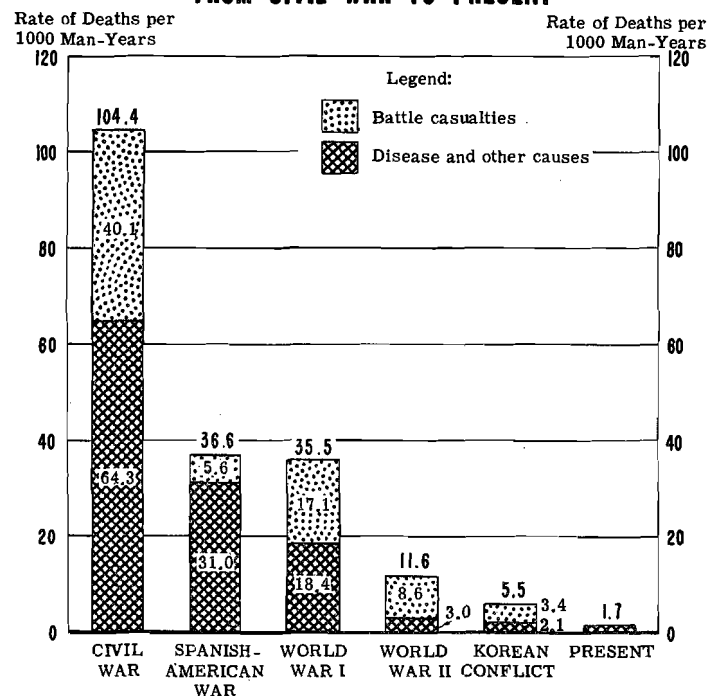
more mechanized and specialized, they require an increasing number of specialists. This means that time spent in military service is no longer wasted. Instead it may enable the serviceman to acquire experience which will be useful in later civilian life. A job-by-job study of military occupations by the Department of Labor confirms the fact that most of the military occupations at present are similar to occupations in civilian life, although civilian job opportunities in some lines are restricted.

More specialized training given.—To fill their needs for personnel to perform increasingly complex jobs and operate valuable equipment, the Services have increasingly been giving inservice training. This trend began with World War I, and was stepped up greatly during World War II and subsequently. For example, during the Korean conflict 27 percent of all Army personnel and 68 percent of Navy personnel received some specialized training.

Declining hazard of military service.—Perhaps there is no better index of the high standard of general care which United States military personnel have received during recent conflicts than the rate of deaths in service. Disease, rather than combat, has been the major enemy of soldiers throughout history. Medical care in civilian life has improved by leaps, but the medical services of the Armed Forces during recent conflicts have probably made military life safer on the average than civilian life in this respect by providing more adequate medical care. The battle death rate has dropped sharply since the Civil War, in part as the result of improved medical care, and in part as the result of a lower rate of casualties. (See chart IX.) While many men died in the recent conflicts, these figures show that the risk of loss of life to those who participated in the more recent conflicts has been but a fraction of that faced by the Civil War soldiers.

Some risks, however, still remain. Although the mortality rate overall of the Korean conflict was about one-twentieth of that of the Civil War; the hazard from wounds has not decreased as sharply. In both World War II and the Korean conflict, the rates of wounded to killed was over 3 to 1.

CHART IX
MORTALITY RATES OF ARMED FORCES *
FROM CIVIL WAR TO PRESENT



* FIGURES FOR FIRST THREE PERIODS ARE BASED ON ARMY AND MARINE EXPERIENCE; THEREAFTER ON EXPERIENCE OF ALL SERVICES.

Source: Department of Defense

Compensation of military personnel has been improved.—The pay of military personnel has been increased materially since World War I, and in particular since the enactment of the Career Compensation Act of 1949—legislation designed to establish rates of pay for military grades comparable to those paid in industry for jobs demanding equal responsibility or capability. Additional increases were enacted in 1952 and 1955 to offset increases in the cost of living after 1949 and to provide incentives for military personnel to serve on a career basis. If one notes the high preponderance in the Armed Forces of young and inex-

perienced men, and the various items of pay in kind, it becomes apparent that a pronounced disparity between the pay of military personnel and that of civilian workers no longer exists.

In appraising the compensation of military personnel, one must take into account three elements which make up the total or gross compensation—an amount roughly comparable to what a civilian worker might earn. The three elements are: (1) Basic pay; (2) allowances in cash to officers, and maintenance in kind or quarters and family allowances for enlisted men; and (3) special items such as incentive pays, Government services including medical care, and tax exemptions.

The basic pay represents only the part of his total compensation which an enlisted man typically receives in cash. Since the enlisted man also receives food, clothing, and shelter in addition at Government expense, his basic pay usually represents around half of his total compensation. For officers, the basic pay rates are supplemented by cash allowances for quarters and subsistence, which increase basic pay by about 35 percent at the present time.

Table 8 shows a comparison of the average pay in the Armed Forces, first on the basic-pay basis and secondly on the more inclusive basis embracing the value of food, clothing, and shelter provided in kind (or as family allowances) to enlisted men or as cash allowances to officers.

As is shown in table 8, the average basic pay in the Armed Forces from Civil War days to the present time has increased from \$231 per man to \$2,067—a ninefold increase. From the index in the lower half of the table it can be seen that basic pay on the average from World War I to the present has undergone a fourfold increase for enlisted men. Civilian pay has also increased nearly fourfold from 1918 to the present. (See table 10.)

The figures in this table are in current dollars. The cost of living index has risen materially since the Civil War, and even since World War I. The figures on the cost of living index—which are not very reliable over a long period and which cannot

be applied with great confidence in a situation where maintenance in kind is provided—are as follows:

	1947-1949=100 1918=100	
1865.....	43	67
1898.....	32	50
1918.....	64	100
1945.....	76.9	120
1952.....	113.5	177
1955.....	114.5	179

Even allowing for the decline in the value of the purchasing power of the dollar according to the above index, it can readily be seen that basic pay has risen substantially through the years. For example, in 1918 the average basic pay for all military personnel in 1947-49 dollars would be equal to about \$797 as compared to \$1,805 in 1955—an increase of 126 percent. For enlisted men alone, on the same bases, the average in 1918 would be equal to \$652 and \$1,460 in 1955—a rise of 124 percent. The figures are admittedly rough, but the trend is clear.

The right half of table 8 shows the figures on basic pay plus allowances. As is shown, average pay plus allowances and main-

TABLE 8.—Estimated Average Basic Pay and Basic Pay Plus Allowances for Officers and Enlisted Men in the Armed Forces

[Selected years, 1865-1955]

Year	Average basic pay ¹			Average basic pay plus allowances ²		
	Officers	Enlisted men	All personnel	Officers	Enlisted men	All personnel
Annual rate in current dollars						
1865.....	\$717	\$202	\$231	\$1,012	\$427	\$510
1898.....	2,101	205	282	2,489	444	528
1918.....	2,141	417	510	2,698	870	968
1945.....	2,442	856	1,017	3,777	1,587	1,811
1952.....	4,453	1,473	1,776	6,234	2,584	2,940
1955.....	5,004	1,672	2,067	6,787	2,742	3,222
Index of annual rate (1918=100)						
1865.....	33	48	45	71	49	53
1898.....	98	49	55	92	51	55
1918.....	100	100	100	100	100	100
1945.....	114	205	199	140	182	187
1952.....	208	353	348	231	297	304
1955.....	234	401	405	252	315	333

¹ Weighted average, based on base and longevity pay only.

² Weighted average of basic pay plus regular allowances furnished in cash or food, clothing, and shelter in kind. Excludes incentive and other special pay, medical care, and value of tax exemptions.

Source: Department of Defense.

tenance for all personnel in current dollars in 1865 was \$510 as compared with an average of \$3,222 in 1955—figures reflecting a sixfold increase. Since the average for all personnel in 1918 was only \$968, there has been more than a threefold increase in the value of cash pay plus allowances between 1918 and 1955. For enlisted men alone the average of \$870 in 1918 compares with \$2,742 in 1955—over a threefold increase. For officers the increase during this period was only about two and one-half times. The ratio of increase for all personnel is greater than the increase for either grades taken separately because of the increasing proportion of higher grade personnel through the years.

The quoted figures are in current dollars. However, if they are deflated by the cost of living index in previous reference, the increase in real compensation from 1918 to 1955 for all personnel was 86 percent. For enlisted men alone it was 76 percent.

The third element which must be taken into account in appraising the total compensation of military personnel consists of a group of special items. One category in this group includes a number of incentive pay items such as flight or combat pay, overseas or sea-duty pay and such other items as bonuses for reenlistment and mustering-out pay or terminal leave pay given upon separation. Comprehensive series are not available for early periods, but data from the Department of Defense since 1945 indicate that the average cost per man of the various special pay items in the various services was as follows:

TABLE 9.—Average Cost of Incentive Pay, Bonuses, and Related Payments per Man in Armed Forces for Fiscal Years 1945, 1952, and 1955

Fiscal year and category	Army	Air Force	Navy	Marines	All services
1945:					
All personnel.....	\$186	(¹)	\$205	\$188	\$101
Officers.....	394	(¹)	379	580	396
Enlisted.....	163	(¹)	186	157	168
1952:					
All personnel.....	199	\$227	229	233	215
Officers.....	239	901	533	660	544
Enlisted.....	194	122	196	128	177
1955:					
All personnel.....	356	774	401	246	485
Officers.....	386	1,105	792	812	766
Enlisted.....	353	720	353	193	449

¹ Included in Army.

These average figures are sizable, but they need to be used with care. Some of the incentive pays (such as flying pay) included in this group are not evenly distributed among military personnel, since some get much more than others. The separation pays (mustering-out pay and terminal-leave pay) tend to be widely distributed, but to lag because they are paid upon separation. For example, the 1955 figures reflect payments to Korean conflict servicemen leaving the Armed Forces.

Another item of major importance in the special category is the medical care which is provided by the Government for all military personnel, and for their families when and if facilities are available. Figures are not obtainable for all the services on the cost of medical care, but Army data show that in the 3 years 1945, 1952, and 1955, the cost per serviceman averaged from \$334 to \$434. Even by the standard of civilian spending for medical care, which is about 5 percent of income on the average, the medical care in military service would appear to have a value of about \$200 per year for the average serviceman.

Finally, military personnel are entitled to various tax exemptions which, in effect, mean an increase in real compensation. During World War II, military pay up to \$2,400 per year was tax exempt. Similar exemptions were provided during the Korean conflict, but they were limited to the servicemen who saw duty in the combat area. In addition, the maintenance provided military personnel in kind and all the quarters, subsistence, and family allowances are not subject to taxes. The value of these exemptions can be measured by comparing the taxes which a civilian and a military man, each with a wife and one child, would pay if they had no other income.

Year	Assumed total income	Federal income tax	
		Serviceman	Civilian
1945.....	\$2,400	10	\$184
	4,000	¹ \$184	609
1955.....	3,800	¹ 11	329
	5,700	² 347	669

¹ Enlisted man.
² Officer.

A precise comparison between the total compensation of military personnel and that of civilians is difficult to make. Military personnel must make a number of unique expenditures incident to military life. Travel allowances seldom cover the cost of moving a household from one base or station to another. Frequent separations from families increase travel outlays. While military jobs are becoming more and more like those in the civilian realm, military occupations have many special elements. Military personnel are also selected on the basis of standards which eliminate the physically unfit and the subnormal—a process which tends to lower the civilian average which includes this segment of the population. However, evidence indicates that the levels of military compensation have been raised, and in recent years there has not been a major disparity between the pay of military personnel and that of people in the civilian economy.

The improvement in military compensation can be indicated in two ways. First, a comparison of the average pay and allowances in the Armed Forces in 1955 of \$3,222, plus the additional item of special compensation (incentive pays, medical care, and tax allowances) which probably have an average value of around \$800, indicates that the weighted average compensation of military personnel is about \$4,000. This figure—the average gross compensation of military personnel in fiscal 1955—may be compared with two sets of figures on the compensation of civilian employees. One of these is the average wages and salaries of all paid, full-time, nonagricultural workers in the United States, adjusted for unemployment. The amount, as estimated by the Department of Labor for calendar 1954, was about \$3,800. The trend in this series for earlier years is shown in table 10.

The second set of figures are the Bureau of the Census statistics on the average income of employed males in the calendar year of 1954. These data showed a median income of \$3,562 which, on a weighted-average basis (precise figures are not available) would probably be in the neighborhood of \$3,700. This comparison is admittedly rough. The Census figure is understated because it includes a number of male workers who are only in the labor force part time. On the other hand, the Armed Forces

TABLE 10.—Average Compensation of Civilian Nonfarm Workers, for Selected Years 1865-1954

Year	Average annual compensation in current dollars				Average annual compensation in constant 1947-49 dollars, adjusted for unemployment	
	Full-time employee	Percent of time lost by unemployment	Adjusted for unemployment		Amount	Index 1918=100
			Amount	Index 1918=100		
1865.....	\$500	6.0	\$470	44	\$1,093	66
1898.....	542	14.8	462	44	1,444	87
1918.....	1,107	4.3	1,059	100	1,655	100
1945.....	2,424	2.5	2,364	223	3,074	186
1952.....	3,747	3.3	3,624	342	3,193	193
1954.....	4,056	6.2	3,805	359	3,323	201

Source: Bureau of Labor Statistics, U. S. Department of Labor.

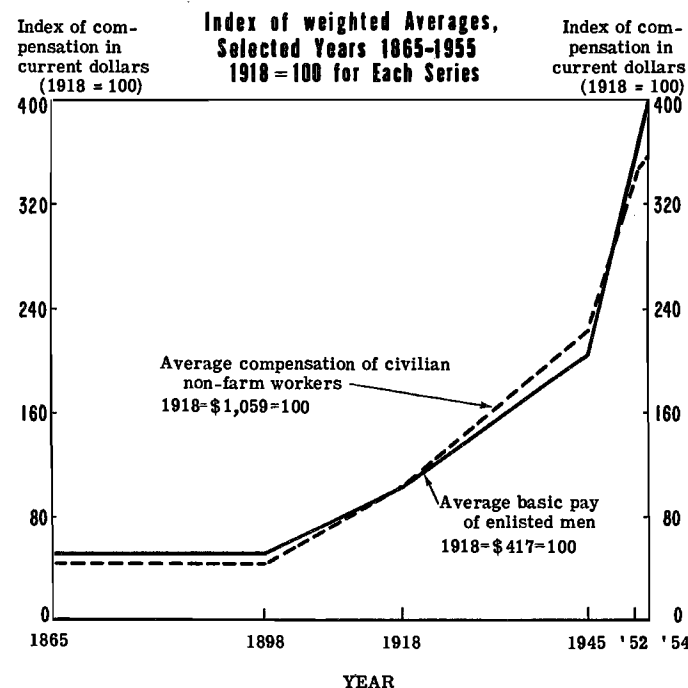
include a much larger proportion of young men below the age of 24 than the civilian labor force—at an age when the Census figures show earnings in civilian life are low.

The pay relationship may also be considered in terms of trends. Since the typical veteran was an enlisted man and since the traditional argument that military personnel are underpaid applies with greater force to the enlisted ranks, this becomes an important point for investigation. Because the bulk of enlisted men are provided food, clothing, shelter, and medical care in kind, and these are the essential needs it is useful to focus on the trend in their basic pay. For lack of a better term, this may be called their “cash spending money.”

The accompanying chart (chart X) compares the trend in average basic compensation for enlisted personnel from 1865 to the present to the trend in the average compensation of full-time employed workers (excluding agricultural laborers) in the United States. In this chart, 1918 is arbitrarily taken as 100 for both series, although they are different in amounts. As can be seen, the two curves parallel each other closely. The “cash spending money” (basic pay) position of enlisted men since 1918 has improved somewhat, compared to the total earnings by civilians. The improvement has been most pronounced since the Career Compensation Act was passed in 1949. Both sets of figures on which these trends have been computed are in terms of “current” dollars. On this basis, average “basic pay” of en-

CHART X

COMPARISON OF TRENDS IN AVERAGE BASIC PAY FOR ENLISTED MILITARY PERSONNEL AND AVERAGE PAY OF CIVILIAN NON-FARM WORKERS



Source: Department of Defense and Department of Labor

listed men between 1918 and 1955 have increased 301 percent. During the same period the increase in total civilian compensation of all full-time paid workers (excluding agricultural employees) has been 259 percent.

Benefits in military service.—A major new development in military compensation has been the growth of various “deferred” or “contingent” benefits. Included in this category are some major benefits provided through the Veterans’ Administration, but they are nevertheless important to the serviceman as a morale factor. Here, again, the big improvement started with the War Risk Insurance Act of 1917, which provided improved disability

and death compensation and established a system of low-cost Government insurance to supplement it. During World War II and subsequent periods, the disability and death compensation benefits were further improved and the survivor benefits in the form of insurance and indemnity benefits have been continued. The crediting of military service on a gratuitous basis since 1940 under the old age and survivors insurance program has added to the amount of survivorship protection under the other programs.

The development of these survivor benefits, together with the payment of family allowances which was started during World War I and continued during World War II and subsequent periods, has enabled a serviceman with family responsibilities to serve with the confidence that his family would be provided with at least the basic living requirements while he was in service, as well as afterward in the event of his death. This assurance was not available to those who served in the wars preceding World War I. The development of "fringe" benefits for the Armed Forces has, of course, in large measure paralleled a similar trend in the civilian economy. Particularly in recent years, fringe benefits have grown very rapidly in the business world.

IS MILITARY SERVICE A HANDICAP: WHAT DO THE VETERANS THINK?

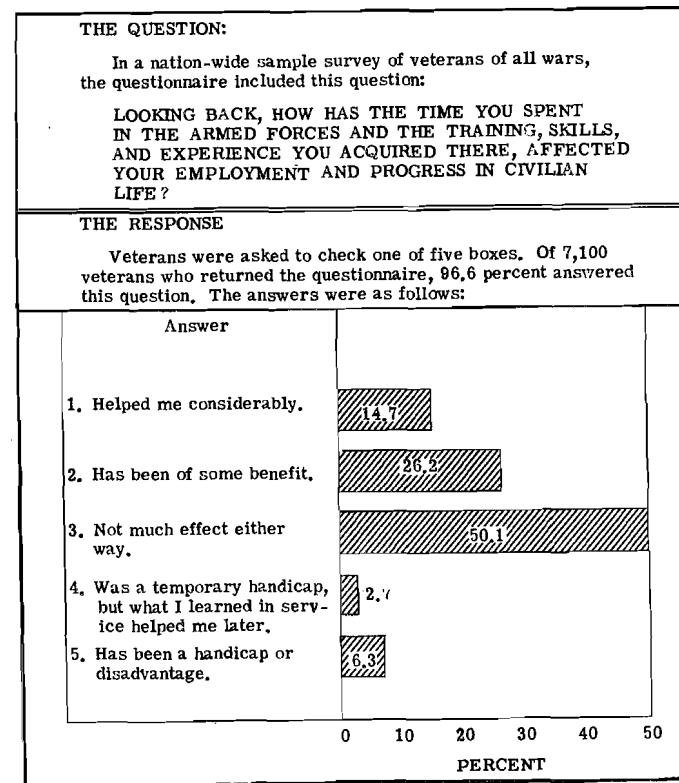
The facts which were gathered for the Commission by the Department of Defense indicate that conditions of military service have improved in favor of the serviceman since the turn of this century. Before these facts were available, the Commission, through the survey made for it by the Bureau of the Census, undertook to find out how the veterans themselves appraised their past military service.

The results of the Census questionnaire—which covered veterans of all wars on a nationwide and scientific sample basis—strongly confirm the results of the Defense Department research. (See chart XI.) Four veterans have found their military service helped them for every one who found it a handicap.

CHART XI

HOW VETERANS EVALUATE THEIR MILITARY SERVICE

Census Survey, October 1955



ASSISTANCE TO VETERANS FOLLOWING THEIR SEPARATION FROM MILITARY SERVICE

Along with the dramatic improvement in conditions of military service, a revolution in the Government's attitude toward veterans occurred with the institution of the readjustment benefit programs. As was indicated in chapter II, veterans of World War I and the earlier conflicts received little more than mustering-out pay unless they were disabled. The vocational rehabilitation program for the disabled World War I veterans, however,

was a marked improvement and enabled the Government to provide assistance to 180,000 veterans at a cost of \$645 million.

The call of over 16 million men to the colors during World War II and the economic difficulties which were anticipated in their subsequent absorption by the civilian economy after the war, brought enactment of the "GI bill of rights" in 1944. Under this program, the Government undertook to provide timely assistance to help restore returning servicemen to normal life in their communities. This was done through the education and training program under which the Government provided assistance to about 50 percent of the veterans at a cost of \$14.5 billion; through loan guaranty assistance under which \$31.8 billion in home, farm, and business loans have been obtained by veterans; and through the unemployment and self-employment allowances under which payments of \$3.8 billion were made to over 8 million veterans. These benefits were also supplemented by mustering-out pay, terminal-leave pay, reemployment rights, and preferences in civil-service employment.

Essentially the same benefits, but in somewhat modified form, have been continued for the Korean conflict veterans. This group was in, of course, a much more favorable position than the World War II veterans as respects employment prospects.

While the World War I group did not receive readjustment assistance, except vocational rehabilitation for those who were service disabled, they received payment of \$3.8 billion in "adjusted compensation" in the 1930's. This assistance came at a time when it was badly needed by many veterans because of difficult economic conditions. The average bonus payments of \$900 per veteran to the World War I group were roughly equivalent to the cost of the Veterans' Administration readjustment benefits for World War II veterans which have averaged something over \$1,300 per man, but have been in dollars of lesser value.

ECONOMIC AND SOCIAL STATUS OF VETERANS AT PRESENT

Data from the Bureau of the Census show that the economic condition of veterans as a group is better than that of nonveterans

in comparable age categories. World War II veterans as a group appear to have overcome their readjustment problems by 1948. Starting with that year, their median incomes have been consistently in excess of the median incomes of male nonveterans in comparable age groups. The veterans of World War I, who are now predominantly in the 55-64, and over 65 age groups, also are better off incomewise than nonveterans in the same age groups. In the case of both these wars, considerably more veterans than nonveterans are in the better paying professional and technical occupations.

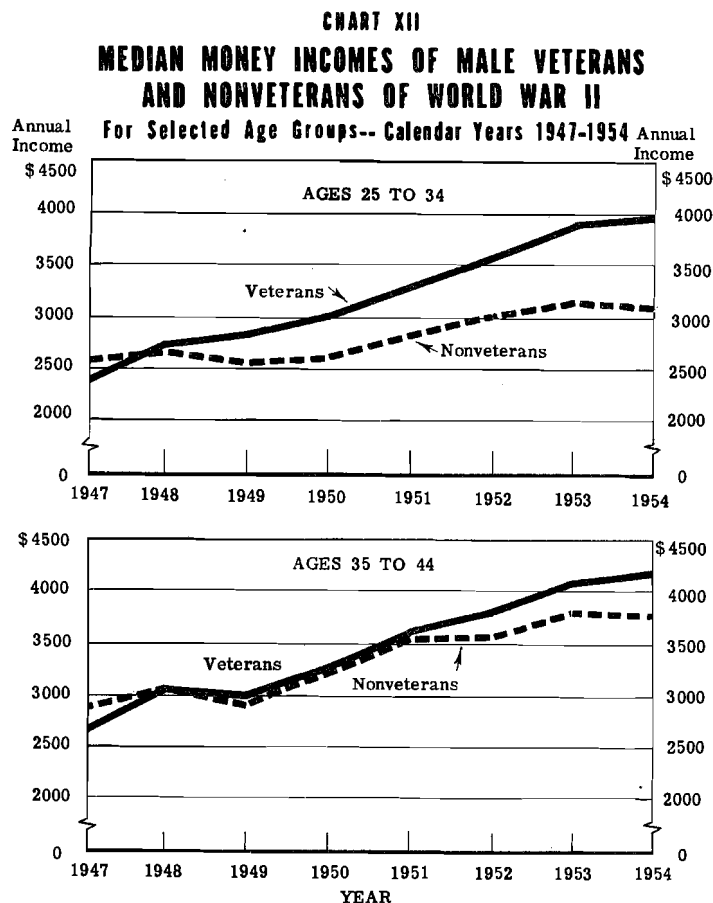
In terms of social characteristics, no data were uncovered which showed veterans were at present materially worse off than nonveterans in the same age groups. The favorable showing of veterans in economic and social spheres is in part a natural result of the fact that they were a relatively select group when taken into military service.

The Present Situation of World War II Veterans

Money income.—In the calendar year 1954, the total monthly income of male noninstitutionalized veterans of World War II was substantially higher than that of nonveterans in comparable age groups. In the age group 25-34, which includes about two-thirds of the World War II veterans, the median income of the veterans was \$3,978, or 29 percent higher than the \$3,073 median income of nonveterans. For the next largest age group of World War II veterans, in ages 35-44, the median income was \$4,227 as compared to \$3,818 for the nonveterans, a differential of 11 percent.

In 1947, the first year for which income figures on World War II veterans are available, the incomes of veterans in both of these groups were only 93 percent as high as those of the nonveterans. However, starting with 1948, the difference was overcome, and subsequently there has been a steady increase in favor of veterans, especially in the 25-34 age group. (See chart XII.)

Occupational distribution.—Available data as of calendar 1952 indicate that there is a significantly higher proportion of veterans in the professional and technical occupational groups.



Correspondingly, the proportion of veterans in the common labor groups was lower.

Work status.—Despite the fact that the veterans' group includes some who are disabled from service-connected causes, 82 percent of the veterans worked 48-52 weeks during calendar 1952, as compared to only 80 percent of nonveterans in the 25-59 age group. This differential in favor of veterans was evident throughout the various age groups.

Educational level.—There are very striking differences between World War II veterans and nonveterans in all age groups.

The median education level of World War II veterans in October 1952 was 12.2 years of school; for nonveterans in the 25-59 year group, the median was only 9 years. In a large measure this difference represents the effect of the GI bill benefits provided to the veterans; it also reflects selection standards used in drafting men during World War II.

The disparity in the educational level of veterans as compared to nonveterans is evident in all age groups. Strikingly, only 23 percent of the World War II veterans have completed not more than 8 years of school, while nearly 50 percent of nonveterans are in this category. Conversely, 32 percent of the veterans have completed high school; only 18 percent of the nonveterans. Similarly, 24 percent of all World War II veterans have had at least 1 year of college as compared to only 13 percent of the nonveterans. Since education is a very important index of probable success in later life, it is evident that World War II veterans, as a group, have a much better outlook than nonveterans.

Marital status.—Census data for April 1952 show that the marital status of World War II veterans and nonveterans in the 25-59 age group is almost the same. Ninety-six percent of the veterans were married as compared to 95 percent of the nonveterans.

Number of children.—A comparison of the households of veterans and nonveterans, by number of children under 18 years of age, indicates that World War II veterans had fewer children on the average than the nonveterans. This may reflect a delay on the part of veterans in getting families started; or it may be associated with their higher income level. For example, in the 25-34 age group, 22 percent of the veterans had no children under 18, while only 19 percent of the nonveterans were in this category. On the other hand, while 18 percent of the veteran had 3 or more children under 18, nearly 32 percent of the nonveterans were in this category.

In the 35-44 age group, 31 percent of the veterans had no children; 18 percent of the nonveterans. At the other end of the distribution, 20 percent of the veterans had 3 or more children

while about 35 percent of the nonveterans had 3 or more children.

Liquid assets and home ownership.—The Commission was unable to obtain comprehensive data on the total asset position of veterans as compared to nonveterans. However, data from the Federal Reserve Board's Survey of Consumer Finances, indicate that veterans in calendar 1948 as a group had significantly larger liquid asset holdings than nonveterans, and that in 1955 they were at least as well off.

Similarly, as to home ownership, the percentage of veterans owning homes was at least as large or larger in both years. The percentage of veterans owning homes in 1948 was slightly higher in the 19–24-year group, and slightly lower in the 35–44 group. By 1955, veterans appeared to own homes in equal or greater percentages in all age categories, except the few aged 45–54 years. Accurate information on the median amount of equity in homes for 1948 was not available, but there was some evidence based on data for early 1949 that veterans had lower amounts. For 1955, it appears that veterans have approximately the same amount of equity in age groups 25–34, but smaller amounts in other age groups than the nonveterans.

The Present Situation of World War I Veterans

Data from surveys by the Bureau of the Census indicate that World War I veterans—who are now largely in their fifties and sixties—are also better off than nonveterans in the same age groups. The incomes of the veterans are higher than those of the nonveterans and significantly more veterans than nonveterans are in the professional category.

The evidence is somewhat blurred because census data on the older “veterans” cover both “peacetime” as well as wartime veterans. However, the preponderance of World War I veterans in these age groups is known to be so great that the conclusions are unaffected.

Money income.—The median total money income of veterans with income in the age 55–64 group (excluding any veterans of World War II) in calendar 1954 was \$3,342 as compared to

\$3,123 for all other males in the same age group. In the age group 65 and over, the veterans with income had a significantly greater margin, since the median annual income was \$1,715 as compared to only \$1,221 for the other males in this category.

At the same time, a higher proportion of veterans than nonveterans in these groups had incomes. In the 55–64 age group, 97.2 percent of the veterans had incomes; 95.4 percent of the nonveterans. In the 65-and-over category, 96.2 percent of the veterans had incomes as compared to 91.9 percent of the nonveterans.

Occupational status.—Data from the April 1955 census survey show that 81.9 percent of the veterans (other than World War II) were employed, compared to 83.7 percent of the other males in the 55–64 age group; and 43.1 percent of the veterans compared to 37.3 percent of the nonveterans in the over-65 group.

Among those employed in the 55–64 group, the most noticeable differences in the occupational distribution was that 10.4 percent of the veterans were in the professional and technical category while only 6.5 percent of the nonveterans were in this group, and only 9 percent of the veterans were farmers as compared to 13 percent for all other males. In the over-65 age group, veterans were even more noticeably in higher level occupations than nonveterans.

Chapter IV

THE COST OF VETERANS' PROGRAMS

The budget expenditures for veterans' benefits and services by all Federal agencies in the fiscal year 1955 amounted to \$4.5 billion. This was more than eight times the \$560 million spent for veterans' benefits in 1940. (See chart I.) This increase was the natural result of the tremendous increase in the veteran population since 1940 and of the wider variety of benefits provided to veterans under more liberal conditions.

The Pattern of Veterans' Expenditures

The pattern of veterans' expenditures for any war under the laws now on the books will show two peaks with a long valley in between. The first peak comes within a few years after the end of the conflict and results from increased outlays in two sets of programs: readjustment benefits and compensation benefits. Expenditures for readjustment benefits rise sharply for 2 or 3 years and then fall off just as sharply toward a lower level in a half-dozen years. For example, Veterans' Administration readjustment benefits for World War II veterans reached a peak in the neighborhood of \$3.5 billion annually in the fiscal years from 1947 to 1949, and by 1955 had declined to only about \$100 million. The second factor adding to the early peak is the increase in expenditures for compensation and insurance benefits to pay claims for service-connected disabilities and deaths resulting from the conflict.

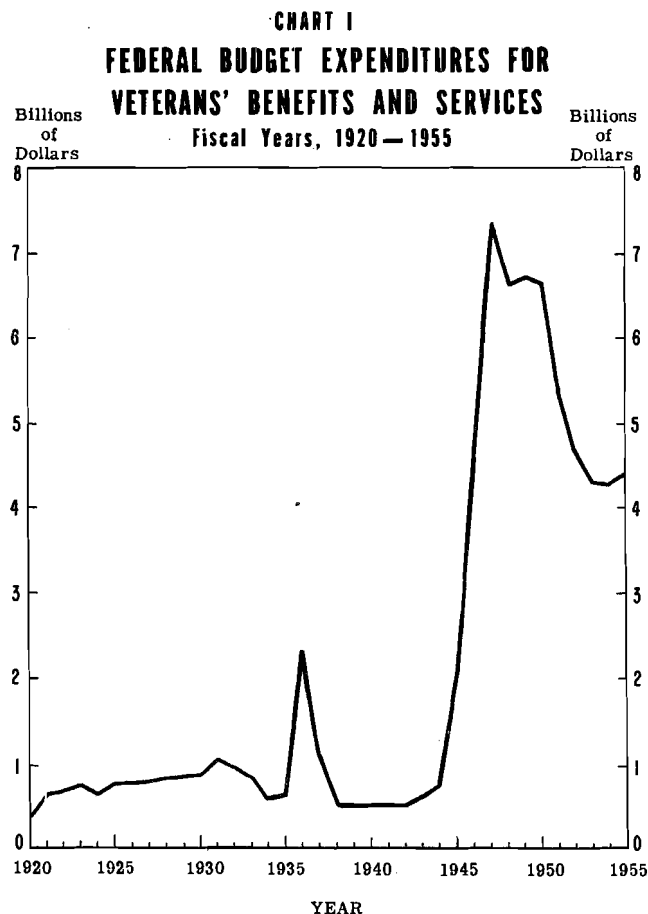
In terms of sustained expenditures, the rise in the compensation roll following a war is by far the most significant. This is because compensation cases remain on the roll for many years. In the case of dependents, they remain until the children reach 18 or 21, or until the widows remarry or die. In the instance of disabled veterans, benefits are paid until recovery, or until death

if the disability is permanent. Accordingly, the compensation roll, which increases sharply after a conflict, declines very slowly over many years—and even this trend may be checked by an increase in rates or a liberalization of eligibility requirements by new laws.

The second peak in veterans' expenditures following the end of a conflict occurs some 40 to 60 years afterward. This is the non-service-connected pension peak. Pension expenditures tend to begin at a very slow rate, since there are likely to be very few veterans totally disabled from nonwar causes in the younger ages and relatively few deaths. But as a group of veterans advance in age, the number of the disabled increases and deaths mount. Typically, as the veterans reach age 65–70 they come on the non-service-connected pension rolls in large numbers. Then, as these venerable veterans die, their widows claim benefits in large numbers and keep the expenditures going at a high level. Since only a fraction of the veterans who serve in a conflict tend to be disabled from war causes, the pension peak is likely to greatly exceed the compensation peak, especially if general or service pensions are provided.

The pattern of expenditures from 1921 to 1940 in chart I reflects a merging of these diverse forces. It reflects the service-connected death and disability compensation expenditures for World War I veterans, which rose in the 1920's and early 1930's, declined somewhat following the Economy Act of 1933, and then recovered slightly and essentially leveled off until the late 1940's. In addition, it includes a rise in non-service-connected pensions for Spanish-American War veterans and their dependents from a low level in the early 1920's to a peak in the late 1940's. Finally, the peaks in 1931 and 1936–37 reflect payments by the Treasury on the World War I bonus of \$3.8 billion.

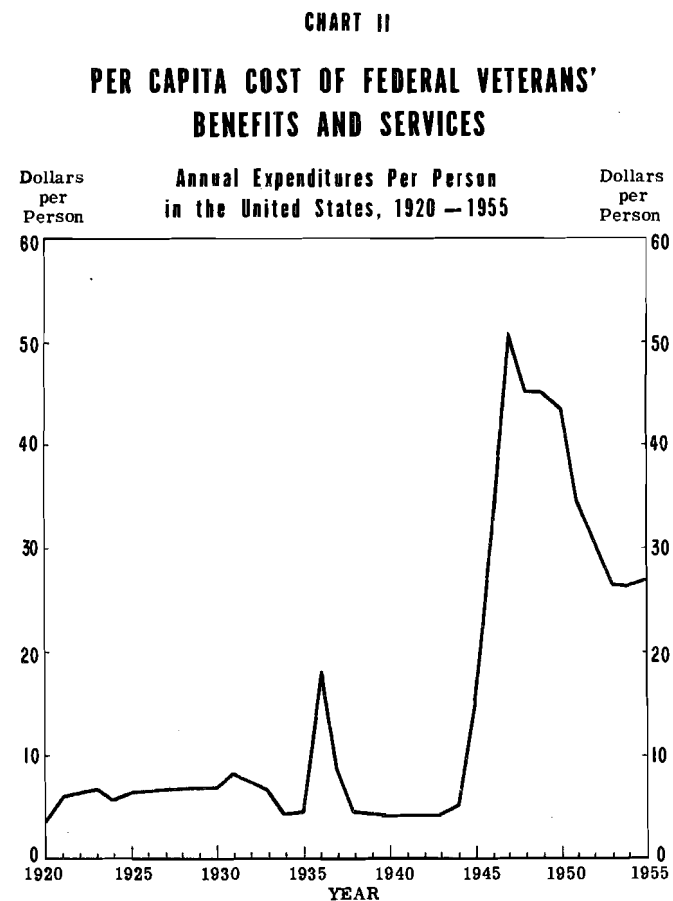
The impact of World War II on veterans' expenditures was not evident until the war ended. Starting in 1945, there was a precipitous tenfold rise to a peak of nearly \$7.4 billion in 1947 as readjustment, insurance, and compensation expenditures for World War II veterans became dominant. Thereafter, an almost steady decline took place until 1954 as World War II read-



justment programs tapered off. In 1955, the combined effect of the new Korean conflict readjustment and compensation benefits and the rise of non-service-connected pension outlays for the aging World War I veterans once more turned the trend upward.

Per Capita Cost of Veterans' Benefits and Services

One measure of the importance in the rising trend in veterans' expenditures is to view them in terms of the average cost for every man, woman, and child in the United States. Chart II,



which shows the trend in Federal expenditures on a per capita basis, illustrates the increasing impact of veterans' programs in our society. In 1955, the cost of Federal veterans' benefits and services was \$27 per American citizen. Since the average family or household includes about 3½ persons, this means that each family, on the average, must pay in taxes about \$95 a year to support veterans' programs alone.

This \$27 per capita cost of veterans' programs in 1955 is only slightly over one-half the cost per person in 1947, the post-World War II peak. However, it is from four to six times greater than

the cost of \$4 to \$7 per capita during most of the years from 1920 to 1944—a substantial increase even if rising prices are taken into account.

Veterans' Expenditures in Relation to Total Federal Expenditures

The increase in cost of the veterans' programs, of course, has occurred at the time when total Federal expenditures have increased tremendously. The Federal budget in the 1920's was typically about \$3 billion; toward the end of the 1930's it rose to nearly \$9 billion a year. However, now it is at the level of about \$65 billion a year.

Of this expanded total of \$65 billion, which amounts to \$390 for every man, woman, and child in the United States, the veterans' expenditures of \$4.5 billion are only 7 percent or \$27 per capita.

The Indirect Costs of Veterans' Benefits and Preferences

In appraising the costs of veterans' programs to the Federal Government or their impact on the economy of our society, it should be noted that figures are available on only the directly identifiable costs of veterans' benefits. Veterans' programs have significant effects beyond those reflected in budget expenditure figures. For example, the Veterans' Administration loan guaranty program—under which \$34 billion in loans have been insured or guaranteed since 1945 under a preferential interest rate of 4 or 4½ percent—has profoundly affected the whole mortgage and financial situation and the home building and ownership pattern of the country. The effect of this program on national credit policies has certainly been of more significance than the Government expenditures which the program has occasioned to date. The tremendous contingent liability which the Government has in event of possible future defaults on Veterans' Administration guaranteed mortgages may—especially if there should be an unforeseen economic downturn—be reflected in large future budget costs.

The significance of the various special preferences for veterans is also difficult to assess, but it is undoubtedly very great. For example, within the Federal establishment the veterans' pref-

erences dictate in major measure who is hired and who is fired. In this way they undoubtedly influence the efficiency and morale of our 2 million Federal employees. Such preferences are common also in public employment at State and local government levels.

State and Local Government Veterans' Programs

Along with the expanding scope of Federal programs for veterans, the Commission's surveys showed that there has been much veterans' legislation enacted by State legislatures, particularly since World War II. These State laws provide not only extensive veterans' preferences, but services such as homes for old veterans, pensions, educational grants, land grants, and loan privileges.

Of all cost benefits, the State veterans' bonus benefits have been the largest. As of June 30, 1955, 21 States had enacted and largely paid bonuses for World War II service costing \$2.4 billion. On the same date, legislatures of 12 States had enacted bonuses for Korean conflict services estimated to cost \$200 million, and had already paid \$71 million.

The trend of State government expenditures for veterans' programs and their purposes is indicated in table 1.

Future Trends in Veterans' Expenditures Under Existing Laws

Since the bulk of veterans' expenditures for any conflict comes many years after the end of the war, it is especially important to look far ahead in formulating policy in this field. The first-year cost of a proposal in this field is usually but a small fraction of the ultimate cost.

The long-term trend in Veterans' Administration expenditures, even under existing laws and regulations, is upward. Although most of the World War II readjustment expenditures have been made and service-connected disability and death benefits have essentially leveled off, the upward sweep in non-service-connected pension payments will mean that expenditures during the remainder of the century are likely to rise considerably above the levels of recent years. This assumes that existing laws and regulations will not change and that there will be no increases in

TABLE 1.—State Expenditure for Veterans Benefits and Services, Selected Years, 1940-1954
[In millions of dollars]

Purpose	1940	1941	1942	1943	1944	1947	1948	1949	1950	1951	1952	1953	1954
Total	20	18	18	15	77	250	715	574	504	379	190	162	159
Educational services and benefits	(1)	(1)	(1)	(1)	1	3	3	3	4	5	5	4	4
Pensions, institutional care, and other welfare services	(1)	(1)	(1)	(1)	12	21	22	31	32	34	34	34	38
Hospital and other medical services and benefits	(1)	(1)	(1)	(1)	4	8	10	10	10	10	10	11	10
Veterans' benefits	(1)	(1)	(1)	(1)	47	159	615	505	443	316	125	97	89
Bonus payments	(1)	(1)	(1)	(1)	(1)	1	51	11	3	2	2	1	1
Bonus administration	(1)	(1)	(1)	(1)	3	51	1	1	1	2	2	2	3
Veterans' housing	(1)	(1)	(1)	(1)	1	1	1	1	1	1	1	1	1
Administration of veterans' loan program	(1)	(1)	(1)	(1)	2	3	4	5	5	6	8	8	8
Other veterans' services	(1)	(1)	(1)	(1)	1	1	1	1	1	1	1	1	1

(1) Minor amounts, if any, included with "pensions, institutional care, and other welfare services."

(2) Includes minor unsegregable amounts for other veterans' services.

(3) Includes Korean conflict bonus.

(4) Less than \$500,000.

(5) Primarily reimbursements to local taxing units for tax losses due to veterans' home stead exemptions.

Notes.—Figures may not add to totals because of rounding.

Source: Bureau of the Census.

benefit rates. It also assumes that there will be no readjustment benefit programs enacted for the peacetime servicemen who enter military service after February 1, 1955, when entitlement to the Korean GI bill benefits was terminated.

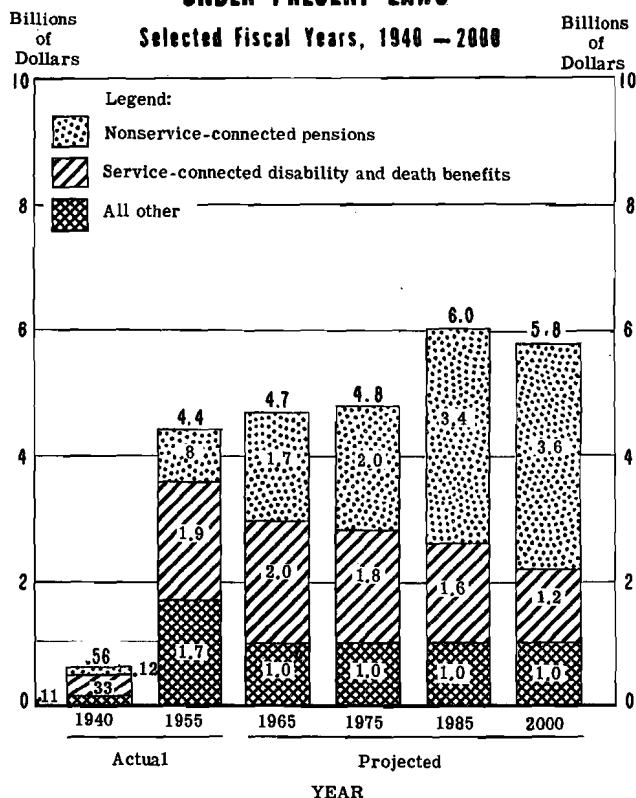
As can be seen in chart III, a gradual rise in expenditures is indicated during the next 30 years. The mounting costs are mainly in the non-service-connected pensions. The increase in the first 10 years is due to non-service-connected disability and death pensions for World War I veterans and their survivors. In this same period, service-connected disability expenditures will increase slightly as a result of the recent Korean conflict. As many World War II veterans reach the age of 65 between the years 1985 and 1995, the high point will be reached. The rise will occur notwithstanding the fact that expenditures for disability compensation are expected to decline substantially after reaching their peak level around 1965.

The importance of non-service-connected pensions in the future picture of veterans' expenditures can be seen from table 2 and from chart III. During the fiscal year 1955, non-service-connected disability and death pensions accounted for \$800 million out of the \$4.4 billion of Veterans' Administration expenditures. By 1965 the rate of non-service-connected pension outlays will be more than doubled, and will reach \$1.7 billion annually. Then by 1985 the non-service-connected pensions will account for \$3.4 billion out of an estimated \$6 billion. This will represent more than a fourfold increase in non-service-connected pensions in the next 30 years.

These expenditure projections are made on the assumption that existing laws and regulations will continue. They also assume present price levels and continuing high-level employment in the economy. The latter assumption is important, because an economic downturn would cost many veterans their jobs and they would probably turn to the non-service-connected pension program for assistance.

In the expenditure projections a major assumption has been made with respect to the proportion of veterans who would be eligible for non-service-connected pensions in future years. Ex-

CHART III
VETERANS' ADMINISTRATION BUDGET EXPENDITURES
UNDER PRESENT LAWS



perience with respect to the World War I group of veterans indicates that an increasing proportion of veterans over 65 are qualifying for non-service-connected pensions. In the fiscal year 1947 only 15 percent of the World War I veterans who were 65 or over were on the pension roll. Since then the percentage has risen steadily. At present, 34 percent of the veterans who are in this age group are drawing pensions, and this figure is understated because of a lag in their placement on the roll. Accordingly, in the projections based on assuming existing laws, the assumption has been made that 50 percent of the veterans who

will reach 65 will be on the non-service-connected pension roll in future years.

The Outlook for Veterans' Expenditures in Future Years If General Pensions Are Enacted

The issue involving non-service-connected pensions is most important. The Commission secured estimates analyzing their import in respect to future Federal budgetary expenditures if the traditional pattern of enacting general pensions should bring World War I, World War II, and Korean conflict veterans into the picture.

For this analysis, it was assumed that service pensions payable at age 65 would be provided to all present wartime veterans. It was further assumed that pensions to veterans after age 65 would be at the rate of \$100 a month as compared to the present rate of \$78.75. It was also assumed that service pensions would be payable to surviving widows at a rate of \$65 monthly as compared to the present rate of \$50.40 and to minor children of such veterans, at rates 30 percent higher than the present.

It should be noted that the cost under these assumptions of a general service pension would not be materially higher than the cost of a program at similar rates where veterans would be presumed unemployable at age 65 and pension payments would be made subject only to limitations on outside income at present or even higher levels. Statistics from the Bureau of the Census indicate that comparatively few persons aged 65 have incomes greater than these amounts, so the effect of existing income limits in reducing pension eligibility would be small and the effect of certain proposed higher limits would be negligible. While some current proposals do not include a liberalization of eligibility conditions and rates for widows and dependent children, it is only logical to assume that this would be the next step following such liberalization for veterans.

Under the relatively conservative assumptions made by the Commission, the impact on Veterans' Administration expenditures of a service pension in future years would be staggering. It can be seen from table 2 and chart IV that Veterans' Ad-

TABLE 2.—Veterans' Administration Budget Expenditures

Selected fiscal years, 1920-2000
[In millions]

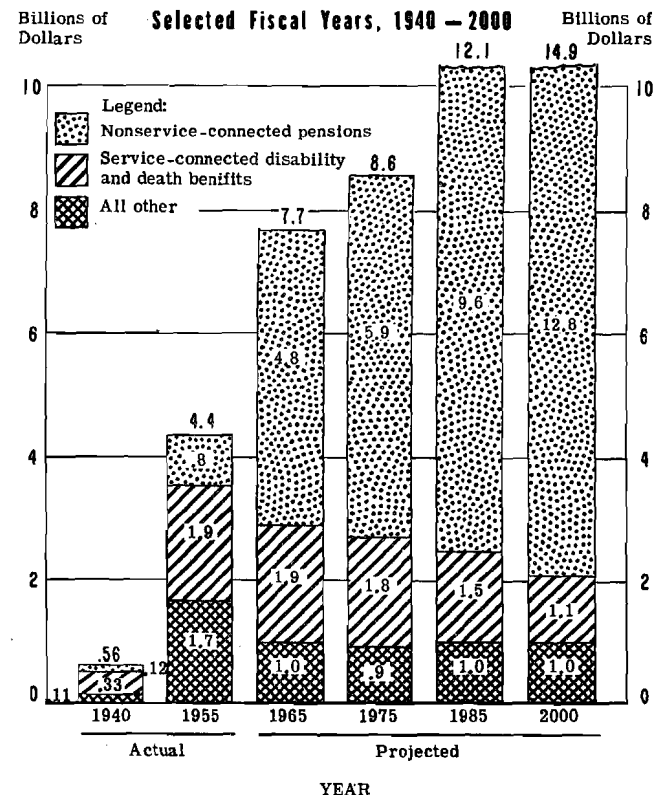
Fiscal year	Total	Service-connected disability compensation ¹	Service-connected survivors' benefits ²	Non-service-connected pensions to veterans and dependents	Medical, hospital, domiciliary, including construction	Readjustment and rehabilitation benefits	Administrative and miscellaneous benefits
ACTUAL							
1920	\$494	\$85	\$141	\$209	\$6	\$35	\$18
1930	639	170	157	214	69		29
1940	558	194	80	185	88	(3)	21
1941	553	187	75	187	83	(3)	21
1942	556	189	74	184	86	(3)	23
1943	606	190	107	191	89	(3)	29
1944	744	228	188	191	103	1	33
1945	2,085	382	1,253	235	118	41	66
1946	4,425	744	1,613	254	218	1,401	165
1947	7,497	1,171	1,069	332	573	3,893	450
1948	6,497	1,202	384	386	551	3,572	402
1949	6,660	1,181	381	424	709	3,588	377
1950	6,627	1,229	784	476	750	3,065	323
1951	5,296	1,205	361	520	700	2,219	291
1952	4,930	1,203	560	560	776	1,574	257
1953	4,332	1,337	479	662	752	861	241
1954	4,229	1,364	472	718	762	715	198
1955	4,405	1,432	464	800	718	800	191
ESTIMATED							
Under present laws:							
1960	4,697	1,436	534	1,340	814	398	175
1965	4,679	1,395	584	1,704	824	19	163
1970	4,568	1,348	555	1,720	823	-31	153
1975	4,766	1,295	529	1,971	822	-8	157
1985	6,002	1,133	434	3,442	825		168
2000	5,813	859	324	3,652	807		171
Under assumed laws:							
1960	6,836	1,388	535	3,526	814	398	175
1965	7,697	1,334	584	4,783	824	19	163
1970	7,297	1,297	555	5,000	823	-31	153
1975	8,625	1,247	529	5,877	822	-8	157
1985	12,129	1,052	434	9,650	825		168
2000	14,900	770	324	12,828	807		171

¹ Includes World War I emergency officer's disability retirement. For wars prior to World War I, all compensation expenditures are included under pensions.² Includes VA death compensation, indemnities, and reimbursements to NSLI and USGLI trust funds.³ Less than \$500,000.

Source: Veterans' Administration and President's Commission on Veterans' Pensions.

ministration expenditures would increase from a level of \$4.4 billion in 1955 to a total of \$14.9 billion by the end of the century. Non-service-connected pensions would increase from \$800 million in 1955 to \$4.8 billion in 1965 at the peak of the World War I pension period. By 1985 or thereabouts, pension outlays would start to climb again as World War II and Korea veterans and their dependents would be added to the rolls. Non-service-connected pension expenditures would soar to a total of \$12.8 billion by the year 2000.

Under the foregoing assumptions, the non-service-connected pensions which are now only about 18 percent of the total ex-

CHART IV
VETERANS' ADMINISTRATION BUDGET EXPENDITURES
ASSUMING SERVICE PENSION

penditures would by the year 2000 represent an estimated 8 percent of all Veterans' Administration budget outlays.

Additional Expenditures If Readjustment Benefits Should Be Provided for Peacetime Servicemen

The estimates in table 2 assume that standing forces of million will be maintained in future years, with an annual turnover of 700,000 persons. In the figures shown in this table, under both existing laws and assumed laws, no provision has been made for any readjustment benefits for the peacetime servicemen wh

have entered service since February 1, 1955, when entitlement for the Korean GI bill benefits terminated.

At the request of the Commission, the Veterans' Administration developed estimates of the expenditures which would be required in future years if readjustment benefits should be provided for peacetime servicemen similar to those which were provided for Korean conflict veterans. These estimates indicate that provision of education and training benefits alone would involve gradually increasing expenditures, which would level off at about \$700 million annually after 1965. Vocational rehabilitation benefits might be expected to reach an annual cost of about \$25 million. If the costs of unemployment compensation under laws similar to those presently administered by the Labor Department plus mustering-out benefits by the Department of Defense are added, the total cost of readjustment benefits for the peacetime servicemen would run in the neighborhood of \$900 million annually—or an average of about \$1,300 per man entering the Armed Forces. As indicated, this cost would be in addition to the amounts shown in table 2 and in charts III and IV.

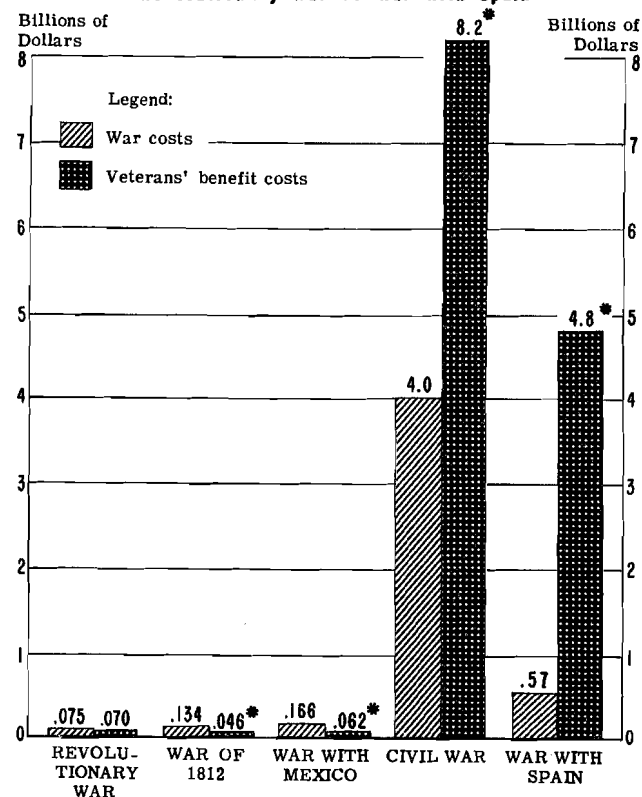
War Costs and Veterans' Expenditures Compared

People are generally aware of the vast sums spent in fighting a war. However, few probably realize that the cost of veterans' benefits for several important wars has exceeded the actual military cost of those conflicts. In turn, most veterans' benefit costs for those conflicts have been for non-service-connected pensions.

Civil War and Spanish-American War history dramatically emphasizes the point. The military cost to the Union of fighting the Civil War was about \$4 billion. The cost of veterans' benefits—largely for pensions—will exceed \$8 billion. Spanish-American War pensions have cost \$3.7 billion to date, six times the actual military cost of the conflict. The veterans' expenditures are still continuing, and it is expected that Spanish War veterans' benefits will ultimately cost eight times the military outlay. (See chart V.)

The Commission prepared estimates on the ultimate cost of veterans' expenditures for the World War I, World War II, and Korean conflict groups. (See chart VI.) These estimates are

CHART V
MILITARY COST OF WARS VERSUS
COST OF VETERANS' BENEFITS
Revolutionary War To War With Spain

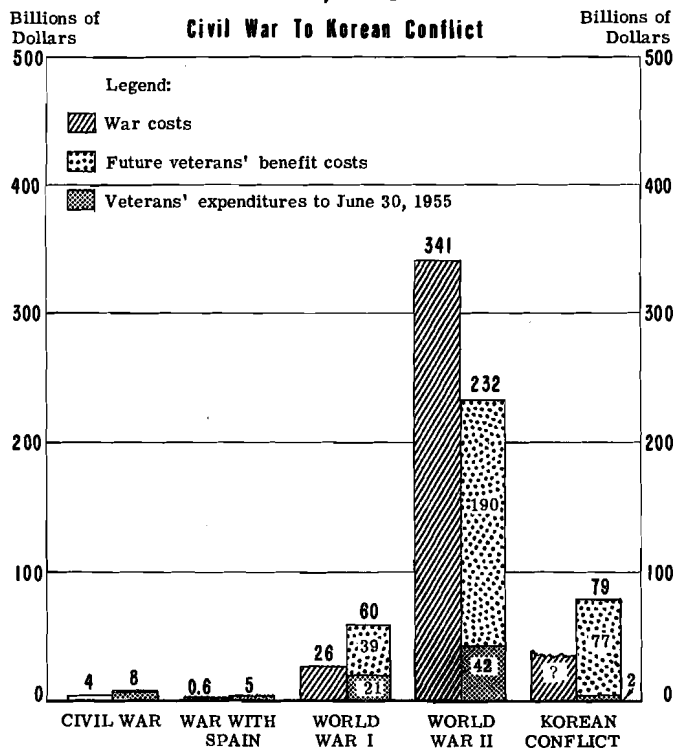


* Partly estimated.

not precise. However, they are sufficiently accurate to indicate that veterans' expenditures for these wars, under existing law, are likely to reach totals which will exceed or be a substantial proportion of military cost. This in spite of the astronomical military costs of modern war.

If service pensions should be enacted, the cost of veterans' benefits will far exceed the military costs of World Wars I and II and the Korean conflict.

CHART VI
MILITARY COST OF WARS VERSUS ESTIMATED COST OF VETERANS' BENEFITS, UNDER PRESENT LAWS



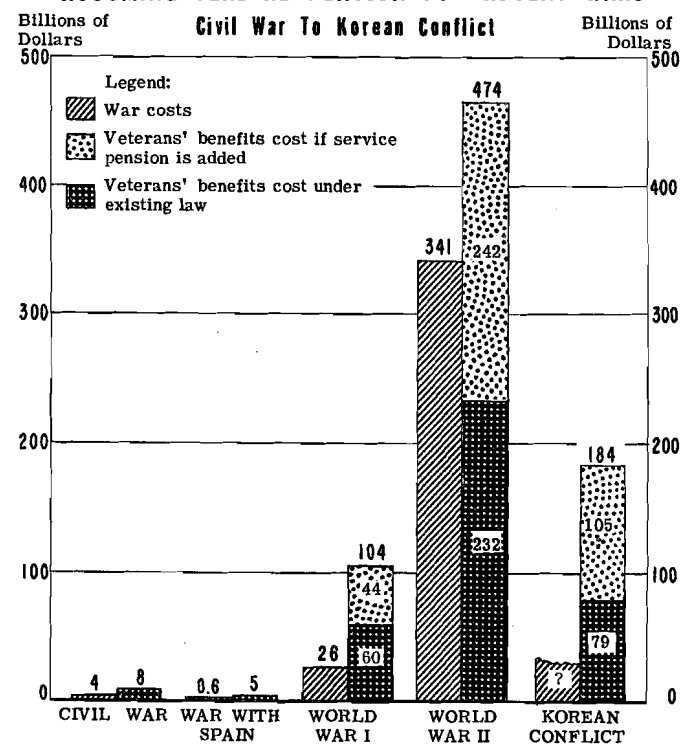
The Commission's projections indicate that under existing laws the cost of veterans' benefits to our World War I, World War II, and Korean conflict veterans, for the past and the future will total \$371 billion. (See chart VI.) Of this, 52 percent would be for non-service-connected pensions, 21 percent for service-connected compensation payments, and 27 percent for medical, readjustment, bonus, and other benefits. Of the total of \$371 billion, \$306 billion yet remains to be paid.

Assuming the enactment of service pension legislation in the future, the aggregate disbursements for veterans' benefits, past and present, for these three wars, would be \$762 billion. Of this

sum, 77 percent would go for non-service-connected pension. The veterans' costs for each war would substantially exceed the military costs. (See chart VII.)

The foregoing figures are on a disbursement basis and represent expenditures which would be made over many years. However, even if they were discounted at 3 percent and their present value derived, the fact remains that under existing laws the \$306 billion of veterans' benefit outlays yet to be made would have a present value of \$140 billion. If the service pension assumed, the present value would be \$290 billion. These figures

CHART VII
MILITARY COST OF WARS VERSUS ESTIMATED COST OF VETERANS' BENEFITS, ASSUMING GENERAL PENSION FOR RECENT WARS



compare with the total Federal debt which, at the present time, is \$274 billion.

By comparing chart V and chart VII, the necessity for carefully examining past precedents becomes obvious. As has been indicated in an earlier chapter, the first precedent for enactment of a service pension for veterans was established in years following the Revolutionary War. This precedent was reenforced by adherence to it in the succeeding conflicts. However, chart V shows how relatively minor the outlay for pensions following these earlier wars was, and chart VII how tremendous its consequences would be if it were followed with respect to our vastly enlarged veteran population. Established after the Revolutionary War, the precedent entailed expenditures of only \$70 million. If general pensions were provided for World War I, World War II, and Korean conflict veterans, the expenditures would total \$762 billion. By enacting a general service pension for our present wartime veterans and their dependents, the Government would thereby assume the obligation to spend an additional \$390 billion, in the years to come.

The Cost of Veterans' Benefits Per Serviceman

Since it is difficult to comprehend sums that run into billions, it is useful to examine such vast benefit expenditures in terms of cost to the Government for each wartime serviceman. Table 3 shows a rough computation of this sort. It is made by simply dividing the aggregate benefit and pension expenditures (actual plus estimated future) for each of the conflicts by the total number of servicemen who served during the wars. Statistics on numbers of veterans are from the records of the Veterans' Administration. The figure obtained is the average cost to the Government for all veterans' benefits—largely for pensions—for each man who served during a war.

This tabulation reenforces the conclusion which is indicated from the charts in the preceding section. That veterans' benefits, and especially pensions, are extremely costly. For example, under existing laws the cost per Spanish-American War serviceman is around \$12,200, and the cost for succeeding wars promises to be higher.

TABLE 3.—*Estimated Average Cost of Veterans' Benefits per Serviceman in Each War*

Conflict	Number in Armed Forces during war (thousands)	Cost of veterans' benefits			Cost per serviceman	
		Non-ser- vice-con- nected pensions	All other	Total	Non-ser- vice-con- nected pensions	Total
		Billions			Thousands	
UNDER PRESENT LAWS						
Civil War.....	2,213	(1)	(1)	\$8.2	(1)	\$3.7
Spanish-American War.....	392	(1)	(1)	4.8	(1)	12.2
World War I.....	4,744	\$30.8	\$29.5	60.3	\$6.5	12.7
World War II.....	16,535	109.2	123.2	232.4	6.6	14.1
Korean conflict.....	2 5,331	53.0	26.3	79.3	9.9	14.9
ASSUMING SERVICE PENSION FOR RECENT CONFLICTS						
Civil War.....	2,213 ¹	(1)	(1)	8.2	(1)	3.7
Spanish-American War.....	392	(1)	(1)	4.8	(1)	12.2
World War I.....	4,744	75.7	28.5	104.1	16.0	22.0
World War II.....	16,535	354.2	119.7	473.9	21.4	28.7
Korean conflict.....	2 5,331	158.3	25.6	183.8	29.7	34.5

¹ No breakdown is available, but expenditures were largely for non-service-connected pensions.
² Does not include 1,476,000 veterans who served in World War II and Korean conflict.

The high cost of pensions becomes even more apparent when one recalls that some of the conflicts were of relatively short duration. When this is taken into account, it is evident that the Nation in some instances paid an extremely high premium for the war service rendered. During World War II the 15,200,000 American servicemen who served at various times during the period of fighting from December 1941 to August 1945 rendered an estimated 33,700,000 man-years of service. Assuming existing veterans' laws the Federal Government will spend an estimated \$232 billion for veterans' benefits for this war, or \$6,900 per man-year. If service pensions should be enacted, the expenditures would reach \$474 billion, or \$14,000 per year actually served during the period of actual fighting. Even if allowance is made for the fact that many men remained in uniform after hostilities ended, or for the fact that these benefits are paid many years after the war, the cost of veterans' benefits, per year of service during the "emergency" period, under the traditional pension approach is still large.

Veterans' Compensation and Pension Expenditures

In view of the importance of compensation and pension expenditures in the whole pattern of veterans' programs, these items merit a closer look. Table 4 shows, for both veterans' and dependents' benefits under these programs, the figures on actual expenditures for selected years starting with 1940, and projections for future years under the two sets of assumptions which were used in table 3. As can be seen, expenditures for compensation and pensions programs together, under existing laws, will increase from \$2.7 billion in 1955, to an estimated \$4.8 billion by the year 2000. If the service pension postulated above is assumed, the increase in expenditures for these two benefits would increase from \$2.7 billion in 1955 to a total of \$13.9 billion by the year 2000.

Of equal interest to the money figures are the projections of cases or families who will draw these benefits from the Veterans' Administration. As shown in the bottom half of table 4, only 845,000 cases were receiving Veterans' Administration benefits in 1940. By 1955 the number had reached 3,424,000. If one assumes existing laws will continue, it can be seen that by 1965 veterans' compensation and pension benefits will be paid to 4,398,000 cases, and by the year 2000, the number of cases on the rolls will increase to 5,156,000. While 71 percent of the cases were on the service-connected compensation roll in 1955, the ratio will decline until, by the year 2000, only 29 percent will be receiving service-connected compensation.

If one assumes the liberalized service pension as described, an even more striking increase in the number of cases on the Veterans' Administration rolls would result. Between 1955 and 1965, the number of cases on the rolls under the two programs combined would increase slightly more than two times, to 7,256,000. By the year 2000, a total of 13,986,000 cases would be on the rolls—more than four times the number on the rolls in 1955. Of these, only 9 percent would be drawing service-connected disability or death compensation, and the other 91 percent would represent veterans or widows of veterans receiving non-service-connected pensions.

TABLE 4.—Expenditures for Veterans' Compensation and Pension Benefits¹ and Number of Cases on Veterans' Administration Rolls

[Selected fiscal years, 1940-2000]

Fiscal year	Service-connected compensation			Non-service-connected pensions			Total compensation and pensions
	Disability ¹	Death	Total	Veterans	Dependents	Total	
EXPENDITURES (in millions)							
ACTUAL							
1940.....	\$184	\$61	\$245	\$130	\$55	\$185	\$430
1945.....	382	117	499	166	69	235	734
1950.....	1,229	305	1,534	295	181	476	2,010
1955.....	1,432	401	1,833	537	263	800	2,633
ESTIMATED							
Under present laws:							
1960.....	1,436	453	1,889	1,024	316	1,340	3,229
1965.....	1,395	503	1,898	1,371	333	1,704	3,602
1970.....	1,348	482	1,830	1,367	353	1,720	3,550
1975.....	1,295	458	1,753	1,633	338	1,971	3,724
1985.....	1,133	365	1,498	3,106	336	3,442	4,940
2000.....	859	257	1,116	3,416	236	3,652	4,768
Under assumed laws:							
1960.....	1,388	453	1,841	2,294	1,232	3,526	5,368
1965.....	1,334	503	1,837	2,910	1,873	4,783	6,652
1970.....	1,297	482	1,779	2,730	2,270	5,000	6,779
1975.....	1,247	458	1,705	3,177	2,700	5,877	7,582
1985.....	1,052	364	1,416	5,038	3,712	8,750	11,066
2000.....	770	257	1,027	7,819	6,009	12,828	13,855
NUMBERS OF CASES ON ROLLS (in thousands)							
ACTUAL							
1940.....	386	110	496	222	128	350	845
1945.....	913	192	1,105	219	177	396	1,501
1950.....	1,991	337	2,329	320	320	640	2,969
1955.....	2,066	380	2,447	564	413	977	3,424
ESTIMATED							
Under present laws:							
1960.....	2,068	420	2,488	1,028	407	1,525	4,013
1965.....	2,026	472	2,499	1,376	624	1,900	4,398
1970.....	1,964	458	2,422	1,377	555	1,932	4,354
1975.....	1,888	438	2,326	1,653	532	2,185	4,511
1985.....	1,646	357	2,003	3,090	528	3,618	5,621
2000.....	1,215	258	1,473	3,310	373	3,683	5,156
Under assumed laws:							
1960.....	2,000	420	2,419	1,929	1,557	3,516	5,935
1965.....	1,938	472	2,410	2,432	2,414	4,846	7,256
1970.....	1,888	458	2,347	2,334	2,933	5,267	7,614
1975.....	1,806	438	2,244	2,763	3,457	6,320	8,564
1985.....	1,479	357	1,836	4,965	4,732	9,697	11,533
2000.....	1,041	258	1,299	6,294	6,393	12,687	13,986

¹ For wars prior to World War I, all expenditures are included under pensions. No breakdown between compensation and pensions is available. Expenditures for retired reserve officers are excluded.

² Includes expenditures for emergency officers disability retirement.

Veterans' Programs and General Income Maintenance Programs

Veterans' pension and compensation benefits are similar to the income maintenance payments on account of old-age, disability, death, or unemployment, which are made under other Federal, State, and local assistance or retirement programs. They are

analogous to provisions which people make privately for their future economic security when they take out life insurance or make retirement provisions.

To analyze the role of the Veterans' Administration pension and compensation benefits in relation to all other public income maintenance programs, the Commission obtained figures on the past and projected expenditures under the general programs. These are shown in table 5. As is indicated by this table, the general programs are a relatively new feature of our society. In 1940 only about \$2 billion was spent under all the public pro-

TABLE 5.—*Estimated Income Maintenance Payments Under Public Programs, 1940-85¹ (Excluding Veterans' Administration Programs)*

Program and risk	Actual			Projected		
	1940	1950	1955	1965	1975	1985
	[Millions]					
Total, all programs.....	\$2, 148	\$6, 312	\$11, 059	\$18, 467	\$24, 331	\$29, 592
Old-age and survivors insurance.....	35	961	4, 333	10, 489	14, 882	18, 838
Public assistance (Federal, State, and local).....	* 1, 035	* 2, 396	2, 551	2, 340	2, 006	1, 979
Railroad retirement ²	118	311	550	378	473	540
Federal civilian retirement.....	69	196	362	990	1, 420	1, 770
Federal uniformed services retirement.....	53	298	435	820	1, 330	1, 535
State and local government retirement.....	142	300	540	850	1, 000	1, 000
Workmen's compensation.....	161	417	620	700	850	1, 050
Unemployment insurance.....	535	1, 433	1, 568	1, 900	2, 370	2, 880
Old-age benefits:						
Old-age and survivors' insurance ³	17	651	3, 232	6, 914	10, 046	13, 296
Public assistance (OAA).....	(⁴)	(⁴)	1, 593	1, 294	964	859
Federal civilian retirement.....	50	138	248	730	1, 090	1, 390
Federal uniformed services retirement.....	53	149	228	600	1, 020	1, 225
State and local government retirement.....	103	230	420	655	740	740
Disability: ⁵						
Old-age and survivors' insurance ⁶	0	0	0	726	938	978
Public assistance (ADC, AB, APTD, GA).....	(⁴)	(⁴)	434	446	458	489
Federal civilian retirement.....	13	41	69	160	170	190
Federal uniformed services retirement.....		149	201	245	285	280
State and local government retirement.....	10	24	45	75	100	100
Workmen's compensation ⁷	129	362	545	615	750	925
Survivorship (lump sum plus monthly benefits):						
Old-age and survivors' insurance.....	18	310	1, 101	2, 849	3, 898	4, 564
Public assistance (ADC).....	(⁴)	(⁴)	84	74	61	55
Federal civilian retirement.....	6	17	45	110	160	190
Federal uniformed services retirement.....			6	* 15	* 25	* 30
State and local government retirement.....	29	46	75	120	160	160
Workmen's compensation.....	32	55	75	85	100	125
Other:						
Public assistance (ADC, GA).....	(⁴)	(⁴)	541	525	523	577
Unemployment insurance.....	535	1, 433	1, 568	1, 900	2, 370	2, 880

¹ Data exclude outlays for temporary disability programs, which under public laws in 1954 amounted to approximately \$100 million in 5 States and the railroad retirement system. Data also exclude sick-leave benefits, amounting to an estimated \$450 million under Government programs in 1954. Figures assume present laws except for disability benefits under OASI as noted in ⁴. Data are on fiscal year basis, except for 1940, which is on calendar-year basis.

² Estimates by risk not available.

³ Excludes benefits to children of old-age beneficiaries.

⁴ Assuming benefits payable at age 50 in case of long-term disability.

⁵ Excludes temporary disability and healing periods in permanent disability.

⁶ Excludes relief under special programs of the FERA, subsistence payments certified by Farm Security Administration, and earnings of persons employed under Federal work programs. No breakdown of public assistance payments is available for 1940.

⁷ Includes \$88 million for veterans' unemployment compensation benefits under Public Law 550.

⁸ Monthly benefits included with old-age benefits.

Source: Department of Health, Education, and Welfare and U. S. Department of Labor.

grams to assist citizens against the economic problems they faced because of disability, death, old-age, unemployment, and similar risks.

Since 1940 there has been a relatively rapid expansion in these programs. Expenditures rose in 1950 to slightly over \$6 billion, and in 1955 they exceeded \$11 billion. One of the most important welfare programs is the old-age and survivors' insurance program, under which benefit expenditures rose from \$35 million in calendar 1940, to over \$4.3 billion in the last fiscal year. Public assistance and unemployment insurance programs are also major programs in the welfare category.

Over the next 30 years, a continuing increase in expenditures is in prospect under the general public-income-maintenance programs. The total of expenditures is expected to rise to \$18.5 billion in 1965, to over \$24 billion in 1975, and to nearly \$30 billion in 1985. The bulk of this expansion is expected to occur in the OASI program. In the 3 years 1965, 1975, and 1985, OASI is expected to account for \$10.5 billion, \$15 billion, and nearly \$19 billion, respectively, of the total general expenditures. These projections are on the basis of present price levels and existing laws, and with one exception make no provision for liberalization of the programs in coverage and benefit levels. The one exception is that cash disability benefits at age 50 are assumed under the OASI program—although of the total amounts shown they will account for less than \$1 billion by 1985.

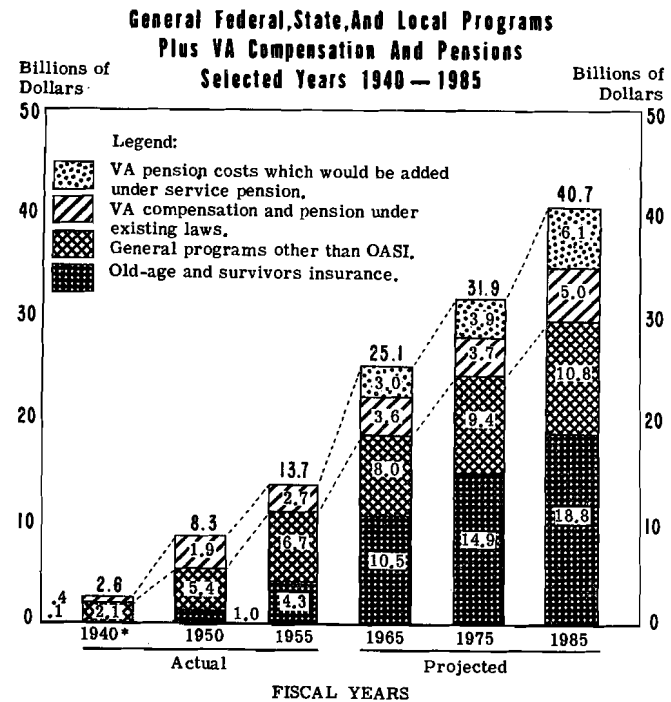
The increase in the general income-maintenance expenditures under public programs in the next 3 decades will, of course, occur at the same time the veterans' pension outlays are expanding as indicated above in table 4. Chart VIII shows the combined total of expenditures under the general programs and under the Veterans' Administration compensation and pension programs. In 1940 the combined expenditures under the two sets of programs were only about \$2.6 billion. By 1950 the grand total had increased to \$8.3 billion and included \$1.9 billion of Veterans' Administration pension and compensation payments. The corresponding total in 1955 was \$13.7 billion and included \$2.7 billion of Veterans' Administration payments.

Projected into the next 3 decades, the expenditures under the general programs are estimated in 1965 at \$18.5 billion, plus \$6.6 billion under the Veterans' Administration programs. This will make a total of over \$25 billion in income-maintenance expenditures in 1965. The Veterans' Administration pension and compensation figures used in this chart are similar to those in table 4, and are based on the assumption that a service pension at the rate of \$100 a month for veterans and at increased rates for dependents is in force. By 1975, the general income-maintenance programs will spend an estimated \$24 billion and the Veterans' Administration programs \$7.6 billion, or a total of nearly \$32 billion. Finally by 1985, under the same assumptions, the general programs would spend \$29.6 billion and the veterans' programs would have risen to \$11 billion, making a total of nearly \$41 billion in income-maintenance outlays.

A concomitant point stands out in chart VIII. It clearly shows that in 1940 there existed only meager public-income-maintenance arrangements to protect people against the hazards of disability, death, old-age, or unemployment. In the last 15 years the general programs have embraced insurance against such risks, largely through the development of the old-age and survivors' insurance program, which is spending more and more each year. At the same time, since 1940 there has been a substantial expansion in the Veterans' Administration compensation and pension programs. Much of this is due to the disability and compensation load arising from the World War II and Korean conflict. Looking ahead, however, a further substantial expansion in veterans' expenditures will occur in the next 3 decades, and afterward, under existing laws, chiefly for non-service-connected pensions for World War I and World War II veterans. A far greater expansion in Veterans' Administration expenditures would occur if general pensions were adopted. As can be seen in chart VIII, this expansion in expenditures would occur at the same time that the tremendous increases in income maintenance would occur under the general programs.

This will be significant from two standpoints. Fiscally, it will mean that veterans' outlays would be increased at the same time

CHART VIII INCOME MAINTENANCE PAYMENTS UNDER PUBLIC PROGRAMS



* FIGURES FOR NON-VA PROGRAMS ARE ON CALENDAR YEAR BASIS.

Source: Department of Health, Education and Welfare, Department of Labor, and Veterans Administration.

that expenditures for general income-maintenance programs would be rising steeply. On the revenue side this would require more taxes for veterans' programs in future years when the contribution rates to support the OASI program—which is operated with only a limited reserve—are scheduled to rise under existing laws to raise revenues to finance the increasing benefit disbursements.

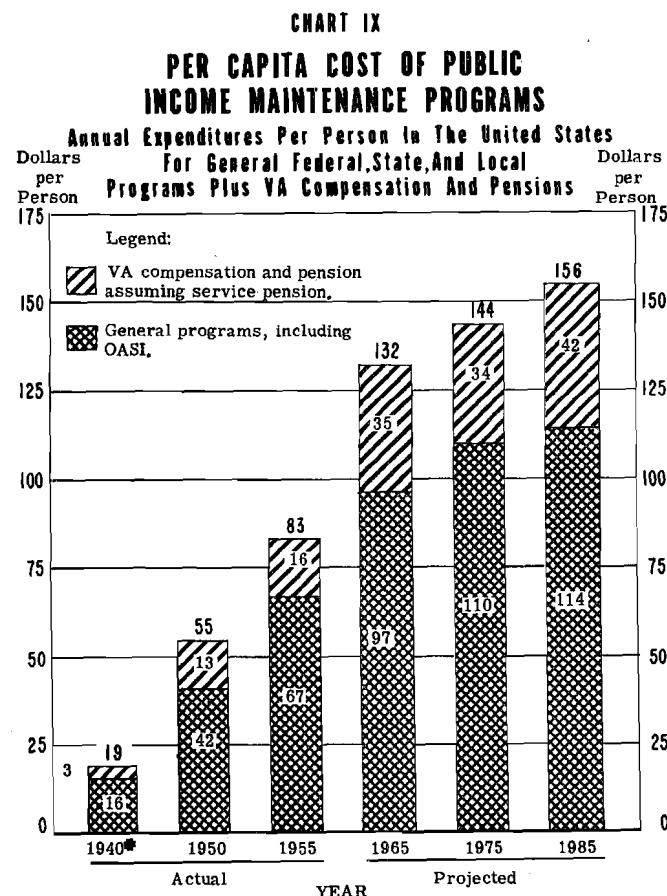
Socially, as is pointed out in a later part of this report, the great bulk of the Veterans' Administration pension expenditures would go to the same people who would be receiving benefits in

increasing numbers and amounts under the OASI and other general income-maintenance programs.

The Cost of Public-Income-Maintenance Programs Per Person in the United States

The multi-billion-dollar sums discussed in the preceding section may perhaps be better visualized if they are viewed in terms of what they mean to every man, woman, and child in the United States. Chart IX shows the cost of the general public-income-maintenance programs and the Veterans' Administration compensation and pension benefits (which were shown in chart VIII) on the basis of the average cost or expenditure per person in the United States. This illustrates even more clearly the rising trend of expenditures under the two sets of programs. In 1940, the per capita cost of Veterans' Administration and general programs was only \$19, of which only \$3 was for the Veterans' Administration compensation and pension benefits. By 1955, this cost had risen to \$83 for every man, woman, and child in the United States, and this sum included \$16 for the Veterans' Administration programs. In considering these per capita expenditures, it should be borne in mind that the typical family has approximately $3\frac{1}{2}$ people, so that the cost of the combined programs per family is in the neighborhood of \$300 at the present time.

Projected to 1965 and beyond, the per capita costs increase further, in spite of a growing population. According to estimates, the general income-maintenance programs will be costing about \$97 per capita by 1965. In addition, if service pensions are enacted for veterans, the cost of veterans' programs will increase to \$35 per capita—bringing the per capita total of all outlays to \$132. This rising trend will continue in the general programs and by 1985 the combined per capita costs will be \$156, of which \$114 will go for general benefits and \$42 for special veterans' pensions and compensation payments. This means that in 1985 the per family cost for our enlarged population of all the income-maintenance benefits will approximate \$550—or about 8 times what the per family expenditures



for corresponding programs were in 1940. These figures are computed without adjustment for liberalizations in benefits and in the scope of programs, which are almost inevitable in a growing economy.

Thus our future workers and taxpayers will be paying for an increasing amount of protection under the general programs while they are taxed for veterans' pension and compensation benefits at double the present rate per person, if service pensions are adopted.

Income Maintenance Outlays and the National Income

The rising trend in income-maintenance expenditures does not necessarily represent an increasing burden if the national income is increasing, as it has been in this country. In order to analyze the significance of the preceding data on total income-maintenance programs, including veterans' programs, the Commission compared them to the national income in past years. They were also compared to a projection for future years on the assumption that our productivity per man-hour would continue to increase at the rate of 2.5 percent annually. These comparisons are shown in table 6.

TABLE 6.—Public Expenditures for Income Maintenance Programs and the National Income
[Selected years, 1940-85]

Item	Actual			Projected		
	1940	1950	1955	1965	1975	1985
A. National income (billions of dollars) ¹	81.6	240.0	322.2	414.0	571.0	756.0
B. Expenditures for income maintenance programs (billions of dollars):						
1. Assuming no increase in benefit rates: ¹						
General programs	2.2	6.4	11.1	18.5	24.3	29.6
VA compensation and pensions	.4	1.9	2.7	6.6	7.6	11.1
Total	2.6	8.3	13.8	25.1	31.9	40.7
2. Assuming future increase in benefit rates at half the rate of increase in national productivity:						
General programs	2.2	6.4	11.1	21.1	32.1	45.9
VA compensation and pensions	.4	1.9	2.7	7.5	10.0	17.2
Total	2.6	8.3	13.8	28.6	42.1	63.1
C. Adjusted income maintenance expenditures, as percent of national income (percent):						
General programs	2.7	2.6	3.5	5.1	5.6	6.1
VA compensation and pensions	.5	.8	.8	1.8	1.8	2.3
Total	3.2	3.4	4.3	6.9	7.4	8.3

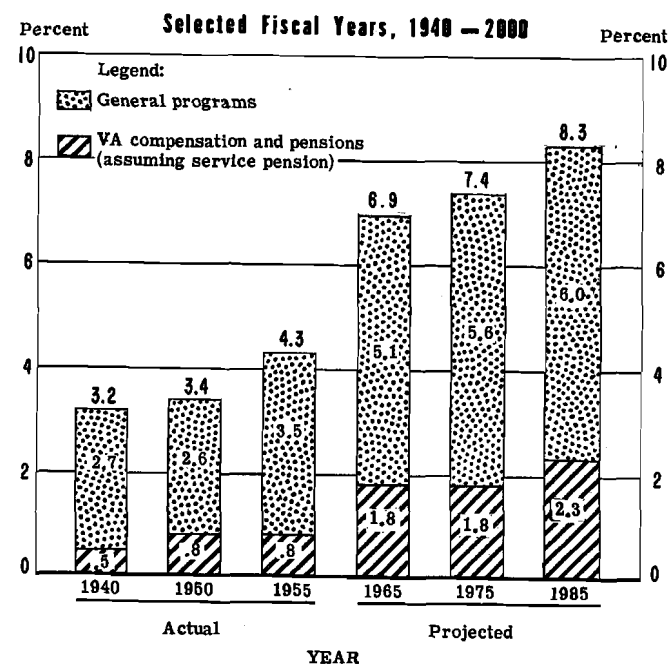
¹ Estimated figures assume present laws and benefit rates with two exceptions: OASDI cash disability benefits at age 50 are assumed along the lines of H. R. 7225, 84th Congress; VA service pensions are assumed as described in text.

In the making of these comparisons, several facts had to be taken into account. To begin with, figures shown in the preceding tables were based on the assumption that there would be no further liberalization in benefit rates and in coverage of these programs, except for the initial assumptions that service pensions at increased rates would be enacted, and that OASDI disability benefits would be provided. As a practical matter, however, if

our national output were increasing, efforts would certainly be made to liberalize the coverage of the various programs or to increase the benefit rates so that they would be more in line with the incomes throughout the economy. Accordingly, before comparing the projected payments under the various programs with national income, an adjustment was made. This adjustment assumes that the benefit rates under these programs on the average will be increased in the future at half the rate of the increase in our national productivity per man-hour.

The bottom part of table 6 and chart X, show the affect on our national income of the increasing expenditures for general and veterans' public maintenance programs. In 1940, the in-

CHART X
PUBLIC EXPENDITURES FOR
INCOME MAINTENANCE PROGRAMS
AS PERCENT OF NATIONAL INCOME



come maintenance expenditures under all programs were only 3.2 percent of the national income. This meant that \$1 out of every \$33 of national income went for this purpose. During this time the Veterans' Administration pension and compensation expenditures constituted only one-half of 1 percent of our national income. The sharply rising trend in our national income between 1940 and 1955 has made up for much of the decisive increase in the income maintenance outlays in the same period. Thus in 1955 the income-maintenance expenditures as a group accounted for only 4.3 percent of our national income, or for roughly \$1 out of every \$23 of national income. Despite the World War II compensation load, veterans' pension and compensation outlays were only eight-tenths of 1 percent of our national income.

Even though our national income may be expected to increase at a substantial rate in future years, it appears that the total income-maintenance outlays for 1965 to 1985 will outstrip it. The adjusted-income maintenance total will represent an estimated 6.9 percent of the national income in 1965, will rise to 7.4 percent by 1975, and will ultimately reach 8.3 percent by 1985. This will mean that in 1985 under the combined Veterans' Administration and general programs, substantially \$1 out of every \$12 of our national income will go for welfare programs. Within the total, the Veterans' Administration programs make a decided jump as compared to the existing ratio to national income. In 1955, Veterans' Administration pension and compensation benefits amounted to about eight-tenths of 1 percent of the national income. If we assume enactment of the service pensions, they will increase to 1.8 percent by 1965 and to 2.3 percent by 1985—3 times the present relative burden. This would mean that by 1985 we would be spending three-fourths as large a percentage of our increased national income for veterans' pensions and compensation alone as was spent in 1940 for all income maintenance programs, including those of the Veterans' Administration.

Chapter V

GUIDELINES FOR THE FUTURE

BASIC FACTORS

In considering what principles should guide our future national policy toward veterans' benefits it is necessary to review and bring into focus the basic facts that have been described in the previous chapters.

Veterans' Benefits Serve a Constructive Function

The long history of veterans' benefits in the United States indicates a recognition on the part of all our people that special provision should be made for those who are injured or handicapped as the result of their wartime military service. Veterans' benefits serve the basic purpose of alleviating to some extent the sacrifices made by those who fight the Nation's battles and by their families. These programs are a means of distributing the burdens of war more evenly, and in this respect they serve an important function in our society. The role of veterans' benefits needs to be reconsidered from time to time as conditions change in order to find better ways of discharging our national obligation to those who have been handicapped by war service.

Revision of Our Veterans' Benefits Programs Is Needed

Our present structure of veterans' benefits is not a "system." It is an accretion of laws based largely on precedents built up over 150 years of piecemeal development. Many of these precedents were sound when they were established, but have grown obsolete as conditions have changed. Others need to be re-evaluated in the light of their relationship to the whole array of veterans' programs and other general programs which serve the needs of veterans as well as of nonveterans.

Basic Changes Make Reassessment of Our Philosophy Toward Veterans a Necessity

Significant changes have taken place in our society in recent decades which fundamentally affect the special veterans' programs:

Veterans and their families will soon be a majority.—We are rapidly becoming a Nation of veterans. In 1940 there were only 4 million veterans. There are now over 22 million veterans and the number is still increasing as Korean conflict veterans are discharged. Today veterans and their families number 75 million and constitute 45 percent of our total population; 49 percent if those still in the Armed Forces are included. By 1965 it is likely that wartime veterans, servicemen and peacetime ex-servicemen and their families will number 99 million and will make up 52 percent of our entire population. Veterans, of course, are not only beneficiaries; they are also workers and taxpayers.

Military service is less of a handicap.—Conditions of military service have changed for the better. War will always bring pain and suffering, death, and sorrow. Pensions and bonus benefits for veterans of past wars have been justified on the basis of economic and physical sacrifice undergone by men in military service.

However, the Commission's studies show that for the great bulk of servicemen conditions of military service have improved greatly from the Civil War to the more recent conflicts. Selective Service has brought fairly equitable distribution of sacrifice. While the risk of being wounded is great, risks of death in battle and from disease have been cut down to a fraction of earlier rates. Military occupations have become increasingly diversified and have come to have value in later civilian life. Special training in military service has become widespread. Since World War II, rates of military compensation, especially for enlisted personnel, have been brought increasingly into line with pay for competitive jobs in industry. Many benefits have been added and improved since the Spanish-American War, although fringe benefits in civilian industry have likewise been widely added.

Careful study of these facts shows that the conclusions based on the experiences of our forefathers at Valley Forge or in the Civil War—that military service is perforce physically undermining and economically and professionally a loss and a waste of

time—is no longer true for most servicemen. Indeed, military service appears to have a positive value to many of those who serve. This is indicated by the response of 7,000 World War I, World War II, and Korean conflict veterans surveyed by the Bureau of the Census. Looking back, 50 percent regarded their military service as not having affected their life one way or another; 40 percent felt they had benefited; less than 10 percent found it to have been a handicap, and only two-thirds of these regarded it as a permanent handicap.

Assistance for veterans of recent wars has been more timely and constructive.—Efforts since the start of World War I to find a constructive solution to the veterans' benefits problem have borne good fruit. The War Risk Insurance Act of 1917 marked the beginning of these endeavors. The improved disability and death compensation benefits and the insurance and rehabilitation benefits met the major needs. Although marred by initial mistakes, this period marked the beginning of adequate medical care for veterans through special veterans' hospitals and the establishment of the Veterans' Bureau (later, Veterans' Administration) to provide a single agency to assist veterans. While World War I veterans did not receive material readjustment benefits, except vocational rehabilitation for the disabled, the payment of the \$3.8 billion bonus to them in the 1930's largely made up for this oversight.

In particular, the liberal and timely readjustment and rehabilitation benefits for veterans of World War II and the Korean conflict were a great forward stride toward solving the "veterans' problem." Adequate assistance following separation—especially in the form of education and training, the loan guaranty benefits which help put some veterans in a favorable position for the rest of their lives—represents a great improvement over 19th century programs which gave little or no aid of a timely nature, but provided pensions for "old soldiers" and their widows many years after the end of a war. The \$19 billion that the Veterans' Administration spent for readjustment benefits for World War II veterans has been a worthwhile investment.

Changes in the nature of warfare are making the old concept of "veterans" obsolete.—Many factors which reduce the need for benefits of the traditional pension type for veterans of recent conflicts have been in evidence. The future is likely to bring even greater changes. Two factors clearly indicate this.

One factor is a basic change in our military requirements. For the first time in American history it has become necessary to maintain substantial Armed Forces and to use conscription in peacetime. While military service is not yet universal, so many of our young men are required to serve that an indefinite continuation of our traditional view—which sees military service as a basis for special privilege—is out of the question.

An even more drastic factor is foreshadowed by the changing nature of warfare and the incredible potential of atomic weapons. Modern wars increasingly involve not just those in military uniforms, but the whole society. If atomic warfare should explode, it is clear that casualties would dwarf anything ever experienced and would be predominantly among civilians. The Civil Defense Administration in its exercises during the summer of 1955 assumed 16 million civilian deaths and 25 million people homeless in consequence of 14 bomb-hits at ground level. Such an eventuality would, in all probability, terminate the question of veterans' benefits.

The needs of veterans as well as nonveterans for economic security are being increasingly met through general programs.—The Government since 1935 has established comprehensive social security programs to give all our people, veterans and nonveterans alike, basic protection against the economic hazards of old age, untimely death, and, to a more limited extent, of disability. While most of these programs do not yet give 100 percent coverage, most people are now assured protection against certain economic risks—especially from old age and death—which are common to nonveterans as well as to veterans. At the same time, the Government has assumed a positive responsibility for the maintenance of a growing yet stable economy.

Programs to maintain veterans' incomes—especially the non-service-connected pensions—constitute a form of "social se-

curity" which emerged before the Government accepted general responsibility in this field. While they start as limited disability programs, their major purpose has been to provide old-age benefits. As a result, they constitute a parallel or duplicate social-security program for veterans, who likewise participate fully in the general welfare programs provided by the Government for the public.

Veterans as a group are better off today than nonveterans.—Veterans as a group are today better off economically than nonveterans in similar age groups. There are more veterans in higher income groups and fewer veterans in low income groups, proportionately, than nonveterans. This is equally true of the younger World War II veterans and of the older World War I veterans. Veterans are higher up in the occupational scale than nonveterans in comparable age groups.

Education is an important lever for success in our modern society. In this respect World War II veterans have, on the average, an educational level 3 years above their nonveteran contemporaries. Perhaps as a result of this, their average incomes are also significantly higher. As a group, they are thus better able to provide for their own economic security.

The Financial Burden of Veterans' Programs

The tremendous growth of the veteran population in recent years has been accompanied by unprecedented expansion in the scope of veterans' programs and by continued liberalization of eligibility conditions and benefit amounts. Much of this has been in the readjustment benefits and service-connected compensation area, and represents a desirable step toward discharging high priority Government obligations to veterans and their dependents.

The United States today has the most liberal and comprehensive veterans' benefit programs in the world. The impact upon the Federal budget has been correspondingly heavy. Veterans' expenditures have increased from \$560 million in 1940 to \$4.5 billion a year at present, and, under present laws they are expected to increase in future years as the non-service-connected

pension load grows. At the same time, the Government has assumed tremendous budgetary obligations for the maintenance of our national security and for expanded domestic programs, including far-reaching income maintenance programs that are of benefit to veterans and nonveterans alike.

There are current proposals for enactment of pensions at rates of over \$100 monthly which would be payable to all veterans over 65 subject only to very high, and henceforth largely ineffective, income restrictions. Based on past experience, this would mean that service pensions would be adopted for not only the veterans but for their widows later. The Commission's studies show that if this were done, the Federal budgetary outlays for veterans would ultimately rise to \$15 billion annually. At the same time, these veterans' benefits would be a large competitor expenditure-wise of the general social security and other income maintenance programs, which are rapidly growing from an outlay in 1940 of only \$2 billion to a \$30 billion level by 1985.

Our flourishing economy can undoubtedly support both sets of programs, provided we have the fortitude to pay the required taxes. This would mean, however, that the taxes to support both sets of programs would just about double as a proportion of our national income between 1955 and 1985—and in the latter year would take one out of every \$12 of the national income. If we should falter in our resolution to pay taxes, however, the result would be inflation and an undermining of the economic security which everyone seeks.

If our veterans' programs were to follow the historic pattern of pensions for all, as some now advocate, there would almost certainly be an adverse reaction among the taxpayers. Taxes are willingly borne only as long as the purposes for which they are raised are sound and morally defensible. The circumstances described above indicate that the justification for veterans' pensions of the traditional type has diminished as the conditions of military service have improved and as alternative social security arrangements have developed. If general pensions are provided to veterans, our society will be divided down the middle into two almost equal groups. This patent inequality of treatment on

such a widespread scale is almost certain to weaken our national moral fiber and undermine the self-reliance and initiative of our citizens.

Need for a Factual Approach

If our national policy toward veterans is to be soundly devised and administered, two essential conditions must be realized which too often in the past have been unfulfilled. First, our national policies must be developed in the light of a full factual picture. Continuous research will be needed to determine whether existing benefits are effective and to ascertain what are the *bona fide* needs of veterans. For example, it would be national folly to enact pension legislation now proposed without adequate recognition that such legislation would involve future expenditures of \$390 billion—an amount equalling the money cost of all the wars the United States has ever fought—without thorough study of how the pensions would fit into our present system of social security programs. The studies which this Commission made are only a beginning in the necessary research, which must be carried on by regular agencies of the Government as well as by private organizations.

Second, these policies should be adopted in the light of the actual convictions of our veteran and nonveteran populations, and not on the basis of representations by a small minority of professional veterans. It is possible for fact-finding in this area to make an important contribution, as demonstrated by a nationwide survey made in 1954 for the National Civil Service League by a nationally known public-opinion research firm. This survey, recently released, showed that only one-twelfth of all veterans in the sample strongly demanded veterans' benefits, and even these "pro-benefitters" felt all veterans should receive only six and one-half of the eleven listed benefits.

Significantly, pensions were given a low priority rating by the surveyed veterans. Only 13 percent of the respondents felt military service justified a "pension for life," while 86 percent endorsed free medical care for service-connected disabilities and 66 percent endorsed free schooling.

What is even more striking, this survey shows that those who served in the Armed Forces do not believe that veterans' preference should be placed above other basic values in our society. For example, on the question of veterans' preference in Federal employment, the respondents overwhelmingly indicated belief that a veteran is entitled to preference over a nonveteran when conditions are equal. But—by a 2 to 1 margin—they would not provide overriding preference to the veteran over a non-veteran who has a family, is better qualified, or has rendered longer service. These survey results show that veterans as a group have not discarded the traditional American respect for fair play and do not want unfair advantage over nonveterans. This fairminded and responsible view on the part of the run-of-the-mill veterans is reassuring, and if heeded, is in itself the soundest possible insurance that legitimate veterans' benefits and privileges will be willingly supported by the American public.

GENERAL PRINCIPLES

Under our changed national circumstances it is clear that national policy toward veterans must be reassessed. Sound principles must guide the discharge of our national responsibilities to veterans, if their bona fide needs are to be met fully and equitably within the limits of taxes which the country is willing to pay.

This Commission believes that our national programs for veterans will be on solid ground if we hew to the following basic principles:

Military Service

A host of historic factors through the years have almost imperceptively developed the attitude among certain minority elements that anyone who has served in the Armed Forces in wartime, even for a brief term, has a right to special privileges from the Government for the rest of his life, and thereafter for his survivors. This is the essential argument of those who advocate non-service-connected pensions and is the philosophy adopted by the minority which abused the privileges under the unemploy-

ment allowance and educational programs of the World War II "GI bill."

This philosophy grew up when veterans were a small minority of the population and under conditions where the country relied on volunteer forces and did not require a large proportion of its youth to serve in the Armed Forces. Under present conditions, where substantial Armed Forces have to be maintained for an indefinite period and conscription is an accepted national policy, this concept is clearly outmoded.

A reassessment of attitudes toward military service in view of our present day requirements and military responsibilities in the world makes clear what should always have been evident: That military service is one of the prime obligations of citizenship. To serve in the defense of the country is the duty of every able citizen. This is true in times of peace, when service in the Armed Forces is an honorable career. It is even more true in times of emergency or war, when all qualified citizens must do their part.

The performance of citizenship duties cannot be expected to be painless or free from sacrifice. Military service, in particular, may require sacrifice on the part of those who serve. But our national survival requires that all citizens do their part and make whatever contribution they are required to make. This does not mean that military service must be rendered without compensation or that maintenance should not be provided to those who are invalided or orphaned as the result of military service. It is clearly our national policy, and properly so, to provide such compensation. But it is fallacious to contend that all the sacrifices, however small, by those who are in the military service of the country are to be made a basis for monetary claim, or to hold that just because the uniform was worn for awhile the Government owes the former wearer a living. Much of the pain and suffering because of military service, and the dislocations in social and family life, cannot be compensated. The ordinary losses of time and opportunity while in military service must be regarded as part of the responsibilities of a citizen, and only extreme or extraordi-

nary handicaps should be regarded as creating an obligation on the Government.

Recommendation No. 1

Military service in time of war or peace should be treated as discharging an obligation of citizenship and not of itself as a basis for future Government benefits.

Veterans' Benefits As a Means of Equalizing Sacrifices

It would be wholly unsound, of course, to place the entire burden of wartime sacrifices upon those who are selected or who volunteer to serve in the Armed Forces. It is the responsibility of the Government to distribute the burdens of military service as equitably as possible. An enlightened society must therefore make adequate public provision for those who are disabled in military service and for the dependents of those who die from service-connected injury or disease, and to assist wartime servicemen in their readjustment to civilian life.

The veterans' programs are one of the chief instruments through which the Government tries to equalize war sacrifices. At the same time it is necessary to make certain that the sacrifices involved are real and significant, not imagined or exaggerated. They should, moreover, be the direct consequence of military service if they are to be made a basis for special benefits.

It should also be recognized that under conditions of modern technology and warfare the national defense might be served equally well by a civilian in a scientific laboratory or a war plant as by a uniformed serviceman—and in view of total war and atomic weapons, perhaps with greater personal hazard to the civilian. This further suggests that the special needs that veterans have because of military service should not be confused with the needs that all citizens have in common for such things as education, health services, and economic security.

Recommendation No. 2

(a) Special veterans' benefits should be provided only for the significant requirements of veterans that arise directly out of their military service.

(b) The ordinary or non-service-connected needs which veterans have in common with all citizens should be met wherever possible through the general welfare programs under which veterans are covered along with other people. Veterans' non-service-connected benefits should be minimized and gradually eliminated.

Service-Connected Needs Merit Highest Priority

Veterans may be divided into three categories:

1. Those who have suffered a disability as a result of military service, or who die from a service-connected cause.
2. Those who incurred no disability, but whose normal life pattern was materially interrupted by military service and who need readjustment assistance for a temporary period.
3. All the rest, who have returned to satisfactory civilian life and who have no identifiable disability or handicap from service.

Historically, the service-connected benefits to the disabled and to the dependents of those who died in the service have been the first to be provided. Moreover, there is no doubt that the people of the United States are willing to support liberal and even generous benefits for those actually handicapped by war disabilities and for their dependents.

The readjustment benefits represent a relatively recent addition to the family of veterans' benefits. Their success and obvious value are such that veterans and taxpayers generally regard temporary assistance to recently discharged wartime servicemen as important and constructive.

The remaining requirements of veterans for economic and social security—which cannot be directly related to former military service—are similar to those which all people have. As indicated elsewhere in this report, special veterans' programs have long been provided to meet these needs because no other means to fill them existed. The country now has general programs to fill these needs, and the need for special veterans' programs is passing. In any event, historically the lowest priority among veterans' programs has been assigned to the non-service-connected pension and related benefits.

Recommendation No. 3

(a) Service-connected benefits should be accorded the highest priority among the special programs for veterans. Service-connected compensation and related benefits should be liberal, even generous.

(b) Readjustment benefits have earned an important place among veterans' programs when properly devised and used. Timely assistance on a temporary basis to help wartime veterans become self-sufficient and productive members of society is an effective alternative to the backward-looking and less constructive "old soldiers" pensions. Temporary handicaps or needs, however, should not become the basis of permanent privileges or programs. The readjustment benefits should be limited to needs arising directly from service and should cease after a reasonable period of time following separation.

(c) The non-service-connected benefits are the lowest priority among veterans' programs. Their justification is weak and their basic philosophy is backward looking rather than constructive. Our society has developed more equitable means of meeting most of the same needs and big strides are being made in closing remaining gaps. The non-service-connected benefits should be limited to a minimum level and retained only as a reserve line of honorable protection for veterans whose means are shown to be inadequate and who fail to qualify for basic protection under the general Old-Age and Survivors Insurance system.

A Positive National Policy Toward Veterans' Problems

Veterans' benefits in the United States have been extremely costly. Federal Civil War benefits, for example, totaled \$8 billion—twice the actual money cost to the Union of fighting this 4-year war. Spanish-American War benefits have outstripped the original military costs by eightfold. Moreover, the bulk of the cost of these benefits has been for pensions. Pending proposals would ultimately lead to the same results for the more recent conflicts, but on a vastly greater scale.

In retrospect, a large proportion of these pension expenditures can be said to have had but little connection with the contributions which soldiers made to winning these wars. Moreover, since the benefits were provided many decades after the end of the conflicts, their effectiveness in meeting the war-connected needs of the veterans who participated in these conflicts was doubtful.

An important lesson from this experience is that the problem of veterans' benefits must be met squarely and promptly after the end of a war. The Government must be factual in its assessment of the needs of veterans. It must provide timely assistance instead of temporizing for years, then bowing to pressure group action and providing costly pensions on a sentimental basis to the remaining survivors of the conflict and to their widows and children.

Fortunately, the newer policy of providing timely and constructive benefits has already been implemented and found satisfactory—first in the pioneer vocational rehabilitation program of World War I and later in the "GI Bill" programs for World War II and Korean conflict veterans.

Recommendation No. 4

The Government in general, and the executive branch in particular, should adopt a positive policy toward meeting fully and promptly the legitimate needs of veterans. This policy should have the aim of alleviating war-incurred handicaps of servicemen as early as possible after separation and helping them become productive and useful members of their communities. The provision of constructive and adequate readjustment benefits, as a rule, should discharge the Government's obligation to war veterans who have no service-connected disability.

A Factual and Objective Basis for Our Policy Toward Veterans

Few of our national policies are formulated in an atmosphere charged with the emotion and sentimentality evoked by the veterans' benefits problem. The mustering of the patriotic instincts, which all of us feel, in support of special privileges for veterans has been commonplace. In addition, there has been a consistent

tendency to formulate general policies in the light of a few dramatic cases.

Privilege and responsibility, however, must go hand in hand. No other course can be good for the country. As veterans and their dependents approach a majority of the population, irresponsible action could undermine the moral and economic values of our society.

There is no more effective preventive for this danger than to develop our national policy toward veterans through widespread and realistic public discussion in the light of full and continuing factual information about the relative economic and social status of veterans in our society, and through analysis of their handicaps and needs. The Commission is concerned about the lack of definitive and useful information in the Government on the condition of veterans as compared to nonveterans and on the economic and social characteristics of the several million beneficiaries now receiving benefits.

Recommendation No. 5

The Government in general, and especially the Veterans' Administration, should develop and maintain a rounded research program so that basic comparative information on the economic and social conditions of veterans and nonveterans will always be available to the President, to the Congress, and to the public.

Equal Treatment for All Veterans With Equal Handicaps

Historically the tendency in the United States has been to treat veterans of each successive conflict as a separate group. Typically, a cycle of increasingly liberal benefits has been provided for each group on the basis of precedent. There has also been a parallel tendency to pass legislation adding new benefits on a piecemeal basis—often in response to a dramatic representation.

In a program—such as disability compensation—which is both technically complex and massive, the piecemeal approach easily leads to inequities in the treatment of veterans with handicaps which are equal in degree but different in nature. Examples of this approach are the free conveyances for blind and

amputee veterans and the statutory awards which overlap the basic disability compensation benefits. When uneven treatment is provided for veterans in essentially similar circumstances, the inevitable consequence is a demand for further upward readjustment of benefit levels or eligibility requirements and eventual disruption of the whole program.

This can only be avoided by strict adherence to principles and equal standards and avoidance of special benefits for selected groups of veterans which may be singled out because their handicaps are obvious.

Recommendation No. 6

(a) The general principle of equal treatment for veterans with equal handicaps should be strictly followed.

(b) Benefits should be provided through the general compensation system in monetary form, and special additional lump-sum grants for particular groups should be avoided.

Nationwide Uniformity of Benefit Rates

Within the United States there are significant differences in incomes and living standards. These differences are particularly apparent as between farm and urban areas but are also evident between geographic regions. In 1954 the median money income in the United States was \$2,301 for those persons who received any income. Median urban income was \$2,608 or 113 percent of the United States as a whole. By contrast, median percent of the United States median. By contrast, median

Just as incomes vary greatly from farm to city, so too, they differ among regions of the country and among States. For example, in the South per capita personal income (which is total income divided by the entire population) tends to be much lower than in more highly industrialized regions. The wide range among States in 1954 in per capita personal income can be illustrated by the following: The United States average was \$1,770. Nevada, the highest State, had an average of \$2,414—136 percent of the United States average. The lowest State, Mississippi, had an average of \$873, only 49 percent of the United States average.

To a large extent these figures mirror actual differences in living standards. However, they also reflect certain technical difficulties in measuring incomes. One technical factor contributing to the low average income of farmers, and of regions such as the South where farming predominates, is that a good deal of their real income is "in kind" and is not subject to the distributional markups to which goods and services through commercial channels are subject.

Veterans' benefits in the United States have always been paid on a uniform rate throughout the country. In most programs it would seem impractical to deviate from this approach and to attempt to gear veterans' benefit rates to cost-of-living variations in different parts of the country. However, because of the differences in money incomes and living standards, a fixed amount of veterans' compensation, pension, or other benefits ordinarily represents a larger proportion of the money requirements in one part of the country than it does in another part.

Geographical variations in wages, in incomes, and in living standards, therefore, cannot be disregarded in determining the level of rates for nationwide payment of benefits. If rates are set too low, undue hardship may be caused in areas where the cost of living is high; if rates are set too high, they may undermine the incentive of the beneficiaries to remain productive and self-sufficient. These considerations are important in the case of pensions which must take into account not only the geographical and industrial variations in incomes throughout the country but also must be geared to the standards which other welfare programs employ. This means that the rates must be in consonance with the levels of need recognized under the general public assistance programs which are geared to minimum basic needs, and also should be reasonably below the levels of benefits which will be payable through the general Old-Age and Survivors Insurance system under existing laws when this program has reached reasonable maturity.

In the service-connected disability and death compensation programs, the relevant consideration is the standard of living which the average worker would enjoy if he continued to work.

With this standard in mind the benefit rates should be set in such a way as to take account of factors which lower the need for compensation, such as tax exemption of compensation benefits, provision of free medical care by the VA, and freedom from expenses which a worker undergoes. Likewise, factors which may result in additional expenses or burdens, such as the need for constant care and attendance, should be considered. The level determined should then be set with an eye to leaving room for incentive for productive activity.

Recommendation No. 7

(a) In most veterans' benefit programs there appears to be no practical alternative to the existing practice of paying benefit rates which are uniform throughout the country.

(b) Geographical and industrial variations in money incomes, in wages, and in living standards, however, should be given serious consideration in determining what the national rate in the case of any benefit should be. The rate in any case should not be set so high that it will undermine incentives for productive activity.

(c) Another important consideration in setting the level of rates, particularly in the case of non-service-connected pensions, is the need for consistency between levels of benefits paid under the veterans' programs and those paid by other public programs which fill a similar function.

Each Generation Should Bear Its Own Burden

As discussed above, history shows that in the past our national obligation to each successive group of veterans has not been promptly discharged, but has been belatedly recognized by pensions for the "old soldiers." This practice has hardened into precedent, which is cited today by those who propose vastly liberalized pensions for the World War I, World War II, and Korean conflict veterans and their dependents.

While it is easier to promise future benefits than to pay off current obligations, there is particularly danger in following this tendency in the field of veterans' pensions. This arises because most of our 22 million veterans are still young and the full

impact of promises to pay old-age pensions will not come for many years. Even with the advancing age of our World War I veterans, there are today about 700,000 veterans who are 65 or older. By 1995, when many of the World War II veterans will reach the age of 65, 6 out of every 10 elderly males in our population will be veterans.

This suggests a careful consideration of the possible future impact of proposals which would seem to have minor financial significance at the outset. It also calls attention to the sound principle that, as a country, we should not promise to pay in the far-distant future an obligation we are not willing to pay today.

Recommendation No. 8

Because the heaviest costs of veterans' pension legislation lie in the future, enactment of veterans' pension legislation should be preceded by a careful long-range look ahead to make sure that socially and financially unsound provisions are not adopted. We should not commit future generations to obligations that we ourselves are unwilling to shoulder. Excessive commitments might jeopardize the valid programs and in so doing deprive the aging veterans of compensation at a time when most needed.

The Need for Perspective

As has been noted, a number of important veterans' programs—such as pensions and educational benefits—are not unique among Government programs. Even the more specialized veterans' programs, such as disability compensation, have their counterpart nonveterans' programs.

The rapid growth of our social structure makes it necessary to reassess constantly all Government programs to make sure they are properly aligned with respect to each other. Even more important, reassessment should ascertain that our Nation's most important needs are given highest priority, and that a preoccupation with veterans' preference should not lead us to overcommitments in this regard when the national interest would be

better served by the improvement of public programs in other areas or by increasing our national security outlays.

Recommendation No. 9

As a nation we should keep the whole range of our needs in perspective. We ought to make sure that we meet the high priority service-connected needs of our veterans—and this is fully within our means and our volition as a nation. However, it would be dangerous to overemphasize veterans' non-service-connected benefit programs at the expense of essential national security and other general public programs.

Chapter VI

COMPENSATION FOR SERVICE-CONNECTED DISABILITIES

Disabilities resulting from injuries or disease incurred or aggravated while in service with the Armed Forces are compensable. Compensation is provided for temporary as well as permanent impairments and for partial as well as total disabilities. The program of service-connected disability compensation administered by the Veterans' Administration is by far the largest disability benefits system in the United States. On June 30, 1955, approximately 2,076,000 veterans were receiving compensation at an annual rate of \$1.4 billion.

Important and closely related is the disability retirement system of the Armed Forces. Since 1949 both enlisted men and officers have been eligible for disability benefits under this program for impairments arising while in service. On June 30, 1955, there were over 80,000 military personnel on the disability-retired roll receiving benefits at an annual rate of \$188 million.

The present disability compensation program for veterans stems from the colonial period and early British practice. Disability compensation has been provided in one form or another to veterans of all wars in which our nation has been engaged. Included also are ex-servicemen who have suffered impairment during peacetime service. These benefits, however, have not always been adequate in level or in coverage, and their development has been gradual. Various liberalizations have been made in accord with rising living costs while curtailments have been rare. Our veterans' disability compensation system is one of the most liberal major disability-benefit programs in the United States.

The Veterans' Administration administers two main types of monetary awards for service-connected disabilities. The first

are basic percentage awards, in 10 gradations based on degree of disability. The second are "statutory awards", flat amounts authorized by legislation for specific disabilities including loss, or loss of use, of limbs or creative organs, blindness, deafness, and tuberculosis. Individuals in this category are also rated percentage-wise.

The same amounts are payable to all persons with the same disability rating regardless of their former rank or grade. Veterans who receive compensation for disabilities rated 50 percent or more are entitled to extra amounts for wives, minor children, and dependent parents. Peacetime ex-servicemen as well as wartime veterans are eligible for disability compensation, but the rates for the former are only 80 percent of the wartime rates. A peacetime ex-serviceman, however, would receive the higher wartime rate if disabled while engaged in extra-hazardous duty or simulated wartime activity.

Among other special veterans' benefits for service-connected disabilities are: continuing medical and hospital care, special life insurance, prosthetic appliances, special aids for the blind, a one-time award of \$1,600 toward purchase of an automobile or other conveyance for loss, or loss of use, of one or both hands or feet or both eyes (incurred in World War II or the Korean conflict); and a single grant of up to \$10,000 to cover not more than one-half the purchase price of a special house for veterans who have suffered the loss, or loss of use, of lower extremities. In addition, disabled veterans of World War II and the Korean conflict who are eligible for disability compensation have been entitled to vocational rehabilitation benefits.

Basic or Percentage Awards

The percentage awards are based upon the average impairment in earning capacity resulting from the disabilities. These awards are divided into 10 gradations ranging from 10 percent to total or 100 percent. The 9 rates of compensation for partial disabilities are proportional to the \$181 monthly wartime rate for total disability.

Historically percentage or basic awards have been much lower in dollars than at present. Under the General Law system of

1862, applicable to Civil War and later 19th century veterans, the rates for total disability were \$8 a month for a private, ranging to \$30 a month for lieutenant colonel and above. Due to inequities in the rates under the General Law, the Congress in 1873 provided an auxiliary rate of \$18 for total disability with smaller awards based on proportions of this amount to be provided for certain less disabling conditions. This General Law system continued to apply at these levels even up to World War I and beyond; they are still effective for certain individuals.

Under the War Risk Insurance Act amendments of 1917 the concepts surrounding service-connected disability were looked at anew. Money payments relating thereto began to be looked upon as "compensation" rather than "pensions." Thus, "compensation" would emphasize the idea of indemnification for losses, implying recompense for services performed rather than a gratuity as inferred by the term "pension." This was in keeping with the emerging trend in the industrial field whereby payment for an injury under workmen's compensation was being recognized as more of a right than merely damages for personal injuries to be secured through litigation.

During World War I, however, the basic rate was still very low—for 100-percent disability the amount was \$30 a month for all personnel, regardless of grade. This maximum rate prevailed until 1919, when it was increased to \$80,¹ thence to \$100 in 1924.² Although there was a temporary setback to \$80 by virtue of the Economy Act of 1933, a basic rate of \$100 a month was in effect at the start of World War II.³ Since then, under the impact of rising price levels during World War II and the Korean conflict, successive increases in the compensation rates brought the maximum rate to its present level of \$181 in 1954.

As can be seen from the bars in chart I, the vast bulk of veterans on the disability compensation roll is concentrated in the lower percentage categories. Out of 2,076,000 veterans on the roll, June 30, 1955, over 841,000 or about two-fifths were in the

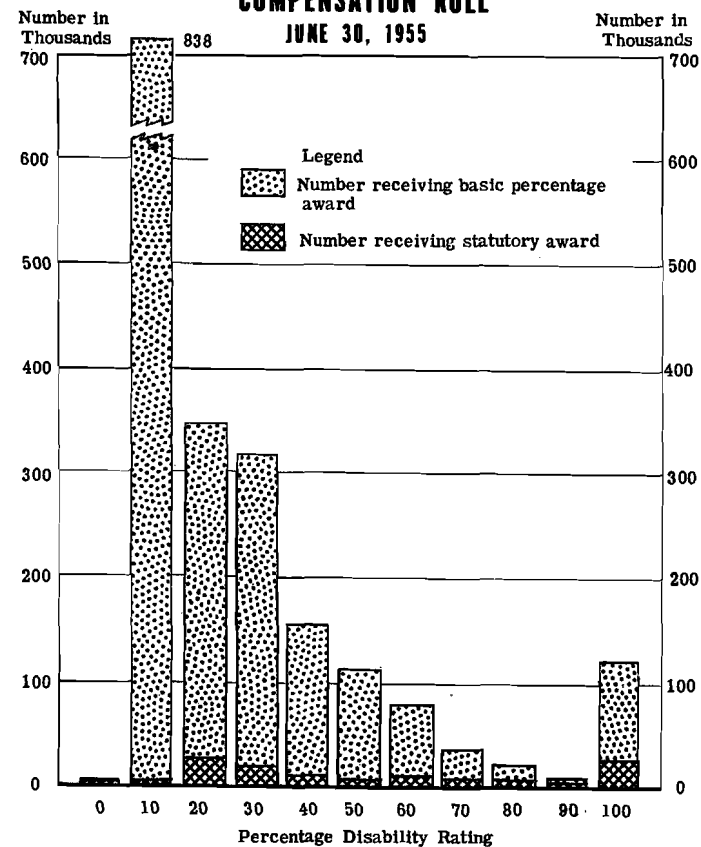
¹ Public Law 104, 66th Cong., approved Dec. 24, 1919.

² Public Law 242, 68th Cong., approved June 7, 1924.

³ Public Law 2 and later amendments, 73d Cong., approved March 20, 1933.

10 percent and zero categories. An additional 664,000 were disabled 20 to 30 percent. Thus, over 1,500,000 veterans, or nearly three-fourths were disabled 30 percent or less. At the upper extreme, 124,000 were rated as 100 percent disabled—6 percent of the total. In ranges from 40 to 90 percent, almost 447,000 veterans were included, representing over 20 percent of the total. (Also see table 1, p. 152.)

CHART I
VETERANS ON VETERANS ADMINISTRATION DISABILITY
COMPENSATION ROLL
JUNE 30, 1955



Source: Veterans Administration.

Statutory Awards

These special awards represent instances in which the Congress has established rates by specific enactment for certain conditions that can be readily identified, such as amputations or blindness; they are payable on a permanent basis, that is, during the lifetime of the individual. Such rates originated during the Civil War at a time when the basic amount for total (100 percent) disability for enlisted men was \$8 per month. In that period of our history when the economy was largely agrarian, manual dexterity was essential. Thus, permanent injuries to limbs meant almost complete economic disablement of the individual. For pitiful conditions (such as loss of feet, hands or eyes) Congress recognized the inadequacy of the basic 100-percent rating and enacted special provisions. In 1864, for the first time, the rate for the loss of both hands or the sight of both eyes was established by statute at \$25 monthly, while for the loss of both feet the rate was set at \$20.

The number of statutory awards has increased through the years; and the rates have correspondingly progressed upward. While the earlier practice had been to provide the higher statutory amounts as a substitute for percentage awards, the innovation of establishing certain statutory amounts in addition to the basic percentage rates was begun by Congress after the close of World War I.

The first instance of this was an enactment in 1919 for combinations of disabilities which were deemed to be "double total permanent disability," and which provided a rate double the basic percentage rating otherwise payable. Starting in 1930, a number of disabilities were provided statutory amounts in addition to the basic percentage awards under various amendments to the World War Veterans Act. Under the veterans' regulations promulgated under Public Law No. 2, 73d Congress (1933), additional amounts were provided for the loss of 1 hand, 1 foot, or 1 eye. Furthermore, the awards for multiple disabilities were consolidated into statutory rates higher than the basic percentage rate for total disability. Since 1933 the amounts for statutory awards have been raised from time to time while cer-

tain new awards have been added, such as for arrested tuberculosis.

At the present time, these statutory awards are of two kinds (peacetime rates are 80 percent of the wartime rates given below): First, permanent monthly rates of \$47 are payable in addition to the basic percentage awards for loss, or loss of use, of a foot, hand, creative organ, or blindness in one eye.

The second category, listed below, includes permanent monthly rates paid for specified disabilities in lieu of the basic percentage rates. As can be seen, these usually exceed the percentage rates:

1. (a) Loss or loss of use of both hands, both feet, one hand and one foot, (b) blind in both eyes, (c) permanently bedridden, or (d) helpless and in need of aid----- \$279
2. Loss or loss of use of two extremities at a level, or with complications preventing natural elbow or knee action with prosthesis in place; or blind in both eyes and requiring aid and attendance----- \$329
3. Loss of two extremities so near shoulder or hip as to prevent use of prosthetic appliance; or anatomical loss of both eyes----- \$371
4. A group of World War I veterans are "protected" by law for disabling conditions similar to the above----- \$231-\$300
5. When disability exceeds requirements for any of the above rates, the Administrator of Veterans' Affairs may allow next higher rate or intermediate rate, not to exceed----- \$420
6. If a veteran has two or more losses listed in item 1, above, or has total deafness in combination with total blindness----- \$420
7. Tuberculosis, all forms, completely arrested is compensated for at a minimum monthly rate for life, of \$67. The law also provides graduated reduced percentage ratings over an 11-year period of 100 percent for the first 2 years; 50 percent for the next 4 years; 30 percent for the next 5 years; then a 30 percent permanent rating for arrested, far-advanced lesions; a 20 percent permanent rating for arrested, moderately advanced lesions; and a zero percent for all other forms. However, the monetary payment does not go below the minimum of \$67.
 - a. A group of World War I veterans are "protected" by law and receive a 100 percent rating for 6 months after discharge from hospitalization and then a minimum of \$67 monthly for life. This group is awarded a minimum permanent 25 percent rating for arrested or apparently cured tuberculosis with no observation or reexamination required.

- b. The permanent \$67 rate for completely arrested tuberculosis is not payable in combination with the \$47 additional award for single losses mentioned above, except for World War I veterans receiving statutory awards under section 202 (3), World War Veterans Act of 1924, as amended.

As can be seen from the middle column of table 1, there were nearly 122,000 cases on the Veterans' Administration rolls on June 30, 1955, receiving statutory awards. Over three thousand of these cases were rated at zero (in terms of the basic percentage-award criterion). About 64,000, over half of the total, were rated from 20- to 50-percent disabled. At the other extreme, one-sixth were rated as 100-percent disabled.

TABLE 1.—Veterans Receiving Service-Connected Disability Compensation From Veterans' Administration as of June 30, 1955¹

[Number of cases and annual cost classified by degree of disability and type of award]

Combined degree of impairment	Total		Award			
			Statutory ²		Basic percentage ³	
	Number	Annual value (thousands)	Number	Annual value (thousands)	Number	Annual value (thousands)
Grand total.....	2, 076, 026	\$1, 429, 771	121, 892	\$231, 039	1, 954, 134	\$1, 198, 732
No percent.....	3, 044	1, 914	3, 044	1, 914	.....	.....
10 percent.....	838, 325	173, 656	2, 173	1, 736	836, 152	171, 920
20 percent.....	345, 860	150, 151	28, 014	22, 780	317, 846	127, 371
30 percent.....	318, 615	196, 922	19, 958	19, 298	298, 657	177, 624
40 percent.....	164, 899	135, 717	10, 710	15, 102	154, 189	120, 615
50 percent.....	116, 225	149, 080	5, 759	11, 047	110, 466	138, 053
60 percent.....	88, 813	140, 045	10, 836	23, 623	77, 977	116, 422
70 percent.....	42, 726	79, 441	8, 131	19, 774	34, 595	59, 667
80 percent.....	29, 458	57, 815	7, 990	21, 492	18, 468	36, 323
90 percent.....	7, 644	19, 680	4, 277	12, 676	3, 267	7, 004
100 percent.....	123, 517	325, 350	21, 000	81, 597	102, 517	243, 753

¹ Figures cover veterans of all wars, Korean conflict, and peacetime service, and include direct and presumptively service-connected disability. Veterans with 50-percent disability or more are entitled to additional allowances for dependents. These are included in the annual value of awards.

² Statutory awards are in addition to, or in lieu of, basic percentage awards. They are tabulated according to percentage of rated impairment.

³ Approximately 65,000 cases receiving statutory awards also receive basic percentage awards, but are not included in number of cases shown as receiving the basic percentage awards.

Source: Veterans' Administration.

Table 2 shows the distribution of the statutory award cases on June 30, 1955, by the kinds of disabilities. Over one-third were receiving the award for arrested tuberculosis. Another 67,000, or 55 percent, were receiving the \$47 award for the single loss of hand, eye, foot, or creative organ.

Of the seriously disabled (roughly 10 percent), nearly 10,000 had multiple losses such as both eyes, both hands, both feet, or one hand and one foot. These veterans were receiving statutory

TABLE 2.—Veterans Receiving Specific Statutory Compensation Awards From Veterans' Administration as of June 30, 1955¹

[Number of cases and rates paid, classified by type of loss]

Specific statutory disability	Number paid single or combined awards	Monthly wartime rate ²
Grand total.....	121, 892	.....
1. Arrested tuberculosis.....	41, 818	\$67
2. Arrested tuberculosis and creative organ.....	82	114
3. Loss or loss of use of ³	66, 912	47
Creative organ.....	6, 986	.....
1 hand.....	12, 810	.....
1 eye.....	21, 984	.....
1 foot.....	25, 132	.....
4. Multiple loss or loss of use of.....	9, 791	279-371
Both eyes.....	2, 085	.....
Both hands.....	321	.....
Both feet.....	5, 927	.....
Hand and foot.....	1, 458	.....
5. Multiple loss of other combinations of eyes, feet, and hands.....	1, 427	156-420
6. Other.....	1, 422	279-326
Aid and attendance.....	1, 412	.....
Aid and attendance and creative organ.....	10	.....
7. Combinations of 3, 4, 5, or 6.....	440	47-420

¹ Figures cover veterans of all wars, Korean conflict, and peacetime service, and include direct and presumptively service-connected disabilities.

² Peacetime rates are 30 percent of wartime rates. Veterans with not less than 50-percent disability are entitled to additional allowances up to \$91 for dependents.

³ Basic percentage compensation awards are payable in addition to the specific statutory awards to veterans in this category if they can qualify, and such awards generally ranging from \$50 to \$181 monthly were being paid to an estimated 65,000 veterans as of June 30, 1955.

⁴ These rates are applicable to the bulk of cases in this category.

Source: Veterans' Administration.

awards of \$279 to \$371 a month or their 80-percent peacetime equivalents.

Of the 67,000 veterans on the statutory award roll drawing the \$47 rate, or its peacetime equivalent, an estimated 65,000 were also receiving additional payments under the basic percentage category—largely in the 30- to 50-percent bracket. This meant that the typical veteran who had sustained the loss of a hand, an eye, or a foot was receiving an award in excess of \$100 monthly under both sets of these benefits.

Presumption of Service-Connected Disability

While the basic criterion is that the disability must be due to a condition resulting from service or aggravated by service, there are a number of special provisions in the various laws and regulations which help a claimant establish service connection for his disability. This is accomplished by so-called presumptions which under certain conditions remove the necessity of proof.

Available information indicates that about 2.5 percent of all veterans in receipt of service-connected compensation established claims solely on the basis of the presumption of the service-connection through a disease which became manifest after discharge. (See item 3, below.) Complete statistics are not available on the extent to which non-service-connected conditions have been put into the service-connected category, through this process, but it is evident that some of the presumptions are extremely broad in their application. In addition, the law provides that where evidence may not clearly demonstrate service connection of a disease, all reasonable doubt is to be resolved in favor of the veteran. This prescription, together with the statutory presumptions, heavily conditions the administration of the disability compensation program. The rebuttable presumptions may be grouped as follows:

1. *Presumption of sound condition.*—Every person in military service is presumed to have been in sound condition upon entry, except as to defects noted at the time of examination.

2. *Presumption of service connection—aggravation.*—A pre-existing injury or disease is presumed to have been aggravated by military service, where there is an increase in disability during service, unless the increase is due to the natural progress of the disease.

3. *Presumption of service connection—diseases manifest after discharge.*—Certain chronic and tropical diseases are presumed to be service-connected if existing within 1 year after separation except that: (a) for tropical diseases the time interval may be extended, provided the period from date of termination of active service to the time when the disease is first observed does not exceed the time allowed for such incubation according to the opinion of acknowledged medical authorities; (b) for active tuberculosis, all forms, the time interval is 3 years, and by regulation active pulmonary tuberculosis diagnosed within the fourth year is held to have preexisted the diagnosis for 6 months in minimal cases, 9 months in moderately advanced cases, and 12 months in far-advanced cases; and (c) for multiple sclerosis the time interval is 2 years.

4. *Total disability.*—Although not a “presumption” in the strict sense of the term, total disability is said to exist when there is present any impairment of mind or body which is sufficient to render it impossible for the average person to follow a substantially gainful occupation. Permanent total disability would exist when the impairment is reasonably certain to continue throughout the life of the disabled person.

TABLE 3.—Veterans Receiving Service-Connected Disability Compensation From Veterans' Administration as of June 30, 1955¹

[Number of cases, classified by preponderant compensable disabilities according to Veterans' Administration major disability classification]

Major disability classification	Total	Percent of grand total
Grand total.....	2, 076, 026	100. 0
Total tuberculosis of the lungs and pleura.....	92, 129	4. 4
Total psychiatric and neurological diseases.....	450, 944	21. 7
Psychoses.....	92, 914	4. 5
Psychoneuroses.....	245, 854	11. 8
Organic diseases of the central nervous system.....	99, 568	4. 8
The epilepsies.....	12, 308	. 6
Total general medical and surgical conditions.....	1, 532, 953	73. 9
Bones and joints, acute, subacute or chronic, diseases of.....	189, 062	9. 1
Amputations of upper and lower extremities, including fingers and toes.....	47, 564	2. 3
Other impairments of upper and lower extremities, including fingers, toes, spine, skull, and ribs.....	342, 363	16. 5
Muscle injuries.....	239, 786	11. 6
Eye, diseases of, and impairment of visual acuity.....	44, 395	2. 1
Ear and other sense organs, diseases of, and impairment of auditory acuity.....	51, 693	3. 9
Systemic conditions.....	6, 632	. 3
Respiratory system, diseases of—		
Nose and throat.....	19, 907	1. 0
Trachea and bronchi.....	71, 845	3. 5
Lungs and pleura—nontuberculous.....	26, 148	1. 3
Cardiovascular system, diseases of—		
Heart.....	56, 623	2. 7
Arteries and veins.....	85, 637	4. 1
Digestive system, diseases of.....	136, 439	6. 6
Genitourinary system, diseases of.....	30, 363	1. 5
Gynecological conditions.....	1, 631	. 1
Hemic and lymphatic systems, diseases of.....	4, 139	. 2
Skin conditions.....	132, 808	6. 4
Endocrine system, diseases of.....	14, 004	. 7
Dental and oral conditions.....	1, 924	. 1

¹ Figures cover veterans of all wars, Korean conflict, and peacetime service, and include direct and presumptively service-connected disabilities for which statutory or basic percentage awards are being paid.

²Source: Veterans' Administration.

Disability Rating Under the Veterans' Administration Program

Measurement or rating of disability is extremely complex. At the national level, although a number of agencies administer programs involving disability evaluation, the largest is operated by the Veterans' Administration. Apart from the Federal Government there is a repository of some rating experience in the various State agencies which administer workmen's compensation laws.

The Commission's review of the fields of workmen's compensation and disability evaluation, however, shows that despite the pioneering efforts that have been made there are many technical problems yet unsolved and a wide range of disagreement exists among the experts.

In the Veterans' Administration, the chief measuring instrument is the Schedule for Rating Disabilities. This schedule, in keeping with Veterans' Regulation No. 3 (a), provides that: "The ratings shall be based, as far as practicable, upon the average impairments of earning capacity resulting from such injuries in civil occupations."

The first rating schedule on the average impairment method came into being after passage of the War Risk Insurance Act amendments of 1917 and was developed on the basis of existing knowledge mainly from workmen's compensation and insurance fields. The last major revision of this schedule is the 1945 edition which was the outgrowth of a series of revisions going back to World War I. The changes since 1945 are embodied in nine "extensions." From its beginning, the "average impairment" concept has undergone some variation. The 1925 schedule, for example, followed the so-called California workmen's compensation system of rating disability to the extent that the award to the worker was based on his specific occupation rather than on an average of all occupations. Awards ranged from 10 percent to 100 percent in gradations of 1 percent.

In 1933 the Veterans' Administration was authorized to return to the method of averaging for all occupations. The resulting schedule was constructed with 10 grades of disability from 10 percent to 100 percent. The 1925 schedule, however, is still used as the basis for certain ratings "protected" by law for World War I veterans, and for determining existence of a compensable disability on the part of deceased veterans whose dependents might be eligible for death pensions. It should be noted that in developing the ratings in the schedule, the standard for "average impairment" was the ability of a man to perform manual or general labor, capabilities required in occupations emphasizing physical performance.

Despite the mandate in Veterans' Administration Regulation No. 3 (a) that "The Administrator of Veterans Affairs shall, from time to time, readjust this schedule of ratings in accordance with experience," there has never been a study to find out if these veterans were actually being compensated according to their "average impairments in earning capacity." Likewise, other basic information necessary to appraise the effectiveness of the present rating system has not been available.

Research on Problem of Disability Rating and Compensation

In view of the background of the Schedule for Rating Disabilities and of the changing economic and social characteristics of our society, the Commission undertook three basic studies to ascertain whether the present schedule constituted an adequate and equitable basis for compensating disabled veterans. The first study consisted of a medical appraisal of criteria and correlated percentages of disabilities, as well as nomenclature in the schedule and in the related statutory awards and presumptions. A questionnaire was sent to 169 eminent medical specialists in various parts of the country to obtain their views on whether standards laid down in the schedule were in accord with up-to-date practice. About half of the questionnaires went to specialists in private practice, with the balance to physicians in Government agencies, including the Department of Defense and Veterans' Administration. This investigation was pertinent also to non-service-connected pensions since the disability-evaluation criteria in the schedule apply to these benefits as well.

Secondly, an actuarial study of mortality rates among veterans receiving disability compensation was undertaken. Death rates in any group of persons furnish an important index of the physical vitality of the group. Accordingly, for the first time data were compiled by this Commission on the mortality rates of Veterans' Administration compensation beneficiaries. A shortening of life, of course, involves an economic loss. The actuarial study, therefore, helped examine the effectiveness of the present system of compensation.

Thirdly, a survey was made of the actual earnings of over 12,000 veterans on the disability compensation rolls based on the veterans own reporting. At the same time, a similar study of about 1,300 cases on the military disability retirement rolls was undertaken. The survey of veterans on the disability rolls (in which a response of about 90 percent was received) covered not only the question of earnings but many other factors relating to the work experience, social adjustment, and health status of the disabled veterans. Simultaneously, a survey of 7,000 veterans in the civilian noninstitutional population was made through the United States Bureau of the Census. Here also for the first time an attempt was made by the Commission to measure objectively how the incomes of disabled veterans compare with the incomes of nondisabled veterans and other people in corresponding age, occupational, and educational groups.

In addition to the foregoing surveys, the Commission undertook a study of how disability compensation and rating were working under State workmen's compensation laws and how they compared with the Veterans' Administration and the Department of Defense. Likewise, the Commission examined compensation practices by the Canadian and British Governments. The results of these studies are published in separate reports. Taken altogether, they demonstrate that significant improvements should be made in the disability compensation programs for veterans and servicemen. At this point, it is necessary only to indicate the general nature of the Commission's findings.

Medical Appraisal of Veterans' Administration Rating Schedule

The responses from the medical specialists and the studies of the Commission's staff indicate that the present Veterans' Administration Schedule for Rating Disabilities is in many respects not in conformity with up-to-date standards. Some ratings are unrealistic in view of the current level of medical and other scientific knowledge. In many areas the standards embodied in the schedule show evidence of looseness in application which produces inequities in the granting of some awards. Notable instances, particularly significant with respect to pensions, are the

criteria relating to osteoarthritis and arteriosclerosis and to similar ailments in the schedule which set the standards for a 10-percent disability in the advanced ages. (The replies from physicians, among other things, stressed the fact that the nomenclature for psychoses and epilepsies was not in keeping with present-day usage.)

Along with the problem of the rating schedule criteria, returns from the medical specialists indicated that the statutory awards for tuberculosis and creative organ as well as the presumption of service-connection for tuberculosis were not in accord with present-day concepts. For example, advances in the diagnosis and treatment of tuberculosis, together with accepted medical principles about this disease, make obsolete the statutes which were predicated on scientific medical knowledge of the 1920's.

Actuarial Study on Mortality Rates

The loss of physical vitality from injuries or disease is a significant factor which can be measured actuarially by examining mortality rates. It is commonly assumed that a person receiving disability compensation has suffered an impairment of health which, more or less, would shorten life expectancy. There are many cases where this is true. In the Commission's study, the mortality rates for both World War I and World War II veterans were compared with the mortality rates for males of similar ages in the general population. Mortality rates were also examined not only for the various degrees of disability, but also for the various groups of diseases and injuries. The results of this investigation as they apply to the average, but not to particular individuals, are summarized below:

1. Veterans now receiving disability compensation on account of service in World War I are on the average better off from the standpoint of physical vitality than men of the same age in the general population. They probably are as well off from this standpoint as World War I veterans generally, including those not receiving disability compensation, though this point has not been conclusively established.

2. Veterans receiving disability compensation on account of service in World War II were slightly better off from the stand-

point of physical vitality in 1954 than men of the same age in the general population. In 1953 and in earlier years they were somewhat worse off. Currently they are worse off than the total World War II veteran population.

3. The disabilities that result in ratings of 10 or 20 percent do not represent any impairments of physical vitality. Persons having these ratings appear to be as well off as veterans generally, and much better off than men of the same age in the general population.

4. A higher rating in the Veterans' Administration's rating schedule means a greater loss in physical vitality, though not consistently so, and not proportionally so. Thus, a 50-percent rating does not mean half as much of a loss of vitality as a 100-percent rating.

5. The standards for a 100-percent disability rating by the Veterans' Administration represent less in the way of a loss of physical vitality than the standards used by commercial life insurance companies in determining the existence of total disability. In this sense, therefore, a 100-percent rating is not always synonymous with total disability.

The Economic Status and Earning Capacity of Disabled Veterans

Comparisons of data from the survey by the Bureau of the Census in October 1955 and the survey of individuals on the Veterans' Administration compensation rolls show the following:

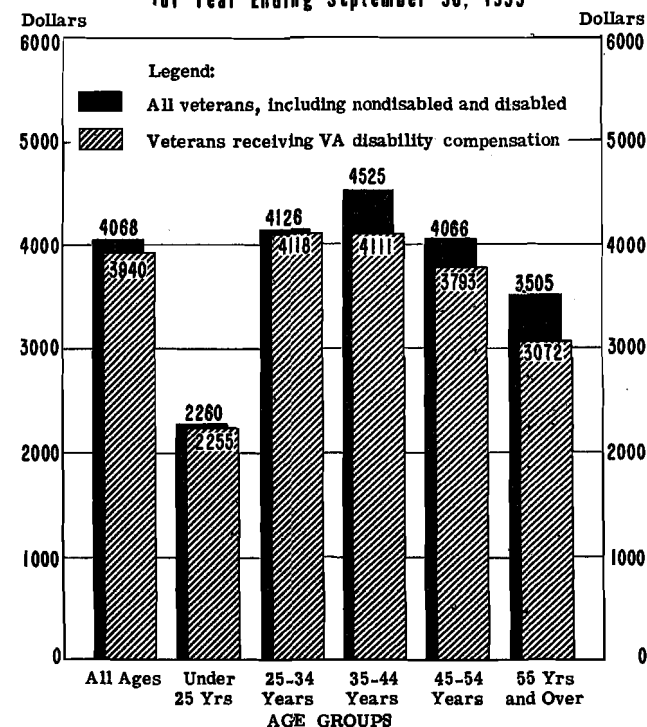
Total incomes.—Median annual income for service-connected disabled veterans is about \$130 less than that for veterans without service-connected disabilities. Since the incomes of the average disabled veteran include Veterans' Administration compensation averaging \$700 on which no income tax is paid, the resulting take-home incomes of disabled veterans are about equal to those of nondisabled veterans.

When the comparison of total incomes is made by age groups (see chart II), the disabled veterans in ages under 25, and from 25 to 34, have about the same income as the nondisabled group. However, in the age groups above 35, the disabled veterans have incomes which are lower; in the 35 to 44 age group their cash

CHART II

TOTAL INCOMES OF VETERANS RECEIVING VA SERVICE-CONNECTED DISABILITY COMPENSATION COMPARED WITH INCOMES OF ALL VETERANS

Median Incomes, Including VA Compensation,
for Year Ending September 30, 1955



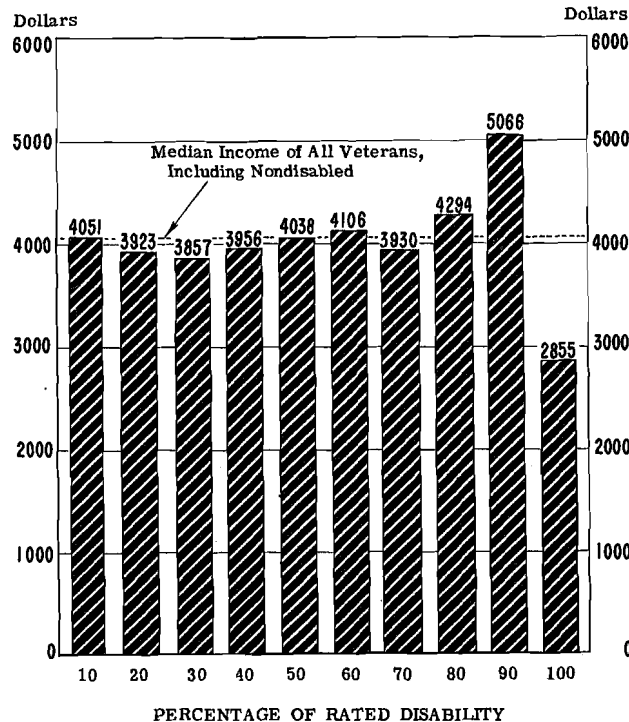
income is about \$400 lower; in the age group 45 to 54 this difference is somewhat less—\$275; while in the age group 55 and over the difference is about \$430. (For total income by degree of disability see chart III.)

Earned income.—In addition to other factors, it is quite plausible that the disability might be responsible for the reduction in earning capacity of this group. The figures show that for all ages combined, the median earned income of veterans with service-connected disabilities is about \$365 less than the median in-

CHART III

TOTAL INCOMES OF VETERANS RECEIVING VA SERVICE-CONNECTED DISABILITY COMPENSATION

Median Incomes, Including VA Compensation,
for Year Ending September 30, 1955



come of nondisabled veterans. This differential changes with age. With respect to veterans who engaged in training under Veterans' Administration auspices, the median income of those in ages under 35 exceeds that of veterans without such training; however, in the older ages the reverse relationship prevails. For all ages together the 1955 median incomes of those with training were about equal to those without training.

Occupational status.—The proportion of professional, sales, operative and kindred workers, and laborers is higher for non-

disabled veterans in comparison with disabled veterans. On the other hand, disabled veterans have a higher proportionate representation among managers, officials, and proprietors, (except on farms); clerical and kindred workers, service workers and farmers, and farmworkers. These excesses and deficiencies, however, show some reversal in specific age groups.

Employment.—The above figures on occupational distribution relate only to veterans who are employed and may be affected by the significant differences in the employment ratio of disabled and nondisabled veterans. In October 1955, 83 percent of the disabled veterans were employed as compared to 93 percent of the nondisabled according to census data. The proportion who indicated that they were unable to work was 3.7 percent in the disabled group as compared to only seven-tenths of 1 percent in the group not receiving Veterans' Administration compensation.

Employability was significantly different as between World War II veterans and the much older World War I veterans. Among the World War II group, 97 percent of the nondisabled were employed; only 90.5 percent of the disabled. Of those, two-tenths of 1 percent of the nondisabled were unable to work as compared to 2.2 percent of those receiving compensation. Of the World War I veterans, however, only 52 percent of the disabled were employed as compared to 80 percent of those not on the Veterans' Administration compensation rolls. Significantly, 12 percent of the disabled indicated that they were unable to work as compared to only 4 percent of the nondisabled veterans of that war. This indicates that with growing age, disability may have an increasing effect on employability. It may also reflect to some extent the fact that older veterans, whose family responsibilities have been met, and who have regular assured incomes from the Government, tend to withdraw from the labor market earlier in life. This is indicated by the fact that nearly 30 percent of the disabled World War I veterans have left the labor force as compared to only 13 percent of the nondisabled.

In terms of extent of employment, the disabled veterans again compared unfavorably with the nondisabled. While 75 percent of the nondisabled worked fulltime, for 48 to 52 weeks during the 12 months preceding October 1955, only 61 percent of the disabled veterans were in this category.

Days lost by illness.—For those veterans who worked, the survey carried out through the cooperation of the Census Bureau showed that the extent of illness was significantly higher among the disabled. Of the nondisabled veterans, 71 percent did not lose any time from illness, 40 percent of the disabled; 16 percent of the nondisabled lost less than 10 days, 19 percent of the disabled; 13 percent of the nondisabled lost 10 or more days from illness, 23 percent of the disabled.

With respect to hospitalization, the experience among the disabled was also heavier. Of the nondisabled, 8 percent were hospitalized during the year preceding October 1955; three-fourths of these took care of their own hospitalization. Among the disabled, 16 percent were hospitalized, and over half of these (55 percent) took care of their own hospitalization.

GUIDEPOSTS FOR IMPROVEMENT

The Basic Purpose of Disability Compensation

Foundations for rating and compensation.—Disability compensation is a complex and difficult subject because it deals with a wide range of human factors. It is clearly a national desire—and fully within our national economic capacity—to do justice by those who were injured or disabled as a consequence of their military service. However, a formidable question arises as to what basis for compensation is just and equitable for all.

Many different factors can be identified as possible bases for compensating disabled veterans. These include: impairment of earning capacity, loss of physical integrity, shortening of life, social inconvenience, disfigurement, pain, suffering, anguish, and possibly others. Most of these elements may be identified in one or another of the various systems for awarding damages or compensating for disability. In the field of tort claims or common

lawsuits, for example, an increasingly broad range of factors is being reflected in the award of damages.

In the Veterans' Administration system, the law specifies that the percentage awards are to be based on average impairment of earning capacity. This recognizes that the fundamental purpose of disability compensation is to assure the disabled veteran and his family the essential means for economic maintenance. In actual administration, however, it is clear that the Veterans' Administration has not been able to adhere to this basic criterion as set forth in the law. Moreover, no studies have been made of the actual impairment of earning capacity among the disabled, and the basic standard used has been geared to the impairment of the individual who performs manual labor. Thus, since functional physical capacity is a major factor for a laborer, the Veterans' Administration standard has been predominantly a physical disability standard.

Anatomical disablement is more clearly identifiable in the supervening statutory awards which have been enacted into law over many years and which override or supplement the basic percentage awards. From the economic standpoint, statutory awards conform more to the pattern of a bygone generation when anatomical disablement had a much greater effect upon employment factors than today. Accordingly, statutory awards inject an unduly heavy element of compensation for purely physical factors. Similarly, percentage awards for such injuries as severe facial disfigurement are also a recognition of the physical factor. The compensation of minor wound scars at 10 percent cannot be related to impairment of earning capacity and indicates that an allowance for pain and suffering has been included, possibly disfigurement as well. There is some indication that Veterans' Administration ratings make allowance for shortening of life and social inconvenience resulting from disablement. Additionally, the response of medical specialists to the Commission's questionnaire showed that many of them believed some ratings included factors other than loss of earning capacity.

While there are some important exceptions, it appears that—despite the inadequacies discussed above—on the whole veterans' compensation tends to work out in such a way that the

average wage loss of those who are disabled is made up through compensation. Developments in survey techniques in the last 2 decades make it feasible to measure accurately the actual average earnings of disabled veterans and to compensate them for any deficiency, so an even better result can be obtained.

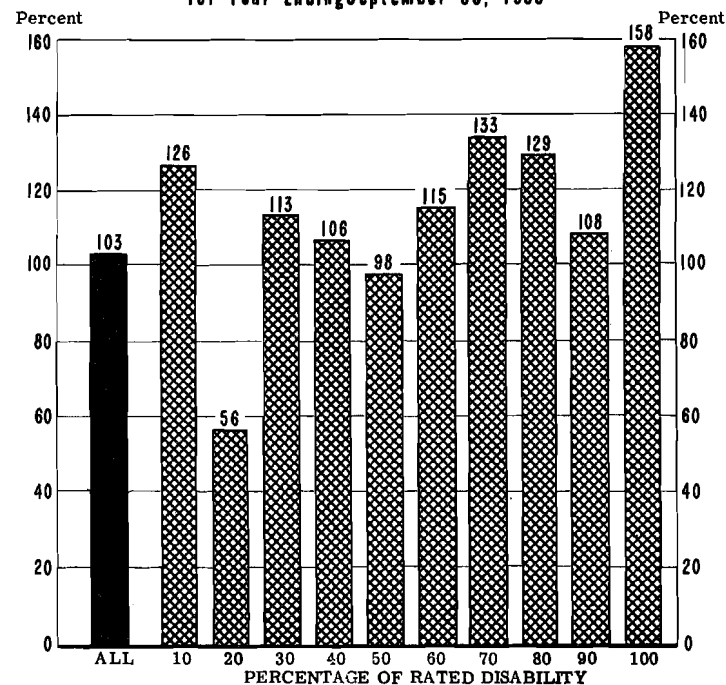
A balanced compensation program must do more than merely replace lost earning capacity. While the economic aspect of man's life is important, there are other elements which must be recognized in drawing up a compensation system; for example, physical and mental integrity of the individual, as well as social and industrial adaptability. Furthermore, just as changing economic conditions affect the loss of earning capacity resulting from certain disabilities, so do social conditions change and affect the physical integrity aspect of compensation. Likewise, advances in surgery, prosthetics, and medical treatment may alter the degree to which functional losses handicap individuals. The anatomical impairment aspect must be realistically appraised. Due regard should be given the fact that anatomical loss for an amputee may not be a more serious handicap than the loss of health to a person suffering from internal injury or disease.

Statutory Awards. Changes in the nature of economic activities and in medical and vocational rehabilitation are steadily improving the lot of those with disabilities which, in the 19th century, meant virtually complete loss of ability to work. From the standpoint of impaired earning capacity, this is particularly apparent since in our modern and increasingly diverse society, with machines continually replacing manual power, there are more earning opportunities for people with severe physical disabilities. The Commission's survey of disabled veterans indicated that on the average the total incomes of those with statutory awards were significantly higher than those receiving only percentage awards (see chart IV).

The Commission's survey of medical specialists indicated that the statutory awards for arrested tuberculosis were unwarranted and unrealistic in the light of recent advances in medical knowledge.

CHART IV TOTAL INCOMES OF VETERANS RECEIVING STATUTORY AWARDS AS PERCENT OF INCOMES OF VETERANS RECEIVING COMPENSATION ONLY UNDER RATING SCHEDULE

Median Incomes, Including VA Compensation,
for Year Ending September 30, 1955



In this survey it was also observed that other statutory awards generally were obsolete and should be abolished. It was pointed out that such awards tend to be based largely on emotional reactions, provoked by the sight of a veteran with a visible mutilation, such as a missing arm or leg, and that there are other equally disabling conditions which are not so compensated.

Analysis of the problem of statutory awards raises an important question of the equity between veterans who have obvious disabilities, such as anatomical loss, and those who are equally seriously disabled by reason of internal injury or disease. Today

the wartime veteran who has two legs or two arms missing is paid a minimum of \$279 monthly, and through modern prosthetics can, in most cases, be substantially employable. On the other hand, a veteran who is 100 percent disabled from disease or internal injury—such as heart trouble or mental difficulties—is eligible for only \$181 a month and may be unable to engage in any employment whatsoever. Similarly, a veteran who has a leg injury rated at 40 percent and is paid \$66 receives an additional \$47 statutory award, or a total of \$113 monthly. Another veteran with a chronic bladder (cystitis) or diabetic condition rated at 40 percent could be paid only \$66 monthly.

Thus, in statutory awards unrelated to the degree of disability, veterans with equal disabilities receive unequal treatment. This is true not only for impairments rated on the basis of earning capacity, but also for loss of physical vitality. Studies by a British Royal Commission show that the mortality rate among amputees is not dissimilar from that of veterans without disabilities. On the other hand, it is probable that disabilities resulting from diseases (such as diabetes) or internal injury, which are sufficiently severe to be rated 40 percent or higher, are apt to shorten the life of the disabled individual. The main basis for statutory awards is that of compensation for “loss of use of” and dismemberment.

Recommendation No. 10

(a) The Veterans' Administration Schedule for Rating Disabilities should be revised thoroughly so that it will reflect up-to-date medical, economic, and social thinking with respect to rating and compensation of disability. This revision should be based on thorough factual studies by a broadly representative group of experts, including physicians, economists, sociologists, psychologists, and lawyers.

(b) The revised schedule should serve in the future as the guide for compensation in all cases. It should combine in a comprehensive scale with appropriate rates all the factors—economic, social, physical, and mental—which should be considered in determining compensation for various disabilities.

(1) The basic purpose of disability compensation is economic maintenance. The loss of earning capacity as the result of disability should therefore continue to be the primary factor in the determination of rating criteria.

(2) Human life, however, has values beyond the economic sphere. A loss of physical integrity which is not reflected in loss of earning capacity may still constitute a serious handicap. The rating schedule should, therefore, make allowance for purely physical impairment even though it is not manifested in economic impairment. Also, appropriate consideration should be given to factors resulting in social inadaptability. These factors, however, should be given much less weight than the economic element.

(3) Shortened life expectancy due to disability or impairment of physical vitality may result in loss of earning capacity. It is appropriate, therefore, to reflect in the compensation scale some allowance for reduced longevity among disabled veterans providing it is held to modest weight and account is taken of the fact that liberal benefits for survivors are provided by the Government.

(c) The schedule recommended above would recognize loss of physical integrity in all cases where it would merit consideration. The objective should be to accord equal treatment to all individuals with disabilities of different kinds, but of equal severity. The present statutory awards, however, result in uneven treatment of individuals with disabilities of equal severity. Under the proposed comprehensive schedule, special awards would no longer be necessary for selected conditions since the loss of physical integrity would be one of the factors considered in the basic percentage rating scale.

(d) Intensive research on all phases of disability rating and compensation should be carried out on a continuing basis by the various agencies so that disability rating procedures and criteria would be kept up-to-date.

Average Impairment or Individual Impairment?

Since World War I the Schedule for Rating Disabilities has been based on the concept of average impairment of earning capacity for civil occupations. However, the 1925 schedule deviated to some extent by following California's workmen's compensation system under which the award to the worker was based on the disability for his specific occupation rather than on average impairment of earning capacity for all occupations. Difficulties with the individual occupation basis led in 1933 to a return to the concept of overall average which has since been fulfilled.

There are aspects of the "average" basis which may be contrasted with a disability compensation approach on the "individual" basis. When compensation is geared to the individual's particular circumstances and occupation, a more equitable result may be obtained because allowance can be made for the individual's capacity as reflected in his past earnings record. Unfortunately, as shown by the experience with the 1925 schedule, a large proportion of those disabled in military service did not have prior occupations, hence there was no experience on which to gear individual computation. In addition, those who had worked at several occupations were likely to press for compensation on the basis of the highest paying occupation. Experience has also shown that it is difficult to make accurate occupational ratings on an individual basis.

Closely related to the question of whether to use an individual or an average basis is whether compensation should be adjusted in the event the disabled person recovers his earning capacity through retraining or rehabilitation. The veterans' system makes no reduction in the compensation of individuals who go back to work even if their previous earnings are exceeded. Such reductions, if made, might discourage efforts of disabled veterans to rehabilitate themselves and undermine their willingness to work. Despite the merits of this argument, the present practice causes a good deal of public misunderstanding about

the Veterans' Administration compensation program. This arises when veterans, especially in small communities or agricultural areas, are known to receive substantial checks from the Government and at the same time hold jobs which are equal or better paying than those held by others who are not disabled.

Conversely, the average method of compensation may work some hardship on those who find it impossible to overcome their handicaps. This may result in increased pressures for higher compensation by such veterans, who may not understand that the system is geared to the average disabled veteran. In considering this problem, two other factors need to be taken into account. First, administering 2 million compensation awards in terms of individual earning capacity would call for a substantial addition to the workload of the Veterans' Administration. Secondly, the average basis does not preclude the Government from taking into consideration the average potentiality of individuals to rehabilitate themselves. In other words, it would be completely feasible to set the average rates so that they take into account the extent to which recent developments in the fields of rehabilitation and prosthetics—which have been extended to veterans at Government expense—might fairly be reflected in the average rates of compensation.

The Measurement of Disability

Since 1933, the rating schedule has been based on 10 levels of disability ranging from 10 to 100 percent. In earlier schedules, an even more minute gradation was employed. In the 1921 schedule, for example, gradations of 5 percent were used, while in the 1925 schedule, ratings were made in gradations of 1 percent.

The question has been raised as to whether it might not be more in keeping with the actual precision of the rating process if, instead of 10 gradations, a smaller number were adopted. A majority of the medical specialists surveyed by the Commission questioned the feasibility of assigning ratings within an accuracy of 10 percent.

Adoption of a schedule embodying fewer gradations would make borderline decisions more critical, as the difference in

the amount of payment—as between the lower and the higher ratings—would be greater. Also, with fewer gradations, many of the veterans with the lesser disabilities would receive more than at present, while others would receive no payment at all. This might tend to undermine the integrity of the system with respect to partial disabilities wherein lie the overwhelming bulk of cases.

A review of the mortality and earnings data from the Commission's surveys indicates that, although lacking uniformity, there is a gradual progression in the severity of disability as the ratings increase from 10 to 100 percent. On the whole, therefore, the results seem to substantiate the validity of rating in gradations of 10 percent.

Compensation for Serious Disability

The Commission's research relating to the more seriously disabled brought out two important points. First, the relative impairment of earning capacity among the veterans rated as "100-percent disabled" was greater than in any other category of disability. Moreover, the difference between the 90-percent and the 100-percent ratings indicated considerable unevenness in the gradation.

On the other hand, neither in terms of mortality rate nor earning capacity impairment was the rating of 100 percent a reflection of *actual total disability*. For example, 41 percent of the veterans who were rated 100-percent disabled were employed sometime during the 12 months preceding October 1955, and for those employed, median earned income was \$1,552. Similarly, 11 percent of the "100-percent" disabled veterans indicated that they were working substantially full time—that is, 48 or more weeks per year. It is recognized, of course, that out of 123,000 veterans rated as 100-percent disabled, one-sixth are receiving statutory awards, including over 10,000 for multiple disabilities, such as loss of both eyes, hands, feet, et cetera.

Of the 100-percent-disability cases who responded to the question as to the extent of disability on nonjob activities, less than 13 percent indicated that it confined them indoors. An addi-

tional 5 percent indicated they needed help to get around. Less than 13 percent said they had trouble in getting around. The balance—about 70 percent—indicated lesser limitations. Of the total, almost 58 percent said it merely reduced activity, another 8 percent said it "bothers some," and over 4 percent indicated it did not limit activity at all.

While the practice of regarding persons with multiple losses as permanently disabled is prevalent in workmen's compensation and other disability programs, the carryover of this practice to veterans' disability compensation creates problems. This is due in large part to the "average impairment" theory, in which no reduction is made when the serviceman demonstrates continued ability to earn considerable amounts. When so-called 100-percent disabled veterans engage in highly remunerative employment, the Veterans' Administration program becomes susceptible to misunderstanding and criticism. At the same time, veterans who are bedridden or otherwise genuinely unable to work may be penalized if their awards are based on an average which presupposes some ability to work. This suggests the desirability of more realistic criteria and standards so that veterans who are rated as 100-percent disabled will actually be incapacitated to that degree. With a more meaningful criterion, adjustment would be called for in the other gradations.

Alternatively, in view of the long-established practice of providing 100-percent ratings in cases where functional and economic impairment is substantially less, an approach might be adopted whereby the existing method is retained, but a more realistic special allowance is provided for veterans who are genuinely incapacitated or who need care and attendance. Something approaching this is already available through the discretionary power of the Administrator to provide extraordinary rates for veterans in such condition. It would seem more suitable, however, if this were given separate recognition with several gradations of the "aid and attendance" allowance, depending on the extent of disability and helplessness.

The rating scale should give appropriate weight not only to functional impairment and impairment of earning capacity, but

also to shortening of life. At the lower ranges of disability it is evident that one or more of these factors might be effective while the others might not. For example, an individual who has lost a leg would merit some compensation for a loss of physical integrity even though his earning capacity is not impaired and his life has not been shortened. As the ratings increase toward the 100-percent level, all these factors, however, should merge so that at the topmost rate of 100 percent the person will, on the average, be totally disabled in terms of both economic and physical integrity criteria. It is not equitable to rate a self-sufficient person as 100 percent disabled solely on grounds of functional impairment, as is done today, while others are in fact totally disabled in all respects. Compensation rates for persons who meet these stricter tests should, of course, be increased.

The Commission recognizes a further exception for those who are so severely or specially disabled that they are helpless and require constant care and attendance. Their needs are greater in this respect than those of persons who are otherwise 100 percent disabled. They are not only unable to be productive or self-sufficient, but they require care by other persons. Recognition of this factor dictates the need of supervening allowances for aid and attendance graded according to degree of helplessness.

Recommendation No. 11

(a) The present basis of compensating disabled veterans for "average impairment" should be continued. No individual should be penalized for overcoming his handicaps, but in preparing the overall rating schedule, achievements of modern medicine, prosthetics, rehabilitation, and the changing nature of our economy need to be considered in establishing the criteria for the "average" case.

(b) The method followed since 1933 of rating disabilities on a scale with 10 gradations has proven reasonably satisfactory, but the fixing of compensation on a basis of ten percent for each gradation leads to inequities. Comparatively speaking, veterans with minor disabilities receive too much and those with the most serious disabilities, too little. The rate of increase in com-

pensation should be greater as the degree of disability increases. Accordingly, consideration should be given to determining the amount of compensation on the basis of a suitable curve instead of the present straight-line percentage basis.

(c) Experience with the present scale of compensation based on averages indicates that it is difficult to provide equitably for the needs of those in the 100-percent-disability group unless administrative discretion is permitted in individual cases. Veterans requiring care and attendance, in particular, should be provided separate additional allowance in several gradations, depending upon the extent of helplessness, except where they are hospitalized or domiciled in Veterans' Administration facilities.

Compensation for Minor Disabilities

The Veterans' Administration Schedule for Rating Disabilities contains over 350 ratings of 10 percent, and about 150 in the 20-percent category. There is a serious question as to the desirability of, or necessity for, retaining a very substantial segment of the 10- and 20-percent cases on the Veterans' Administration disability compensation roll. As indicated earlier, 841,000 veterans comprise the zero and 10-percent group, and an additional 346,000 are 20-percent disabled. This magnitude alone reflects an imbalance that seems worthy of attention, while in terms of outlay it represents \$326 million of the \$1.4 billion expended annually for compensation. The large number of awards in the minor disabilities may be due in part to the fact that there is a Veterans' Administration requirement that no future examinations are scheduled once the disability reaches the prescribed minimum rating for that condition in the Schedule for Rating Disabilities.

Often the payment for these minor disabilities has been defended on the basis that most of them are battle casualties. The Commission's survey of veterans receiving disability compensation indicates that less than 18 percent of those with 10-percent disability, and 23 percent of those rated 20-percent disabled, received their disability in a combat zone. The combat disabili-

ties for all compensable cases are 25 percent, and for disabilities rated 30 percent or more, about 33 percent.

The Commission's study of disabled veterans' mortality indicated that neither the 10-nor the 20-percent ratings could be justified in terms of loss of physical vitality or impairment of health. The survey of medical specialists brought many adverse criticisms, and an overwhelming proportion believed that neither the 10- nor the 20-percent ratings constituted an actual impairment of earning capacity.

The survey results on incomes of disabled and nondisabled veterans, however, indicated that the earned incomes of the veterans in the 10- and 20-percent categories were at a point where their Veterans' Administration compensation brought their total incomes just about in line with those of the nondisabled veterans. This, per se, does not necessarily mean that the 10- or 20-percent disabilities are responsible for this difference.

The payment of monthly benefits to persons who are disabled only slightly, if such benefits are not justified in terms of medical criteria, actuarial data, or material loss of earning capacity, presents an important area for possible improvement. Such improvement is significant not only in terms of benefit expenditures but also administrative outlays, since the cases in the 10- and 20-percent categories constitute 57 percent of all the cases on the Veterans' Administration rolls. The soundest course of action would appear to be to find some method of discharging the obligation to such cases once and for all, and to remove them from the monthly payment files. This is especially true of the many thousands of static cases where small monthly payments on a lifetime basis would otherwise be made for healed muscle wounds or losses of toes or fingers.

The most satisfactory way to do this would appear to be to make a realistic assessment of the actual extent of disability and to terminate the Government's responsibility by making a reasonable lump-sum settlement. Precedent for this approach is to be found in countries like Canada and Great Britain. Furthermore, under our military disability retirement system (since 1949), provision has been made for severance pay for personnel

who are disabled less than 30 percent, if they cannot qualify on the basis of age and length of service. This modification should serve no hardship on the present beneficiaries of the Veterans' Administration rolls, particularly since their earning capacity on the average is not significantly impaired by their disabilities. In some conditions, for example, those of a psychiatric nature, final settlement of a claim might even be beneficial in assisting the recovery of a patient.

Experience with settlements for industrial accidents shows that the lump-sum arrangement in cases where the degree of disability is substantial has proven unwise because many of the recipients tend to squander their settlement money. In view of this experience, it would not be desirable to extend the lump-sum approach to other than the small disabilities. It should also be recognized that some of the conditions may be progressive in nature. Therefore, in cases where lump sums were paid and the disability worsened, protection to the veteran should be provided by allowing him to requalify for compensation on a monthly basis.

Recommendation No. 12

(a) Special consideration should be given to disabilities rated at 10 and 20 percent to determine whether significant economic impairment exists.

(b) Consideration should be given to discharge of the Government's obligation in static cases rated at 10 and 20 percent by an appropriate lump-sum or short-term settlement.

Presumption of Service-Connected Disability

In evaluating service-connected disability, it is presumed that the veteran or ex-serviceman was in sound physical and mental condition at the time of his enlistment or induction into the armed services—except for defects, infirmities, or disorders noted at the time of his examination. The general rule is that the evaluations must be based upon accepted medical principles. The Commission's survey of views of medical specialists revealed general agreement that during times of national emergency, with the Armed Forces being expanded as rapidly as possible, physical examinations are necessarily hurried and, in many instances, in-

complete. The necessity for reliance on presumptions with respect to service incurrence of a disability has decreased because of the improved and more complete records kept by all echelons of medical service. However, there should be some "baseline" for later determination of service-connected disabilities, if it does not preclude factual determination on the basis of sound medical principles.

With respect to chronic and tropical diseases, psychoses, and multiple sclerosis, the physicians surveyed were in general agreement that service-connection should be determined in accordance with sound medical principles, and not by fiat. As to tuberculosis in particular, modern methods of diagnosis have made rapid strides since the enactment of the original presumption for this disease 35 years ago. The presumptive period of 4 years is not in accord with present-day accepted medical principles.

Recommendation No. 13

(a) A rebuttable presumption of sound condition upon entry into service is acceptable as a "base line" and should be retained.

(b) The presumption of service connection for chronic diseases, tropical diseases, psychoses, tuberculosis, and multiple sclerosis as now listed should be withdrawn.

There is otherwise in the law sufficient protection for the veteran to establish service connection of any and all diseases. Accepted medical principles can reasonably and accurately establish the onset of a disease and the disability process. Where there is reasonable doubt, the law provides for the doubt to be resolved in favor of the veteran.

Level of Disability Compensation

Compensation for service-connected military disability is in some respects similar to that in private industry for job-connected injuries. The Government's obligation in cases of disability resulting directly from military service is clearly one of a high priority. The amount of compensation provided should be adequate to allow a standard of living for the totally disabled veteran reasonably commensurate to that which he could have

expected to maintain had he been able to continue working and applying himself.

The Commission has recommended earlier that compensation to disabled veterans should continue to be made on an average basis rather than on an individual basis. In line with this approach, the standard of adequacy for veterans who are actually 100-percent disabled should be the standard of living enjoyed by the average worker in the contemporary economy.

Moreover, the level of compensation for disabled veterans should be adjusted periodically to keep it in line with any changes in the cost of living and with the rising standard of living in the country due to increasing general productivity. This can be accomplished by gearing their compensation to some valid index of current earnings by workers in general and by adjusting the compensation rates every 2 years.

The Commission has made some limited investigations into what statistical series might be an appropriate standard for use as a gage in determining disability compensation rates. A number of reasonably adequate—and not too different—series on earnings are available. One of these series is total annual wages of workers in jobs covered by State unemployment insurance laws, as reported by the United States Department of Labor, Bureau of Employment Security. Another is average weekly earnings of production workers in manufacturing industries, published by the Bureau of Labor Statistics of the Labor Department. These weekly series can be converted to an annual basis and adjusted for the effect of unemployment upon annual earnings.

A third series is published by the Department of Commerce, in its national income data, on average annual earnings per full-time employee. It is essentially similar to the two foregoing series, but somewhat more comprehensive and, hence, more appropriate as a base. This series can be adjusted to exclude agricultural employment, or to show the effects on annual earnings of time lost by total unemployment. It includes not only current earnings but wage supplements, such as workmen's compensation and social security contributions.

By periodically adjusting benefits on the basis of one of these standards, disability compensation rates can be kept in line with cost of living and changing productivity. For the year 1954, for instance, the average annual earnings of fulltime nonagricultural employees was approximately \$3,800.

In setting the appropriate standard, consideration should be given to a number of significant factors. One of the most important of these is the tax-free nature of compensation. In view of present tax rates, it is clear that the take-home pay of industrial workers is reduced substantially below their gross earnings. Likewise, a disabled person does not incur certain work-connected expenses—such as for transportation and certain clothing. Furthermore, while the compensation rates should be adequate to provide a good standard of living, they should not be set so high as to eliminate incentive for the disabled person to rehabilitate himself and to participate in productive activity.

Under workmen's compensation in many States the theoretical standard is that disability compensation should be paid at 66⅔ percent of the worker's former earnings. In actual practice, however, prevailing rates are substantially below this goal because of maximum dollar limits on amounts payable. The Commission believes that in the veterans' program the payment of compensation to service-connected disability cases based on two-thirds of the prevailing average compensation for some comparable group in the general population is an eminently reasonable standard for veterans who are actually 100-percent functionally and economically disabled. On the basis of these criteria the annual amount for a totally disabled veteran in 1954 would have been about \$2,500. The rates for partially disabled veterans, of course, would be set in appropriate proportion to this maximum rate, as recommended earlier. At present veterans disabled 50 percent or who have dependents receive additional dependents' allowance, and this is not inconsistent with the two-thirds ratio if these additional payments are held to modest amounts.

Recommendation No. 14

(a) The rates for service-connected disability compensation should be geared to the prevailing average national earnings by some representative group of workers. The actual rates paid should be reviewed every two years and adjusted to conform with this standard if measurable change has occurred.

(b) The rate of compensation payable to veterans who are actually totally disabled should be two-thirds of the average earnings in the base series selected to serve as the standard. Rates for partially disabled veterans should be set in appropriate proportion to the 100-percent rate.

OTHER FEDERAL DISABILITY PROGRAMS

Standards in Federal Disability Programs

Although the disability compensation program for veterans is the largest, there are a number of other disability systems which are administered by or through the Federal Government. These include benefits under the Federal Employees' Compensation Act (workmen's compensation for Federal civilian employees); the Railroad Retirement disability provisions, which supply protection to railroad workers; the military retirement program; and Civil Service disability retirement.

In addition, grants-in-aid are supplied to the States for assistance to the permanently and totally disabled and others. In 1954 the so-called disability freeze provision under the Old-Age and Survivors Insurance system was enacted. This does not provide retirement payments but is rather a system of holding in abeyance, or "freezing" the OASI wage credits of the disabled workers so that their social security benefits (payable at age 65) will not be lost. With respect to the OASI program, Congress is presently considering legislation to provide for the payment of monthly benefits after age 50 to covered workers who are totally disabled from impairments which are likely to continue for an indefinite period.

Important problems arise with respect to the relation of the Veterans' Administration disability compensation benefits to these other Federal programs. First, there is the question of common standards and procedures for evaluation of disability.

The Commission's studies have shown that the basic definitions of disability are much alike. In actual practice, however, differences in interpretation and administration result in substantial differences in the handling of similar cases. This appears to be due in some degree to the differing purposes of the various programs and the philosophies behind them. In part it is also due to lack of coordination and failure to exchange information among all the operating agencies.

Confusion and misunderstanding may result if common standards are not applied. For example, if a person is judged totally disabled under the Veterans' Administration system, but does not qualify for total and permanent disability under the OASI freeze (or vice versa), questions are likely to arise. Likewise in the field of partial disability, the rating of the anatomical losses under the Veterans' Administration program may create problems with respect to other programs, or vice versa. Provisions for disability benefits in public programs are on the increase. It is essential that there be a common approach to the evaluation of disability, and that standards be in conformity with current medical knowledge and rehabilitation techniques.

Other questions arise because of possible duplication of payments for the same disability. For example, the pending proposal (H. R. 7225, 84th Congress) to provide monthly disability payments under OASI poses this problem directly in the case of the Veterans' Administration compensation and pension benefits. If the veteran receiving disability compensation is able to return to gainful employment, despite the disability, he would usually be covered under the Federal Old-Age and Survivors Insurance program and would therefore be eligible to receive these old-age benefits upon reaching age 65, in addition to Veterans' Administration compensation. If OASI monthly benefits are provided at ages between 50 and 65 such a worker—based on his OASI wage credits from private employment or from earlier military coverage—might be considered entitled to old-age and survivors' insurance disability payments. From the standpoint of the individual's equity it would appear that both sets of benefits should be paid—one from an earlier job-connected disability; the second

because the worker earned the OASI wage credits and contributed to OASI.

However, from another viewpoint a basic dilemma arises which may affect the individual's motivation to continue to work. A veteran who is rated as 100 percent disabled and is drawing either \$181 or \$279 monthly from the Veterans' Administration may consider it worth his while to supplement his Veterans' Administration compensation by making an added effort to work. However, should OASI disability benefits be made available without any offset for the disability compensation the veteran is receiving from the Veterans' Administration, he might readily decide that the extra effort of working is not worth while and decide to fall back on his two combined Government benefits. It should be noted, however, that under the pending legislation to provide monthly disability benefits under OASI, as passed by the House, this would not occur since there would be an offset against the OASI benefit in the event another disability benefit were payable.

Recommendation No. 15

(a) In view of the rapid and continuing growth of Federal disability benefits, a prompt effort should be made at an appropriate level in the executive branch to develop common standards for evaluation of disability and compensation under the several programs.

(b) Provision should be made to prevent duplicate benefit payments for the same disability. When an additional disability occurs, consideration should be given to prorating benefits between programs in proportion to the respective responsibilities.

The Federal Employees Compensation Act Benefits for Military Personnel

The Federal Employee Compensation Act (FECA) is the workmen's compensation law for Federal civilian employees. Its purpose is to provide disability (and death) benefits for workers who are injured on the job.

Under existing laws, however, all military reservists (exclusive of the Army and Air Force reserve officers covered under Public

Law 108 and the National Guard and Air National Guard) are covered under FECA in time of peace. This has created certain problems. The Korean conflict, for example, was technically not a war. As a result, reservists covered by the FECA, including those on extended active duty were eligible in some cases for substantially higher benefits than Regulars who were serving under similar conditions.

Not only were there differences between reservists and Regulars, but also among the different services. Under the FECA the term "injury" includes any disease proximately caused by employment. Army and Air Force reservists receive coverage with respect to disease. However, the Navy, Marine Corps, and Coast Guard reserves are not so protected. Similarly, there are differences as to coverage while in travel status. Navy, Marine, and Coast Guard reserves are covered "while performing authorized travel to or from inactive training duty"; Army and Air Force reserves may or may not be covered, depending upon the wording used in the official orders.

FECA coverage for military reserve personnel was provided by laws enacted from 1925 to 1939 when reservists were not regarded as entitled to the full benefits then provided to Regulars under the military retirement and the Veterans' Administration laws. Reservists were then regarded more as "civilians" and the FECA benefits available to civilian Federal employees were in those periods less liberal than the military benefits. Accordingly, the lower FECA benefits were provided reservists who were on training duty.

The FECA amendments of 1949 increased the level of benefits. As a result, many reservists were placed in a more favorable position than Regulars. This situation was inequitable and caused much misunderstanding. It also resulted in an anomalous administrative situation because the Government, in effect, maintained three different disability programs for the same group of people: the military disability retirement system, the Veterans' Administration disability compensation program, and the FECA benefits. While only 1 of 3 benefits could be received at any one time, the practical effect was that the Government

maintained administrative facilities in different programs to take care of the needs of the same group of people.

The provision of FECA benefits for reservists has been made untenable by another development. With the increased recognition of the importance of reserve military organizations in the total defense structure of the United States there has been a movement since World War II to provide reservists the same benefits and privileges which are accorded to Regulars. This movement culminated in the enactment of Public Law 108 in 1949, which provides reservists on active duty comparable rights with Regulars. However, since this law failed to repeal the earlier FECA benefits, reservists have been left in a more favored position.

The availability of FECA survivor benefits became a serious problem during the Korean conflict. It has never been particularly important in the disability area and such overlap as existed recently has been mitigated by decisions in certain of the services that members who are covered by the Career Compensation Act are not entitled to coverage under the FECA. While this seems to be a movement in the right direction, it does not solve the basic problem of correcting anachronisms in our laws which have resulted from piecemeal legislation through the years. Under the pending legislation (H. R. 7089, 84th Cong.) FECA death compensation for reservists would be repealed. The FECA disability benefits should likewise be repealed. Certain minor problems with respect to coverage for travel status or inactive duty training might be involved, but this should not prevent correction of an anachronism which affects yearly only a small number of people. Remaining gaps could be appropriately filled by a provision under regular military and Veterans' Administration laws.

Recommendation No. 16

Now that there is legislation providing reservists with rights and benefits comparable to those provided Regular members of the Armed Forces, there is no longer reason to continue coverage for reservists under the Federal Employees Compensation Act.

Disability as well as death coverage for reservists under this Act should be repealed and any gaps in coverage which might result thereby should be appropriately filled by changes in the laws applicable to military personnel and veterans.

RELATIONSHIP OF REHABILITATION AND COMPENSATION

In the whole melancholy subject of disability there is no brighter hope than the recent developments in rehabilitation. Rehabilitation in its medical and its vocational aspects offers the possibility of a constructive approach by helping disabled persons to eliminate, reduce, or find adjustments to their handicaps, and to develop their remaining capabilities to the point where they can live and work as useful members of society.

The basic essential of effective rehabilitation is treatment and adjustment of the whole individual—his physical status, his attitudes, his abilities, his skills. Effective rehabilitation requires that all the programs which can assist an individual be brought to bear in a concerted and coordinated effort directed to the common objective of enabling the individual to be successfully placed in a job and to take his place in the community. However, the most forward-looking opinions emphasize that, to be effective, rehabilitation must be promptly undertaken before the outlook of the disabled person becomes warped through loss of hope and loss of motivation. Along with a prompt start, success depends on the early establishment of a practical goal for each individual through skilled counseling. This should be carried on by continuous guidance throughout the various stages of medical treatment, physical therapy, vocational rehabilitation, job placement, and followup.

Within the modern-day concept of rehabilitation, disability compensation has an important but secondary role. Its first and most useful function is to provide for those who are disabled while they are going through the process of medical treatment, physical rehabilitation, vocational training, and are getting established in their jobs. Its other important function is to provide maintenance for those cases where rehabilitation is not practicable or cannot completely restore the individual to the point where he

can work and earn on a parity with the nondisabled. Finally, as has been indicated earlier, there is some justification within the compensation system for payments to individuals because of bodily impairment.

The existing situation.—The Commission has examined the existing programs and processes relating to the care, treatment, and compensation of disabled veterans as now being practiced against this background of modern-day rehabilitation theory. It has examined the various stages through which a disabled ex-serviceman would currently pass. This starts with medical treatment and facilities of the military department. While in the military hospital there is little done at present to counsel the individual or to initiate or start him on his course of vocational rehabilitation.

The next stage begins upon his transfer to a Veterans' Administration hospital. If he is seriously disabled, statistics show that despite existing Executive orders and regulations for prompt transfer, the average serviceman will not arrive at Veterans' Administration facilities until about 200 days after his disability is incurred. Part of this period is taken up with medical treatment of an urgent sort, with convalescence, travel from remote locations, and procedures determining whether he will be fit to return to active military service.

There is no question but that the medical care and physical rehabilitation services in Veterans' Administration hospitals are of an excellent quality. A limited amount of counseling also is available in some of the hospitals but this service is still far from adequate. While occupational, physical, corrective, manual arts and educational therapy are provided in the hospitals, the disabled veteran is not actually started on his vocational rehabilitation objectives. With few exceptions this is left to another department of the Veterans' Administration.

Upon his discharge from the Veterans' Administration hospital the veteran receives some advice and counsel. However, it is up to him to take the next step. If he is a veteran of the Korean conflict he may apply to the Department of Veterans' Benefits for vocational training or educational benefits. If he

does apply, he is advised by another counselor. This counselor, although he utilizes the records developed at the hospital, will make the final determination of need for rehabilitation training and will develop, with the veteran, the vocational objective and program to be pursued. If the veteran desires to take the training benefits he is supervised by a training officer at the educational institution or training facility which he attends.

Veterans who make such application, regardless of whether they have previously been hospitalized, are assisted by a counselor in the selection of a vocational objective. This counselor utilizes any records developed at the hospital and makes the final determination of need for vocational rehabilitation training. If the veteran desires to follow the outlined program he is supervised by a training officer at the educational institution or training facility which he attends.

The Veterans' Administration does not have the responsibility of following up the progress of the veteran after completion of the training program. While much of the training leads directly to employment, the actual finding of jobs is done through the State employment offices where responsibility has been lodged by law. In the case of seriously disabled veterans, however, the Veterans' Administration gives cooperative assistance in this difficult job-finding responsibility.

Usually, following separation from the Armed Forces, the disabled veteran applies for Veterans' Administration compensation, especially if he is not already receiving military disability benefits. This program is administered within the Department of Veterans' Benefits by a claim service that is separate from the vocational rehabilitation and education service. At the claims stage he may be medically examined again by the Department of Medicine and Surgery or he may be rated on the basis of his earlier medical record. However, there is usually no connection between the claims process and the vocational rehabilitation programs.

It is the policy of the Veterans' Administration not to solicit claims or applications for other benefits. The veteran who becomes entitled to compensation is apprised of vocational rehabil-

itation benefits. The Veterans' Administration has no authority to require either medical treatment or vocational rehabilitation, even if it is clear that the veteran would materially benefit from such services. Furthermore, the basic philosophy under which the compensation program operates is that no veteran should be penalized for taking steps to overcome his handicap. Accordingly, those veterans who obtain medical benefits as well as vocational rehabilitation and training at Government expense and overcome their handicaps, continue to receive the full rate of compensation as long as their physical disabilities exist.

Although the Veterans Administration Schedule for Rating Disabilities is supposed to be based on the average impairment of earning capacity on the part of disabled veterans, no study of, or readjustment in, the rates has ever been made to reflect the improvements in earning capacity traceable to the substantial and successful rehabilitation programs for veterans.

Summary.—A number of points stand out in the present relationship between vocational rehabilitation and disability compensation for veterans.

First, the existing Government programs for disabled veterans are administered by a number of different echelons within the Veterans' Administration. While the present-day concept of rehabilitation calls for prompt, continuous, and interrelated services to the individual, this goal is far from being achieved under existing programs. There is no single point at which the disabled individual can obtain attention on all facets of his needs. There is, in other words, a lack of integration among the various programs. This seriously impairs the effectiveness of the excellent services which each of them in their separate parts are providing.

Secondly, only part of the disabled veterans receive vocational rehabilitation or counseling. It is significant that only 1 million of World War II veterans on the compensation rolls took the education and training benefits and that of this limited number only 60 percent actually received the Public Law 16 vocational-rehabilitation benefits. Experience has shown that the more seriously disabled veterans take vocational rehabilitation more

often than training under Public Laws 346 and 550. For World War II veterans, when the Public Laws 16 and 346 training programs together are considered, an almost uniform percentage in all degrees of disability took advantage of these benefits except at the 100-percent level. In this latter group, the proportion of veterans receiving this training was 41 percent while slightly over half of those in the group with less than 100 percent rating took such training. It should be noted here that a large proportion of disabled veterans who file compensation claims are never hospitalized in Veterans' Administration facilities. Therefore, they do not receive the counseling and other facilitating services that might be available at Veterans' Administration hospitals.

Thirdly, the Veterans' Administration disability-compensation program and the military disability retirement program both operate in almost complete independence of each other and with little regard to the existence of vocational rehabilitation. They do not counsel disabled veterans to obtain such service. Furthermore, no adjustment is made in the general level of compensation to reflect the successful restoration of earning capacity.

Recommendation No. 17

(a) An intensive review of the process of handling disabled ex-servicemen and veterans should be made with a view to developing procedures which will take full advantage of modern-day concepts of rehabilitation.

(b) All veterans placed on the compensation rolls should receive prompt counseling as to the rehabilitation services that may be available to them, through either Veterans' Administration or the Federal-State rehabilitation programs, and of the results that may be achieved.

(c) Reasonable medical or surgical treatment should be required as a condition precedent to the payment of compensation.

MILITARY DISABILITY RETIREMENT BENEFITS

The present military retirement and separation system is primarily a staff retirement system for persons who make military service their career. It provides payments for personnel who

have completed at least 20 years of service, or have attained specified ages, or who become disabled. The disability benefits are available to individuals on active duty without regard to whether they are career personnel. Thus, the military program overlaps the system of disability compensation administered by the Veterans' Administration.

Prior to the Civil War, disability benefits were paid only upon application of the individual. Early in the Civil War the Congress enacted laws to provide for retiring boards, which had authority to retire a disabled officer without his consent. This action was necessary in order to organize the fighting forces for war. The same action was unnecessary for enlisted men, as they were called up for a specified term and could reenlist only if physically qualified. On July 15, 1870, the retired pay for disabled officers was fixed at 75 percent of base pay, where previously the amount had been half pay for both regular and other officers. The provisions for retiring boards and retirement at 75 percent of pay mark the beginning of the military retirement system as something separate and distinct from veterans' "pensions." A further departure occurred in 1917, when the wartime veterans' disability compensation was made a flat amount, not related to rank. In 1924, though, the flat amount was repealed for disabilities occurring in service after that date. Rank-related amounts were provided until March 20, 1933, when flat amounts were again paid by the Veterans' Administration thereafter as disability compensation.

Special legislation after World War I allowed 75 percent of base pay to a special class of officers (emergency officers) other than Regular officers who were permanently and totally disabled during the war. This was an effort to bridge the gap between the military retirement for Regular officers (by rank) and the veterans' compensation systems. It was not then a permanent part of the military retirement system.

Army enlisted personnel with 20 or more years of active service acquired the right to retire for disability at 75 percent of pay on June 30, 1941. Previously, they were eligible only for veterans' disability pensions or disability compensation. Navy

and Marine Corps enlisted personnel did not receive the same right, and continued to be eligible only for veterans' benefits. On April 3, 1939, Army officer personnel other than Regulars acquired the right to disability retired pay on the same basis as for Regulars. However, the payments were made by the Veterans' Administration, even though the amounts were determined according to the military retirement scale. This was another bridging of the gap for officers, similar to the one that occurred after World War I.

The Career Compensation Act of 1949 made substantial changes in the disability provisions of the military retirement system. The act is applicable to all personnel on active duty, Regular or other, officers or enlisted men. The amount of the disability retired pay is based on the military pay and on the extent of disability, rated according to the Veterans' Administration schedule. There is no minimum service requirement for wartime personnel. Separate provisions are made for temporary and permanent disability. The provisions relating to retirement for age or length of service have not been discussed since the primary concern here is with disability. A disabled service person may, in some cases, however, find he is financially better off to retire with pay computed on the basis of length of service rather than the percentage rating of the disability.

Compensation subsequent to the Career Compensation Act of 1949.—During World War II large numbers of Reserve and other non-Regular officers were called to active military duty. Under the laws then in effect they had the same right to disability retirement as Regular officers, which meant that upon a determination of disability they could be retired at 75 percent of base pay. This avenue was not open to enlisted men. Congressional investigation soon after the end of World War II showed that there were many officers on the military disability retirement roll with impairments which did not significantly handicap them in civilian employment and earning capacity.

Accordingly, the Career Compensation Act discontinued the practice under which a 75-percent retirement benefit could be paid to an officer for minor disabilities. It provided that per-

sonnel who are rated at less than 30-percent permanent disability according to the Veterans' Administration Schedule for Rating Disabilities, and who had less than 20 years of service, should receive only severance pay, computed at the rate of 2 months pay for each year of active service. Those with disabilities of 30 percent or more were eligible for retirement with a choice of the higher of 2 benefit rates: (a) $2\frac{1}{2}$ percent times basic pay times years of service, or (b) the rate of degree of disability times basic pay, with a maximum of 75 percent of basic pay.

Three other noteworthy changes were made by this act. First, personnel who were disabled and found unfit in peacetime, in line of duty and not as the proximate result of the performance of active duty, were to be eligible for severance pay only—regardless of the degree of disability, unless they had completed 8 years of active military service.

Secondly, a temporary-disability retired list was instituted. Personnel were either permanently retired or placed on this list. Those placed on the temporary disability retired list were given a minimum payment of 50 percent of their basic pay. They could be retained on the roll not more than 5 years and were subject to reexamination at least every 18 months during this period. At the end of the 5 years, or sooner, they were to be either retired permanently, returned to active duty, or given severance pay.

Thirdly, for the first time in the history of the military retirement system, enlisted men were made eligible for military disability retirement on the same basis as officers. At the same time, no action was taken to change the coverage of the Veterans' Administration compensation laws. This was indeed far-reaching. Henceforth all military personnel disabled and found unfit while in service might have a choice between the Veterans' Administration flat rate benefits and the military-disability retirement benefits which are geared to basic pay, grade, and years of service.

Thus, the Armed Forces began a disability retirement program paralleling the Veterans' Administration system based upon the same rating schedule. An important problem is whether it is necessary and desirable to have two separate dis-

ability programs covering the same group of personnel, administered by different agencies.

This problem may be analyzed both historically and philosophically. There has long been an overlap between the military disability retirement benefits and the Veterans' Administration disability compensation benefits, but only with respect to officers. Prior to 1949 the actual duplication in coverage was negligible, as most officers were granted higher benefits under the military retirement system where pay grade was a factor; any disabled officer was awarded a minimum of 75 percent of base pay. Before the Career Compensation Act came into being, disabled enlisted men had recourse solely to Veterans' Administration compensation except for Army personnel after 1941 who had 20 or more years of service. The extension of military disability separation and retirement coverage to all enlisted men in 1949, however, vastly increased the scope of duplication between that system and the Veterans' Administration disability compensation program. Enlisted men constitute nearly 90 percent of all personnel in the Armed Forces, and since their pay is less in the lower grades, they are likely to benefit financially by being rated and paid by the Veterans' Administration. As a result, the way was opened for a great deal of shopping between one system and the other.

A study by the Commission of about 1,500 cases selected at random from the disability retirement and separation files of the Armed Forces, showed that 971 had also been rated by the Veterans' Administration. In the cases where the individual had been rated by both agencies, the statistics showed a great variance in the percentage disability ratings given. The same rating, for example, was assigned in less than a quarter of the cases. It should be kept in mind that both systems use the same instrument in rating disabled personnel (the Veterans' Administration Schedule for Rating Disabilities), and have similar processing facilities.

The Veterans' Administration disability compensation program has been aimed toward providing benefits to the citizen-soldiers who are taken into the Armed Forces in great numbers

during emergency periods for a short time. Under these circumstances rank is often a matter of chance and not a completely suitable criterion upon which to pay lifetime benefits. The military retirement program, on the other hand, originated and served as an instrument of personnel policy for maintaining the Armed Forces on a career basis in peace and war. Its main function is to provide for the removal of superannuated and unfit personnel from the military service. As an adjunct to this, benefits have been added to provide coverage for those who are "prematurely aged" through disability.

In terms of effective Government organization it does not seem necessary or desirable to continue the present situation whereby overlapping coverage is provided under Veterans' Administration disability compensation laws and the Armed Forces disability program. A possible solution is to establish a division of labor between these two systems so that the genuine career personnel are taken care of through the military retirement system, whereas those who are in the Armed Forces only for a temporary period can have customary resort to the Veterans' Administration. Such a division of labor would appear preferable to either placing disability operations wholly within the Department of Defense, or within the Veterans' Administration which now has by far the greater number of individuals on its rolls.

With respect to the Armed Forces, the Commission has observed that the criteria for fitness and unfitness are being applied differently in each branch of service. In practice, this is inequitable. Furthermore, partly because of tax factors, it results in unnecessary work-loads on the Veterans' Administration and has an impact on that program which causes confusion and misunderstanding. Further study of this problem in the Armed Forces might well be undertaken. Vital factors to be included would be: (a) qualification for general military service; (b) economically gainful retainability of the disabled person; and (c) right to equal consideration and compensation for service-incurred disabilities.

Recommendation No. 18

(a) The duplication of disability benefits coverage under the military retirement program and the Veterans' Administration disability compensation system which has existed since 1949 is costly and not in accord with principles of good Government organization.

(b) An intensive study should be made, under the guidance of the Cabinet subcommittee recommended in a later chapter, with a view to eliminating duplication of administrative functions and establishing common standards.

Chapter VII

SERVICE-CONNECTED SURVIVOR BENEFITS, INCLUDING INSURANCE

This chapter pertains to cash payments for the survivors of persons dying while in military service or dying from service-connected causes after termination of military service. Survivor benefits of a nonmonetary character, such as preference for employment in the Civil Service, for example, will not be discussed, nor will payments to survivors for deaths not resulting from service-connected causes, except in those instances where no distinction is made between service and nonservice causes.

PRESENT SITUATION OF SURVIVOR BENEFITS

Personnel on Active Duty

The survivors of military personnel dying while on active duty are now entitled to the following benefits: (In the interest of brevity, some of the qualifications and requirements have been omitted.)

1. The death gratuity, equal to 6 months' pay, including special or incentive pay but excluding allowances. This is paid in a lump sum by the Department of Defense.

2. The Servicemen's Indemnity, equal to \$10,000 payable over 10 years, less any Government life insurance in force. This, and the Government insurance, if any, is paid by the Veterans' Administration. The indemnity is paid in monthly instalments; the insurance is paid either in a lump sum or in monthly instalments.

3. The death compensation, consisting of monthly payments by the Veterans' Administration. The amount of the payments depends on the relationship of the recipients to the deceased.

4. Survivor benefits under the Social Security Act. Active military service after September 15, 1940 is credited as employment under the Social Security Act at a wage rate of \$160 per month. Survivors are entitled to the same benefits as if the military service were civilian employment coming under the act. There is no requirement that the death be service-connected. Benefits may consist of a lump sum and of monthly instalments, with the amounts determined by the wages credited. The payments are made by the Department of Health, Education, and Welfare.

The foregoing benefits are payable in all cases of death on active duty except where there is no eligible beneficiary or where death is the result of misconduct. An exception is also made in some instances where the deceased was called to active duty for 30 days or less and the death resulted from disease. Death from misconduct does not bar payments under the Social Security Act.

Certain classes of survivors may elect other benefits in lieu of one or more of the foregoing:

5. The survivors of members of the Reserve (but no others) may elect monthly payments under the Federal Employees Compensation Act (FECA) in lieu of the death compensation paid by the Veterans' Administration, if death is the result of peacetime service. The FECA is primarily a workmen's compensation law for civil employees of the Federal Government. Payments do not begin until 6 months after death if the 6-month death gratuity has been paid. The survivors of Navy, Marine Corps and Coast Guard Reservists are eligible for FECA payments only if the death results from injury and not from disease. No payments are made unless the death occurred in line of duty. Payments under the Federal Employees Compensation Act are made by the Department of Labor.

6. Active military service in time of war or national emergency is credited as employment under the Railroad Retirement Act to persons who were railroad employees at the time of entering military service. The Railroad Retirement Act has a status that is similar in many respects to the Social Security Act except

that it applies to railroad employees only. Wages are credited at the rate of \$160 per month and the cost of the service credit is borne by the Government. The survivors of persons having military service credits are entitled to benefits under the Railroad Retirement Act on the same basis as the survivors of other persons, except that the monthly payments are reduced by the periodic payments made under any other act of Congress on account of the military service, but not below the amount payable on railroad service only. There is no requirement that the death be service-connected and death from misconduct is not barred. Payments are made by the Railroad Retirement Board.

7. Military service is creditable under specified circumstances as employment under the Civil Service Retirement Act or under other Federal employee retirement systems if it is not credited under the Social Security Act. Military pay is rarely used in determining the employee's average earnings. The survivors of Federal civil employees with military service credits are entitled to payments on the same basis as survivors of persons without military service credits. There is no requirement that the death be service-connected. Payments are barred only in specifically named types of misconduct. No contributions are now required of employees on account of military service. Payments are made by the Civil Service Commission or by the agency administering the particular retirement system. In these instances the Federal Government is the employer of the individual in both his civil and military status.

Personnel on Inactive Duty

Some of the benefits that have been mentioned are available also to the survivors of persons dying as the result of inactive duty training (drills, evening classes, etc.). Reserve and National Guard personnel on inactive duty training are covered by the 6-month death gratuity and by the Veterans' Administration's death compensation if the death results from injury but not if it results from disease. There is a further requirement for National Guard personnel that the inactive duty training be in the service of the United States. The Servicemen's Indemnity is payable

only if the death results from engaging in an aerial flight. Army and Air Force Reservists may elect benefits under the Federal Employees Compensation Act in lieu of the death compensation paid by the Veterans' Administration, but Navy, Marine Corps, and Coast Guard Reservists may do so only if the death results from injury. National Guard personnel are not covered by the FECA in any case. Inactive duty training is not creditable as employment under the Social Security Act.

The eligibility of the various categories of active and inactive duty personnel for the various benefits is summarized in table 1.

TABLE 1.—Summary of Benefits Available to Survivors of Military or Naval Personnel by Reason of Deaths From Service-Connected Causes

	Active duty for More than 30 days		Active duty for 30 days or less		Active duty for training only ¹		Inactive duty training	
	Injury	Disease	Injury	Disease	Injury	Disease	Injury	Disease
I. REGULAR PERSONNEL, ALL SERVICES, AND PERSONNEL WITHOUT COMPONENT⁵								
6 month death gratuity.....	Yes...	Yes...	-----	-----	-----	-----	-----	-----
Servicemen's indemnity.....	Yes...	Yes...	-----	-----	-----	-----	-----	-----
VA death compensation.....	Yes...	Yes...	-----	-----	-----	-----	-----	-----
FECA (peacetime service).....	No...	No...	-----	-----	-----	-----	-----	-----
OASI (wage credit) ²	Yes...	Yes...	-----	-----	-----	-----	-----	-----
II. RESERVE AND NATIONAL GUARD								
1. Army and Air Force:								
(a) Reserve personnel:								
6 month death gratuity.....	Yes...	Yes...	Yes...	No...	Yes...	No...	Yes...	No...
Servicemen's indemnity.....	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...
VA death compensation.....	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	No...
FECA (peacetime service).....	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...
OASI (wage credit) ³	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	No...	No...
(b) National Guard:⁴								
6 month death gratuity.....	Yes...	Yes...	Yes...	No...	Yes...	No...	Yes...	No...
Servicemen's indemnity.....	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...
VA death compensation.....	Yes...	Yes...	Yes...	No...	Yes...	No...	Yes...	No...
FECA (peacetime service).....	No...	No...	No...	No...	No...	No...	No...	No...
OASI (wage credit) ⁵	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	No...	No...
2. Navy, Marine Corps and Coast Guard:								
(a) Reserve personnel:								
6 month death gratuity.....	Yes...	Yes...	Yes...	No...	Yes...	No...	Yes...	No...
Servicemen's indemnity.....	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...
VA death compensation.....	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	No...
FECA (peacetime service).....	Yes...	No...	Yes...	No...	Yes...	No...	Yes...	No...
OASI (wage credit) ⁶	Yes...	Yes...	Yes...	Yes...	Yes...	Yes...	No...	No...

¹ Irrespective of length of training.

² Or, alternatively, credit under the Railroad Retirement Act or Civil Service Retirement Act.

³ In the service of the United States.

⁴ If called to active duty for 14 days or longer, or participating in aerial flights.

⁵ Aerial flights only.

⁶ Personnel without component are wartime or national emergency personnel who are not Regulars, Reserves or National Guard.

⁷ Yes, if for more than 30 days.

NOTE: FECA benefits, when available, are alternative to the VA death compensation.

Retired Personnel

Retired military personnel may be on active duty or not on active duty. If they are on active duty they are covered by all of the provisions for other active duty personnel. If not on active duty, they fall into a different category from the other inactive duty personnel mentioned above. The survivors of persons dying in an inactive retired status are not eligible for the 6-month death gratuity. They are eligible for the death compensation if the death results from service-connected causes, or for FECA benefits in lieu of the death compensation if the deceased was a Reservist and certain other requirements are met. The survivors are not eligible for the Servicemen's Indemnity unless the death occurs within 120 days after termination of active duty. They are eligible in some cases for survivors benefits under the Social Security Act.

There is one additional benefit that is available only to the survivors of retired personnel, and then only if the retired person had elected it. This is the benefit of the Uniformed Services Contingency Option Act. Under this act an individual can elect to receive a reduced amount of military retired pay in return for having a specified proportion of the retired pay continued to his widow or children after his death. The amount of the reduction is determined on an actuarial basis in such a way that the system will involve no cost to the Government except for administration. The benefit is payable in event of death after retirement regardless of whether the deceased was on active duty, or whether the death was service connected, and regardless of income from any other source.

Former Service Personnel

The survivors of former service personnel with no military status at the time of death are not entitled to the 6-month death gratuity. They are eligible for the Servicemen's Indemnity only if death occurs within 120 days after termination of active duty. They are eligible for the death compensation paid by the Veterans' Administration if the death resulted from service-connected causes, or in some cases to the benefits of the Federal

Employees Compensation Act in lieu of the death compensation. They are entitled to any benefits for which they are eligible under the Social Security Act, based in whole or in part on military service.

The survivors are entitled to any Government life insurance that has been maintained in force to the time of death either by the payment of premiums or by the waiver of premiums. This statement applies whether the deceased was on active duty, inactive duty, retired, or had no military status at the time of death.

EVALUATION OF THE PRESENT SITUATION

Historical Development

The present provisions for the survivors of military personnel or former military personnel are the result of a process of evolution that has been going on for more than 200 years. The early Colonists recognized the need for and the justice of aiding the survivors of persons who died in the defense of the Colonies. The earliest benefits were informal and local in nature, but with the growth of the country the provisions took the forms of periodic payments of money, then known as pensions. These continue to the present time under the name of death compensation, where the death is service-connected.

There was no provision for a lump sum payment at death until the Civil War, when a cash payment of \$100 was provided. This expired with the end of the Civil War and no similar provision was made until 1908, when the present 6-month death gratuity was enacted. It was rescinded during the first World War but reinstated afterward.

Government life insurance had its inception in the first World War as a supplement for the death compensation. The intention was to adapt the somewhat rigid death compensation system more nearly to individual needs, and by continuing after the war, to eliminate the need for pensions. The insurance provision continued until 1951, when it was replaced by a free, automatic coverage known as Servicemen's Indemnity.

There was almost no inactive duty training of military personnel in a Federal status prior to World War I. The National Guard was a State institution until called into the service of the United States. After World War I there were inactive duty training programs for reserve personnel and short tours of active duty for training purposes. The view was that such personnel were primarily civilians, and should be covered by the Federal Employees Compensation Act, which covers Federal civil employees while on the job. As long as there were relatively few reservists on active duty there were no substantial problems, but after World War II the numbers became large and the active service was of a semipermanent nature. The matter became acute in 1949 when the benefits under FECA were very substantially increased. The survivors of reserve personnel became eligible for benefits that in many cases were much larger than for survivors of nonreservists who had served with the deceased.

The crediting of military service as employment under a civilian retirement system operated by the Federal Government began with the enactment of the Civil Service Retirement Act. It was credited as employment under the Railroad Retirement Act by a law enacted in 1940 and extended in 1942. Crediting under the old-age and survivors' insurance provisions of the Social Security Act was inaugurated on a limited basis in 1946; in 1950 all service after September 15, 1940, and before July 25, 1947 was credited. This was later extended by a succession of temporary laws to March 31, 1956.

Each of these provisions was reasonably well adapted to meet a need existing at the time it was adopted. Subsequent events have altered the character of the needs in some respects, and a more compact and simple system is now called for. The large number of Federal agencies paying benefits to survivors is unnecessary and wasteful. It frequently has the result that qualified survivors do not obtain benefits through lack of knowledge of the procedures necessary to obtain them.

Not only do a large number of agencies pay benefits, but the various programs are not integrated. In some instances the total amount from all sources is quite large as compared with

the earnings of the deceased while he was still living, running 150 to 200 percent of gross pay. In other instances the total amount is less than any reasonable minimum standard.

Another fault of the present system is that it does not furnish the serviceman with a unified and understandable program of survivor benefits. The combined effect of all of the parts is little known and poorly understood in many cases. Thus the serviceman is deprived of the sense of reassurance which would stem from a simpler system.

Recommendation No. 19

A more compact and simple system of survivor benefits for military personnel and veterans is essential. One that is better adapted to individual needs would be an advantage to the serviceman and the Government.

The Need for Survivor Benefits

The payment of cash benefits from the Public Treasury to survivors of persons who die as a result of military service is a community sharing of the risk in a public enterprise. It is based on the belief that the burdens should not fall entirely on a few, but should be shared by all of the society. Also, the provision of survivor benefits tends to remove one of the possible deterrents to enlistments.

In civilian life the most widely known form of survivor benefits is life insurance. This is most often paid in a lump sum at the time of death. Another form is the survivor benefits under the Social Security Act which consist of a small lump sum and of monthly payments under certain conditions.

The average person tends to underestimate the cost and value of a series of monthly payments. The \$10,000 of Government life insurance in the First World War represented an impressive sum to most servicemen and their families, whereas the monthly amounts of \$57.50 in which it was paid were not nearly so impressive; yet the one is mathematically equivalent to the other. To most people, a series of monthly payments is less of an incentive and provides less in the way of reassurance than the

corresponding lump sum. Nevertheless, lump sums tend not to last very long, particularly when paid to beneficiaries with little experience in financial matters. Monthly payments are undoubtedly of greater benefit to the average recipient.

Historically, benefits for survivors have been in the form of monthly or other periodic payments. This form probably originated in the early practice of providing commodities to the survivors as they were needed, rather than cash payment. However, there is a need for a small lump-sum payment at death, to pay outstanding obligations, to help in resettling the family when this is necessary, and to tide the family over until the monthly payments start.

Recommendation No. 20

A small lump-sum payment at the time of death, with monthly payments thereafter, is the best combination of benefits for survivors. In keeping with the idea that survivor payments represent a community sharing of the risk in a public enterprise, the monthly payments should be limited to those who were dependent upon the deceased, or who would have been dependent if he had lived.

Magnitude of the Survivor Problem

The number of dependents receiving death compensation from the Veterans' Administration on June 30 of each year was as follows, excluding a very small number of Civil and Indian War widows and children:

Year	Total	Widows	Children	Parents
1940.....	160,683	36,103	38,513	86,067
1941.....	155,008	37,015	35,244	82,749
1942.....	151,918	38,008	32,234	81,676
1943.....	154,777	41,484	28,857	84,436
1944.....	180,806	51,781	32,353	96,422
1945.....	290,170	90,580	59,857	139,733
1946.....	440,406	133,331	99,309	207,766
1947.....	512,607	144,288	120,382	247,937
1948.....	523,800	126,227	125,777	271,796
1949.....	532,051	109,850	134,779	287,422
1950.....	539,629	103,368	136,168	299,093
1951.....	545,154	105,142	142,137	297,875
1952.....	567,116	108,368	140,472	309,276
1953.....	592,554	111,191	157,558	323,805
1954.....	607,943	113,009	162,068	332,866
1955.....	610,450	113,651	165,079	331,720

There are additional numbers of beneficiaries who are not receiving the death compensation but who are receiving payments under the Government life insurance, Servicemen's Indemnity, and/or the Federal Employees Compensation Act. The total number of beneficiaries from all sources, with duplications eliminated, is estimated at about 900,000 on June 30, 1955. A gradual increase in the number can be anticipated for a considerable period in the future.

Currently, the total payments to survivors on account of deaths occurring in or resulting from military service amount to more than \$700 million per year, consisting of—

Death gratuity-----	\$8, 000, 000
Death compensation-----	400, 000, 000
Servicemen's Indemnity-----	27, 000, 000
Social security-----	25, 000, 000
FECA -----	13, 000, 000
Government insurance ¹ -----	250, 000, 000
Total -----	723, 000, 000

¹ Only a very small part of this is currently paid out of the general revenues; the remainder is covered by Government transfers to the insurance fund in the past, or by premiums paid by policy holders.

Problem Areas

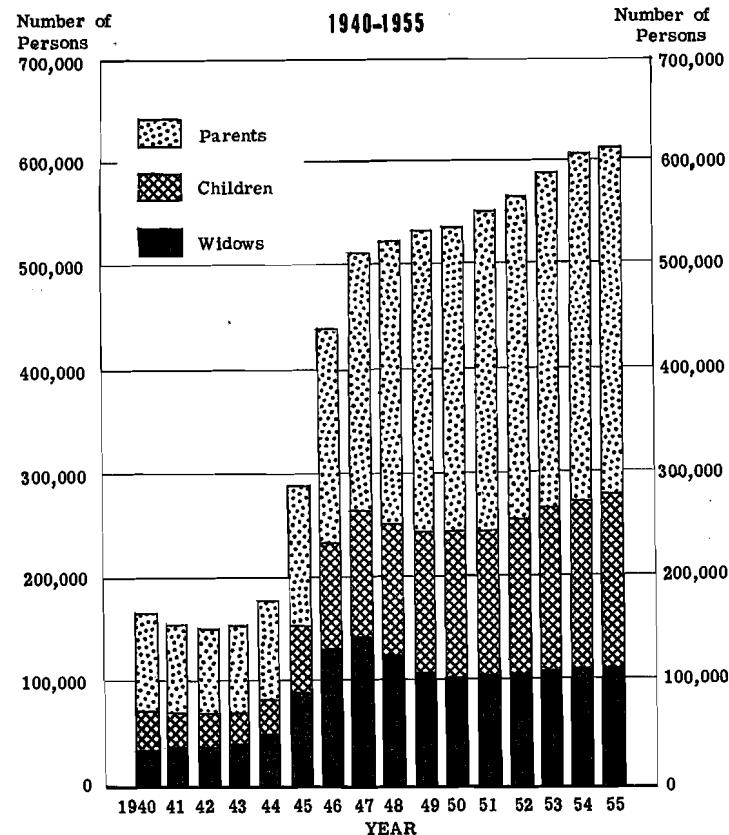
The Commission recognizes the following as the major problems in the existing structure of service-connected survivor benefits:

1. The benefits are inadequate in some cases and excessive in others. In some cases the benefits may be considerably greater than the total pay of the deceased while still alive, while in other cases they may be very small as compared with pay.

2. The amounts payable for the deaths of comparable persons may be very different, without any difference in the needs of the recipients, or in the type of military service performed by the deceased. This arises from the application of certain laws to restricted classes of individuals.

3. The benefits are unevenly distributed over the survivor's lifetime. Too much may be paid in the early years after death

CHART I
NUMBER OF PERSONS RECEIVING DEATH COMPENSATION
FROM VETERANS ADMINISTRATION



and too little in the later years. This again does not correspond to the needs of the recipients.

4. Benefits are paid to persons who have suffered no monetary loss due to the death. This applies particularly to Servicemen's Indemnity, but to some extent also to the other benefits.

5. There are too many agencies paying death benefits. This results in administrative waste. As a result of confusion, survivors sometimes do not receive amounts due them.

6. The social security trust fund is not now compensated for crediting military service as employment, and has been inadequately compensated in the past. On the other hand, the railroad retirement fund is now receiving what appears to be more than a reasonable compensation for the same purpose, and has received more than a reasonable amount in the past.

7. The continuation of Government life insurance by veterans on the term-insurance form will lead to widespread dissatisfaction when they reach an age when premiums begin to increase substantially. The premiums will increase eventually to the point where many of them will be unable to continue the insurance.

8. Continuing to issue new Government life insurance to non-disabled servicemen when they leave the service appears unnecessary as commercial insurance is available to them on favorable terms.

RECENT EFFORTS TO IMPROVE SURVIVOR BENEFITS

The deficiencies in the structure of survivor benefits have been recognized for some time. There have been several efforts to correct them, mostly directed at some particular phase, but there have been three efforts of a more general nature.

Interservice Committee on Survivor Benefits

This Committee, composed of representatives of all of the uniformed services, including the Public Health Service and the Coast and Geodetic Survey, prepared a report in 1952 for the Director of Personnel Policy, Defense Department, on the matter of survivor benefits. This report recommended (1) full contributory social-security coverage for the uniformed services; (2) consolidation of the Servicemen's Indemnity and the Veterans' Administration death compensation into a single benefit program; (3) benefits set at \$60 per month, plus 20 percent of the gross pay; and (4) that Government life insurance that was on a premium-paying basis be paid in addition to the other benefits.

Committee on Retirement Policy for Federal Personnel (Kaplan Committee)

The Committee on Retirement Policy for Federal Personnel was established in 1952 to review all of the retirement systems and survivor provisions for employees of the Federal Government. It was composed of the Secretary of the Treasury, Secretary of Defense, Director of the Bureau of the Budget, Chairman of the Board of Governors of the Federal Reserve System, Chairman of the Civil Service Commission, and headed by a Chairman appointed by the President from outside the Government. The law establishing the Committee required it to review "the relationship of these retirement systems to one another, to the Federal employees compensation system, and to such general systems as old-age and survivors' insurance."

One of the Committee's reports dealt primarily with the survivor benefits for military personnel. (The Committee had no authority to consider veterans' benefits.) The plan advanced by the Committee was intended to remove the overlap between the military, Veterans' Administration, and social security programs. The plan aimed at the elimination of most instances in which the total survivor benefits would exceed the total active-duty pay and allowances. On the other hand, it sought to improve the situation in which existing survivor benefits were inadequate, particularly for higher ranking personnel. The Committee recommended: (1) full contributory coverage under social security, based on gross pay (i. e., basic pay, cash allowances, and the value of food, shelter, clothing, etc., furnished to service personnel); (2) consolidation of the Servicemen's Indemnity and the death compensation into a single system with benefits geared to gross pay; (3) continuation of the 6-month death gratuity, but with a minimum of \$1,200 and a maximum of \$3,000; and (4) survivor and retirement benefits under OASI in addition to Veterans' Administration or military benefits.

House Select Committee on Survivor Benefits

This committee was established in 1954 to consider the matter of survivor benefits for the dependents of military personnel and

veterans. It was composed of members from several of the standing committees of the House that deal with some phase of survivor benefits. The committee held hearings, examined the problem in detail, and recommended a continuation of the study by the next Congress. In 1955, the committee continued its consideration of the matter and drafted a bill, H. R. 7089, usually known as the "Hardy Committee" bill. The bill was approved by the House with a large majority, and is now pending before the Senate.

This bill proposes: (1) To continue the 6-month death gratuity, but with a minimum of \$800 and a maximum of \$3,000; (2) to provide full contributory coverage under the Social Security, but based on basic pay only, excluding the allowances and the value of items furnished; (3) reimbursement of the Social Security fund for military service credited in the past; (4) payment by the Government of the employer tax under Social Security for future military service; (5) consolidation of the Servicemen's Indemnity and the Veterans' Administration death compensation into a single system with benefits based on military rank; (6) termination of the application of the Federal Employees Compensation Act to military personnel; (7) to permit the survivors now receiving payments to elect the new scale of benefits under certain conditions; and (8) the issue of Government life insurance upon termination of military service only to those having a service-connected disability.

The cost of the proposed system is said to be less in the long run than the present one, though the cost will be a little more immediately by reason of the fact that survivors now receiving payments can elect the new scale under certain conditions.

Recommendation No. 21

This Commission strongly approves of the system of survivor benefits that would be established by H. R. 7089, as it would in large measure correct serious deficiencies in the existing situation.

QUESTIONS OF A GENERAL NATURE

Payments to Nondependent Survivors

The Government is now making payments to survivors who were not dependent on the deceased, chiefly through the Servicemen's Indemnity, but also through the death compensation and through the Government life insurance where this it not paid from the premiums previously collected.

For a long period in our history the great majority of wives were in fact dependent on their husbands, but the increasing employment of women, and the increasing extent of vocational education are changing this situation. In any case, there does not appear to be any valid reason for continuing payments, at public expense, to a widow after remarriage, as is now done under the Servicemen's Indemnity and in some cases under the Government life insurance.

Parents have always been required to show dependency (except under the insurance or indemnity), either actual dependency or dependency as defined by the law. There is no requirement that the dependency exist at the time of death.

Payments to survivors who are not dependent make it more difficult to provide adequately for those who are dependent.

Recommendation No. 22

For the present, benefits to the widow should continue to be made without a showing of dependency, but that whenever legally possible, benefits paid at public expense should terminate upon remarriage. Payments to parents should require a showing of actual dependency or the nearest statutory equivalent that is administratively practicable.

Amount of Payments for Survivors and for Totally Disabled Veterans

Family expenses are higher while a totally disabled veteran is living than after his death. This is particularly true when he was living at home, but it is also true to some extent when he was in a veterans' hospital. It appears, therefore, that the amounts paid by the Government should be larger while the disabled veteran is living.

Recommendation No. 23

That the amounts paid to the survivors after the death of a veteran should be consistent with the amounts paid to a totally disabled veteran.

Benefits in Excess of Pay

As family expenses ordinarily are reduced upon the death of one of its members, it would appear that the amount of survivor benefits should be less than the earnings of the deceased while he was still living. There are some circumstances, however, where the opposite conclusion seems reasonable.

In wartime, individuals may be required to enter the military service even though it means a large reduction in pay. A greater hardship would be imposed on the survivors if the benefits were restricted to an amount less than the reduced military pay. Also, most deaths in the military service occur at very young ages, when the earning potentialities of the individual have not yet materialized. Tying the survivor's benefits to the deceased's earnings at a low point in his career is a substantial hardship on the survivors.

Recommendation No. 24

The total of the survivors' payments from all Government sources should not exceed the military pay of the deceased, except when the death occurs in one of the lower enlisted grades. For this purpose the military pay should be considered as including the value of food, clothing, shelter, etc., that may be furnished in addition to the cash pay and allowances.

Special Benefits or Grants in Addition to Regular Compensation Benefits

This is basically a problem of whether the regular scale of benefits should be adequate in itself or whether additional amounts should be paid where there is presumably need for them. The needs of individuals may differ in the matter of education, medical care, etc. An allied question is whether benefits should be varied by geographic region on the basis of differences in the cost of living.

As a general rule it is neither feasible nor equitable for select groups of individuals to be provided special grants in addition to the general death compensation benefits.

There is one point at which an extension of the present system appears desirable. Benefits are payable for children to age 18, or to age 21 if they are attending an approved educational institution. Age 21 is an earlier age than most students complete college, scientific, or professional schools. The limiting age might be raised to 22 or higher in such circumstances in lieu of providing special grants.

Recommendation No. 25

That no special grants be made in addition to the regular scale of survivor benefits.

Survivor Benefits for Commissioned Officers of the Public Health Service and the Coast and Geodetic Survey

Commissioned officers of the Public Health Service and of the Coast and Geodetic Survey are part of the uniformed services, and as such have been included in certain pay legislation applicable to the members of the armed services. When they are assigned to duty with the Armed Services in time of war, they are entitled to the same survivor benefits as members of the Armed Services. In peacetime they are covered by the Federal Employees Compensation Act and other benefits provided to civilian personnel.

The problem of personnel in these services is analogous to that of other people who serve in the Armed Forces, on a part-time or irregular basis, as in the Reserves. In other instances the solution has been to provide veterans' or military benefits only for deaths arising out of military service. While these groups are career services comparable to the military in some respects, they are in peacetime not subject to the Uniform Code of Military Justice and are not part of the Armed Forces. They are not veterans in the common understanding of the term, except after having served with the Armed Forces in time of war. The inclusion under veterans' laws of these groups that are commonly regarded as civilian in peacetime might establish a precedent

for the possible inclusion of other civilians and dilute the veterans' benefits.

Recommendation No. 26

That the Veterans' Administration's death compensation be paid only to the survivors of members or former members of the Armed Forces who die from service-connected causes. The Commission feels that adequate benefits for civilian groups are necessary, but that such benefits should be provided through separate laws not administered by the Veterans' Administration.

MILITARY COVERAGE UNDER THE SOCIAL SECURITY AND OTHER
CIVILIAN RETIREMENT AND SURVIVOR SYSTEMS

*Crediting of Military Service as Employment Under the Old-Age
and Survivors Provisions of the Social Security Act*

Active military service after September 15, 1940 has been credited as employment under the Old-Age and Survivors Insurance, under a series of temporary laws, the last one of which expired on March 31, 1956. The problem therefore pertains to military service in the future.

The chief argument for the inclusion of military service under OASI applies to old-age benefits as well as to survivor benefits. Only about 2 to 5 percent of those entering the military service remain long enough to qualify for military retirement. For the remainder the military service is simply an interruption of normal civilian employment, which in 90 percent of the cases would otherwise be covered under OASI. The interruption of civilian employment is penalized under the OASI by a reduction in the amount of benefits while at the same time the individual acquires no rights under the military retirement system.

The chief arguments that have been made against inclusion under OASI is that it would restrict the field for veterans' benefits and would require a cash contribution from service personnel. Traditionally, disability, death and old-age benefits for veterans have been provided by veterans' pension laws. Any contribution required under OASI would in effect be a reduction in the present cash pay.

It is argued that the provision under OASI for excluding up to 5 years of low or no earnings would prevent penalizing those who lose coverage while in military service. However, if this exclusion is used up for military service, then any subsequent sickness or unemployment will reduce the benefits.

It has been suggested that the individual's record be frozen at the time that he enters military service, to prevent the service from resulting in a penalty. Oddly, a provision of this kind would cost the Government almost twice as much as full coverage, because of the way in which benefits are determined under OASI and because service personnel could hardly be asked to contribute toward a "freeze." Also, a freeze provision would not only freeze people in, it would also freeze them out. If an individual did not have the required amount of civilian employment to attain eligibility for the survivor benefits at the time of entering service then no amount of military service would make him eligible.

Two special eligibility provisions are desirable for the military. One would make them eligible for survivor benefits immediately upon entering the service, instead of after six quarters as is required for civilian eligibility. In wartime a recruit can be in combat considerably before the end of six quarters. Also, the elimination of the requirement of 5 years of coverage before eligibility for disability benefits is desirable for those who are discharged with service disabilities.

Recommendation No. 27

That active military service be credited as employment under the Old-Age and Survivors Insurance.

*Government Contributions to the OASI Fund for Future Military
Service*

The cost of crediting military service under the OASI should be borne by general taxpayers through taxes paid to the general Public Treasury rather than by direct contributions by employers and employees to the OASI fund. The OASI tax is on gross earnings from employment, while the general revenues are geared more to net income, after exemptions, and to capacity to

pay. The cost would fall in a different way if paid from the Public Treasury, even though a large proportion of the persons would pay at least some of the cost on either basis.

There is also a question of whether the Government should pay the regular employer tax under the OASI or whether it should merely undertake to reimburse the fund for any additional expenditures arising from the crediting of military service. A proposal that it reimburse the fund immediately encounters the practical problem of allocating costs when the individual has had several employers. Some widely different results could be achieved by using different methods of allocation, and any particular method would be arbitrary to some extent. For OASI purposes it does not seem proper to treat the Government as an employer any differently than private employers. It appears equitable for the Government to pay the employer tax under OASI, together with the cost of the two special eligibility provisions that are appropriate for the military.

Recommendation No. 28

That the Government pay the employer tax for military service in the future that is credited under OASI; also, that the Government pay all cost of the special eligibility provisions recommended for military personnel under OASI, i. e., immediate coverage for survivor benefits and the waiver of the 5-year requirement for the disability "freeze."

Government Contributions Toward the Cost of Past Military Service Credited Under OASI

After the previous recommendation that the Government pay the employer tax rate under the OASI for future military service, it might appear that the same basis should apply for military service credited in the past. However, this question is complicated by the fact that the Social Security Act allows the exclusion of any earnings prior to 1950 if their inclusion would reduce the amount of benefit payable. The future tax rates for OASI are set at a level which take this provision into account.

Much of the past military service will not be used in determining the amount of benefits payable, and, therefore, the payment of the full tax rate against such service would not be appropri-

ate. However, the OASI fund is justly entitled to reimbursement for such service as has been or will be the basis for benefits. Military personnel were not required to contribute to the OASI fund while they were in service, and the great majority of them have left the service. It appears, therefore, that the Government should reimburse the fund.

Recommendation No. 29

That the Government reimburse the OASI fund for any benefit payments based on military service after September 15, 1940, and before the date when the Government and military personnel begin to pay the regular OASI tax on current service; such reimbursement to be made over a reasonable period of time.

Government Contributions to the Railroad Retirement Fund for Military Service Credited Under the Railroad Retirement Act

Military service in time of war or national emergency is credited as employment under the Railroad Retirement Act for persons who were railroad employees at the time of entering military service. This is in lieu of credit under the Social Security Act. Benefits are reduced by any periodic payments received from the Veterans' Administration, the Department of Defense, or other Federal sources on the basis of the same service, but not below the amount payable on the basis of railroad service only. Railroad retirement benefits are never less than those under OASI, and in many cases are larger.

Under current law, the Government is required to pay the railroad fund \$20 for each month of military service rendered by persons who were railroad employees at the time of entering military service, under certain specified conditions. Payments to date have exceeded \$300 million. Most of this will never be used for military benefits, since many ex-servicemen never return to railroad employment, or do not stay in such employment long enough to qualify for benefits.

Under amendments enacted in 1951, the railroad retirement and OASI programs are closely interlinked. Workers with less than 10 years of railroad employment and military credit receive payments from OASI instead of from the railroad fund, under an interchange arrangement. In such cases the OASI fund

receives credit for the OASI tax on the railroad or military service involved.

Currently, the social-security fund receives nothing for crediting military service of nonrailroad employees. Under the recommendation made above that the Government pay the employer tax, the social-security fund would receive \$3.20 monthly for crediting the same amount of military earnings. Thus the railroad fund is now receiving more than six times as much from the Government for crediting military service as the social-security fund would receive under the Commission's recommendation.

A basic issue is presented here. Does the fact that an individual is covered by a more liberal system than the social security at the time of entering military service create any additional Government obligation? Loss of credit under a more liberal system is of course a loss to the serviceman. If there is any obligation to make up for this loss, then the obligation should be recognized generally and not be limited to railroad employees. The loss of credit under a private retirement system can be just as much of a loss to the serviceman as the loss of credit under the Railroad Retirement Act. On the other hand, the veterans' pension laws are designed to care for any needy veteran who is not sufficiently provided for under the Social Security Act. A Federal payment on account of a loss under a more liberal system would be a payment not based on need in many cases.

Military service can be credited also under the civil service and other retirement and survivor benefit systems for Federal employees. In this case, however, the Government is the employer in both the military and civilian status. Railroad workers are employed in private industry and the railroad retirement system was set up at the request of the workers and the carriers in that industry.

The Commission is of the opinion that the obligation of the Government is adequately discharged by the payment of a proper share of the cost of crediting military service under the Social Security Act. If an individual wishes to have military service credited under the Railroad Retirement Act in lieu of

the social security, the obligation of the Government should not be increased thereby.

Recommendation No. 30

The Government contribution on account of the military service of any person should be the same amount in dollars, whether the service is credited under the Social Security Act or the Railroad Retirement Act. It is recommended that the Government contribution for all military service be paid initially into the social-security fund. If and when a claim is approved by the Railroad Retirement Board for benefits based on military service, the Government contribution and the contribution of the individual, if any, should then be transferred to the railroad retirement fund, together with interest thereon. No person should receive credit at Government expense under both the Social Security and the Railroad Retirement Acts for the same military service. These recommendations apply both to service in the future and in the past. It is understood that these recommendations would require a refund of part of the amounts previously appropriated by the Government to the railroad retirement account.

DEATH COMPENSATION PAID BY THE VETERANS' ADMINISTRATION

Relation of Compensation Payments to Military Rank

In a volunteer, peacetime Military Establishment it is reasonable and desirable for survivor benefits to be larger when the deceased was in one of the higher military ranks. The economic loss to the survivors is in proportion to the earnings of the individual while still alive. Federal civil employees and, commonly, employees in private industry are covered by survivor benefit systems that are related to earnings.

In time of war or a national emergency, individuals may be required to enter the military service even though it means a substantial reduction in pay. To relate the survivor payments completely to the reduced military pay would be a greater hardship on the survivors than the death of a peacetime volunteer in the same military grade. On the other hand, the peacetime volunteer force continues in service during the war or national

emergency, and the rank-related survivor benefits continue to be appropriate for them.

The objective of a system that is closely related to military pay in peacetime and not so closely related in wartime can be accomplished by placing the military service permanently under the social security. The survivor benefits under the social security are based on the average earnings of the deceased. In a voluntary peacetime service this average would tend to be the average of military earnings, as presumably most people would not enter the military service unless it was financially advantageous. In wartime, however, with conscription in effect, the previous civilian earnings credited under the Social Security Act would have considerably more of a leveling effect on the average. At the same time, the very high earnings of exceptional individuals would not be taken into account, as the maximum earnings now credited under the social security is \$4,200 per year.

Recommendation No. 31

That the monthly amount of death compensation be related to the military pay of the deceased, within limits.

Determination of Dependency

The recommendation has been made previously that survivors' payments be made only to those who are dependent, but with a presumption of dependency for the unremarried widow and for the children.

It is difficult to define dependency, and its existence can be difficult to establish. The fact that an individual was contributing to the support of another person does not conclusively prove dependency, nor does the fact that he is not contributing prove that moral or legal dependency does not exist. In many cases the standard of living which an individual has a right to expect enters into the problem.

Dependency has been defined in many ways in the law, and sometimes has been left undefined, to be determined administratively. For survivor benefits the definition has usually been based primarily on the amount of income received, though not

infrequently certain kinds of income, or the possession of property capable of producing an income, have been excluded from consideration. The capacity of children to provide support for parents is not now considered unless the support is actually being provided. There are no Federal laws requiring children to support parents, and many States do not have such laws.

It is illogical to presume that a deceased serviceman would have been the sole support of his parents, when there are other children, possibly some of whom may have been or are in the military service also. It is illogical also to pay the full amount of survivor benefits as long as the other income is less than a prescribed amount, and then to withdraw the payments completely if the other income is a few dollars more than the prescribed amount. This may happen under existing regulations. A gradual reduction in survivor payments when other income increases would be a better system, as it provides more of an incentive for gainful occupation.

Dependents are entitled to certain family allowances while the serviceman is on active duty. Recently there has been a requirement that the serviceman contribute at least half the income of parents before the parents are considered to be dependent for the purpose of receiving the family allowance. After the death of the serviceman a different test of dependency is applied by the Veterans' Administration, chiefly an income test. The result has been that a much larger proportion of parents have been adjudged dependent after the death of the serviceman than before. The only justification for two different tests is that the parents may not become dependent until many years after the death has occurred, and the contribution test cannot be applied. There should be a much closer relationship between the results of the two tests, however.

Recommendation No. 32

The existing standards for dependency for Veterans' Administration compensation benefits to parents should be brought more into line with standards applied to the living serviceman. Dependency should be based on total income, including income that

could reasonably be produced by property owned, and the income that could be obtained from other children reasonably obligated to provide support.

Survivor Benefits for Parents After Remarriage

It would appear that the remarriage of a parent should terminate dependency as in the case of the remarriage of a widow. However, where both persons in the remarriage are above the ages of normal employment, an exception should be made.

Recommendation No. 33

That survivor payments to parents be terminated upon remarriage, except where both persons are at an advanced age.

Treatment of Outstanding Government Life Insurance Policies if Death Compensation Benefits Are Merged With the Servicemen's Indemnity

Pending legislation would merge the Servicemen's Indemnity and the present death compensation benefits into a new and higher scale of Veterans' Administration dependency and indemnity compensation benefits. Under the proposal, beneficiaries now receiving the Servicemen's Indemnity benefits would not be eligible for the new and higher benefits unless they elected to forfeit the remaining indemnity payments. However, no such election would be required in instances where the beneficiaries were receiving Government life insurance proceeds. The proposed legislation would also allow the new Veterans' Administration dependency and indemnity compensation benefits to be paid to survivors of a serviceman who resumed premium payments on his Veterans' Administration life insurance. Many hundreds of thousands of personnel on active service at present hold such policies in waiver status under the provisions of the 1951 Indemnity Act.

The existence of insurance contracts and the continuation of payments on such policies in the event of death, together with the payment of a new and higher compensation benefit, would create many inequities. Under the existing life insurance policies, the Government bears the cost of extrahazard deaths

through appropriations to the insurance trust fund. This would mean that the Government under the proposed legislation would be paying both the new dependency and indemnity compensation benefits (which are supposed to include the indemnity or insurance components) as well as the bulk of the cost of the Veterans' Administration insurance for these extrahazard cases. Thus, some families will in effect get two sets of Government-paid benefits from the Veterans' Administration, while other families who do not have prior insurance contracts will get only one benefit. This would be apt to result in pressures for reinstitution of a general Government life insurance program on top of the new and higher benefits.

There are several ways to avoid these problems. One solution would be to continue a provision along the line of the one found in the 1951 Indemnity Act, under which the indemnity benefits are reduced on a pro rata basis if the serviceman has any Government life insurance. Another, more complicated, approach would be to allow the payment of the insurance in addition to the new and higher benefits in cases where deaths are from normal causes, but to make a reduction in cases where death is from war-hazard cause and the Government bears the cost of the insurance losses.

The Commission feels that H. R. 7089 makes adequate provision for survivors, and that no man in the service should carry Government life insurance.

Recommendation No. 34

In the interest of equitable treatment among different categories of survivors and of a lasting solution to the problem of survivor benefits, provision should be made for offsetting any Government life insurance as well as indemnity payments in cases where the new and higher dependency and indemnity compensation benefits are to be paid. This offset should apply not only in cases now on the rolls but also to future deaths. If the insurance is not paid, the beneficiary should receive the reserve value of the policy.

Availability of Life Insurance to Veterans After Termination of Military Service

From the beginning of Government life insurance in 1917, veterans have had the right to continue the insurance after leaving the service by the payment of premiums. The chief reasons that have been given for this continuance are that persons becoming disabled while in the military service would be unable to obtain commercial life insurance at standard rates or perhaps not at all, and that the continuance of the life insurance would eliminate the need for pensions.

It is both proper and necessary for the Government to issue or continue life insurance where the veteran has a service-connected disability at the time of leaving the service, if this disability would prevent him from obtaining commercial life insurance at standard rates. However, a policy should be issued only if an application is made within a reasonable time after the disability becomes apparent.

A survey by the Commission in October 1955 indicated that about two-thirds of the postservice Government life insurance is carried by veterans with above average incomes. As the Government bears a substantial part of the cost of postservice insurance, the Government is in the position of taxing all of the people chiefly for the benefit of veterans with above average incomes.

Recommendation No. 35

That Government life insurance be issued to servicemen upon termination of active service only if they have a service-connected disability that will prevent them from obtaining commercial life insurance at standard rates.

Charges To Meet Cost of Administering Government Insurance

The Government has always paid the costs of administering life insurance, both while the insured person was in the armed services and afterwards. At the time this practice was started it was not the general policy of the Government to charge the administrative costs directly to the persons benefiting from the services provided. In recent years there has been a considerable

change in this policy. Administrative costs are now charge directly in such programs as the old-age and survivors' insurance of the Social Security Act, the Railroad Retirement Board, and the Federal Housing Administration.

The general principle is that the costs of a service should not be charged directly if this would prevent a substantial proportion of the public from availing itself of the service. An example would be the costs of the public school system; if these were charged only to the families having children of school age, the cost would be so high that many families could not send their children to school. Another example might be the public use of national parks.

It does not appear that charging administrative costs directly to the insurance policy owners would prevent any substantial proportion from availing itself of the insurance. Currently, a charge of about 8 cents per month for \$1,000 of insurance would cover the administrative costs in the Veterans' Administration and other Government agencies. In view of the low premium rates, this would still leave the total cost lower than on commercial life insurance.

On existing life insurance policies the obligation of the Government to pay the administrative costs appears to be a part of the contract, and cannot be changed.

Recommendation No. 36

That whenever legally possible, the premium rates for Government life insurance include a charge to cover the administrative costs.

Interest Allowed on the Insurance Fund in Relation to the Average Interest Rate Paid on the Public Debt

The law requires that the Government life insurance funds be invested in obligations of the Federal Government. The rate of interest is fixed by the Secretary of the Treasury with the approval of the President in some cases, or on the basis of a prescribed formula in other cases. The rate currently allowed on the United States Government life insurance fund is 3½ percent, and on the National service life insurance fund it is 3 percent, and on

nonparticipating insurance, it is the average rate paid on all marketable obligations of the United States at the end of the preceding month. It has been argued that the rate paid on all of the funds should be the average rate paid on marketable obligations.

There are several elements that enter into this question. At times the rate paid on public obligations has been a managed rate, i. e., lower than the rate the Government would have to pay to borrow all of the funds required in the open market. The life insurance policy is a long-term contract and the greater part of life insurance funds can and should be invested in long-term obligations to obtain the benefit of the higher interest rates prevailing on such investments. A large proportion of the outstanding Government obligations are on a short-term basis at low rates, and these affect the average rate on all obligations. Government obligations are readily convertible into cash by those who do not wish to hold them to maturity, and this advantage makes them marketable at a somewhat lower interest rate; but this liquidity is advantageous to an insurance fund only on a part of its total investment.

United States obligations of course, represent the ultimate in security of principal and interest. However, commercial life-insurance companies have thought it proper to take a moderate amount of investment risk if the interest return, after deduction of investment losses, is greater. Generally, the reasons for investing Government insurance and other trust funds in United States obligations appear to be primarily negative in character. These are to avoid the control of private industry that would follow investment in private industry, and to avoid political manipulation.

As the reasons for investing Government insurance funds in United States obligations appear to be mostly negative in character, and since investment in United States obligations has advantages to others that it does not have to a Government trust fund, it would appear that the beneficiaries of the trust fund should not be penalized with the lower average rate.

Recommendation No. 37

That the interest rate allowed on Government life insurance trust funds be the average rate on long-term marketable United States obligations.

Government Life Insurance on a Participating Basis

Most of the Government life insurance now in force is on a participating basis; that is, dividends are paid to the policy owner whenever the cost of claims plus an amount necessary for the reserves is less than the premiums received plus interest. The insurance now issued to servicemen at termination of service is on a nonparticipating basis; that is, the premium rates are generally lower and no dividends are paid.

If insurance is issued only to disabled veterans, it should be on a nonparticipating basis. In this way the disabled veteran will have insurance at a cost comparable to that if he were not disabled. The participating basis, with higher premiums and the prospect of no dividends, would result generally in higher cost.

Recommendation No. 38

Future issues of Government life insurance should be on a nonparticipating basis.

Outstanding Policies Issued on a Term Insurance Basis

On a term insurance policy the premium rates increase at the end of each term period. Term insurance rates are low at the younger ages but begin to increase substantially at about age 50. They become prohibitive for many people beyond age 70.

Existing term insurance policies are renewable for as long as the insured person lives, upon timely payment of the required increasing premiums. They are contracts and hence cannot be terminated by the Government if all premiums are paid when due. Most Government term insurance policy owners are still at the younger ages, though the World War I veterans are now attaining an age when the increasing premium rates are becoming burdensome. The increasing burden has led to requests for relief, but no relief is possible except as an outright subsidy.

Efforts to require or persuade the term insurance policy owners

to convert the insurance to a level premium form have never been completely successful. Existing term insurance is renewable indefinitely, so that there is no way in which a conversion could be required. It should be anticipated that these policies will produce many complaints when their owners progress to the higher ages, and that many of them will be unable to continue their insurance at a time when it will be regarded as the most valuable. Furthermore, for those who continue their policies for very long after age 70, the complaint will be that the total premiums paid have been more than the amount of the insurance.

Some of the existing term insurance policy owners do not have the right to convert to the level premium forms. These are the ones who obtained policies under the Insurance Act of 1951 without having a service-incurred disability. In this case it cannot be said that the burden of higher premiums at the higher ages is the fault of the policy owner for not converting earlier; these policy owners now have no right to convert. The reason for this restriction does not appear on the record.

Recommendation No. 39

That the right to convert existing term insurance to a level-premium policy form be extended for a limited period to all persons who do not now have it. All means of publicity and persuasion should be used to obtain conversion of as many of the term insurance policies as possible.

BENEFITS FOR RETIRED MILITARY PERSONNEL

Under the Uniformed Services Contingency Option Act, a person who will retire under the military retirement system, either by reason of disability or by length of service, can elect to receive a reduced amount of retired pay in order to have a part of the retired pay continued to the widow and/or children after his death. The amount of the reduction is calculated on an actuarial basis to balance the cost of benefits after death, so no cost will result to the Government.

Payments under the act are made without regard to the cause of death and without regard to any other income. If the retired person dies from a service-connected disability, the survivors are eligible for the Veterans' Administration death compensation benefits. Thus, it cannot be known in advance how much income the widow will receive, except that it will not be less than the amount under the Contingency Option Act nor more than the amount under that act plus the Veterans' Administration death compensation.

In addition the act requires the election of benefits by the serviceman on active duty upon completion of 18 years of service. Higher rates are charged upon retirement if the serviceman is disabled than if he is in good health. However, at the time of election the serviceman does not know which of the two rates he will have to pay, since he cannot foretell what his health will be upon retirement.

Under the pending survivor benefits legislation, the Veterans' Administration dependency and indemnity compensation benefits would be increased, particularly for officers of higher rank. These benefits would be payable in addition to any Contingency Option Act benefits which the retired serviceman might provide for his dependents. As a result, families of deceased retired military personnel would be likely to find themselves in vastly different financial circumstances, depending on what benefits the serviceman had elected to take under the Contingency Option Act and upon the cause of death. If he elected substantial benefits under the act, his family would be better provided for; if he took no benefits they might be less well provided for. If he died from service-connected causes they would receive payments from both the Veterans' Administration and the act; if he died from normal causes they would get benefits only from the act. Thus, no serviceman could plan with assurance for the future of his family after his retirement.

There are various possible ways to eliminate this uncertainty and layering of benefits. One of the most desirable would be to coordinate the Contingency Option Act benefits with the Veterans' Administration death compensation benefits, and at

the same time to eliminate the unpredictability now involved in the election of Contingency Option Act benefits. This can be done at minimum or no cost to the Government by the following:

(1) Eliminating the present provision under the Contingency Option Act whereby military personnel who retire under disability are required to withstand greater reductions in their retirement annuity than those who are not disabled;

(2) In cases of service-connected deaths, giving the survivors an election between the increased death compensation benefits and the Contingency Option Act benefits—but not both, as is now the case. Furthermore, the attractiveness of the Contingency Option Act program could be increased by allowing personnel who elect to do so have deductions made from their active duty pay. Sums thus accumulated would be added to their post retirement Contingency Option Act benefits, so that the reduction in their retirement annuity would be smaller.

These adjustments would enable both disabled and nondisabled personnel to plan with certainty as to the level of benefits which their survivors would have. They would also enable personnel electing Contingency Option Act benefits to spread the cost over part of their active duty when their earnings are greatest.

Recommendation No. 40

Benefits under the Uniformed Services Contingency Option Act and those under the Veterans' Administration death compensation program should be coordinated. If H. R. 7089 becomes law, steps should be taken to eliminate the unpredictability now inherent in the Contingency Option Act benefits and to make them more attractive to personnel on active duty. Consideration should also be given to reopening for a limited time elections to the Contingency Option Act benefits on the new basis to persons who are retired as well as to those who have already elected benefits.

Chapter VIII

READJUSTMENT BENEFITS FOR WAR VETERANS: THE PROGRAM AS A WHOLE

The Servicemen's Readjustment Act of 1944—better known as the GI bill—opened a new and significant chapter in the history of veterans' programs. Together with earlier legislation, it rounded out a comprehensive system of benefits to assist veterans in meeting the varied problems they might encounter in reestablishing themselves in civilian life. The 1944 act, Public Law 346 of the 78th Congress, embodied new concepts and a new approach to the needs of nondisabled veterans. It recognized that all veterans, and not only the disabled, may have special problems resulting from the interruption of their normal lives by military service; and it undertook to help them meet these problems at the time when help was needed most, immediately after their discharge from service.

Veterans of earlier wars had received little direct aid in meeting such problems. Land grants to veterans (discontinued after 1862), mustering-out pay after most wars, vocational rehabilitation for the disabled after World War I, and special placement services virtually complete the list of benefits provided before World War II. For nondisabled veterans, there was no assurance of reinstatement in previous jobs, no program to provide cash income during unemployment, no assistance in resuming interrupted education, nor aid in buying homes or businesses. The nondisabled veteran was largely on his own, and experience after World War I showed that many failed to achieve successful readjustment under such conditions.

In contrast, veterans of World War II and the Korean conflict have had the benefit of programs to help them meet nearly every major problem that might arise in readjustment. This ap-

proach, bolstered by experience and improvements over the past decade, is now generally accepted as the best way of meeting the Government's obligation to nondisabled veterans.

These programs, under which nearly all veterans received some benefits and four out of five used the major GI bill benefits, are important not only for their size and cost, but also because of their bearing on current programs and on future policy decisions in the broad area of veterans' benefits. The present chapter surveys the program as a whole, its basic objectives and the extent to which these have been successfully achieved. The separate elements of the program are examined in greater detail in the next chapter.

SCOPE AND VARIETY OF THE BENEFITS PROVIDED

The total range of benefits covered by the readjustment benefit program was wide. In addition to the three major benefits created by the GI bill (readjustment allowances, education, and loan guaranty) a number of other important benefits or services were available under other laws, such as the Selective Service and Training Act of 1940 and the Mustering-Out Payments Act of 1944. In general, veterans were eligible for GI benefits if they met the basic requirement of having served at least 90 days in active service within the qualifying period (between September 16, 1940 and July 25, 1947) and had been discharged or released under conditions other than dishonorable. The benefits were provided both for nondisabled veterans and those with service-connected disabilities. The latter were also eligible for special benefits such as disability compensation, vocational rehabilitation, and medical care.

For the great majority who were not disabled, the benefits were matched to problems that might exist during reentry into civilian life—problems that would differ from person to person, and would be more severe for some veterans than for others. The readjustment program undertook to do something about six important kinds of readjustment needs:

Mustering-out pay provided ready cash immediately after discharge to all veterans. The amount was \$100, \$200, or \$300,

depending on length of service and on whether the veteran had served overseas. The purpose was to provide a small reserve for buying clothing, getting settled, and meeting other immediate needs; the benefit was in no way related to unemployment.

Readjustment allowances were available both to unemployed veterans and to those in self-employment who had not yet built up normal income from their farms or businesses. The unemployment allowance was \$20 per week, up to a maximum of 52 weeks. For the self-employed, the payment was \$100 per month, less net income.

Education and training, at Government expense, were made available for veterans who desired to resume their interrupted education or desired additional training to refresh old skills or fit themselves for better jobs. The benefits covered tuition and supplies, as well as a subsistence allowance while in training, and most veterans were eligible for up to 4 years of school or training. The veteran was free to take any kind of training for which he could qualify—in colleges, high schools or elementary schools, in the form of on-job or on-farm training, by attending private vocational and trade schools, business colleges or technical schools, or through correspondence courses.

Guaranteed loans for purchase of homes, farms, or businesses were available on favorable terms for those whose readjustment problem could best be met in this way. Originally conceived as a short-term program to help veterans during the first 2 years after discharge, the loan guaranty benefit was later extended to cover a 10-year period.

Reemployment rights, entitling veterans to reinstatement if they held a regular job before entering service, were first created in the Selective Service Act of 1940 and are still in effect under later legislation. This benefit entitles the veteran not merely to "a job" but to employment under conditions as favorable as those that would have existed if he had not entered service. Unlike other readjustment benefits, it is in no way dependent on wartime service, but on having left a job to enter service in a period when compulsory service is required.

Other benefits related to employment were provided for veterans whose problem was to find a new job. These included (a) special assistance and priority of service to all veterans by the public employment service system, with an overriding priority for disabled veterans; and (b) veterans' preference in the Federal civil service, which gave veterans a special advantage in competing for Federal jobs as well as a lifetime preference over non-veterans in retaining such jobs during periods of reduction in force.

More recently, in the Veterans' Readjustment Assistance Act of 1952, the principles of the readjustment benefit program have been extended to cover 5 million additional veterans who served during the Korean conflict. Thus such benefits have been or will be available to more than 21 million men and women. Though the full scope of the Korean program cannot yet be measured, experience thus far suggests that the education and loan benefits will be used by at least as many veterans, in proportion to the total number eligible, as used similar benefits under the first GI bill. Conceptually, both programs are part of the same experiment.

BACKGROUND, OBJECTIVES, AND UNDERLYING CONCEPTS OF THE READJUSTMENT BENEFIT PROGRAM

In appraising the program, the Commission first had to examine the purposes and underlying philosophy of readjustment benefits. What were the original objectives, and to what extent have these changed during the history of the program? How are such programs related to the Government's overall obligation to nondisabled veterans? What criteria should be used in judging how well the overall program has achieved its general aims and how fully it has discharged this obligation?

While the general objectives of the program were clear, a consistent philosophy of "readjustment benefits" developed only gradually. Most of its basic principles were expressed in the 1944 act, or in amendments adopted in 1945 (Public Law 268) before full-scale operations were really underway. Over the following years, the concepts that underlie sound readjustment programs

were clarified by a series of amendments to the GI bill and by new features incorporated in the program for veterans of the Korean conflict (Public Law 550 of 1952). The program, therefore, has not been static but has continued to evolve.

The Central Purpose: Transitional Aid During Readjustment

The record shows that the central purpose of both the World War II and the Korean GI bills was to provide transitional benefits to be used during the period in which the veteran was readjusting to civilian life. The use of benefits was to be related to individual needs, arising out of military service or problems the veteran encountered in reestablishing himself in employment, completing his education, or acquiring roots in the community.

This emphasis on individual readjustment emerges clearly in the record of congressional hearings and debates, in the committee reports that accompanied the evolution of the GI bills, and in the titles of both bills—known respectively as the Servicemen's Readjustment Act of 1944 (Public Law 346) and the Veterans' Readjustment Assistance Act of 1952 (Public Law 550).

A number of other factors and alternatives were also considered by Congress, among them the possibility of adjusted compensation (or a "bonus") such as had been paid after World War I. Details of the program were affected by anticipation of a postwar unemployment crisis, and it was expected not only to aid individuals but also to ease the strain during demobilization. Other features were expected to serve the national interest by helping to overcome accumulated deficits in education and housing. All these factors, as well as a general desire to deal generously with all veterans, had some effect on the nature of the benefits.

Neither the original act nor the 1945 amendments provided adequate safeguards to assure that benefits were used in ways that actually contributed to readjustment, and Public Law 346 was repeatedly amended to provide more definite standards and safeguards. Finally, when Public Law 550 extended the program to cover Korean veterans, there was an opportunity to restate and reaffirm the basic concepts of a transitional readjust-

ment program. The eventual views of Congress are clearly expressed in the statement of purpose included in the act:

SEC. 102. The Congress of the United States hereby declares that the veterans' education and training program created by this act is for the purpose of providing vocational readjustment and restoring lost educational opportunities to those servicemen and women *whose educational or vocational ambitions have been interrupted or impeded by reason of active service* in the Armed Forces during a period of national emergency and for the purpose of aiding such persons in attaining the educational and training status which they might normally have aspired to and obtained had they not served their country; and that the home, farm, and business-loan benefits, the unemployment compensation benefits, the mustering out payments, and the employment assistance provided for by this act are for the purpose of *assisting in the readjustment of such persons from military to civilian life.* [Italics supplied.]

The Concept of Varied Benefits To Meet Differing Individual Needs

One of the first questions the Congress had to decide was whether the amount and kind of benefits should be adjusted to fit individual needs, or designed to provide a general reward for all veterans of wartime service. In adopting the principle of readjustment benefits, rather than alternative proposals for adjusted compensation, the principle of benefits primarily based on individual needs was chosen.

The decision to stress aid in individual readjustment was part of a general process by which independent proposals for specific benefits were expanded and combined into an omnibus bill covering all major needs not already met by other legislation. At the start, the various benefits were proposed separately. Education and training benefits, for example, evolved out of a much more limited proposal by the Osborn Committee, appointed by the President in November 1942 to study the problem of postwar educational opportunities for ex-servicemen, and there were separate bills for mustering-out pay, adjusted compensation, unemployment benefits of several kinds, and other forms of aid to veterans.

Several of these ideas were linked together in President Roosevelt's message of November 23, 1943, proposing mustering-out pay and unemployment allowances, and referring to an earlier message (October 27) on education and training benefits. The first veterans' omnibus bill, containing some version of each of the major benefits finally enacted, was introduced in January 1944, and both Houses of Congress dealt with all readjustment benefits through a single committee.

This unified approach recognized that readjustment benefits are not separate and unrelated, but part of a single effort to aid in readjustment, and that individual needs for such aid would differ. Some veterans would have serious difficulties in finding employment; others would have a serious interruption in educational progress to overcome; many would fit back into normal life with little trouble. Congress made a broad range of benefits available, permitting each individual to select those that fitted his requirements, instead of giving equal aid to all veterans—some of whom would not need it, while some would need more help than any "flat amount" could reasonably provide.

Both the idea of readjustment and the concept of a single "bill of rights"—dealing with readjustment as a unified problem—were stressed in the Senate Finance Committee's report on the omnibus bill:

This measure is designed to be a comprehensive bill of rights for the returning veterans of the present titanic conflict. It aims to state comprehensively and clearly the rights and benefits to which these veterans will be entitled and to state clearly and simply the way in which these rights may be obtained. * * *

Two other questions as to the relationship between benefits and individual needs were important. Was the aim to return the veteran to the position in life that he would have achieved but for military service, or to give him an opportunity to achieve a higher status? In those cases where the veteran did not use such benefits, or used them only to a limited extent, did the fact that he had an opportunity to do so discharge the Government's obligation to provide readjustment aid?

The programs actually enacted (unlike some earlier proposals) made no attempt to measure the extent of individual need; they merely made benefits available, in kinds and amounts sufficient to cover the probable needs of all veterans who chose to use them. This approach was realistic because readjustment benefits will seldom put the individual back into the position he would have achieved. There is, in fact, no way of determining what that position would have been. He is older, his experience in service has contributed some gains as well as handicaps, and he enters civilian life as a different person from the one he was a few years earlier. The benefit can provide only an opportunity. Some will achieve a higher status than they would otherwise have had, while others will fail to make up completely for setbacks due to service. The balancing of benefits against needs must be for the group as a whole, not for the individual.

The Concept of Benefits Available for a Limited Period

The concept of readjustment benefits naturally implies that such benefits are to be used during a limited period, while special readjustment needs exist. From the beginning, proposals for each of the major benefits included some limit on the length of time after discharge in which the benefit could be used. There was an early tendency to think of the benefits as related to the period of mass demobilization, or the period just after separation from the service. The Osborn committee, for example, proposed that veterans must enter training within 6 months in order to qualify; the readjustment allowance program was originally limited to 2 years after the final payment of mustering-out pay; and the loan guaranty program, as enacted in Public Law 346, was limited to 2 years after discharge.

The benefits finally provided, under each major program, covered a much longer period than had originally been proposed. The time limit for entering education or training was set at 2 years by the 1944 act, and extended to 4 years in 1945 by Public Law 268. The final period for completing training, fixed at 7 years originally, was extended to 9 years by the same amendment. The time limit for use of the loan guaranty program, set at 2 years

in Public Law 346, was extended to 10 years by the 1945 amendments. For readjustment allowances, the original GI bill changed the original limit of 2 years after mustering-out pay to 2 years after the termination of hostilities—thus permitting many veterans to draw benefits as late as 3 or 4 years after discharge.

Through these various changes, the readjustment benefit program evolved from a relatively short-term program to one covering a fairly long period after discharge. The Commission's studies of individual benefit programs show that education and training benefits and readjustment allowances, though used by most veterans soon after separation, were in many cases used so late that they had little relationship to actual readjustment. In the loan program late use of benefits was even more common. These problems have been reduced, but not wholly eliminated, in Public Law 550.

The need for some time limit is clearly recognized. In each program, there is a need to balance two opposing considerations: An unduly restricted period may deprive many veterans of assistance that they actually need, but cannot use immediately. An unduly extended period tends to lessen the benefit's value in terms of real readjustment needs.

HISTORICAL DEVELOPMENT OF THE READJUSTMENT PROGRAMS, AND CHANGES BASED ON OPERATING EXPERIENCE

In the years between 1944 and 1952, the original GI bill was repeatedly amended and there were numerous changes in benefit structure and eligibility conditions, operating policies and procedures, and administrative arrangements. The first amendments, in 1945, tended in general to liberalize the benefits and eliminate restrictions on their use. From then on, most of the changes were designed to correct specific problems or abuses that arose in the course of actual experience. The program for Korean veterans, enacted in 1952, incorporated many of these improvements and added still other changes, particularly in connection with unemployment benefits and the education and training program.

Taken as a whole, this series of evolutionary changes provides important guidelines. It demonstrates the main standards to which a sound and consistent readjustment program should conform, and provides a basis for recommending the features that would be desirable in possible future programs. This complex history, described more fully in the background reports on individual programs, can only be summarized in general terms here. Broadly speaking, the changes in the program have been concerned with three basic kinds of problems: (a) Development of safeguards and standards to assure that benefits were effectively used and met real needs; (b) problems of administrative responsibility and coordination with programs serving the general public; and (c) adjustment of the program to fit current economic conditions and demobilization patterns.

Original Stress on Broad Participation and Equal Treatment

In the 1944 Act and particularly in the liberalizing amendments adopted in 1945 (Public Law 268) Congress gave little attention to the possible need for safeguards to prevent misuse or ineffective use of benefits. The prevailing mood was one of generosity, and the main concern was to assure broad participation in the various programs—an aim which sometimes tended to obscure the basic goal of individual and timely readjustment. Though the idea of “equal treatment” in the form of a bonus did not prevail, it had some influence—expressed in the desire of Congress to make sure that no veteran should be prevented from receiving benefits he might need during readjustment. The GI bill, as amended in 1945, therefore sought to make each type of benefit potentially available to as many veterans as possible—including some whose need was dubious.

Many key features of the education and training program were aimed at “maximum participation;” there were few standards to assure that benefits would aid in readjustment. Apart from the long period allowed for beginning and completing training, the features that caused most trouble later included the payment of allowances to persons who were employed full time, while they were taking on-farm or on-job training; freedom to choose any

type of course, regardless of whether it was related to a concrete occupational goal or educational objective; unlimited freedom, originally, to shift from one course to another; and the absence of standards or criteria for the approval of educational institutions and training establishments. Authority for such approval was divided between the Veterans’ Administration and State agencies, and funds for investigation of the new proprietary schools that mushroomed under the program were inadequate.

Under these conditions, many veterans took courses of excessive length, or studied for occupations in which there was little demand for additional workers; there were many who used the “training benefit” for recreational or avocational courses, or simply because of the cash allowance so obtained, rather than because of a real desire for training.

The readjustment allowance program, likewise, went far beyond the normal limits of unemployment insurance. One step toward “maximum participation” was the extension of benefits to self-employed persons, under conditions which permitted payments to many veterans who had no real need for the benefits. In the unemployment allowance program, both the 52 week stretch-out of duration and the attempt to apply eligibility standards different from those in State laws led to some excessive use of benefits.

In the loan program, the extension took a different form, as has been noted. Instead of limiting loans to 2 years, a period consistent with the concept of a transitional benefit to aid in readjustment, the extension to 10 years changed the program into a long-range housing program for veterans.

Amendments To Provide Safeguards and Prevent Abuses Under Public Law 346

Actual experience under the program created in 1944–45 soon showed that many features of the law were too liberal and open to misuse. Over the years from 1945 to 1952, there were widespread criticisms of specific weaknesses and loopholes in the program, and investigations such as those by the Teague committee and the General Accounting Office showed that benefits

were often being wasted or misused. To deal with these problems, the law was amended about a dozen times.

The purpose of several amendments was to prevent improper use of education and training benefits, to assure that the veteran received training of actual value to him, and to limit the use of the benefit solely as a source of income or as a disguised wage supplement. Among such changes were amendments establishing criteria for approval of on-job training establishments (1946), prohibiting the payment of benefits for avocational and recreational courses (1948), granting authority to prohibit repeated changes in course (1950), and setting standards for on-farm training (1947).

In the area of readjustment allowances, corrective steps were taken by administrative action. These steps included more strict interpretation of "availability" requirements and a system of reinterviews for veterans who remained on the rolls for 10 consecutive weeks, to determine whether they were actually available for work and willing to accept suitable jobs.

Changes in the loan guaranty program between 1945 and 1952 were primarily of three types: (1) making the mortgage loan more attractive to lenders and builders; (2) enabling more veterans to participate in the program; and (3) protecting the veteran against inferior construction, loss of entitlement or the payment of hidden charges. The major changes of the first type were: addition of the incontestability clause relative to certificates of guaranty, issuance of advance commitments to guarantee proposed construction, changes in collection policies and in methods of claims settlement, and raising the guaranty amount. The change in the guaranty amount also enabled more veterans to participate, as did addition of the direct loan authority, extension of loan maturity, and Government secondary mortgage market operations. Changes which protected the veterans' interest were establishment of minimum construction standards with compliance inspection, improvements in appraisal procedures, and protection of the veterans' entitlement in the case of loss by fire, public condemnation, or other hazards.

Program Changes Under the "Korean" GI Bill

Passage of Public Law 550 in 1952 permitted a general reappraisal of the program, and the decisions of Congress were almost invariably in favor of safeguards and restrictions to prevent the use of benefits in ways not contributing to readjustment. Important changes in specific programs included:

(a) Replacement of the readjustment allowance program by an unemployment compensation plan based on the same standards as the State laws. The potential maximum of 52 weeks was cut to 26 weeks. Self-employment benefits were eliminated.

(b) Education and training benefits were made available only when they were related to a definite occupational or educational goal, and detailed safeguards and standards were written into the law, covering such new matters as the approval of accredited and nonaccredited courses and the operation of the on-the-job and institutional on-the-farm programs. In place of separate payments for tuition and for subsistence, which had contributed to some problems connected with proprietary schools, a single-payment plan was substituted.

(c) The loan guaranty program was extended to Korean veterans with no changes in operating procedures. The act, however, provided for additional protection for all veterans in terms of planning and acceptability standards of housing projects. It also gave the Administrator authority to refuse to guarantee loans involving builders or lenders who had previously engaged in practices detrimental to the veteran's interest. Nearly all changes in the program since 1952 have dealt with problems of mortgage credit or terms. The one exception was an amendment requiring that purchasers of new homes for which an advance certificate of reasonable value was issued must receive a builder's warranty that the construction was in substantial conformance with the plans and specifications.

Coordination With Programs Serving the General Public

Readjustment benefits, like other veterans' programs, often deal with problems and services which are also covered by programs serving the general public—in the fields of unemployment

compensation, education, housing and employment services. Two kinds of questions naturally arise as to how the programs for veterans should be related to others in the same fields. First, should veterans' programs be administered by the same agency that controls the "general" program, or by a separate veterans' agency? Second, how should benefit levels and eligibility conditions for veterans be related to those in other programs? Experience under the two GI bills provides some guidelines for answering these questions.

Administrative responsibility and coordination.—In early hearings on the GI bill there was much disagreement as to whether the new programs should be administered by the Veterans' Administration or assigned to the Federal agencies normally responsible for similar activities. The final decision, except for the employment service program, was to centralize the new programs in the Veterans' Administration, which was expected to make some use of other agencies. At the national level, the Veterans' Administration became responsible for three new large-scale undertakings—in the fields of education and training, readjustment allowances and loan guarantees. It was required to recruit staff, develop operating machinery, and create the necessary policies and procedures independent of the Federal agencies which had experience in these fields.

In principle, this centralization of responsibility was intended to provide more efficient and better coordinated services to veterans. In practice, it created problems because veterans' programs were not well coordinated with the operations of other agencies. Readjustment allowance operations, for example, were handled locally by State agencies, but the Federal agency which had well-established procedures for supervising such operations (the Bureau of Employment Security) was bypassed. In the loan guaranty field, operations of the Veterans' Administration program duplicated and were not coordinated with those of the general housing program. In education and training, State agencies had important responsibilities for approval of institutions, but no use was made of the established channels between such agencies and the Office of Education.

Actual experience under the two GI bills suggests that at least two of the programs would have operated more effectively if handled by existing agencies. In the readjustment allowance program, decisions on eligibility and disqualification were based on different standards from those applicable under State laws, and some of the problems in this program were due to the resulting tendency to treat veterans as a separate class. When Public Law 550 was enacted, the unemployment compensation program for veterans was transferred to the Department of Labor and integrated with the general Federal-State program. The results have been much more satisfactory than under Public Law 346.

In the loan guaranty program, the creation of a separate program for veterans seems to have had no positive advantages that could not have been achieved within a single Government home loan program providing suitable preferences for veterans. Duplication of effort and discrepancies between the VA and FHA loan programs have added to the cost the veteran had to pay and to the total administrative burden, without producing special benefits.

In the field of education and training the situation is less clear. Since no comparable program had existed previously, the Office of Education would have had to meet the same problems that the Veterans' Administration faced in building staff and developing procedures. There were serious problems of Federal-State coordination under Public Law 346 which led to a number of amendments. Administrative arrangements under Public Law 550 were modified to reduce such problems. The Office of Education's established relationships with State educational agencies would have been an advantage in this area. In future programs, it would seem desirable to make greater use of existing agencies and to utilize the permanent machinery for Federal-State cooperation in this field.

Benefit levels and eligibility conditions.—Experience under the two GI bills has shown that the effectiveness of readjustment benefits may be impaired if benefit levels are unduly high, or if eligibility conditions depart too much from those under programs serving the general public. This principle is seen most

clearly in the readjustment allowance program. Public Law 346 established a weekly benefit rate considerably higher than under most State laws, authorized benefit payments for periods up to 52 weeks, and included benefits for self-employed as well as unemployed persons. This benefit structure, going beyond the normal limits of unemployment insurance, encouraged some veterans to draw benefits for unduly long periods, instead of adjusting promptly to actual labor market conditions. The fact that eligibility and disqualification conditions for veterans were different from those for nonveterans also encouraged a feeling that the benefit was in some ways a right to which the veteran was entitled even if he did not meet the normal tests of unemployment.

Other problems in the readjustment allowance program resulted from failure to take into account the benefit rights that veterans possessed under State laws. Veterans who had such rights were still free to draw readjustment allowances and usually did so because the rate was higher. Payments under these circumstances greatly increased the programs cost without contributing to readjustment.

Benefit levels and eligibility conditions under the GI training program also encouraged some improper use of benefits. Since there was no requirement that training should be related to a definite goal, some veterans were encouraged to use benefits solely for the cash income they provided rather than because they met real readjustment needs. Under Public Law 550, use of benefits has been restricted more closely to eliminate such problems.

Benefits under the loan guaranty program had a somewhat different impact. The easy terms led to use of discounts by lenders which often tended to cancel out the benefit theoretically provided by a differential interest rate. Coordination with FHA programs was achieved only indirectly—through “competition” between separate housing programs—rather than as part of a unified housing policy.

Conclusions.—From the problems encountered under Public Law 346 and from changes made by later amendments and in the program for Korean veterans, certain general conclusions

may be drawn. First, readjustment programs for veterans should be integrated and coordinated as fully as possible with similar programs serving the general public. Programs should be planned well in advance to provide for the creation of necessary administrative machinery and suitable standards and procedures. Existing agencies should be used wherever their special knowledge or their established Federal-State relationships can contribute to more successful or more economical operations.

Second, the level of benefits and conditions of eligibility, in programs providing cash benefits, should be reasonably consistent with those under programs serving the general public. Benefits should not be so high, nor available under such conditions, that the veterans is encouraged to rely on unemployment benefits instead of taking steps that will reestablish him in normal employment, or encouraged to use “training” benefits as a source of income rather than as a means of advancing his skill or education.

MAGNITUDE, TIMING, AND ECONOMIC IMPACT OF THE READJUSTMENT BENEFIT PROGRAM

By any standard, the readjustment benefit program after World War II was one of the greatest efforts in human history to assure the well-being of millions of persons—most of the men of a generation. The GI bill alone provided direct payments to more veterans than had received benefits under all other programs from Bunker Hill to Pearl Harbor. The total cost of readjustment benefits would cover all payments under the Federal social security program to date, with a few billion dollars to spare.

The data presented here measure the program’s overall impact on veterans and on the Nation, the relative magnitude and timing of operations under different parts of the program, and the extent to which benefits were used when the need was greatest. Comparative data on the post-Korean program, also presented below, indicate how the use of such benefits is related to current economic conditions and demobilization trends.

Overall Cost of Readjustment Benefits—World War II

The total cost of the direct readjustment benefits to veterans of World War II, including mustering-out pay and vocational rehabilitation, was about \$24.5 billion. Of this total, cash benefits under Public Law 346 amounted to nearly \$18.9 billion, of which about \$14.5 billion was for education and training and \$3.8 billion for readjustment allowances. (Table 1.) The im-

TABLE 1.—Total Expenditure for Readjustment Benefits to Veterans of World War II and the Korean Conflict, Through Dec. 31, 1955¹

[Millions of dollars]			
Type of benefit and agency	Veterans of World War II	Veterans of Korean conflict	Total, both wars
A. Benefits under GI bills:			
Education and training under Public Laws 346 and 550 (VA).....	\$14,491.2	\$1,235.8	\$15,727.0
Readjustment allowances under Public Law 346 (VA).....	3,804.9		3,804.9
Unemployment compensation under Public Law 550 (Labor).....		240.3	240.3
Loan guaranty (VA).....	673.3	* 10.4	683.7
Total GI bill programs.....	18,969.4	1,486.6	20,456.0
B. Mustering-out pay ²	4,026.0	1,142.0	5,168.0
C. Vocational rehabilitation (under Public Laws 16 and 894) (VA).....	1,593.4	37.3	1,630.7
Total, all programs.....	24,588.8	2,665.8	27,254.6

¹ Source: Veterans' Administration, Department of Labor, and Department of Defense.

² Partly estimated.

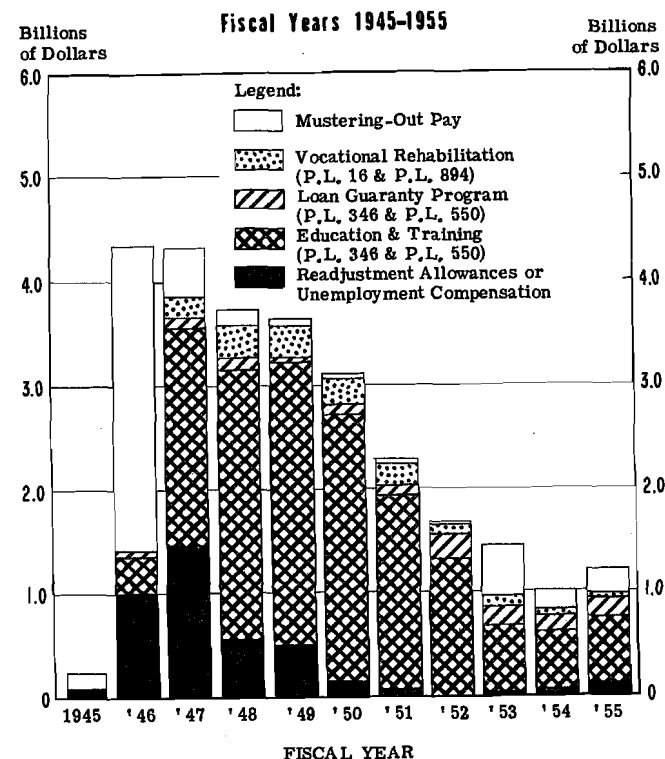
port of the loan programs, which involved about \$573 million in direct costs, is better indicated by the fact that loans guaranteed at any time amounted to \$31.8 billion, of which \$17.2 billion represented the contingent liability of the Government.

Mustering-out payments, which went to nearly every veteran, amounted to \$4 billion—more than the total cost of the readjustment allowance program. Vocational rehabilitation costs were about \$1.6 billion.

The distribution of program costs over time (chart I) gives some measure of the impact of readjustment benefits during each postwar year and the shifting relative importance of specific types of benefits. Including mustering-out pay and vocational rehabilitation, the annual value of benefits paid rose sharply from about \$230 million in fiscal 1945 (ending just before V-J Day) to more than \$4.3 billion in the following year, and remained above \$3 billion per year in each of the next 4 years.

CHART I

EXPENDITURES FOR MAJOR READJUSTMENT BENEFITS--VETERANS OF WORLD WAR II AND KOREAN CONFLICT



Source: Veterans Administration, Department of Labor, and Department of Defense

Within this fairly constant total, there were sharp changes in the relative magnitude of individual programs. (Table 2.) In 1945-46, when most veterans were discharged, mustering-out pay (over \$2.9 billion) and readjustment allowances accounted for nine-tenths of total cost. In the following year, mustering-out payments dropped sharply, readjustment allowances reached their peak, but education and training benefits were the most important single program, accounting for about \$2.1 billion in direct benefits.

TABLE 2.—*Expenditures for Major Readjustment Benefits to Veterans of World War II and Korean Conflict (Fiscal Years ending June 1945-55)*¹

[Millions of dollars]

Fiscal year	GI benefits under Public Laws 346 and 550				Vocational rehabilitation (Public Laws 16 and 894)	Mustering-out pay	Total, 5 major benefits
	Readjustment allowances or unemployment compensation	Education and training benefits	Loan guaranty program	Total, all GI benefits			
1945	23.5	8.7	---	32.2	7.0	193	232.2
1946	1,000.9	350.6	5.2	1,356.7	38.0	2,940	4,334.7
1947	1,447.9	2,122.3	75.5	3,645.7	190.9	492	4,328.6
1948	677.3	2,498.9	64.4	3,240.6	333.3	128	3,701.9
1949	509.6	2,703.9	40.0	3,253.5	335.2	59	3,647.7
1950	138.2	2,595.7	58.7	2,792.6	272.3	29	3,093.9
1951	8.4	1,943.3	90.1	2,041.8	176.9	7	2,225.7
1952	---	1,325.4	226.6	1,552.0	97.9	3	1,650.2
1953	24.4	667.8	158.6	850.8	57.8	561	1,469.6
1954	74.3	544.1	162.3	780.7	41.3	269	1,091.0
1955	106.7	664.5	163.5	924.7	40.8	309	1,274.5

¹ Source: Veterans Administration, Department of Defense, Department of Labor.

Beginning with the third postwar year (1947-48), mustering-out pay was of minor importance and readjustment allowances dropped steadily. Meanwhile education and training benefits under Public Law 346 reached \$2.5 billion in fiscal 1948, remained above that level in the next 2 years, and continued at a rate of more than a billion dollars annually through fiscal 1952. The cost of loan benefits, relatively low throughout, reached its peak in 1951-52, while costs of vocational rehabilitation followed the same general trend as training under the GI bill.

Unquestionably, this outpouring of purchasing power during the first postwar years had a substantial impact on the Nation's economy. In addition to meeting individual needs, payments to veterans helped to offset the drop in factory payrolls, and to maintain the high demand for goods and services. Whether this stimulus was needed is debatable, since heavy inflationary forces already existed in the form of wartime savings, and there was a long pent-up demand for durable goods. More important is the fact that payments to veterans permitted them to share in the postwar prosperity and prevented the development of the tensions and resentments that were felt by veterans after World War I, who suffered heavily during the economic readjustments of that postwar period.

Labor-Force Changes and Unemployment

The demobilization period was a time of major shifts and stresses in the civilian economy. Massive declines in employment did in fact occur, and the rate of demobilization was far more rapid than had been anticipated. For various reasons, the overall volume of unemployment never reached expected levels, but most veterans returned to civilian life during a period of job scarcity and widespread unemployment. If all veterans had entered the labor force immediately, and other workers had not withdrawn, the total gap between jobs and labor supply a few months after VJ-Day might have been as high as 8 million, as the Office of War Mobilization and Reconversion had predicted.

Throughout the early postwar years, a sizable proportion of World War II veterans were either unemployed or not in the labor force. The proportion dropped steadily, but represented one-fifth of all veterans at the end of 1946 and one-eighth of all veterans at the end of 1949. If the availability of GI bill benefits had not encouraged many veterans to attend school or take training rather than seek jobs, their presence in the labor force would have further increased the impact of postwar unemployment.

Relation of Program Operations to Demobilization Trends

The use of readjustment benefits was closely related to demobilization schedules and postwar changes in the civilian economy. When Public Law 346 was enacted in 1944, more than 12 million men and women were in the Armed Forces. Mass demobilization began in October 1945 and in each month through February 1946 more than a million veterans were discharged. By the end of 1946 nearly 14 million ex-servicemen were in civilian life.

As this tide of demobilization reached its peak, the majority of the newly discharged veterans made use of at least one of the benefits provided by the GI bill. The number of veterans receiving benefits for the first time under the readjustment allowance program followed the trend of separation from service. (Table 3.) About two-thirds of all veterans discharged after

TABLE 3.—*Relationship Between Demobilization and First Use of Readjustment Benefits Under Public Law 346*

[Numbers in thousands]

Period	Net increase of veterans in civilian life	Veterans receiving readjustment benefits for first time under Public Law 346		
		First payments of readjustment allowances	Entrances into education and training	Home loans closed
1945:				
January-June.....	493	104	18	11
July-December.....	5,884	940	180	32
1946:				
January-June.....	4,354	3,717	970	118
July-December.....	1,241	1,343	1,315	294
1947:				
January-June.....	433	944	1,214	269
July-December.....	384	480	806	273
1948:				
January-June.....	169	448	838	207
July-December.....	144	289	524	142
1949:				
January-June.....	236	564	939	277
July-December.....	18	553	656	497
1950:				
January-June.....	56	4	500	448
July-December.....	92	1	24	306
1951:				
January-June.....	19	0	12	1,130
July-December.....				
Cumulative number of beneficiaries per 100 veterans in civilian life:				
December 1945.....		13.2	2.6	0.5
December 1946.....		44.2	17.9	3.3
December 1947.....		51.3	30.7	6.8
December 1948.....		58.4	47.7	13.9
December 1949.....		57.8	50.6	18.6
December 1950.....		57.8	50.7	26.0

Source: Veterans' Administration.

VJ-Day drew readjustment allowances, and more than 2.2 million first claimed benefits in the first 3 months of 1946. New enrollments in schools or training reached their peak later, when large numbers entered for the 1946 fall term. Rises at the start of the spring and fall terms were repeated in later years.

Extent of Participation in the Three Major Programs

The individual readjustment programs had their maximum impact at different times. The first problem that faced most veterans after discharge was the choice between obtaining a job and entering school or training. Many of those who sought jobs experienced some unemployment and others who planned to enter school took temporary jobs. Altogether, 8.9 million persons drew readjustment allowances, but most of them did so only briefly. The largest number on the rolls in any week was about 2.1 million (June 1946). When GI school enrollments reached a new high late in that year, more than 3 million veterans were

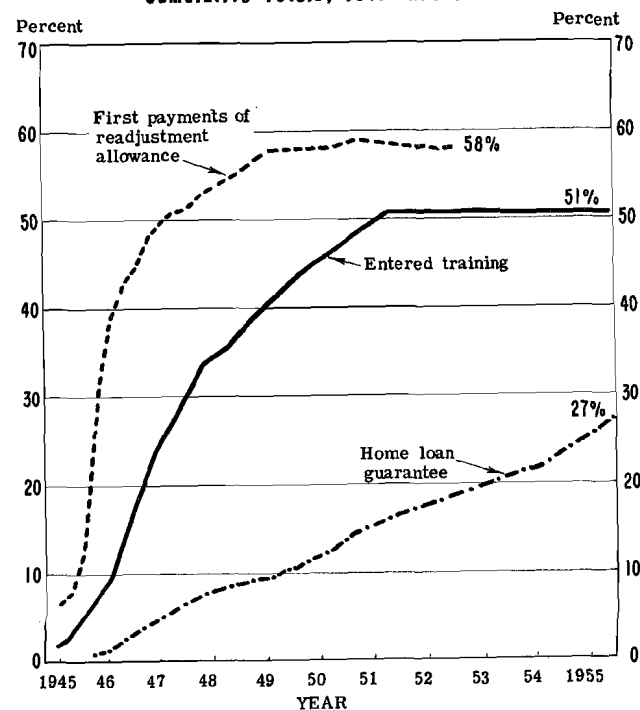
receiving some type of benefit. At the all-time peak in 1947, the total was nearly 4 million.

The percentage of all veterans in civilian life, who had received benefits under each of the three major readjustment programs at various dates is compared in chart II.

CHART II

PERCENT OF VETERANS IN CIVILIAN LIFE WHO HAD RECEIVED READJUSTMENT BENEFITS UNDER PUBLIC LAW 346

Cumulative Totals, 1945 thru 1955



Altogether, about 58 veterans in every hundred drew readjustment allowances; just over half used education or training; and slightly more than one-fourth used the loan benefit. Most of those who drew readjustment allowances had done so by the end of 1946, while more than two-thirds of those who entered

education and training did so after that time. For most veterans, use of the loan guaranty program came considerably later—after they had found steady jobs or completed their educational programs.

Number of Different Veterans Receiving Benefits Under Public Law 346

About 4 out of every 5 World War II veterans received benefits under one or more of the three major programs created by the GI bill, and most of them did so within the first 5 years after VJ-Day. A sample survey by the Veterans' Administration, covering all benefits received through August 1950, found that 11,683,000 veterans (74 percent of the number potentially eligible) had received at least one benefit. About two-fifths of the veterans (41 percent) had made use of only 1 benefit, 30 percent had used 2 different benefits, and 3 percent had used all 3 programs—readjustment allowances, education and training, and loan guaranty.

Data on the distribution of the 11.7 million beneficiaries by type of benefits used show that most of those who used only a single benefit drew readjustment allowances. About one-third of all beneficiaries, or 23 percent of all veterans, were in this group. Those who used two benefits in most cases combined education and training and readjustment allowances. About one-third of all beneficiaries, or 24 percent of those eligible, used this combination.

Through August 1950, the total amount of cash benefits under the Public Law 346 programs was more than \$14 billion—about three-fourths of the eventual total. Since that time, about \$4.6 billion has been paid out in additional benefits, mainly for education and training to veterans who had already entered training by 1950, and partly to those who entered the program relatively late. Since August 1950, the cumulative number of beneficiaries under the loan guaranty program, has risen from 1.9 to 4 million, and the number who have used GI training has climbed from 7.1 to 7.8 million.

While the total number of veterans who used loan benefits has more than doubled since 1950, many had previously used one or both of the other GI benefits. A rough estimate, based on a sample census in 1955, suggests that between 78 and 80 percent of all World War II veterans have now participated under one of the Public Law 346 programs. About 38 percent have received only one benefit, including 18 percent who drew only readjustment allowances. About one-third of all veterans have used two benefits, including 21 percent who combined readjustment allowances and GI training, and about 1 veteran in 10 has now used all three of the major benefits.

Length of Time Between Discharge and Use of Benefits

Use of benefits under the GI bill has extended over a longer period than was originally expected. Each of the major programs permitted veterans to claim benefits after they had been in civilian life for fairly long periods—as late as July 1949 in the readjustment allowance program, up to 4 years after leaving service in the training program, and at any time within 10 years in the loan program.

While most of those who used readjustment allowances filed their first claim within 6 months after leaving service, 10 percent of all beneficiaries entered the program more than 2 years after separation. Also, many of those who were drawing benefits after 1947 had reentered the program after obtaining jobs of short or long duration.

Entrances into school or training were spread out over many years. As late as fiscal 1949 and 1950, close to a million veterans per year were entering training for the first time. Use of the loan program, as already noted, has been largest during the last 5 years, since 1950.

These facts suggest that though readjustment benefits were generally used as a transitional benefit soon after leaving service, a significant number of veterans entered the programs after the time when their readjustment needs were greatest.¹

¹ For discussion of this problem in relation to individual programs, see ch. IX.

Adequacy of Entitlement—World War II Program

Most veterans used considerably less than the maximum amount of benefits available under the GI bill. The 1950 survey showed that on the average, the 7.1 million veterans who used GI training had used only one-third of their entitlement, and only 4 percent had exhausted their entitlement. Among the veterans who received readjustment allowances, the average amount received was also equal to about one-third of maximum entitlement, and 14 percent had exhausted their benefits. Only 11 percent of those who drew unemployment allowances drew the full 52 weeks of benefits, while 60 percent used less than 20 weeks and more than half used less than 15 weeks.

The amount of entitlement was not an important factor in the use of the loan guaranty program. More important factors were the veterans' qualifications for meeting loan agency credit requirements, availability of mortgage money at the GI loan interest rate, and availability of homes (or farms or businesses) the veterans could afford.

For most veterans, the amount of benefits potentially available thus appears to have been more than adequate to meet their individual needs.

Extent of Participation in the Program for Korean Veterans

The Korean program has been in operation for only a little more than 3 years, and many Korean veterans have been in civilian life for relatively short periods, or are yet to be discharged. The number who have used benefits to date is therefore only a fraction of the total who may do so. If experience under Public Law 550 to the end of 1955 is compared with operations under the World War II program for a corresponding period, the percentage who have used unemployment benefits is only about one-third as great, largely because demobilization has been more gradual and has occurred in a time of relatively high employment. The proportion of veterans who have entered GI training, however, has been slightly higher under the Korean program, and the use of loan guaranty benefits, unexpectedly, has been about as high.

A sample survey of Korean veterans who left service before November 1955, covering all benefits received through February 1956, showed that 42 percent had used at least 1 of the 3 major benefits—unemployment compensation, education and training, or loan guaranty. Most of the beneficiaries had used only a single benefit, while about 6 percent of the eligible veterans had used two or more different benefits. The percentage who used each benefit (slightly understated in the study) is shown below:

Percentage of Korean Conflict Veterans Who Had Received Various Benefits Under Public Law 550 (through Feb. 29, 1956)

<i>Participation under Public Law 550</i>	<i>Percent</i>
Total, all veterans of Korean conflict (separated through Oct. 31, 1955) -----	100.0
Nonparticipants -----	58.1
Veterans who used 1 or more benefits -----	41.9
Used one benefit only; total -----	36.0
Education and training only -----	21.4
Unemployment compensation only (UCV) -----	10.9
Loan guaranty only -----	3.7
Used 2 or more benefits, total -----	5.9
Education and training plus UCV -----	4.5
Education and training plus loan guaranty -----	1.0
Loan guaranty plus UCV -----	.3
All 3 benefits -----	.1
Total number of beneficiaries under each program:	
Education and training -----	27.0
Unemployment compensation -----	15.8
Loan guaranty -----	5.1

Other data show that about 30 percent of the eligible veterans had actually entered training by December 1955—a slightly larger proportion than had used such benefits under Public Law 346 through June 1947. The proportion of Korean veterans who had used the loan guaranty program (6 percent) was also about equal to the proportion who had used the World

War II program through mid-1947. The use of UCV benefits, however, was only about one-third as great as at the same stage under Public Law 346, when nearly 50 percent of all World War II veterans had received readjustment allowance payments.

RELATION OF GI BENEFITS TO VETERANS' READJUSTMENT NEEDS AND PROBLEMS

More important than the overall magnitude of the program is the question of its suitability and effectiveness in meeting the actual needs of veterans. Was there a real need and justification for each of the three major benefits, and did the "package" of benefits meet the most important readjustment needs with reasonable adequacy? The answer to these questions depends on the characteristics of the veterans who were eligible for benefits, the nature of their problems during readjustment, and the extent to which various kinds of veterans made use of various benefits.

Younger Veterans Made Greatest Use of Benefits

In general, both the need for education and training and the need for unemployment benefits were greatest among the younger veterans. They were most likely to have entered service before completing their education, and least likely to have formed definite job attachments or acquired skill or experience which would help them to obtain new jobs.

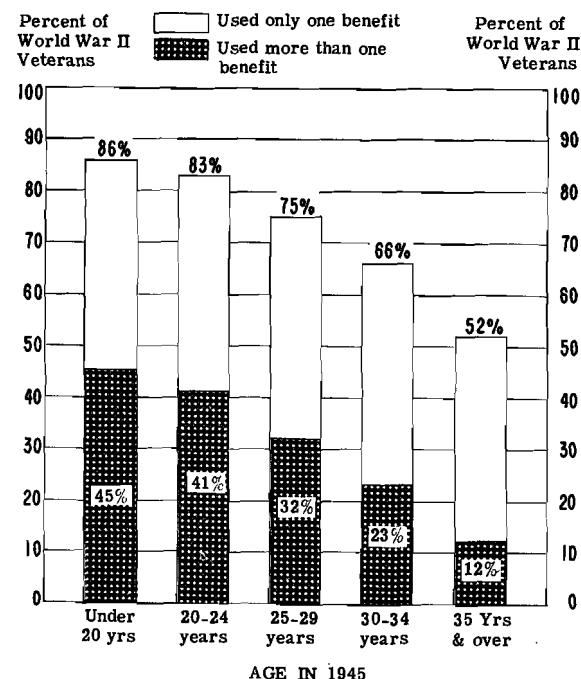
Most veterans of World War II were in this younger group. Most of them were unmarried, and many had held no regular job before entering service. In general, those who had held jobs were in relatively unskilled occupations. Some of the key facts on use of benefits by younger and older veterans are these:

1. Of the World War II and Korean veterans who were in civilian life in October 1955, 52 percent had left service before reaching their 25th birthday; most of these had entered service either in their teens or early 20's. Another 25 percent were 25-29 years old when they left service, and only 23 percent were over 30 years of age when discharged.

2. Use of the various benefits of the GI bill varied considerably among veterans in different age groups. A sample study in 1950

showed that from 83 to 86 percent of the veterans in the two youngest groups (under 20 or 20-24 years old in 1945) had used at least one major benefit under Public Law 346, while barely half of those who were 35 or over had used benefits (chart III).

CHART III
PERCENTAGE OF VETERANS, BY AGE GROUP, WHO RECEIVED
READJUSTMENT BENEFITS UNDER PUBLIC LAW 346^{1/}
THROUGH AUGUST 31, 1950



^{1/} Based on use of following benefits under P.L. 346: Readjustment allowances, Education and Training, or Loan Benefits.

3. From 41 to 45 percent of the veterans in the two youngest age groups had used 2 or more of the 3 major benefits—usually both education and training and readjustment allowances. Only 12 percent of those in the highest age group had used two or more benefits.

4. The younger veterans thus represented an even larger proportion of those who used readjustment benefits than of the total veteran population. Those who were less than 25 years old in 1945 accounted for 59 percent of the total who used education and training, 54 percent of those who used readjustment allowances, and 65 percent of those who used both benefits. Loan guaranty beneficiaries, on the other hand, were concentrated in the 25-29-year-old group. The age distribution of all World War II veterans, and of those who used various benefits, through August 31, 1950, are compared in the following table:

Age in 1945	All veterans	Veterans who used specific benefits			
		Education and training	Readjustment allowances ¹	Readjustment allowances and education and training	Loan guaranty ¹
All ages.....	100	100	100	100	100
Under 20.....	13	18	17	22	5
20-24.....	33	41	37	43	31
25-29.....	26	25	25	22	36
30-34.....	14	10	12	8	17
35 and over.....	14	6		5	11

¹ Includes veterans who also used other benefits.

Relation of Readjustment Needs to Preservice Education and Experience

To obtain a better understanding of veterans' readjustment needs and of the characteristics of those who used various benefits, the Commission undertook a special survey, through the Bureau of the Census, in October 1955. The survey showed that veterans' readjustment problems, and their use of specific benefits, were closely related to their occupational and educational status before entering service. Among the findings regarding World War II and Korean conflict veterans were these:

1. About one-fourth of all veterans, and more than one-third of the younger veterans, were not engaged in full-time employment before they entered service. About 19 percent of those who used GI training were in high school before entering service, and 11 percent in college.

2. Most veterans had little or no prewar experience in jobs requiring extensive skill or training. In addition to the 25 percent who were in school or not in the labor force for other reasons, 36 percent had worked only in unskilled, semiskilled or service occupations, and 11 percent as clerical or sales workers. Less than one-fourth of all veterans had held jobs which might be assumed to represent their final occupational goal—as professional and managerial workers, as craftsmen, or as farmers.

3. While nearly half the veterans went back to prewar occupations, many shifted into new occupations after leaving service. About 37 percent returned to work with a prewar employer, and 9 percent took similar work with another employer. About one-third of the younger veterans had no previous job to return to, or wanted to continue education or training. About one-fifth desired to enter a new occupation for other reasons.

4. Use of readjustment benefits was greatest among veterans who were attending school before they entered service. Among those who went from school into service, 82 percent used some GI benefit and 69 percent took GI training. Among those who were in college before service, 82 percent took training and 90 percent received some benefit under Public Law 346.

5. Many of the veterans who did not use GI benefits were men who were working before entering service in jobs of a fairly high level. Only 30 percent of those who had been managers and proprietors, and 39 percent of those who had held full-time jobs made use of training benefits.

6. While 7 out of every 10 veterans obtained regular jobs within 6 months after discharge, about 22 percent did not find steady work within the first year, and 13 percent entered their first regular job after more than 2 years had elapsed. Among those who were less than 25 years old at discharge an even larger proportion did not find work within a year.

7. For many veterans, education or training under the GI bill was an important factor in eventual readjustment. Of those who spent 30 months or more in training, 52 percent feel that they could not have obtained their present jobs without such

training, and another 25 percent use the training "a great deal" in current jobs.

8. A significant proportion of those who took training (28 percent) are not using it in their present jobs, but use of training is greater for those who trained for longer periods. About 82 percent of those who trained for 19 to 30 months, and 93 percent of those who spent over 30 months in training, make some use of it in their current work.

9. The home loan benefits were not used to any great extent until the veteran was married and had reached a substantial income level. Over 80 percent of those who used loans by 1955 were married. The median annual income of married veterans who used the loans was almost \$5,000, nearly \$1,000 higher than that of married veterans who did not use the loan.

Conclusions

From these and other facts on the characteristics and postwar experience of veterans, several important conclusions may be drawn:

1. Many veterans had a real need and desire for the assistance provided by unemployment benefits and education and training. Data on employment experience and preservice status make it clear that use of such benefits, by younger veterans in particular, was related to real needs, and that the benefits contributed to readjustment.

2. The home loan benefit was less directly related to the immediate needs of the younger veteran, but was useful to those who had already completed their education, formed firm job attachments, and were ready to establish homes.

3. The age distribution and other characteristics of World War II veterans indicate that all three of the major GI benefits were suitably related to their needs under the conditions that existed in the demobilization period. There is less evidence that the provision of the loan benefit to Korean veterans was necessary as a "readjustment" benefit; its provision must be justified mainly on grounds of equal treatment with that accorded to World War II veterans.

Suitability of Specific Benefits Under Differing Conditions

Clearly, readjustment benefits in any period should be related to current conditions which affect the need for benefits or their economic impact. The most important of these conditions are the size of the Armed Forces, rate of demobilization, and economic and employment prospects during the readjustment period.

Rapid demobilization, which pours millions of veterans into civilian life in a relatively short period, may greatly increase the problems of the individual veteran, and may also tax the capacity of civilian society to absorb discharged veterans as a group. Under such conditions, education and training programs which encourage substantial numbers of veterans not to enter the labor market and liberal unemployment benefits may be of value. In periods of fairly full employment or expanding business activity, the need for such benefits is reduced, and they may have undesirable effects in terms of inflation and labor supply.

Other factors to be considered in determining the kind and amount of benefits to be provided include the characteristics of the veterans involved, the extent to which their needs can be met by programs serving the general population, and the possible value of specific programs in terms of national interest.

Comparison of experience under Public Laws 346 and 550 shows that the use of specific benefits was affected in different degrees by current economic trends and rate of demobilization. The use of unemployment benefits was most affected. Use of education and training appears to be largely independent of current conditions, and is more closely related to the age distribution of the veteran population and the extent to which their education and training was interrupted by military service. However, in the below-college courses, enrollment tended to rise in periods of unemployment.

Marked differences between conditions existing in the World War II and post-Korean periods were only partly reflected in changes in the readjustment benefit structure. The less liberal unemployment benefits were in line with current labor market conditions, and training benefits were restricted more closely to

programs really contributing to individual adjustment. On the other hand, the payment of subsistence allowances to persons working full-time (those in on-job and on-farm training) is hard to justify under conditions of full employment; and the provision of loan benefits identical to those for World War II veterans was largely a carryover from the World War II program. Since no housing shortage existed, and most Korean veterans were too young to use the program soon after discharge, the benefits had little bearing on readjustment needs or national economic requirements.

The Commission believes it is vitally important, in this field, that future programs should not simply copy past patterns, but should exploit all that can be learned from past experience.

Recommendation No. 41

In case of future conflicts which lead to readjustment benefit programs for war veterans, full and careful attention should be given to adjusting such programs to fit the conditions existing at that time. Benefits should be consistent with veterans' needs, but current economic conditions and probable economic effects should also be taken into account. Since conditions differ, there is no sound reason for giving exactly the same "package" of benefits to each new group of veterans merely because it was given to a former group.

EFFECTIVENESS AND SIGNIFICANCE OF THE READJUSTMENT BENEFIT PROGRAM AS A WHOLE

For future policy, it is important to appraise the effectiveness and adequacy of the GI bill benefits as a whole. The key question is whether this program, providing benefits in proportion to individual need, has met the Government's obligation to non-disabled veterans.

Readjustment Benefits Versus a Possible Bonus

Early hearings on the GI bill contain many references to the possibility of providing some form of "adjusted compensation" (or bonus) for veterans of World War II. Proponents urged that such payments, based on length of service and overseas ex-

perience, were in line with the tradition of "equal treatment for all veterans." Some spokesmen of service organizations were also concerned that readjustment benefits, mustering-out pay in particular, might be construed as eliminating the need for "adjusted compensation." Few realized, when the GI bill was being drafted, that it would provide most veterans with direct benefits (including mustering-out pay) as great or greater than the early "bonus" proposals.

As Congress studied the problem it concluded that benefits proportional to need, and related to the severity of individual readjustment problems, would be more valuable to veterans than any form of adjusted compensation. Such benefits would actually, in most cases, be a better way of achieving the real objectives of the "bonus." Eventually, the prevailing view was that readjustment benefits were not only distinct from a "bonus," but would also probably eliminate the need for adjusted compensation. In its report on S. 1767, the Senate Finance Committee stressed that:

This bill is admittedly more extensive and generous in its benefits to returning veterans than any bill previously introduced as to this or any other war. We believe that this is entirely justifiable in view of the character of service in this war.

The general purpose of the bill as amended is stated in the title, "to provide Federal Government aid for the readjustment in civilian life of returning World War II veterans." * * * It is the view of the committee that the enactment of this bill will render unnecessary any consideration of adjusted compensation, and that the benefits provided by the bill, if enacted into law, will be of greater advantage to veterans, at a lesser expense to the Government, than could possibly be accomplished by an Adjusted Compensation Act, at least under factors known or readily foreseeable at this time.

One provision that appeared to anticipate some kind of bonus for World War II veterans was contained in the original GI bill. A House amendment provided that if "an allowance in the nature of adjusted compensation, or adjusted-service pay" were authorized later, benefits under the GI bill should be deducted from the adjusted compensation. This provision was dropped when the GI bill was first amended, late in 1945, by Public Law

268. Since then, there has been no serious discussion of "adjusted compensation" for World War II veterans and in drafting a program for Korean veterans it was taken for granted that readjustment benefits were the most effective way of meeting their needs.

This background has led the Commission to explore a number of important questions: How well have nondisabled veterans succeeded in reestablishing themselves in normal life, and how fully have they been able to overcome any disadvantages resulting from their service in the Armed Forces? To what extent is their success in readjustment related to their use of readjustment benefits? Have the net results of the program been sufficient to justify its cost? Answers to these questions bear upon future policy in two ways: They will indicate whether the Government, by making such benefits available, has fully discharged its obligation to nondisabled veterans, or whether there is a residual obligation to provide future benefits. And they will indicate whether similar programs, or something different, should be provided in case of future conflicts.

Present Status of Veterans

The Commission has made a number of special studies to determine how the present status of nondisabled veterans compares with that of nonveterans in similar age groups, and with the veterans' own position before entering service. It has considered, in particular, information on veterans who are now 25-34 or 35-44 years of age, who constitute the overwhelming majority of those who were eligible for GI benefits and of those who actually used them. Among the most important findings are these:

1. From data presented in chapter III, it is clear that the economic status of veterans compares favorably with that of nonveterans of similar age. The veterans' average incomes are higher, and the margin in their favor is increasing. Veterans are more likely to be in those occupations—professional, managerial and skilled—which generally are associated with higher

incomes and higher social status. In terms of educational attainment, home ownership, regularity of employment and other factors that measure economic status, the veteran is in a relatively favorable position.

2. The margin in favor of the veteran, in general, is greatest in the age group (now 25-34 years of age) that contains the World War II veterans who were youngest at the end of the war, and who made the greatest use of GI benefits. Within this group, moreover, the average income of those who used training benefits is higher than for those who did not.

3. The veteran's higher average educational attainment is definitely linked with his use of GI training. The benefit was used most by veterans whose education was interrupted by entry into the service, but many who had left school earlier also desired to use the postwar opportunity for further study or training.

4. Veterans who used GI training are much more likely to be in professional and managerial jobs, and much less likely to be in lower-level jobs, than those who did not take training (chart IV).

5. Part of the favorable showing of those who used GI benefits is, of course, due to differences in background or ability, which might have permitted the group to make better progress even without the GI bill. However, comparison of the status of trainees and nontrainees who had the same preservice status (in terms of occupation and years of school completed) indicates that those who used training are in general better off today than veterans of similar age who did not.

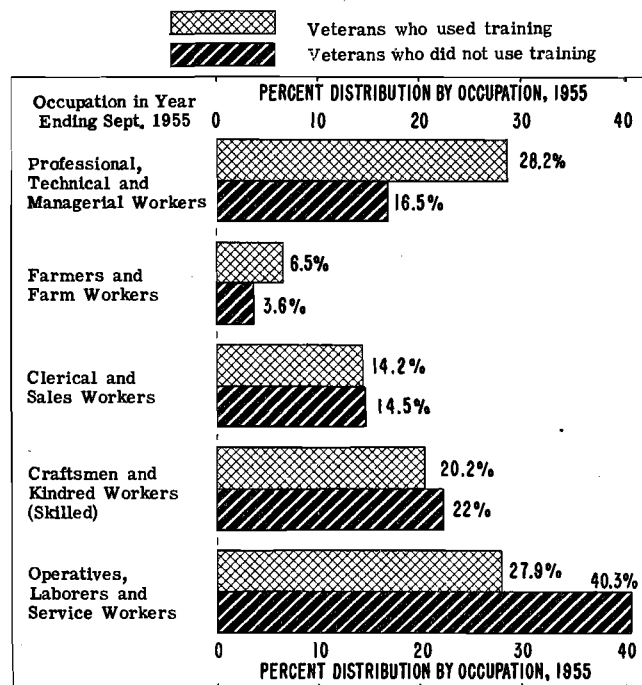
6. It is clear that the loan benefits have a direct relation to the relatively high rate of home-ownership among veterans. Nearly 3 out of 5 married veterans own their homes. About half of these veterans have used the loan program.

Conclusions

From these facts and from the general history of the program, several important conclusions seem justified:

1. *The main obligation of the Government to nondisabled veterans is to assure their successful reintegration into civilian life.* Readjustment benefits, which give differing amounts of aid to

CHART IV
RELATIONSHIP BETWEEN PRESENT OCCUPATION
AND USE OF "GI" TRAINING BENEFITS
(Veterans of World War II and Korean Conflict)



Source: Bureau of the Census, Special Survey of Veterans, Oct. 1955.

individual veterans according to their needs, were provided as a better way of accomplishing this goal than would have been the payment of adjusted compensation to all, in amounts unrelated to their needs.

2. *The Government's obligation to the nondisabled veteran should be discharged at the time when the aid is needed most—soon after service—rather than by benefits in later life, such as a bonus or pension.*—Successful readjustment should put the veteran on an equal footing with nonveterans, or an advantageous footing, and eliminate the need for treating the veteran as a

handicapped citizen throughout his lifetime. Effective readjustment benefits should accomplish their purpose within a limited period.

3. *As a group, the veterans for whom the GI bill was created have reestablished themselves successfully in civilian life.*—For the veteran population as a whole, the benefits provided have clearly more than balanced any handicaps resulting from military service. The individuals who made only limited use of the benefits were largely those who had the least difficult problems of readjustment, and varied and useful benefits were available to all veterans who needed and desired them. It follows that the readjustment benefit program has discharged the Government's obligation to nondisabled veterans as a group.

4. *The present position of World War II veterans makes it certain that, as a group, their earnings and progress in future years will permit them to maintain their advantage.*—This will mean, among other things, that most veterans will acquire more savings and qualify for larger retirement pensions (under OASI and private pension plans) than nonveterans. From this it follows that, as a group, the veterans of World War II have no special needs that would justify the payment in later years of a bonus, or of non-service-connected disability pensions which are retirement pensions in disguise.

The favorable economic position of veterans has one other interesting implication. Further benefits to veterans, in large part, will represent a redistribution of income between different groups of veterans. As a relatively high-income group, making up a large part of the labor force, veterans a decade or two from now will make up the group contributing most to Federal revenues, at least on a per capita basis.

5. *It is clear that the readjustment benefit program made a greater contribution to the successful readjustment of veterans than would have been made by any system of uniform payments to all veterans.*—Despite some defects which permitted misuse or unwise use of benefits, the use of benefits was generally geared to individual need, and those whose readjustment problems were greatest received most help.

GENERAL CRITERIA FOR SOUND READJUSTMENT BENEFITS, AND
RECOMMENDATIONS FOR FUTURE PROGRAMS

From the overall record described above, and from more detailed studies of individual programs (see chap. IX) it is possible to outline a number of basic criteria to which a completely consistent program of readjustment benefits might be expected to conform. These criteria can be applied both in appraising past and present programs and as a guide to future policy. Neither the first nor second GI bills could be expected to embody perfectly any such set of general principles, because of their experimental nature. The trial and error process by which the program was improved over the years, however, was a good practical laboratory for testing the advantages and disadvantages of various approaches.

While the present program (Public Law 550) does not fully conform to the criteria outlined below, the Commission has not been mainly concerned with possible changes in that program. Instead, it has sought to identify principles that provide a basis for planning sound programs for possible future needs. These principles apply equally to a period of limited hostilities, such as the Korean conflict, or to a period of mass demobilization as in World War II. In case of an all-out atomic war, conditions might be sufficiently different to call for a different approach, since civilians might suffer equally with the Armed Forces and there would be few grounds for distinguishing between the needs of veterans and civilians.

Recommendation No. 42

(a) In developing readjustment benefit programs for veterans of possible future conflicts, the following basic principles should be applied as fully as possible, taking into account the specific economic conditions that exist, the level and nature of mobilization, and the characteristics of the veterans affected.

(b) Readjustment benefits should assist the individual veteran in meeting specific problems which result from his service in the Armed Forces or from conditions affecting his return to civilian

life. A variety of benefits will be needed because individual problems will differ.

Provision of a varied range of benefits does not mean, however, that there should be benefits for everyone. Except for mustering-out pay at separation, no contribution to readjustment is made by providing benefits that do not actually contribute to readjustment, simply to assure that every veteran will receive something. Varied benefits should be available, not with the expectation that each will be used by all, but to assure that each major transitional problem that may affect a sizable number of individuals is provided for.

(c) Readjustment benefits should be used during the period in which the veteran is reestablishing himself in civilian life. Benefits that are used after this readjustment is completed are not, in any real sense, readjustment benefits; and benefits that are available over too long a period may actually discourage the veteran from taking steps, or making decisions, which are needed for his readjustment.

(d) The length of the readjustment period may differ from one benefit to another. While the time limit for use of various benefits should differ, each should be available only during the period in which the veteran has distinctive problems related to his transitional needs. In general, special unemployment benefits for veterans are justifiable only during a relatively short period after discharge, and should cease as soon as the veteran has had a reasonable opportunity to acquire rights under the regular unemployment insurance system. Effective use of education and training benefits may require a longer period, and the possibility of using loan benefits may not exist until after the veteran has solved more pressing problems covered by other benefits.

(e) The adequacy of the overall readjustment benefit program is measured not by the actual use of benefits by a given veteran, but by the fact that a comprehensive range of possible benefits is made available to him. Both the veteran who needs little assistance and the one who needs several types of aid are adequately served if benefits suited to their needs are at their disposal.

(f) A readjustment benefit program should include adequate safeguards to assure that the benefits actually serve a bona fide readjustment purpose. Such safeguards should not be carried to the point where they deprive the veteran of a reasonable freedom of choice—but that freedom should be exercised within limits which assure value received, in terms of the veteran's immediate needs or future progress. The exact nature of such safeguards will differ from program to program, and can best be discussed in connection with specific readjustment benefits.

(g) The level of benefits, and the amount of assistance potentially available, should be adequate but not excessive. Benefits should meet the real readjustment needs of veterans, but not be so generous that the veteran is encouraged to use benefits solely for the income they provide. Benefit levels should be in line with those of similar programs serving the general public.

Chapter IX

REVIEW AND APPRAISAL OF THE MAJOR READJUSTMENT BENEFIT PROGRAMS

The major readjustment benefit programs for veterans of World War II and of the Korean conflict have been analyzed in detail in staff reports of the Commission. Each major program has affected millions of veterans, played a role in their return to normal life as citizens and wage earners, and inevitably has had an impact on programs serving the general public in the same important fields. This chapter will summarize the major findings regarding each of these programs and will present the Commission's appraisal of their effectiveness, with some recommendations on how existing programs might be improved and strengthened. The three major benefits created by Public Law 346 and Public Law 550 are separately discussed in the first three sections below, and a final section deals with various other benefits contributing to employment or reemployment.

READJUSTMENT ALLOWANCES AND UNEMPLOYMENT COMPENSATION FOR VETERANS

In this field, the program for veterans of World War II differed greatly from the program for Korean-conflict veterans. Because of these basic differences, the two programs must be considered separately.

The World War II Readjustment Allowance Program

The servicemen's readjustment allowance program under the 1944 GI bill—generally known as the SRA program—went far beyond original proposals to provide the equivalent of unem-

ployment compensation for veterans. The program finally enacted, in title V of Public Law 346, provided for readjustment allowances of two distinct types: A weekly unemployment benefit of \$20, payable for as long as 52 weeks to unemployed veterans, and a self-employment allowance of \$100 per month (less net income) for veterans whose income from full-time work on their farms or businesses amounted to less than \$100 per month. This latter benefit could continue for 10.4 months. The benefits could be used at any time within 2 years after termination of the war (i. e., through July 1949), and many veterans drew benefits as much as 3 or 4 years after their return to civilian life.

Both the 52-week limit for unemployment payments and the creation of benefits for the self-employed caused many difficulties and criticisms later. In dealing generously with every veteran who experienced unemployment or low income during self-employment, Congress created a program which was hard to administer and subject to misuse by a minority of veterans.

Another weakness of the program was that it disregarded any benefits that the veteran had under State unemployment compensation laws. Some returning veterans had a right to benefits based on previous civilian employment, since many States had frozen the benefit credits acquired before entering service, and others soon acquired such rights by working in insured civilian jobs after discharge. The veteran was not required, however, to claim the State benefit, but was free to claim the readjustment allowance instead. Since most State benefit rates at that time were below \$20 per week, most veterans chose the SRA benefit.

Magnitude of the World War II Program

The readjustment allowance program did, in fact, provide an indispensable first line of defense against economic want to millions of veterans. Altogether, more than 9.7 million different individuals filed claims to establish their eligibility under the program, and more than 8.9 million (58 percent of all eligible veterans) received payments. The total value of the benefits paid amounted to more than \$3.8 billion. Of those released after VJ-Day, more than two-thirds received at least one payment.

Most beneficiaries used the benefit for only a limited period, and in a manner clearly consistent with the law's objectives. Nevertheless, the law had some consequences that were not anticipated, and there was much criticism of abuses, apparent or real. These problems can best be considered separately in connection with the unemployment and self-employment phases of the program.

Operations under these separate phases of the program are compared in table 1. Of the veterans who received at least 1

TABLE 1.—*Summary of Operations Under the Readjustment Allowance Program For World War II Veterans, With Comparative Data on Unemployment Benefits and Self-Employment Allowances*¹

Item or activity	Cumulative totals through Dec. 31, 1965		
	Total—both programs combined	Unemployment allowance program	Self-employment allowances
Veterans who filed claims at any time (number of new claims):			
Number (thousands).....	9,700	8,999	701
Percent of total.....	100.0	92.8	7.2
Veterans receiving at least 1 benefit payment (first payments):			
Number (thousands).....	8,918	8,217	701
Percent of total.....	100.0	92.1	7.9
Total value of benefit payments issued:			
Dollar value (millions).....	\$3,822.6	\$3,231.3	\$591.3
Percent of total.....	100.0	84.5	15.5
Veterans who exhausted entitlement:			
Number (thousands).....	1,287	940	347
Exhaustion ratio (exhaustions per 100 beneficiaries).....	14.4	11.4	49.5
Average benefits paid per beneficiary:			
Dollars per beneficiary.....	\$428.64	\$393.24	\$843.70
Weeks of entitlement used per beneficiary.....	21.4	19.7	42.2
Average benefits as percent of potential maximum (\$1,040).....	41.2	37.8	81.1

¹ Source: Veterans' Administration—Summary tables prepared for President's Commission on Veterans Pensions.

² Totals represent the number of veterans whose first benefit check was issued under the unemployment or self-employment program. Since some veterans shifted between programs, the total number of different individuals who received each type of benefit was slightly higher than the total shown.

readjustment allowance payment, just over 8.2 million (92 percent) drew unemployment allowances, while about 701,000, or 8 percent, received self-employment allowances. The average self-employed beneficiary, however, drew benefits over a much longer period. As a result the total cost of the self-employment program was 15.5 percent of the total for both programs combined—amounting to \$591 million as compared to \$3.2 billion for unemployment allowances and \$3.8 billion for both programs.

The Unemployment Allowance Program (Public Law 346)

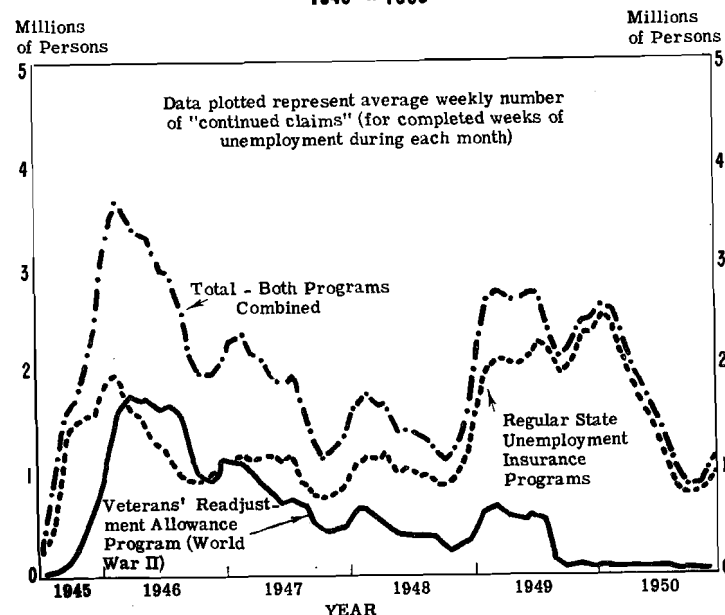
The unemployment allowance program was widely criticized, particularly in the States where many veterans drew benefits for extended periods. A feeling developed that the SRA program had been a gravy train, and that many veterans were drawing benefits without seriously trying to find work. The term "52-20 club" found a place in American folklore as a term describing a Government subsidized vacation for young men who should have been out working or looking for work.

Much of this criticism was unjustified, and resulted from exaggeration of exceptional cases, or from misunderstanding of the law. Most veterans used the benefit only during bona fide unemployment, but problems did occur. There were some who drew benefits for long periods, without seriously seeking work; others who were available only for kinds of work that did not exist in the community; and others, especially in rural areas, whose availability could not be tested because no job openings existed locally. These problems can best be understood in terms of the following factors:

Current economic conditions.—The program's peak operations occurred under abnormal labor market conditions. Because of mass demobilization and a sharp decline in civilian employment, relatively few jobs were available in early 1946, when most veterans first claimed benefits. Chart I, which compares the trend of claims under the SRA program and under State unemployment insurance laws, shows that unemployment among nonveterans was also high in the early postwar years.

Special problems of veterans.—Unemployment allowances were used mainly by the younger veterans, most of whom had little previous experience in civilian jobs. Three out of ten had gone from school into service, and most of the others had worked in relatively unskilled occupations—as semiskilled operatives, laborers, clerical and sales workers, or as service workers. The unemployed veteran was forced to compete with nonveterans who had held jobs more recently, and often had more to offer in the way of experience and skill.

CHART I
NUMBER OF PERSONS RECEIVING UNEMPLOYMENT BENEFITS
UNDER THE READJUSTMENT ALLOWANCE PROGRAM AND
STATE UNEMPLOYMENT INSURANCE LAWS
1945 - 1950



Source: Veterans Administration and Department of Labor

Imperfect coordination with State programs.—Responsibility for the program, at the national level, was assigned to an agency which had no previous experience in the field, and the eligibility and disqualification conditions that applied to veterans were different from those under State unemployment insurance programs. Veterans, like other claimants, were required to be able to work and available for work, and were subject to disqualification for voluntary quitting or refusal of work without good cause; but these standards had to be interpreted by the Veterans' Administration, and often did not conform to State interpretations. The result was a natural tendency to think of the veteran as being

subject to different rules from those that applied to other claimants.

Difficulty in applying usual standards to veterans.—Even where the same rules applied in theory, it was often hard to interpret them in specific cases. Decisions as to what constitutes “suitable work” or “good cause” for refusing a job normally take into account the claimant’s recent work history. The veteran had been out of civilian life for several years, often had acquired new experience and training, and was likely to have a new employment goal. In addition, unlike the workers covered by State programs, many veterans lived in rural areas where employment opportunities were scarce. There was much less possibility of testing availability for work by an actual job offer, in such cases, than in ordinary unemployment compensation programs.

Under the circumstances it is not hard to understand why some veterans drew benefits over long periods. More striking is the fact that the great majority did not. The average beneficiary drew slightly more than 19 weeks of benefits, and those who exhausted their entitlement were only 11.4 percent of the total who drew benefits.

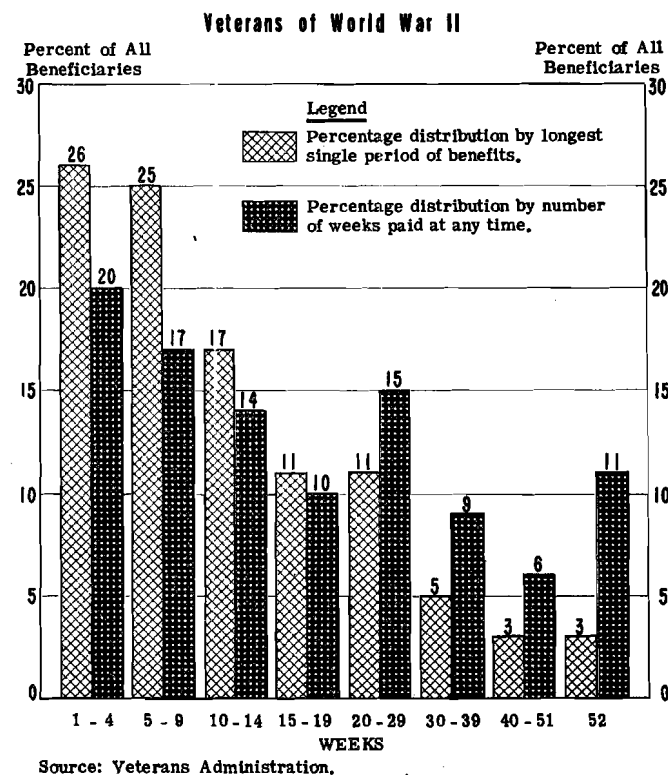
Measures to prevent extended use of benefits.—Early in the program, when few civilian jobs were available, there was a tendency in many areas to apply the eligibility rules to veterans with undue liberality. When it became evident in mid-1946 that some veterans were refusing to consider the jobs actually available in their community, corrective action was taken. Any veteran who drew benefits for 10 consecutive weeks was interviewed and received counseling; refusal to consider jobs that the agency deemed suitable could then lead to disqualification. From that time on, there is little evidence that the eligibility standards applied to veterans were substantially less rigorous than those for other claimants.

Individuals using various amounts of benefits.—Over the entire history of the program, few beneficiaries stayed continuously on the rolls for excessively long periods. Available data show these significant facts:

(1) A third of all beneficiaries used less than 10 weeks of unemployment allowances and nearly two-thirds drew less than 20 weeks. Most beneficiaries, moreover, did not use all their benefits in a single spell of unemployment. Altogether, there were 4.2 million veterans (51 percent) whose longest benefit period was 9 weeks or less. The distribution of beneficiaries by longest consecutive period on the rolls is shown in chart II.

(2) Except for those who drew benefits for a very short period, the great majority of beneficiaries had two or more separate

CHART II
PERCENTAGE DISTRIBUTION OF UNEMPLOYMENT ALLOWANCE
BENEFICIARIES BY WEEKS OF BENEFITS PAID AT ANY TIME,
AND IN LONGEST CONSECUTIVE PERIOD OF UNEMPLOYMENT



periods of unemployment. Less than a quarter of those who drew 52 weeks did so in one consecutive period.

(3) There was often a fairly long interval between the first and last week for which benefits were paid. The great majority of those who drew 25 weeks or more spread their use of unemployment allowances over more than 12 months. For about one-fourth of all beneficiaries—including nearly half of those who used the full 52 weeks—there was an interval of more than 2 years from first to final claim.

These data make it clear that most veterans used the program for only a few weeks at a time, and in a manner consistent with the objectives of an unemployment compensation program. Those who drew benefits over long periods of uninterrupted unemployment were not typical. Nevertheless, the fact that 1 veteran in 40 drew benefits consecutively for 52 weeks, and that 10 percent did so for 30 or more consecutive weeks, shows that significant numbers did stay on the rolls for excessive periods.

It is also evident that many veterans used the program after they had been in civilian life for several years. Such use of benefits did not usually mean that there had been a long delay in adjusting to civilian jobs. Instead, it resulted from the failure of the law to require veterans to make use of State unemployment benefits to which they were entitled. Those who had rights under a State law were free to use the SRA payment, and often did so because it was larger.

The Self-Employment Allowance Program Under Public Law 346

A number of serious problems were encountered in the self-employment allowance program. There were no precedents for such a program, and the experience of the State agencies with unemployment benefits could not be applied to the self-employed, who were working full time and could not be expected to register at employment offices or be available for other work.

One of the most serious problems was that of determining the veteran's net income. Nearly 9 out of 10 beneficiaries were farmers, and it was easy to overlook some items of income and to overstate "expenses." In some States there seems to have been

no real effort to audit the farmer's own statements of his net income—and in many States the average self-employment payment was as high as \$95 or more—implying that *average* net income was less than \$5 per month.

Even more important was the fact that the uneven distribution of farm income over the year permitted many farmers to draw benefits during several calendar months even when their business was producing a sizable net annual return. In cotton farming and cattle raising, for example, where the whole crop or herd may be marketed at one time, it was possible to have a net income of several thousand dollars for a year's work, but no "net income" during most individual months.

The self-employment program was thus in sharp contrast with the treatment of the unemployed, whose eligibility was reexamined each week. Most of the self-employed veterans who received benefits managed to use all (or nearly all) of their entitlement, even though some were engaged in a successful and profitable business. On the average, self-employed beneficiaries received nearly \$844 in benefits, while the average unemployed veteran received about \$393. Less than one-eighth of the unemployed beneficiaries used their full entitlement, but nearly 50 percent of the self-employed did so; and while the average unemployed beneficiary drew about 19 weeks of benefits, the average amount actually received by the self-employed was equal to more than 42 weeks of unemployment benefits.

In many cases, of course, the program did actually contribute to the readjustment of the veteran who used it. For many farmers, professional men, and small-business men whose income developed gradually (such as lawyers and dentists), the program guaranteed a subsistence while the veteran was building up his business or waiting for the first harvest. There are many small businesses in existence today which might otherwise not have survived through the first year.

Use of the benefit by farmers, after the first harvest, was probably of no value. In some cases, the program may actually have retarded adjustment, since it discouraged marginal farmers from taking offseason jobs, and may have encouraged some to engage

in marginal operations or to remain in them when some other type of employment might have been better in the long run.

The Unemployment Compensation Program for Korean Veterans

The unemployment benefits provided to veterans of the Korean conflict differed in many ways from those for World War II veterans. Congress recognized that the situation was then quite different from that during mass demobilization after World War II, and there was little inclination to establish benefits similar to the "52-20" program. The program finally adopted was designed to avoid the excesses and anomalies that had occurred under the prior program. It was based on an approach very close to that of the nationwide unemployment insurance program for civilian workers. The principal differences between Public Law 550 and the World War II "SRA program" were these:

- (1) The benefits for self-employed workers were eliminated entirely.
- (2) The maximum duration of benefits was fixed at 26 weeks (a limit similar to that in many States) rather than the 52-week maximum in Public Law 346.
- (3) The new law provided for much more complete coordination with the State unemployment insurance programs. The basic eligibility and disqualification provisions of the State in which the veteran filed his claim were applied, in the same way that they applied to civilian workers.
- (4) The new program took into account any benefit rights that the veteran had under State laws. For veterans who were entitled to a benefit of \$26 per week or more under State programs, no Federal payment was made; and for those whose State benefit was less than \$26 the Federal payment made up the difference.
- (5) A benefit rate of \$26 per week was established for total unemployment. While higher than the \$20 rate paid under the World War II program, this level was much more in line with State benefits than had been true in 1946.

Operating Experience Under the Program for Korean Veterans

The program for Korean veterans—often referred to as the "UCV Program"—has been free from most of the problems that developed under Public Law 346, and subject to much less public criticism. Three major factors account for its relatively greater success and public acceptance:

(1) Economic conditions and a relatively slow rate of demobilization have let the program operate under much more normal conditions than in the hectic months after VJ-Day. Employment has been at a high level and jobs have been plentiful in most areas.

(2) The present benefit structure largely prevents abuses which were criticized under the SRA program. Omission of self-employment allowances removed one cause of criticism. The 26-week limit on maximum duration reduced the problem of extended use of benefits over long periods, and probably encouraged veterans to seek and accept civilian jobs sooner.

(3) Coordination with State programs has been far more effective. Conditions of current eligibility or disqualification are now based entirely on the State law, and the same standards apply to veterans and other claimants. The benefit is clearly recognized as unemployment compensation. Administrative control and policymaking functions at the national level are now lodged in a Federal agency familiar with unemployment compensation problems.

The percentage of Korean veterans who have drawn "UCV" benefits has been about one-third as great as under the World War II program. Through October 1955—after 3 years of operations—about 728,000 veterans had received benefits, representing about 18 percent of the "Korean" veterans in civilian life; at the corresponding stage in the World War II program, 47 percent of the eligible veterans had drawn unemployment allowances and 51 percent had received some type of readjustment allowance.

The average number of weeks claimed per beneficiary has been somewhat less than under Public Law 346—about 12.2 weeks after 3 years of operations under Public Law 550, as compared to 16.8 weeks at the same stage in the earlier program. The proportion of Korean conflict veterans who have exhausted their benefits, however, is higher than at the same stage under Public Law 346. Though this results partly from the lower maximum duration, it also indicates that those veterans who suffer unemployment, even under the favorable economic conditions that

have existed in 1952-55, may have serious difficulty in obtaining permanent jobs.

State-to-State variations in the average amount of benefits paid are strikingly similar to those under Public Law 346. Nine of the twelve States with highest average duration are identical under both laws. Such variations appear to be affected mainly by the proportion of rural population and the character of local labor markets.

Available data on disqualification for benefits show that under the UCV program veterans are disqualified to about the same extent as claimants under State laws. The ratio of disqualifications for voluntary quitting is in fact slightly higher for veterans, with little difference in the ratio of disqualifications for other reasons such as refusal of work or availability for work. In general, veterans are now being treated in the same way as other claimants.

Current Problems Under the "UCV Program"

While the program is operating smoothly, the weekly benefit rate of \$26 no longer bears the same relationship to benefits under State laws that it was apparently intended to. When Public Law 550 was enacted, the maximum payment in most States was below \$26. It was \$22 or less in the 14 lowest States, and below \$26 in 34 States. Only 17 States paid benefits as high as \$26 per week, and none paid more than \$30. Thus the benefit rate for veterans, at that time, compared favorably with the benefits available to nonveterans under State laws.

Since 1952, most States have increased their benefit levels considerably, to bring them more in line with the rising level of average weekly wages. There are now 10 States where a claimant without dependents can receive \$35 or more per week, and a total of 32 States where the top rate is at least \$30. Maximum rates below \$26 per week are now found in only 6 States.

Thus the present benefit rate under Public Law 550 no longer provides the same relative adequacy of protection for veterans as when it was first enacted. As indicated in a later chapter, this Commission recommends that peacetime ex-servicemen be

given unemployment compensation protection comparable to that now available to Federal civilian employees. Under this approach, benefit rates would be geared to those for civilian workers in each State. It would seem preferable to include Korean veterans under this program rather than considering a flat rate increase for them at this time.

Conclusions Regarding Readjustment Allowances and Unemployment Benefits

From experience under the differing programs for veterans of World War II and the Korean conflict, certain general conclusions seem warranted.

(1) Unemployment benefits, comparable to those provided under unemployment insurance laws, are a necessary and proper part of a readjustment benefit program. The extent to which such benefits are used will differ depending on current conditions of demobilization and employment, but a significant number of veterans will need and deserve such benefits because of their special problems as jobseekers.

(2) Some of the problems that arose under Public Law 346 were due to mass demobilization and general employment conditions, and similar problems will exist to some degree in any similar period. These problems were aggravated after World War II, however, by providing benefits over too long a period and by failure to apply the same eligibility standards that had to be met under regular unemployment compensation programs. By tending to discourage some veterans from seeking and accepting the kinds of work that were actually available, an unduly liberal program may delay effective readjustment of individuals.

(3) Problems under Public Law 346 were also aggravated by failure to coordinate the veterans' program effectively with State unemployment insurance programs. Benefit rights acquired under State programs should be fully taken into account before a special benefit as a veteran is available.

(4) The self-employment allowance program was an unsuccessful experiment that should not be repeated. There still remains the problem of what kind of readjustment aid can properly

be provided to self-employed persons, as might be desirable in some future period of mass demobilization. The Commission believes that some other solution should be found—perhaps in the form of special business and professional loans or by a combination of loans and training.

In the light of these conclusions, as well as the more detailed findings of the staff report on unemployment benefits for veterans, the Commission recommends that certain general principles be observed in connection with unemployment benefit programs for veterans of future conflicts.

Recommendation No. 43

(a) Unemployment compensation benefits should be included in any program of readjustment benefits for war veterans. Such benefits should be based on the same standards of eligibility and disqualification that apply to nonveterans covered by the Federal-State employment security program.

(b) The present program for Korean conflict veterans represents a satisfactory general pattern for providing such benefits, and the maximum duration of benefits should not be substantially greater than the 26-week period available under Public Law 550. In general, the level of benefits under the veterans' program should be substantially similar to that under programs for nonveterans. Benefit rights under State laws should be taken into account, and any separate benefits for veterans should supplement, rather than supplant, State benefits.

(c) If peacetime servicemen have been brought under a general unemployment compensation program like that now available for Federal employees, a special separate benefit for war veterans will probably not be needed, since such veterans will already have rights as "servicemen." Any additional benefits for war veterans should then be provided only if special conditions, not now foreseeable, exist at the time of demobilization.

(d) Unemployment compensation benefits should be in addition to, and not in place of, suitable provision for mustering-out pay—which all war veterans should receive to meet immediate needs that exist for the employed and unemployed alike.

EDUCATION AND TRAINING BENEFITS

The education and training title of Public Law 346 enabled 7,800,000 veterans of World War II to continue their education at a total cost to the Government of \$14.5 billion. This was the largest Federal program ever undertaken to provide financial assistance to individuals in continuing their education and training. In addition to the benefit to the individual veteran in his readjustment to civilian life, the program served as a means of equalizing educational opportunities and lifting the educational level of the country.

There were four major types of education and training provided in Public Law 346, as amended.

(1) College and university training.

(2) Education provided by schools below the college level including elementary and secondary schools, vocational and trade schools, technical institutions and business schools.

(3) On-the-job training, whereby private employers hired veterans and paid applicable wages. The two major categories of on-the-job training were apprentice and nonapprentice training.

(4) Institutional on-the-farm training, which combined classroom instruction with actual training in farm operations.

Magnitude of the Program for World War II Veterans

Through June 1955, 7.8 million veterans had entered training under Public Law 346, 51 percent of all World War II veterans in the civilian population at that time. The following table shows the number who pursued the several types of education and training and the percent of each group to all veterans who entered training.

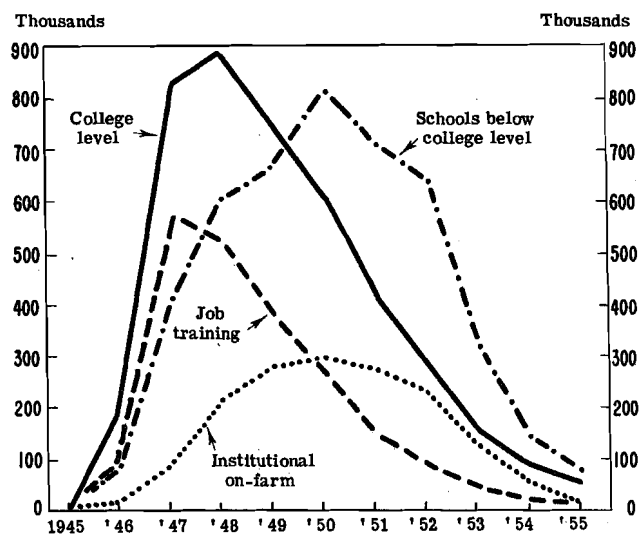
Veterans of World War II Who Had Entered Training Under P. L. 346 by Type of Program as of June 30, 1955

Type of program	Total	
	Number	Percent
Total, all programs	7, 800, 000	100. 0
Colleges and universities	2, 200, 000	28. 2
Schools below college level	3, 500, 000	44. 9
On-the-job training	1, 400, 000	17. 9
Institutional on-the-farm training	700, 000	9. 0

The largest number of veterans, 45 percent, received training in schools below the college level and the smallest group, 9 percent, pursued institutional on-the-farm training.

Veterans entered training more rapidly in some types of programs than in others, and the peak year, in terms of number of veterans in training, differed from program to program. In on-the-job training, 1947 was the peak year of the program. This was followed by a gradual decline. (Chart III.) Veterans also entered colleges and universities rapidly; the peak year was 1948 and the number in training in 1947 was not much less. The number of veterans in training in college declined gradually

CHART III
AVERAGE NUMBER OF VETERANS IN TRAINING
UNDER PUBLIC LAW 346,
BY TYPE OF TRAINING
Fiscal Years 1945-1955



Source: Veterans Administration

after 1948. In contrast, training in schools of below college level did not reach its peak until 1950, 5 years after World War II. In 1952 and 1953 below-college-level training enrolled more veterans than the 3 other educational programs combined. Institutional on-the-farm enrollments rose gradually to a peak in 1950 and, as in the case of below-college training, enrollments held up well into the 1950's.

Total expenditures on education and training under Public Law 346, through June 30, 1955, were \$14.5 billion. Of this total expenditure \$10 billion—almost 70 percent—was for subsistence allowances to the veterans. This is especially significant because over a fourth of the veterans receiving these subsistence allowances were employed full time on the job or on the farm. Tuition and other fees paid by the Veterans' Administration directly to the schools and colleges were \$3.9 billion, or 27 percent of the total. Payments for books and supplies, which received so much attention in several investigations of the program, were less than \$500 million, only 3 percent of the total cost of the program. Approximately \$5.5 billion was expended for the college level program and an equal amount for training below the college level. The institutional on-farm program accounted for an expenditure of \$2 billion and the on-the-job program for \$1.5 billion.

The courses pursued by veterans in institutions of higher education and in schools below the college level are shown in table 2.

TABLE 2.—Courses of Veterans Who Pursued Training in Colleges and Schools Below the College Level Who Entered Training Prior to November 30, 1952, Under Public Law 346

Fields of study	Number of veterans		Percent	
	Below college	College	Below college	College
Total, all fields.....	3,505,710	2,249,678	100.0	100.0
Engineering, architecture, physical sciences and allied professions.....	164,357	416,442	4.0	18.5
Related to other major professions.....	58,654	487,920	1.4	21.7
Related to arts, music and entertainment.....	203,591	57,479	4.9	2.6
Related to managerial and administrative occupations.....	487,897	500,752	11.7	22.3
Related to agriculture and kindred occupations.....	682,548	53,000	16.4	2.3
Building trades and related crafts.....	229,021	13,636	5.5	.6
Other craftsman, mechanics and repairmen and industrial trades.....	1,028,599	58,953	24.8	2.6
Elementary and secondary.....	287,916		6.9	
Flight training.....	363,127		8.7	
College, other (humanities and social studies).....		505,127		22.5

Source: Veterans' Administration.

Problem Areas Under Public Law 346

As might be expected in a program of this magnitude, numerous problems arose in its operation. Congress found it necessary to amend the basic act 10 times between 1945 and 1950. Some of these problems grew out of the provisions of the original law and others were due to the unreadiness of the educational system to meet the load which was thrust upon them.

(1) One major problem stemmed from the division of the authority to approve educational institutions and training establishments between the Veterans' Administration and State approval agencies. The intent of Congress was to maintain the basic principle of State control of the educational system. On the other hand, the Veterans' Administration was held responsible for the proper use of Federal funds expended. Under Public Law 346 the Veterans' Administration was required to accept at face value the approval of institutions by State agencies. These agencies were not equipped to do the job properly and, as a result of much pro forma approval by State agencies, some shoddy training in poorly equipped schools and industrial establishments took place.

(2) Public Law 346 did not establish standards or criteria for the approval of educational institutions and training establishments. The resulting lack of guidelines for the State approval agencies compounded the first problem, just mentioned, of divided authority.

(3) The veteran was free to choose any course of training or education offered by an "approved" institution. Neither the Veterans' Administration nor the State agencies had any control over the veterans' choice of course. As a result, there were courses of inordinate length, on-the-job training programs with little useful content, avocational and recreational courses, and so forth, not to mention courses unsuited to the needs of the individual veteran. A related problem was the frequent changes of course made possible by the same lack of control.

(4) Vocational and educational guidance was permissive, not mandatory, and was not furnished to more than 15 percent of the veterans who took education and training under the act. The

lack of guidance and counseling certainly contributed to unwise use of the educational benefits.

(5) The Government was overcharged for much of the training in schools below college level, particularly in profit schools. There were also problems in the reimbursement of colleges and universities, although it seems clear that none was paid more than the cost of educating the veterans.

Any appraisal of the education and training program for World War II veterans must recognize these problems, most of which were inherent in the basic law. In addition, however, this was the largest educational program ever undertaken by the Federal Government. Problems in the relationships between the Federal agency and the States and institutions were almost inevitable, especially in the absence of advance planning, on a cooperative basis, on how best to meet the influx of veterans into inadequate educational and training facilities.

Amendments Designed To Correct Problems

Attempts were made to meet the problems outlined above through changes in law and regulations. These efforts to improve the program were successful in part, although some problems were not adequately dealt with until the passage of the Korean GI bill. For example:

(1) In 1946 legislation established criteria for approval of on-the-job training establishments and authorized the reimbursement of the State approval agencies by the Veterans' Administration. Later legislation enabled the Veterans' Administration to pay the States for approval activities in connection with profit schools of below-college level.

(2) In 1948 Congress prohibited the payment of funds for courses determined by the Veterans' Administration to be avocational or recreational in character.

(3) Beginning in 1948 steps were taken to prevent overpayments to schools of below-college level and to recover such payments in excess of reasonable costs.

(4) Action to curtail excessive changing of courses was attempted by Veterans' Administration regulation in September 1949, but strong objections were raised by veterans' organiza-

tions and the Congress. However, in July 1950, in Public Law 610, Congress strengthened the Veterans' Administrator's authority to disapprove a change of course within limits set forth in the law.

Changes Made Under the Program for Korean Veterans (Public Law 550)

During the 2 years previous to the enactment of Public Law 550, July 16, 1952, several extensive reports by the Teague committee, General Accounting Office, Bureau of the Budget, and Veterans' Administration were published analyzing the operation of Public Law 346, as amended. These reports had a significant impact on the drafting of the law providing education and training benefits for Korean veterans.

The stated purposes of Public Law 550 were to provide vocational readjustment and to restore lost educational opportunities to veterans of the Korean conflict. The number of veterans covered by the new program was approximately one-third of the number provided for by Public Law 346, and the method of discharge from the Armed Forces was much more orderly than after World War II. Also, the economic climate was much more favorable than that which prevailed following World War II. Consequently, recipients of the benefits were less disposed to use them as a substitute for either a bonus or unemployment compensation.

As originally enacted, Public Law 550 provided that the period for initiating training should be limited to 2 years, rather than the 4 years permitted under Public Law 346. The length of the training period was computed on the basis of 1½ days of entitlement for each day of service. The veteran was required to state his educational, professional, or vocational objective and could make only one change in his program. Detailed provisions were written into the law for the approval of both accredited and nonaccredited courses and for the operation of the on-the-job and institutional on-the-farm programs. There is no provision for the payment of tuition and fees. A monthly one-package sum, which includes an average allowance for tui-

tion and supplies, is paid to the veteran pursuing institutional training, and he must make his own arrangement for tuition and living expenses.

Three amendments have been made to Public Law 550. These include (1) an extension of time for initiating training from 2 to 3 years, (2) provision for the accrual of entitlement based on service after January 31, 1955, for those in service as of that date, but with a maximum entitlement of 36 months as provided in Public Law 550, and (3) amendment of the provision for periodically reducing the subsistence allowance during the first 12 months of institutional on-the-farm training so that the reduction does not begin until after the first year of such training.

Operations Under Public Law 550

By December 1955, more than 1,300,000 Korean veterans had entered training under Public Law 550, about 30 percent of those discharged up to that time. The response of the Korean veterans to the education and training programs has been in a different pattern from that which characterized the use of these programs by World War II veterans. College-level training has been used by a much larger percentage of all trainees, while on-farm training and use of schools below college level have been relatively much less important. The following data are based on all veterans who had entered training by January 31, 1956:

Type of educational program	Percent	
	Public Law 346	Public Law 550
Colleges and universities.....	28.7	50.4
Schools below college.....	44.6	34.0
On-the-job training.....	18.0	11.3
Institutional on-farm training.....	8.7	4.3

A much larger percent of the Korean veterans have entered college training and a smaller percent of these veterans have chosen on-the-farm training and school courses below the college level.

*Expenditures for Education and Training Under Public Law 550, by
Year: 1953-1955*

Fiscal year	Expenditure (thousands)
Total.....	\$946, 000
1953.....	86, 241
1954.....	296, 338
1955.....	563, 421

The present annual rate of expenditure for the education and training programs under Public Law 550, now near its peak, is more than \$700 million.

In general, Public Law 550 placed the education and training program on a sounder basis than under the World War II program. There are, however, some aspects of the present law, such as the method of tuition payments for institutional training and the 3-year period allowed for initiating training, which might be reconsidered if there is a likelihood of changes in the law.

In case consideration is given to a new program to provide benefits for war veterans or for peacetime ex-servicemen, serious question should be raised as to whether payment of subsistence to persons in on-the-farm and on-the-job programs should be included. However, the inclusion of these types of training in Public Law 346 and Public Law 550 recognized the fact that the established systems of training and education in this country are not presently equipped to meet the needs of many individuals who desire training of this type.

Under both the World War II and Korean GI bill programs, the Congress has extended the time for initiating training after discharge and the final termination date of the program. As originally enacted, both Public Law 346 and Public Law 550 limited the time for initiating training to 2 years. Public Law 346 was amended to extend the time to 4 years and a corresponding change in Public Law 550 extended the time to 3 years. The final termination dates of the program were extended to 9 and 8 years, respectively. Many veterans who entered training under

Public Law 346 did so after they had made their adjustment to civilian life, and were motivated by a desire for additional income. Some evidence that late entrances into training involved less effective use of benefits is found by comparing the extent to which early and late entrants have used their training in subsequent employment. Of those who entered training during the first year after discharge, about two-thirds have worked regularly at jobs in which such training was required, while only 52 percent of those who entered more than 2 years after discharge have done so.

To be most effective, readjustment to civilian life must be accomplished in a relatively short period of time after release from military service. The period for initiation of training cannot be so short, however, as to leave the veteran insufficient time for the deliberation needed for a wise choice of his objective and to make the necessary arrangements for enrollment in a school or training establishment.

The extension of time from 2 to 4 years under Public Law 346 may possibly have been justified on the basis of the mass release of service personnel when the programs were new and the schools and training establishments unable to absorb immediately all of the trainees. However, the situation with regard to Korean veterans was not comparable.

It would seem highly desirable, in the event of any future program of readjustment benefits for veterans or peacetime servicemen that the time allowed for initiating training be limited to 2 years after discharge from service.

*Effectiveness and Suitability of Each Major Type of Training
Provided to Veterans*

Both in evaluating the present program and in relation to possible future programs it is important to consider two basic questions: First, assuming the desirability of some kind of education and training benefits, is each of the kinds of training now provided actually desirable in such a program? Second, how effective and suitable is each type of training as an aid to readjustment?

The Commission has reached certain conclusions with respect to each of the broad types of training that have been furnished under the two GI bills. The information on which these conclusions are based is presented in the staff report on education and training.

Conclusions

1. *College and university training.*—The program of training at the college level has been more successful than any of the other types of programs provided for veterans. Although there were some difficulties in handling the large numbers of veteran students, the colleges and universities were generally ready to offer their long-established curriculums of proven value.

2. *Schools below the college level.*—In this program, non-profit vocational schools trained large numbers of veterans, but the impact of numbers was so great and these schools so unprepared to meet the special needs of the veterans, that other forces moved in to fill the gap. The traditional types of curriculums and teaching methods used by the established schools were not attractive to many veterans who desired institutional training of less than college grade. The established schools were so overwhelmed with the problems of providing staff and faculties for those veterans who wished to pursue the regular courses that there was no time or manpower available to develop short, intensive courses to meet the needs of those who did not wish to become regular students.

Accordingly, thousands of new proprietary schools were established, and these schools enrolled most of the veterans in the below-college-level institutional program. Some of the profit schools providing this vocational training rendered a service to many veterans. However, an examination of the types of courses pursued reveals that many veterans enrolled in courses leading to occupational fields where the employment prospects were far from good. There is no information on the number of veterans graduated from profit schools who were actually placed in jobs for which they were trained, but it was estimated in January 1951 that of the 1,677,000 veterans who attended profit schools

only 20 percent completed their courses. In addition, much of the training in profit schools was of poor quality.

3. *On-the-job training.*—The on-the-job training program consisted of apprentice and nonapprentice training. The apprentice program was more satisfactory, largely because it was ably supervised. In general, it was the smaller establishments, to which organized on-the-job training was new, that failed to provide training of high quality.

4. *Institutional on-farm training.*—This program rendered assistance to veterans in making their transition from military to civilian life. However, it was without a doubt a very extravagant program and except in a few States much of the training was of questionable quality.

5. *The program as a whole.*—The education and training program in some respects meets completely the criteria set forth earlier, and in other respects falls short. For example, the program did offer a variety of benefits in keeping with varying educational needs—perhaps too great a variety. As we have seen, the veteran was free to pursue almost any conceivable course of training he wished; and some, like bartending, which had not previously been conceived of as requiring formal schooling.

The provision of subsistence allowance, in addition to salary or other earnings, to those receiving training while employed full time on the job or on the farm (without precedent in American education) well may be viewed as a long and unwarranted step in the direction of providing "some benefits for everyone." It can be questioned whether the veteran farmer who took a few hours of training each week, for example, needed a subsistence allowance more than the veteran farmer who did not take such training.

Were there adequate safeguards to assure that educational benefits actually promoted readjustment and were not wasted? And was the period during which educational benefits could be used so long as to encourage their use for other than readjustment? The record shows that for the program as a whole there were not adequate safeguards in this respect, and where safeguards were adopted, this was done too late for maximum

effectiveness. In such matters as changes of course and quality of training offered, more could have been done. In particular, restricting entrance into training to 2 years after discharge instead of 4 would have eliminated much unnecessary and frivolous use of benefits.

Primarily, however, it was weaknesses in the educational systems and their inability to meet the load suddenly thrust upon them which account for those instances where the veterans' program falls short of these criteria, although the lack of success on the part of the Veterans' Administration and the State agencies in upholding the quality of training and the readjustment concept were contributing factors.

Did the level of benefits and the amount of assistance potentially available encourage the veteran to use the benefits mainly for the income they provided? While some veterans undoubtedly used educational benefits mainly for the income provided, this was not due primarily to the level of subsistence allowances, which for veterans in school full-time were not excessive. This kind of abuse was due mainly to insufficient control over quality of training, class attendance, and so forth, in schools of below-college level, and to the provision of subsistence allowances to veterans employed full time on the job or on the farm while training which were almost as large as those provided for full-time training.

The number of months of educational assistance available does not appear to have been excessive for college-level training, but there were many instances of veterans taking training of below-college level, on the job or on the farm for periods far in excess of what was needed for the occupation to which they aspired.

The Commission believes there is little question that the veterans' education program has been a great benefit to millions of veterans and to the Nation. World War II was a great drain on our human resources, and the lives of 16 million men and women were diverted from their normal activities during the formative period of their lives to the unproductive task of war.

The serious depletion of trained personnel resulting from World War II has been largely offset as a result of the incentives created by the GI bill of rights. We have produced hundreds of thousands of technicians, doctors, lawyers, engineers, craftsmen, farmers, and business workers. These trained men and women represent a great national asset. Furthermore, as a readjustment device, the educational programs helped to prevent any serious national problems of unemployment, unrest, and dissatisfaction among veterans.

Veterans who took advantage of the educational benefits of the GI bill are more likely to be in managerial, professional, and scientific jobs, and receive higher salaries than veterans who did not use such benefits or nonveterans, when age and experience prior to service are taken into account.

The veterans' educational program was a major contribution to the national welfare, and the country would be weaker educationally, economically, and in terms of national defense, if educators, veterans' organizations, the President, and the Congress had not seen fit to embark upon this new and momentous educational enterprise.

Recommendation No. 44

The following recommendations are offered as guidelines in the event that at some future time a program of educational benefits for veterans or ex-servicemen is established:

(a) The program should be planned in advance by Federal, State, and local agencies, on a cooperative basis, with due attention to the number of ex-servicemen expected to enter the program and to the kinds of training they may need.

(b) The approval of education and training establishments and institutions for participation in the program should be vested in the appropriate State agencies, under federally established standards. The Federal agency should have the authority to disapprove institutions or courses of training where such standards are not met. However, if State agencies are provided adequate reimbursement for performing their functions, and if the sound relationships characteristic of most Federal-State educational pro-

grams are established, Federal disapproval would rarely, if ever, be necessary.

(c) While the ex-servicemen should be free to elect any reasonable occupational objective or enroll in any course of study at approved institutions, such election, and any change of course, should be preceded by adequate counseling. In principle, guidance and counseling should be mandatory, not permissive, although it is recognized that in a large program it may be difficult to obtain enough qualified counselors.

(d) For those who are demobilized immediately after a period of military conflict, the period for initiating training should be limited to 2 years after discharge from service, except as special circumstances such as prolonged hospitalization may warrant an extension. However, servicemen who reenlist for one additional enlistment should be enabled to use their educational benefits after one such reenlistment.

(e) The elimination of the separate tuition payment in the Korean program was done in order to curtail overcharging on the part of proprietary schools and to avoid problems in reimbursing low-tuition public colleges on a "cost" basis. This appears to have been a sound decision and the present arrangement is working well. For any future program of educational benefits, the decision as to the method of reimbursement should be made in the light of experience under Public Law 346 and Public Law 550 as well as the conditions prevailing at such future time.

(f) For those engaged half-time or more in formal education or training, appropriate levels of subsistence allowance should be provided.

(g) No subsistence allowance should be provided to those who are engaged less than half-time in formal training or to those engaged essentially full-time in paid employment or self-employment, even though they may incidentally be receiving such training as was provided in the on-the-job and on-the-farm programs.

LOAN AND LOAN GUARANTY PROGRAMS

Evaluation of the Loan Guaranty Program

The original objectives of the loan guaranty program were twofold: first and most important, to aid the returning veteran

in readjustment to civilian life by providing him with Government-backed credit to buy a home, to establish a business of his own, or to engage in farming; and second to help overcome the national housing deficit.

The change to a longer range veterans' loan program, in 1945, was made because many veterans were not ready to buy a home or to engage in business or farming operations immediately after leaving service. Even more important, there was an extreme shortage of both housing and construction materials and labor immediately after the war.

Magnitude of loan program.—Table 3 shows the highlights as to the size and cost of the program. Of the 4.5 million loans 4.3 million have been home loans at a face amount of \$33 billion. The portion of total net loss to date on home loans is \$18.6 million out of the total net loss of \$30 million.

TABLE 3.—*Highlights of the GI Loan Program, December 25, 1955*

Total guaranteed and insured loans closed.....	4.5 million loans
Face amount of loans.....	\$33.8 billion
Amount of guaranty or insurance.....	\$18.3 billion
Net amount of loss to date.....	\$30.3 million
Net loss as percent of original face amount.....	One tenth of 1 percent
Number of direct loans closed.....	72.5 thousand
Total estimated Federal cost of the program.....	¹ \$583.7 million
Administrative and overhead costs.....	\$150.0 million
Gratuity payments.....	² \$403.0 million
Other costs.....	\$30.7 million
Cost per loan.....	\$130
Home loans as a percent of total number of guaranteed or insured loans.....	93 percent
Business loans as a percent of total loans.....	5 percent
Farm loans as a percent of total loans.....	2 percent
Number of guaranteed and insured loans to World War II veterans.....	4, 276. 6 thousand
Percent of World War II veterans using loans.....	29 percent
Number of guaranteed or insured loans to Korean veterans ³	272. 5 thousand
Percent of Korean veterans using loans.....	7 percent

¹ Includes estimated net losses and administrative costs of direct loans.

² As of June 25, 1954.

³ Includes World War II veterans with Korean service. ■

Source: Veterans' Administration.

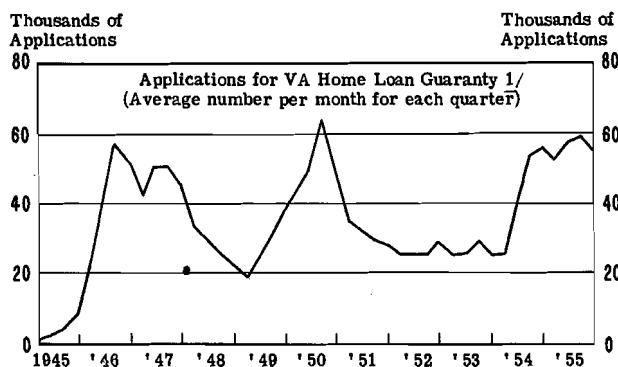
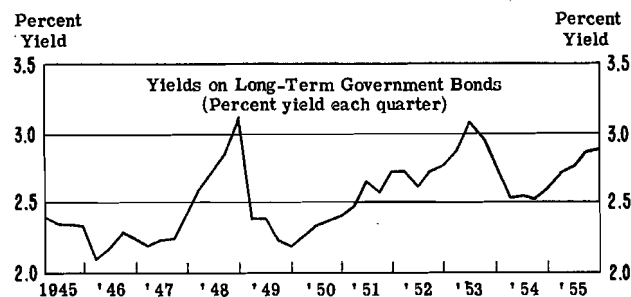
The trend of applications for home loans in the past 11 years has shown quite substantial fluctuations. The high point reached in 1950 was at an average monthly rate of almost 64,000 while

the lowest monthly average in any quarter was less than 20,000 in 1949 (chart IV). These fluctuations have been closely correlated with changes in yields from alternative sources for investment of mortgage funds, particularly long-term Government bonds.

The Home Loan Program.—Home loans have constituted 93 percent of the number of loans guaranteed and 97.4 percent of the dollar value. Thus they have provided most of the benefits. The loan program has not, however, represented the only means of obtaining a home on the part of veterans.

CHART IV

COMPARISON OF TRENDS IN YIELDS ON LONG-TERM GOVERNMENT BONDS AND IN APPLICATIONS FOR VA HOME LOAN GUARANTY



1/ Applications from veterans of World War II and Korean Conflict.
Sources: Department of Commerce and Veterans Administration

Nearly 28 percent of the World War II veterans and 6 percent of Korea veterans have used Veterans' Administration home loans. Of the married veterans of both wars, those most likely to own a home, only 28 percent have used the loan. Half of the Veterans' Administration home loans have been used by those veterans who are married and are between 25 and 34 years of age. A slightly larger proportion of this group used GI home loans than other means of owning. Table IV shows the current housing status of married veterans.

TABLE 4.—Median Incomes and Percent Distributions of Married World War II and Korean Veterans

[By housing status and age: October 1955]

	Married, wife present--				Rent
	Total	Own home or other ¹			
		Total	VA loan	No VA loan	
Median incomes:					
Total.....	\$4,355	\$4,690	\$4,994	\$4,337	\$3,815
Under 25 years.....	2,770	3,730	4,660	3,300	2,530
25-34 years.....	4,268	4,587	4,973	4,058	3,839
35-44 years.....	4,634	4,866	5,065	4,655	4,134
45 years or over.....	4,388	4,652	4,865	4,535	3,810
Percent by housing status:					
Total.....	100.0	57.9	28.2	29.7	42.1
Under 25 years.....	100.0	23.4	5.7	17.7	76.6
25-34 years.....	100.0	53.2	28.5	24.7	46.8
35-44 years.....	100.0	66.7	33.2	33.5	33.3
45 years or more.....	100.0	68.7	20.7	48.0	31.3
Percent by age:					
Total.....	100.0	100.0	100.0	100.0	100.0
Under 25 years.....	5.4	2.2	1.1	3.2	9.8
25-34 years.....	49.8	45.8	50.4	41.5	55.3
35-44 years.....	35.2	40.6	41.5	39.8	27.8
45 years or more.....	9.6	11.4	7.0	15.5	7.1

¹ "Other" includes those who live with relatives who own the home.

* Estimate based on less than 100 sample cases.

Source: Special Survey of Veterans, Bureau of the Census, October 1955.

An implied objective was to aid the veteran whose financial position was such that he could not get the home without the guaranty. Table 4 shows that the veterans who have not used Veterans' Administration loans have lower incomes. The median income for those married veterans who have used Veterans' Administration loans is more than \$600 higher than for married veterans who own by other means. The difference in median incomes for those in the home-buying age group (25-34 years) is over \$900.

A part of the explanation lies in the fact that GI loans have been concentrated in high income metropolitan areas of the Northeast and West. Other explanations may be that some of the lower income veterans bought homes which were not approved for GI loans, others may not have qualified financially and some may have already had homes or were given or inherited homes from relatives. Many of the veterans who did not use Veterans' Administration loans for the above reasons would be expected to have relatively lower incomes than those who used Veterans' Administration loans. In any event the program apparently has not fully accomplished the implied objective of a long-range housing program, that of aiding all veterans in the market for homes.

Impact on the economy.—In the 11 years of operations new dwelling units started under Veterans' Administration inspection have amounted to 17 percent of the 10.6 million new privately owned nonfarm dwelling units started. During the same period FHA starts represented 27 percent and conventional starts 55 percent. By 1955, however, Veterans' Administration starts reached 30 percent of the total volume of new homes started.

The relation of Veterans' Administration mortgages recorded to total nonfarm mortgage recordings provides a more accurate picture of relative size of Veterans' Administration home loan operations. In 1946, Veterans' Administration mortgages were 22 percent of the total; in 1947, 28 percent; in 1951, 22 percent; and in 1955, 25 percent. The proportion in other years was less, with the 11 year total being 19 percent. The impact of Veterans' Administration loans probably has been greater than indicated by the actual volume, because a large part of the additional homes would not have been built at all or the purchases would have been made with larger downpayments, longer maturities, etc.

The impact on construction costs has undoubtedly been greater than is indicated by the volume because many of the loans were among the marginal groups due to the easy term. These terms¹

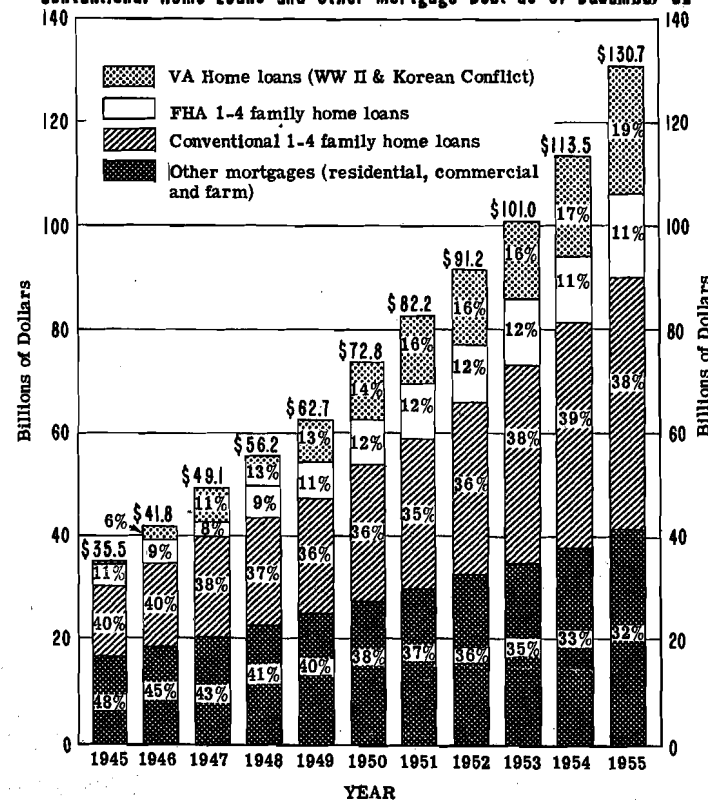
¹ In recent years the downpayment has averaged at least 5 percentage points less than for FHA loans and maturities have averaged 3 to 5 years longer. Both types of loans have had easier terms than ordinarily available for conventional loans.

encouraged building even in the face of rising costs and thus contributed to further inflation. In addition, they tended to lead competitive means of financing to use easier terms, causing still more pressure on limited supplies of labor and materials.

Another measure of the "GI" home loan impact on the economy is the relation of Veterans' Administration outstanding debt to all mortgage debt. Chart V shows that the Veterans' Administration proportion of all outstanding mortgage debt

CHART V
RELATION OF DEBT ON VA GUARANTEED HOME LOANS
TO OTHER MORTGAGE DEBT, 1945 - 1955

Comparison of Estimated Outstanding Debt on VA Home Loans, FHA and Conventional Home Loans and Other Mortgage Debt as of December 31



Source: Federal Reserve Bulletin

has gradually increased from 1945 to its present level of 19 percent. Other forms of mortgage debt, while increasing in absolute amounts, have represented decreasing proportions of all outstanding mortgage debt. The outstanding mortgage debt has increased from \$35 billion at the end of 1944 to \$131 billion, an increase of \$96 billion, of which Veterans' Administration loans account for more than one quarter.

This and other pressure on available credit has meant an increase in cost of credit which is reflected in discounts when the rate of interest is fixed as it is for Veterans' Administration loans. However, rather than Veterans' Administration credit requirements having a significant impact on cost of credit, the yields on competitive types of investment have probably been the major cause of fluctuations in Veterans' Administration loan activity. For example, when the yields on long-term Government bonds or on high grade corporate securities have risen, the volume of Veterans' Administration loan applications has decreased. (See chart IV.)

Any form of credit which is accompanied by easy terms tends to create fluctuations in the overall business cycle even though the volume of such activity is small in relation to total flow of funds in the economy. The creation of secondary credit has a cumulative effect on the upswings in the business cycle. In the event of a recession these marginal uses of credit have a similar but reverse effect on the cycle. The danger of overbuilding is not great as long as incomes increase as they have in the past 10 years. However, if unemployment should cut into present income levels, low-equity real estate loans would be among the first to suffer.

Major Problems in the Loan Program

While the home loan program has enabled veterans to obtain homes with low down payments and long maturities, operational and other problems have tended to offset the assumed advantages. Briefly these problems include the discounting of Veterans' Administration loans by lenders, lack of adequate protection for the veteran against faulty construction and questionable

inspection and appraisal practices, duplication of work by Veterans' Administration and FHA and reluctance of lenders to use the program. In general, these disadvantages have tended to increase the cost of veterans' housing or have reduced the quality of the housing.

The problem of discounts.—A solution to the problem of discounts needs to be found. An assumed advantage of the benefit has been the lower rate of interest. It is manifestly misleading to the veteran to assume this is the real rate of interest when in fact through direct or indirect payment of discounts the "benefit" of the loan may be costing him as much or more than if he financed the loan by conventional means.² Veterans cannot legally pay discounts on the loans (which have gone as high as 10 percent of the face amount a few times in some areas; an amount considerably in excess of the cost of a loan at one-half of one percent higher interest rate). When the concept of reasonable value is maintained in the appraisal, the builder has to absorb the discount. However, there have been statements from some builders indicating that these discounts eventually find their way into the cost of the house despite VA's effort to hold the line with appraisals. With the demand which has existed for housing in the past 11 years, either the appraisal had to equal or exceed the selling price or the veteran was not able to get the house.

There is no ready solution to the problem, although partial solution could be achieved by a number of devices such as flexible interest rates, flexible terms on loans, and a greater consistency between the Federal Government's housing policy and its monetary and credit policies. None of these completely solve the problem because in a free economy discounts are used to express the relationship between supply and demand for credit. In any case, discounts should be openly recognized as a cost of making the

² A discount of 3 percent means a gross yield of 4.93 percent on a 4½ percent, 25-year loan paid in the 10 years which is considered typical for Veterans' Administration and FHA loans. The gross yield would be 4.80 percent if the loan were held to maturity. A 7-percent discount on the same basis yields 5.53 percent. Report No. 2 of the Subcommittee on Housing of the Committee on Banking and Currency, House of Representatives, "Mortgage Credit and FHA Multifamily Housing," Jan. 31, 1956, deals extensively with the problem of discounts.

loan. If the buyer knows all the components of cost, it should help discourage unsound loans.

Loan protection for the veteran.—The program has many safeguards for protecting the lender from loss, which, of course, were necessary to make the program economically sound. The veteran, however, has had relatively less protection against the purchase of an inferior product at inflated prices, particularly before 1954. The 60-percent guaranty, the cash settlement of claims, the incontestability clause, the allowance of foreclosure costs and other features are intended to make the loan attractive to lenders. The veteran may buy the house if he meets credit requirements and if his income is adequate to make the monthly payments, but his only protection on quality is the appraisal and inspection procedures combined with a builder's warranty for those projects approved for loans prior to construction. The warranty (effective since October 1954) provides only that the construction substantially conforms to plans and specifications and Veterans' Administration approved changes therein.

Many irregularities in appraisals and inspections have been found by Congressional investigations, particularly by the Teague committee in 1951 and 1952. These investigations brought about considerable tightening of regulations which have resulted in a better end product for the veterans. Recent investigations, however, indicate that some irregularities still exist. The inspection procedure was criticized severely in recent Congressional hearings.³ Furthermore, conflict of interest on the part of fee appraisers and inspectors were found by the investigators in some instances. The fact that substantial construction deficiencies continue to be found in some projects appears to indicate that the warranty should be strengthened to protect the veteran against defects that occur even though there is "substantial conformance to plans and specifications."

The warranty and the threat of suspension of approval of the builder by Veterans' Administration is a deterrent from grossly fraudulent construction but does not prevent minor economies

³ Hearings before the Committee on Veterans Affairs, House of Representatives, 84th Cong., Jan. 20 and Feb. 8, 1956, pp. 2038, 2044-2046. See also House Committee Print No. 200, pp. 35-45, Feb. 16, 1956.

and substitutions in construction which decrease the value of the home.

Relation of the loan program to other housing programs.—A factor which has contributed to the cost of veterans' housing is the duplication that exists between FHA and Veterans' Administration programs. Both agencies operate in similar areas of the country and in similar price fields. Builders and lenders who apply for both FHA and Veterans' Administration commitments have to meet standards which, while similar, have costly variations. The duplications and variations occur in the following areas:

- (a) Preliminary approval of location and marketability;
- (b) Land planning and subdivision requirements;
- (c) Application of minimum property and construction standards;
- (d) Construction cost estimates and improved lot values;
- (e) Construction compliance inspections;
- (f) Escrow procedures.

These duplications have been estimated by builders to cost anywhere from \$50 to \$225 per house. Recently one large builder indicated that his extra costs were as much as \$300 "in direct and hidden costs" on a \$10,000 house.

There is evidence that, at least during a short period in 1949, Veterans' Administration appraisals were more liberal than FHA appraisals even when the differences in concept are taken into consideration. A study of section 505 loans made early in 1949 showed that the sales price (which for a Veterans' Administration loan cannot exceed reasonable value) of new housing on the average was 110.7 percent of FHA valuation and 105.4 percent of FHA replacement cost. FHA replacement cost is conceptually about the same as the Veterans' Administration "reasonable value."

The President's Committee on Housing Policies and Programs in December 1953 recommended that the President direct the two agencies to work out an agreement whereby Veterans' Administration would contract to have FHA perform the technical

functions of processing veterans' loan applications. These recommendations have not been carried out.

Looking back over the experience of the past 11 years it seems obvious that a serious mistake was made when veterans' home-loan operations were not consolidated with the existing housing programs. This was a clearly stated objective in the original legislative proposals. Preferences could have been provided to the veteran and the probable savings which could have been achieved in the cost of homes would have represented additional benefits.

Appraisal procedures and construction standards should have been identical for all Government-backed loans. This would eliminate the present discrepancies and duplications and would represent savings for both veterans and nonveterans alike.

Loans for small cities and rural areas.—The shortage of loanable funds and reluctance of both primary lenders and the private secondary mortgage market to make loans in these areas have resulted in relatively less use of the GI home loans outside of standard metropolitan areas. Thirty-six percent of the veterans live outside these areas but have used less than 30 percent of the loans.

The direct loan program was intended to overcome this problem. Direct loans can be made by the Veterans' Administration in about 2,500 counties if private capital cannot be obtained or only at excessive discounts. The general desire to minimize direct loans has kept this phase of the program small. The recent (1954) formation of the voluntary home mortgage credit program is designed to find private sources of funds for direct loan applications, and thus avoid the necessity for direct loans.

The Federal National Mortgage Association.—One means of overcoming the shortage of loanable funds in rural areas is to encourage the use of the Federal National Mortgage Association by lenders in those areas. Several proposals are before Congress now. The one that appears to have the most merit would provide that FNMA give an advance commitment at an 8 percent discount with "take out" privileges on the part of the lender when the loan was closed, if he could find a market with a smaller

discount. This large discount would prevent inflation, yet make it possible for the rural area builder to get construction credit.

Originating lenders in rural areas should be encouraged to use FNMA as long as safeguards against the inflationary use of unrestricted advance commitments at par (as was the case in the 1950-51 "FNMA boom") are included. As recently proposed in Congress, a reduction from 3 to 2 percent in the amount of FNMA common-stock lenders now have to purchase when they sell loans to the Association, should encourage the use of FNMA by small lenders without undue inflationary results.

Since FNMA also sells mortgages to the private market, the direct loan authority should be transferred to it from Veterans' Administration. FNMA would be in an advantageous position to sell such loans to the private mortgage market.

Other Loan Programs

The business and farm portions of the program have been too small to have any significant impact either on the veteran or the economy. The basic reason why they have been insignificant appears to be that the possible loan amounts have been too small to permit the veteran to embark upon a worthwhile business or farm venture. Lenders probably have discouraged the use of these loans for very small enterprises.

The farm and business loans are so small in volume that their disposition makes little difference. However, the original legislative intentions were that agencies conducting similar operations should handle the veterans loans. Since the principle of avoiding duplication in Government is still valid, it is recommended that these programs be transferred to appropriate agencies.

The Future of the Loan Program

Loans for World War II Veterans.—The loan benefits for World War II veterans are due to expire July 25, 1957. Some concern has been expressed that there might be a last-minute rush on the part of veterans to use their rights. About the same proportion of veterans as of the general population (57 percent) currently own or live in owned homes. This may mean that as

they get older a larger proportion than in the general population may become homeowners. Furthermore, some of those living in homes owned by relatives (assumed to be mostly young unmarried veterans) may use a Veterans Administration loan in the future. There is no way of predicting how many may make last-minute applications provided lenders will accept their qualifications.

Incomes of home-buying veterans appear to be higher than those of nonveterans, so the objective of aiding the veterans during adjustment to civilian life is not as important as it was for the early years after the war. Furthermore, the original objective of aiding the economy over the transition from war to peace is no longer pertinent. The FHA insured loan program, at terms little different, will be available to those who need homes and thus will diminish the inflation threat of last-minute applications.

Loans for the Korean Conflict Veterans.—Only 6 percent of the veterans of the Korean conflict (including veterans of both World War II and Korea) have used the loan program to date. In part, this is due to the relatively young ages of these veterans. The use is about equal to that in a similar period after World War II and probably can be expected to equal or exceed the proportionate use by World War II veterans, since more dwelling units are now being made available. Furthermore, the Korean veterans appear to be making use of the loans at a younger age.

In its present form there is considerable question whether any significant benefits accrue to the veteran under the home loan guaranty program, other than the amount of downpayment and length of loan maturities. Both of these add to the inflation potential of the program, thus increasing the cost of housing. Unless improvements are made, there appears to be little reason for continuing the program.

Recommendation No. 45

(a) The program for World War II veterans should be transferred to the Federal Housing Administration. In order to avoid a last-minute rush and allow an orderly termination of the

program the benefits should be extended and gradually decreased over a 2-year period.

(b) Legislation should be enacted to transfer the guaranty or insurance of home loans for Korean-conflict veterans to the Federal Housing Administration under provisions consistent with the National Housing Act. The following provisions also should be included:

1. Veterans' preferences as to terms should be retained for the present. However, as the end of the period of eligibility approaches, these terms should be gradually changed until they are identical to the terms available to the general population.

2. The veteran should be given both a sales contract in which plans and specifications are set forth and a builder's warranty of at least 1 year's duration which, in addition to securing general conformance with specifications, should fully protect the veteran against substantial defects in equipment and construction.

READJUSTMENT BENEFITS RELATED TO EMPLOYMENT OR REEMPLOYMENT

In addition to the direct benefits already discussed, veterans of World War II and the Korean conflict have been entitled to three other important benefits which provide them with aid in obtaining employment or reemployment. For several million servicemen these rights or services helped in achieving the most important single step in readjustment by returning them to productive and satisfying employment in the civilian economy.

Employment Assistance Through the Public Employment Service

Under policies which predate the GI bill, the United States Employment Service and the affiliated State and local employment service systems provide special employment assistance to veterans of all wars. Unlike most other readjustment benefit programs, this one is completely integrated with the program serving the general population. Veterans receive the same kind of services that are available to anyone who uses the more than 1,700 local offices of the nationwide employment service system, but are entitled to special priorities and preferential treatment. Qualified veterans have priority over nonveterans

in referral to job openings. Service-disabled veterans receive top priority and other special services.

Special employment services to veterans were first provided during the demobilization period after World War I. In 1933, a permanent Veterans' Employment Service was established by the Wagner-Peyser Act. The program for veterans was strengthened when State employment services were expanded to handle unemployment compensation operations after passage of the Social Security Act in 1935, and further expansion occurred in connection with wartime manpower programs. In this field, Public Law 346 reaffirmed a benefit that already was being provided, and created a Veterans' Placement Board to determine policies relating to the Veterans' Employment Service. The Board's functions were transferred to the Secretary of Labor in 1949.

Responsibility for the program centers nationally in the Veterans' Employment Service, within the United States Employment Service. Veterans' employment representatives in every State and in local offices have functional responsibility for carrying out the program. With veterans comprising about half of all male applicants, a general priority is not always meaningful; what is important is that the program assures that all veterans with special placement problems do receive prompt and special consideration.

Over the years, the number of veterans assisted by this program is large. No exact measure of the numbers served is possible, since operating data may include the same veteran on two or more different occasions, but the following data give some indication of magnitude:

1. In the 10 years ending with fiscal 1955, local employment offices received more than 23.6 million applications from veterans, and there were 15.3 million placements of veterans on nonfarm jobs. While many veterans filed more than one application or were placed on more than one job, the total number who used the system must have been many millions.

2. Data on the number of initial counseling interviews—which represent only a fraction of the veterans contacting the employ-

ment offices—shows that about 2.3 million different veterans received employment counseling in the same 10-year period.

3. That the priority extended to all veterans, and the top priority to disabled veterans, have been effective is indicated by comparing the relative volume of service to veterans and male nonveterans. Placements per hundred applicants have run consistently higher for veterans than for nonveterans, and the ratio of placements of disabled veterans has runs from 42 to 88 percent higher than for disabled nonveterans in the past 8 years.

The program has a special significance because successful placement or effective counseling may be the key event in an individual veteran's readjustment to civilian life. For those who have special difficulties in getting work, or deciding upon an occupational goal, the veteran's most important problem may be solved by being referred to the right job, or being guided into an occupational field that fits his needs and capabilities.

Reemployment Rights

A second very important benefit in the field of employment is the guarantee of reemployment rights to all servicemen who left a regular job to enter the Armed Forces. This benefit was created when the Selective Service Act of 1940 was passed. In the Senate and House discussions on the peacetime draft, one justification for the benefit was stressed by Senator Thomas in this pertinent statement:

If it is constitutional to require a man to serve in the Armed Forces, it is not unreasonable to require the employer of such men to rehire them upon completion of their service, since the lives and property of the employers as well as everyone else in the United States are defended by such service.

The program's importance in relation to the philosophy of readjustment benefits lies in its direct recognition of the Government's obligation to make up for the interruption in normal life by military service, and to return the veteran to the same status he would otherwise have held. This obligation does not rest on wartime service, but on the existence of compulsory service.

The 1940 act gave reemployment rights to all persons entering the Armed Forces after May 1, 1940, if they held a regu-

lar position, had left it to enter active service, and were still qualified to perform the duties of the position. The eligible ex-serviceman was entitled to reinstatement in the job he held before, or in a position of like seniority, status and pay, or in the position he would have held if he had not entered service. Under amendments in 1951, a new provision was added to cover those with service-connected disabilities which kept them from performing the duties of the former job; they were entitled to be restored to another position which provides the nearest approximation to conditions of the former job. Originally administered by the Selective Service System, this program was transferred in 1947 to the Department of Labor.

It is hard to measure the extent to which reemployment rights have been used, since many persons obtain reinstatement in former jobs without being reflected in operating statistics. Promotion of compliance often involves complex interpretation of collective bargaining agreements, and an individual case may establish the basis for reinstatement of dozens or hundreds of employees—1,560 in one instance. Selective Service data show that between VJ-Day and March 1947 nearly 835,000 veterans were reinstated, including those rehired without the agency's intervention. The Department of Labor, since 1947 has handled some 247,000 cases or problems not including thousands who returned to jobs without the Bureau's assistance.

The exercise of reemployment rights often represents more than simply getting the job. The serviceman goes back not simply to his old job and pay, but receives any pay increases or promotions to which he would have been entitled if he had been on the job throughout his period of military service.

Current Problems

Thus far, the reemployment rights program has operated on a short-range basis, without the facilities needed to provide uniform service in every State. It should now be reexamined in the light of the long-range prospect that Selective Service will continue indefinitely, with a continuous shifting of reservists and others between the labor force and the armed services.

The Bureau of Veterans' Reemployment Rights is responsible for assuring that servicemen understand and obtain their rights, for assisting employers and labor organizations in resolving complex problems and for informational activities to assure acceptance by labor and management. To carry out this work, the Bureau has made use of cooperating agencies and volunteers in a manner unique in the Federal Government. With a small headquarters staff and field offices in only 15 States, it has never had staff to train and supervise some 3,500 volunteer advisers as fully as the program's industrial relations problems require. As a result, shortcuts are used to achieve quantity production, often at the expense of quality; and the volunteer personnel make only part of the contribution they could make with more regular guidance and supervision.

To put the program on a sound long-range basis and provide adequate service in States and areas which cannot be effectively served at present, more resources are needed. Likewise, the statutory authority appears to need clarification.

Veterans' Preference in Federal Civil Service

The oldest of the employment-oriented benefits is the veterans' preference in the Federal Civil Service, which dates back to the period immediately after the Civil War. The first law providing such preference, enacted in 1865, applied only to veterans with service-connected disabilities, but in 1919 preference was extended to nondisabled veterans as well. This benefit affects only a small percentage of all veterans—those who seek or obtain Federal Government jobs. For them, it provides a double advantage: First, they receive preference in obtaining jobs (a 10-point preference for the disabled and 5 points for the nondisabled, in civil service eligible lists). Second, those who obtain such jobs are given a lifetime advantage in retaining their jobs once they have been hired. During periods of reduction in force, veterans in each tenure group (career, career-conditional, and indefinite) are laid off only after nonveterans in the same tenure group have been separated, regardless of length of service. In addition, in the case of removal or separation for cause, a veteran may appeal to the Civil Service Commission after he has gone

through his agency's regular appeals procedure, and the Commission may override the decision of the employing agency.

At the present time, over half of the civilian employees of the Federal Government are veterans and are entitled to the privileges granted by the Veterans Preference Act of 1944.

The initial preference in competing for Federal jobs is a justifiable readjustment benefit, if limited to a reasonable period after discharge from the service. As a lifetime preference, it is in conflict with the general criteria for sound readjustment benefits outlined in chapter VIII. The lifetime preference also tends to be self-defeating in terms of the readjustment needs of veterans just leaving service. In a male labor force which consists largely of veterans, the young veteran must compete mainly against the other, older veterans who have the same 5-point preference, plus greater experience or seasoning on the job. A preference for a limited period, such as 5 years after discharge, would thus do more for the veteran who is most in need of special help.

The special appeals procedure for veterans tends to make a traditional and necessary function of management into an elaborate, costly, and time-consuming quasi-judicial procedure. The readjustment needs of the veteran do not require this privilege for more than a reasonable period after discharge from the service.

Preference in retention during reductions in force for non-disabled veterans has no real relation to readjustment needs and does violence to the basic principles of the Federal merit system. The goals of open competition and equal treatment for all, on the basis of their ability to serve the public as employees, cannot be achieved if there is arbitrary discrimination in favor of one group based on factors having nothing to do either with their efficiency or with their readjustment needs as veterans.

General Appraisal of Benefits Related to Employment and Reemployment

The benefits related to employment assistance and reemployment help to round out the total structure of readjustment bene-

fits, and play an important role in meeting the needs of many veterans who may therefore have no need for other benefits.

The Commission considers that these benefits are sound and effective. They involve very slight costs in comparison to the service rendered. There are, however, certain improvements that should be considered. The reemployment rights program should be put on a long-range basis, with adequate facilities to provide uniform service in all States. In the employment assistance program, the Commission believes that nondisabled veterans should not receive special priority for life, as they do at present. Preference for a limited number of years after leaving service would be more consistent with the concept of readjustment.

In its present form, veterans' preference in Federal civil service has no sound justification, and major changes in the program seem desirable.

Recommendation No. 46

(a) The reemployment-rights program fills a positive function in assisting ex-servicemen to return to employment. Inconsistencies in the statute should be clarified and resources augmented.

(b) The Commission believes that veterans' preference in entering civil service and the special appeals procedure for veterans should be provided for a limited period after discharge (say 5 years), but should not continue for nondisabled veterans after a reasonable period for readjustment has been provided. There is no justification for special retention rights for nondisabled veterans, beyond crediting toward length of service the time spent in the Armed Forces during wartime. For veterans with a significant compensable service-connected disability, a permanent preference both in hiring and retention seems justifiable, since their disability may put them at a disadvantage both in obtaining and retaining jobs. Such permanent preference should not be given, however, to those with only minor disabilities—certainly not to those with less than 30 percent ratings.

Chapter X

BENEFITS FOR PEACETIME EX-SERVICEMEN

One of the most fundamental and far-reaching questions considered by the Commission was whether and in what form readjustment, disability, and related benefits should be extended to peacetime ex-service men and women. January 31, 1955, was the cutoff date for eligibility under the program of readjustment benefits for Korean conflict veterans. Persons entering the Armed Forces since that date are not entitled to the broad programs of readjustment and related benefits—education and training, loan guaranty, unemployment compensation and employment assistance, vocational rehabilitation, preference for Federal employment, and mustering out pay—which were extended to World War II and Korean veterans. It is of some interest also that these peacetime ex-servicemen are not eligible for membership in the major veterans' organizations, and, except for certain benefits and services growing out of service-connected disability or death, they will not ordinarily come under the cognizance of the Veterans' Administration.

Already there have been proposals in Congress to extend readjustment aid to peacetime ex-servicemen, either by giving them some or all of the benefits that Korean veterans receive or through some substitute for such benefits. As the time approaches when substantial numbers of peacetime ex-servicemen enter civilian life, public interest in this question can be expected to increase.

Major policy decisions, which may affect our national life for many decades, are involved in deciding whether any benefits should be provided to this group, and if so, what form these benefits should take. Do the conditions of peacetime service create special needs for assistance, and do they impose an obligation

on the Government to assist in meeting such needs? If such needs and obligations do exist, should the peacetime serviceman be treated as a separate class of citizen, apart from others? Or should his needs be met through programs that serve the general population, with such adjustments in detail as may be needed?

As a basis for decision, the pertinent facts about the peacetime serviceman and his readjustment needs were studied by the Commission. These factors included the situation in which the peacetime serviceman is demobilized as compared to that met by World War II and Korean veterans; the effect of Selective Service and deferment policy on the selection of those who shall or shall not serve in uniform; the relative importance of compulsory and voluntary service in various periods; the characteristics of the present serviceman as compared with those of World War II and Korean veterans; and past and present conditions of military service.

The Government's obligation in this area was also examined in relationship to overall needs and the national interest. The Commission's analysis of the problem rests on the assumption that the Nation is faced with a long-range situation not comparable to anything in its past history. For an indefinite future, the defense needs of the Nation will be those of a "peace" in which safety requires the Armed Forces be maintained at a level far higher than in any past peacetime period—and not far below the level during the Korean conflict. Barring total peace or outright war, it was assumed that future military service, at least in the next decade, will take place under the following long-term conditions:

The Armed Forces will have about 3 million men on active duty and a turnover at a relatively steady rate of approximately 700,000 persons annually. The level of the Armed Forces will be maintained through a combination of recruitment and Selective Service. The major provisions of the Universal Military Training and Service Act of 1951 and the Armed Forces Reserve Acts of 1952 and 1955 will remain in force. There will be a continuing need for a nucleus of highly trained career mili-

tary personnel as well as an effective system of Reserve Forces. Continued economic growth and a relatively high level of civilian employment is also assumed.

These conditions will be considerably different from a "short-term" emergency. This means that, in long-range policy, the needs of the individual peacetime ex-serviceman must be balanced against other national considerations in housing, education, welfare, civilian and military manpower, and many other fields. The costs of special readjustment programs extending indefinitely into the future must be considered in relation to alternative programs which would serve all citizens.

DEMOBILIZATION

Under what conditions will the peacetime serviceman be called into service? What alternative ways of fulfilling his obligation for military service does he have and what chance for deferment of such service? Under what conditions will he be demobilized? A comparison of the World War II and Korean veterans with the peacetime ex-serviceman in these respects has led the Commission to conclude that there are substantial differences which will, generally, favor the peacetime group.

In the first place, only 700,000 servicemen are expected to be discharged annually over the next decade. This relatively low rate of demobilization contrasts sharply with the 10 million veterans discharged in the year following V-J Day. It is, however, not much smaller than the peak rate of discharges immediately after the Korean conflict.

Partly because of the extremely rapid discharge of World War II veterans, they returned to civil life in a period of job scarcity and wide-spread unemployment. The 10 million who were separated in the year following V-J Day entered an economy in which civilian employment was dropping due to cut-backs in war production. Almost 9 million World War II veterans drew an unemployment or self-employment readjustment allowance, half of whom received such benefits for 20 or more weeks. The Korean veteran, on the other hand was discharged at a

time when civilian employment was high and, consequently, has drawn far less employment benefits. A similar favorable situation is expected for peacetime ex-servicemen.

The critical shortage of residential housing which faced the World War II veteran is too well known to need further comment. No such critical shortage faced the Korean veteran in 1952 and 1953, and none is expected in the foreseeable future.

ENTRY INTO SERVICE

Turning to the other side of the process—entry into service—the Commission has noted the present wide range of alternative ways of fulfilling the obligation for military service, in contrast to the situation prevailing during World War II. These include not only enlistment in the regular Armed Forces for 3, 4, or more years or in the Reserves with 2 years of active duty, but also, for those under age 18½, enlistment for only 6 months of active duty training with subsequent enrollment in either the National Guard or in the Reserves. Those in college may enroll in an ROTC program, and there are, of course, a number of grounds in which the deferment of service can be requested and obtained. Such alternatives did not exist during most of World War II. One was simply inducted. Dependency was the major ground for deferment during the early years of the war and employment in an essential occupation during the latter part.

It is estimated that of those now entering the Armed Forces each year, less than 30 percent are inducted by Selective Service. During the Korean period the proportion inducted was almost 40 percent and in World War II over 60 percent. In fact, the Armed Forces probably will not need a significant proportion of the able-bodied young men of draft age in the years immediately ahead, and many in class I-A, available for service, will not be called.

Under present Selective Service legislation, deferment for completion of high school must be granted if requested. At the college level, under present regulations, those who are able to enter college and who are above average students can usually

secure deferments to finish a 4-year college course. During the Korean period, proportionately somewhat more college students were inducted than will be in the foreseeable future. By the midpoint of World War II, deferments for able-bodied college students had been practically eliminated—they were needed in military service.

World War II and the Korean conflict came upon the country quickly. Young men who were inducted could not foresee that military service would be required and plan for it. Today, Selective Service and the possibility of mandatory service can be foreseen and planned for by all young men. They can therefore arrange their term of service to fit best into their individual plans.

PROFILE OF THE PEACETIME EX-SERVICEMAN

Such factors as the age, marital status, educational attainment, and previous civilian job experience will, along with the conditions of service, determine the readjustment needs of ex-servicemen. Broadly speaking, the "peacetime" and Korean ex-servicemen are expected to be quite similar in these respects, but both groups differ substantially from veterans of World War II.

In general, the peacetime ex-serviceman will differ most from the veterans of World War II with respect to age, with 80 percent of the peacetime group being 24 years of age or younger at separation from the service as compared with about 40 percent of World War II veterans. In addition, a larger proportion of World War II veterans were married and had prior civilian job experience, and more of them had been in professional, managerial, and skilled occupations before entering the Armed Forces.

The typical peacetime ex-servicemen will be under 25 years of age when discharged from the service, single, and with a high-school education or less. More than a third will have no civilian job experience prior to service, about 15 percent will have been in professional and skilled jobs, and the rest will have come into the Armed Forces from semiskilled and unskilled occupations.

The formal education level attained by the peacetime ex-serviceman is expected to be as follows:

	Percent
Less than high-school graduate.....	40
High-school graduate.....	42
1-3 years of college.....	11
College graduate.....	7

CONDITIONS OF MILITARY SERVICE

The conditions under which military service is performed will affect the readjustment needs of the ex-serviceman as well as the Government's obligation. A distinction between needs and obligation is important, however, because whether one serves under combat conditions or not may have little, if any, effect on certain readjustment needs in housing, unemployment compensation, or education and training, but it may be a consideration in deciding the degree of the Government's obligation in meeting such needs. Unlike during World War II and the Korean conflict, today there is no "shooting war."

Among the more important conditions of service affecting the readjustment problem are the length of service, occupational nature of military duties, education and training received while in the service, and pay and other compensation.

Length of Service

The median length of service during World War II was approximately 30 months and the comparable figure for the Korean conflict was about 26 months. It is assumed that peacetime service will also average about 26 months which is, obviously, not much greater than the 24-month mandatory period of service required of those drafted.

Military Occupations

A more striking change in the conditions of military service has been the increasing need for and growth in the proportion of military personnel in civilian-type occupations. The demands of modern technological warfare and the complexities of logistical support, transportation, and communications are reflected in the high proportion of military personnel who are en-

gaged in technical, scientific, administrative, clerical, and other skilled occupations, trades, and crafts. Most of this development occurred before and during World War II. A further and more gradual trend in the same direction has taken place since.

In 1954, for example, 16 percent of all enlisted military personnel were in technical and scientific occupations, 17 percent in administrative and clerical occupations, and 24 percent were mechanics, repairmen and craftsmen. The proportion of personnel in each of these groups has increased somewhat since World War II. Contrariwise, those enlisted men in military-type occupations decreased from about 39 percent in World War II to 25 percent in 1954.

It may be asked how comparable the Armed Force's "civilian type" occupations are with parallel jobs in civilian life and how much civilian demand there is for such occupational specialties. While precise answers to such questions are not possible in all instances, the Commission's appraisal can be summarized as follows:

1. Fairly close comparability exists between the majority of military occupations and their civilian counterparts. In many cases transfer of skills with little or no additional training is possible.

2. In some of the occupational specialties closely comparable to civilian jobs (electronics, aircraft mechanics, and so forth) there is a high civilian demand. For many of the occupational specialties, however, the civilian labor demand is relatively low, including the large administrative and clerical group and the seamen who constitute most of the Navy's lower enlisted grades.

3. About half of the enlisted men in 1954 were in occupations closely comparable to civilian jobs where there was a moderate to high civilian labor demand. The other half were in occupational specialties with no civilian counterpart or where there was no significant civilian labor demand.

4. It is likely that many ex-servicemen simply will not want to follow the occupation to which they were assigned while in the service. Moreover, inductees and first-term enlistees will undoubtedly be in the lower skill levels of the various occupa-

tional groups and hence will be less "salable" in the job market. They are probably more highly concentrated in the military-type and low civilian demand groups in the Army, and they are unquestionably concentrated in the military-type groups, for which there is little civilian labor demand, in the Navy.

In-Service Training

Closely related to the occupational structure of the Armed Forces in its bearing on readjustment needs are the extent and kind of on-duty education and training and the availability of off-duty educational opportunities. During the fiscal year 1955, about 837,000 military personnel (27 percent of those who served during that year) received on-duty specialized training. Of this group the largest number, 384,000 (or 46 percent of those receiving specialized training) received military-type training with no civilian counterpart. About 203,000 (24 percent) received technical and scientific training and 108,000 (13 percent) were trained as mechanics and repairmen. Some 67,000 (8 percent) received training for administrative and clerical occupations. Smaller numbers were trained as service workers, craftsmen, operatives, and laborers. About 20,000 (2 percent) received training in literacy up to the fourth grade educational level.

The demands of modern technological warfare require military personnel to be trained in a wide variety of crafts and occupations, from atomic energy to zoology. The extent of specialized training reported for the Armed Forces for 1955 reflects this need for specialization; 433,000 men graduated from formal schooling related to some civilian type occupation. This number was about 17 percent of the men who served in the Armed Forces in 1955.

Between World War II and the present time the trend toward a greater need for trained technical and scientific personnel continued. However, at no time have training facilities and needs for specialized personnel been such that all who wanted training could get it. It would appear also that specialized training is less likely to be given to inductees and more likely

to be open to those who reenlist or indicate their intention of doing so.

On the basis of available data it is estimated that perhaps half of the enlisted men reentering civil life under present conditions will have received formal specialized training while in the Armed Forces. Perhaps a fourth will have received training in skilled or semiskilled jobs for which there is a high civilian labor demand. On the other hand, an able and ambitious person who remains in the service for more than one enlistment is very likely to be well trained in a skilled civilian-type occupation for which there is a relatively high civilian labor demand.

Off-Duty Educational Opportunities for Servicemen

The serviceman today has a wide range of opportunities for off-duty education and training which will assist him toward a civilian or military career. Such training is encouraged by the Armed Forces because it also contributes to the on-duty effectiveness and morale of military personnel.

Present opportunities for off-duty education and training are considerably greater than in World War II. The United States Armed Forces Institute (USAFI) correspondence courses were the main vehicle by which the World War II serviceman could advance his formal education. Today, in addition to the USAFI program of tests and correspondence courses, servicemen are more often able to attend formal courses of study on the base and at civilian educational institutions in off-duty hours and are given tuition assistance by the Armed Forces to do so.

The accomplishments of this large and varied educational program are often intangible and hard to measure, although statistics give some measure of their magnitude. In the Army, for example, in fiscal year 1955, 36,000 men completed the fourth-grade program; 13,000 received an eighth-grade certificate, 36,000 completed the high-school-level General Educational Development test, and 7,400 passed the first-year college equivalency test. Army men and women completed 180,000 group study courses, 31,000 courses at civilian schools and colleges, and 15,000 USAFI correspondence courses.

Active Army enrollments in off-duty educational programs as of March 31, 1955, totaled 184,326, about 15 percent of all Army personnel. This is slightly less than the number of Army personnel who received on-duty specialized training during 1955. About 58,000 were enrolled in group study courses, and 135,000 in USAFI correspondence courses. Only 10,000 were enrolled in civilian schools and colleges.

Similar opportunities exist in the Navy, Marine Corps, Air Force, and Coast Guard and, allowing for differing conditions of service, these services have enrollments comparable to those cited for the Army.

It is difficult to evaluate the extent to which off-duty educational programs enable the serviceman to prepare for civilian life if he so chooses. Presumably, military service, including on-duty training, is essentially a full-time occupation, and even under the best of circumstances only a limited amount of formal education can be completed while in service. Such conditions of service as lack of adequate library facilities, field exercises and sea duty, overseas duty, barracks living—all may make educational progress difficult. While the formal educational progress which can be made in these programs should not be discounted, it appears that their chief value, from a readjustment point of view, will be to keep the serviceman who plans to return to civilian life “in touch” with the educational process. The opportunity to do so—to advance educationally, even if at a slow pace, is of great value and represents a major difference between military service today and in the pre-World War II period.

Pay and Other Compensation

Increases in military pay since 1949 have brought military pay scales more into line with pay scales in civilian life for jobs of comparable difficulty, particularly if the preponderance of youthful and inexperienced personnel in the Armed Forces is considered. Further, if notice is taken of the fact that much of the real compensation is provided “in kind,” the economic side of military service appears in a more favorable light than before and during World War II. For example, the gross com-

pensation of the new recruit is at least \$2,400 a year when account is taken of the food, clothing, shelter, medical care, tax advantage, and other special factors, while his basic cash pay is only \$936.¹ Since maintenance is fully provided by the Government for the man with no dependents, a very substantial portion of this cash can be converted into savings, if there is a real desire to do so.

The opportunity for advancement in the military service is great today. The typical enlisted man is first given an automatic pay increase in 4 months, and a reasonably able man can readily secure two more promotions and attain the rank of corporal in 2 years. The average basic compensation plus maintenance in cash allowances and "in kind" for enlisted men in 1955 was estimated by the Department of Defense to be \$2,740 per year. When \$700-\$800 is added for medical care, special pay, and tax advantage, the gross compensation of the typical enlisted man is seen to be substantial.

BENEFITS FOR PEACETIME EX-SERVICEMEN: BASIC CONSIDERATIONS

In considering benefits for peacetime ex-servicemen, the Commission believes that a distinction should be made between benefits related to service-connected injury or disability and benefits not so related. The Government's obligation as employer to those who are injured or disabled in peacetime service is not fundamentally different from the obligation to disabled wartime veterans. As noted further in connection with specific programs the best way of meeting this obligation in peacetime may in some cases differ from the means used in the past to handle wartime service-connected disabilities.

The problem with respect to peacetime ex-servicemen without service-connected disability is whether the Government has a special obligation to them which is significant enough to warrant the provision of special benefits comparable to those provided to wartime veterans. This question requires evaluation

¹ Committee on Retirement Policy for Federal Personnel, 83d Cong., 2d sess., S. Doc. 89, pt. 2, p. 15.

of the handicaps which military service involves as against the benefits the serviceman derives from military service and other broader factors.

The outstanding factor in favor of providing special "veterans' benefits" to peacetime ex-servicemen who are not war veterans is that Selective Service is in effect. As long as military service is not universal—and it can never be actually universal except in a negative way in event of total war—some young men will be required to do more than others. Under present conditions over half of the males reaching age 18 will see military service sooner or later. This may, therefore, impose a handicap upon them which might be said to require redress in the form of special benefits.

On the other hand, military service can no longer be regarded entirely as lost time. As developed at greater length earlier, there have been great changes in the conditions of military service which today makes it a challenging and potentially rewarding experience for any alert young man. Special training opportunities for jobs which are increasingly complex and similar to those in civilian life, and opportunities for off-time education and training point up the fact that a large part of peacetime military service is training. The value of military experience has not gone unrecognized by former servicemen, as the Commission's survey of veterans has indicated.

A further consideration is that the policies pursued with respect to veterans benefits should not interfere with the maintenance of our military strength or with other national considerations. For example, it is clearly undesirable for the Government with one hand to increase military pay to attract men into the Armed Forces, and with the other hand to provide liberal separation and readjustment benefits after 2 years' service, again at public expense, which encourage these same men to leave the Armed Forces.

The magnitude of the Armed Forces the country may have to maintain must also be taken into account. If 700,000 men are taken into the service yearly, there will be by the end of this century 26 million living peacetime ex-servicemen. Careful

consideration is required of the long-range effect upon our society if the fact of military service in the present neither peace nor war condition should continue and be made the basis for special privilege and special benefits. First, there is the obvious question of the appropriateness of the criterion of former military service as a basis of eligibility for benefits. In other words, there is a question whether certain benefits—such as educational assistance—should be provided solely on the basis of military service or on a basis which will recognize ability and need on the part of all qualified youngsters, ex-servicemen as well as civilians, and females as well as males.

Secondly, there is the matter of cost and the related question of optimum return from public expenditures. Extension of education, rehabilitation, mustering-out and unemployment benefits to peacetime veterans on the model of the benefits provided to the veterans of the Korean conflict would mean expenditures of over \$900 million for each year's entrants into the Armed Forces. This would average to about \$1,300 per man—or \$650 per year of military service.

Risk is a difficult factor to measure, but it has been a consideration in the enactment of special benefits for wartime veterans. Present military service is differentiated sharply from service during the World War II and Korean conflict periods when combat risks existed.

The Commission concludes that with respect to benefits for nondisabled ex-servicemen in peacetime the changed character of our national military responsibilities for the foreseeable future is the primary factor. If the present large Armed Forces are to be maintained, not as a temporary matter, but for many years, the whole concept of obligation to render military service must be reevaluated. Military service—especially if it is reasonably compensated—cannot continue to serve as a basis for special privilege under present day conditions. The young citizen must be expected to serve in the Armed Forces as a matter of course, and the Government's post-service obligation must be limited to compensation for such significant disabilities and substantial problems as may arise directly out of military service, and to

giving him the usual benefits to which any employee might be entitled.

SERVICE-CONNECTED DISABILITY COMPENSATION AND DEATH BENEFITS

At the present time, peacetime veterans are eligible for compensation from the Veterans' Administration for service-connected death and disability. The rates payable, however, are only 80 percent of the wartime rates. However, full rates are payable in cases where the injury or death of the serviceman results from conditions simulating war or in armed conflict.

Under the pending survivorship benefits bill (H. R. 7089), peacetime servicemen would be provided the same survivorship benefits as wartime veterans. The justification for continuing 80 percent disability benefits for peacetime servicemen has never been clearly set forth, and under present day conditions it does not appear sound to provide lower rates to those who are disabled in peacetime service.

Recommendation No. 47

The Veterans' Administration should continue to provide disability and death compensation benefits for peacetime servicemen, and the rates payable should be the same as to those who served in wartime.

VOCATIONAL REHABILITATION FOR SERVICE-CONNECTED DISABILITY

Monetary compensation is increasingly being recognized as only part of an employer's obligation to persons who are disabled on the job while in his service. The forward-looking view today is that the first objective should be the social and economic rehabilitation of the disabled person, and that the employer—the Government in the case of servicemen—has an obligation to make rehabilitation services available.

The essence of rehabilitation, as described elsewhere in this report, is the treatment of the whole man, and it must be undertaken promptly after the disability occurs. The modern-day concept of rehabilitation includes not only medical rehabilitation—which peacetime ex-servicemen will obtain under existing laws from the Department of Defense and the Veterans' Admin-

istration—but also vocational rehabilitation. It is important that vocational rehabilitation be provided as a part of the Government's assistance to the disabled person because it offers the maximum opportunity for making him economically self-sufficient. It enables him to provide for himself and makes the disabled person more useful to society and less of a burden on the Government. If rehabilitation is successful, these persons through taxation will be making substantial contribution to the costs of compensation, and the need for disability compensation will be reduced.

The Government has provided, through the Veterans' Administration, vocational rehabilitation and readjustment training for the disabled and nondisabled veterans of World War II and the Korean conflict. Almost all the disabled servicemen of these two conflicts have had the alternative of taking the general education and training benefits under Public Laws 346 and 550 or vocational rehabilitation training under Public Laws 16 and 894.

Servicemen who have entered the Armed Forces since February 1, 1955, are no longer eligible for either the vocational rehabilitation or general education and training benefits from the Veterans' Administration. Along with other citizens, however, they are eligible for vocational rehabilitation services through the Federal-State vocational rehabilitation programs under which any disabled person is covered.

Two closely related questions arise with respect to these ex-servicemen, if they have service-connected disabilities: What should be the scope of vocational rehabilitation that the Government should provide, and which agency of the Government should administer such a program? In a forward-looking view of disability, the answer to the first question is unmistakably clear. The Government should make sure that all necessary services are available to the peacetime disabled serviceman so that he can again become a useful and productive member of society.

As to the administering agency, two alternatives are immediately available: the Veterans' Administration and the Federal-

State programs. The choice between these alternatives involves a consideration of many factors. First, there is a question whether in view of other related benefits, the counseling and vocational rehabilitation of peacetime ex-servicemen can successfully be turned over to an agency outside the Veterans' Administration. In terms of treating the whole man and giving him continuous attention until he is suitably employed, however, the Federal-State program may have an advantage over the present Veterans' Administration arrangement. Also, because it is a State-operated program, it is closer to the individual who needs the services.

Many of the peacetime disabled, as has been the case with the wartime service-connected cases, will be discharged without any period of extended hospitalization or following medical services in military hospitals. The State rehabilitation programs operate through local offices and therefore should be able to render service promptly to these individuals. Others in this disabled group will receive, after treatment in military hospitals, additional medical services through Veterans' Administration hospitals. These hospitals and the State rehabilitation agencies should be developing increasingly closer working relationships to insure adequate services to veterans with non-service-connected disabilities. The same effective methods needed to insure prompt referral of the non-service-connected case should be utilized, of course, for the peacetime case.

There is a question whether peacetime ex-servicemen in the different States would all receive, under the Federal-State programs, the necessary services to accomplish their rehabilitation. There are variations in the scope and development of the State programs, even though guided by the same Federal standards. In addition, there are important differences in the rehabilitation services to a disabled person under the Federal-State program as compared with services provided to wartime cases through the Veterans' Administration. For instance, certain of the services under the Federal-State program are provided only if the individual cannot pay for them. Subsistence is provided only when shown to be actually needed. For persons rehabili-

tated in 1954 through the Federal-State program the average cost of training including books, supplies, subsistence, and transportation was about \$618 per case. About one-half of the group received subsistence during training. In contrast, the average cost for veterans rehabilitated under the World War II and Korean conflict veterans' programs was about \$3,500 per case. All of these disabled veterans received a subsistence allowance at an average rate of about \$100 a month. The average length of these training programs was about 28 months; the length of the courses of training in the State-Federal program is not known.

A final consideration is the fact that under peacetime conditions the number of servicemen who are disabled will be considerably lower than during wartime. Between 1947 and the start of the Korean conflict, the highest number of persons entering the Veterans' Administration compensation rolls because of peacetime service-incurred disabilities in any one year was only 5,876. A certain number of these, following the completion of medical treatment, are not likely to need additional rehabilitation services. They will make their own vocational adjustment in their home communities. If no training benefits are provided to nondisabled veterans, it will be uneconomical to maintain an adequate vocational rehabilitation service in the Veterans' Administration because the peacetime disabled group will be so small. The Federal-State program is carried out at the local level in every community in each of the States and Territories. It has the responsibility for locating and serving the disabled in the whole civilian population.

The Commission believes that the way in which the Federal Government provides for the vocational rehabilitation of its civilian employees who are injured on duty points the way to the proper solution of the question.

The Federal Employees Compensation Act now provides for the rehabilitation of Federal employees injured on duty through State rehabilitation programs with a 100 percent reimbursement of the costs by the Federal Government. A similar arrange-

ment existed during World War II for the vocational rehabilitation of civilian war-disabled, including merchant seamen who were injured in the course of duty. With proper safeguards to assure fully adequate rehabilitation of the disabled ex-serviceman, this kind of arrangement would make unnecessary the indefinite continuance of a special program in the Veterans' Administration which, because of the relatively small number of cases spread over the country, would be very costly to maintain on an adequate basis.

Recommendation No. 48

(a) Vocational rehabilitation as well as physical rehabilitation is essential in a well-rounded program for the treatment of the disabled. The Government should make adequate provision to meet the vocational rehabilitation needs of disabled peacetime ex-servicemen in order to assist them in preparing for and finding suitable employment.

(b) These disabled ex-servicemen should be served on a priority basis in their local communities through the Federal-State vocational rehabilitation program. Services required in their rehabilitation should be provided without reference to financial need. The Federal Government should reimburse the States for 100 percent of the cost of the necessary services, and these services should be fully adequate to insure the vocational adjustment of these individuals.

(c) Emphasis in this program should be placed upon the treatment of the whole man, and the initiation of rehabilitation services, including vocational training, at as early a date following disablement as is feasible. This requires that the various agencies concerned in any way with the disabled ex-serviceman, including the Department of Defense, the Veterans' Administration, and the Federal-State rehabilitation agencies, should develop the relationships which will insure a coordinated approach and a continuity to the rehabilitation of the individual and his restoration to employment by the most effective methods known.

MEDICAL AND HOSPITAL CARE

Under existing laws, peacetime exservicemen may obtain both in-patient and out-patient medical care for their service-connected disabilities.

Medical and hospital care is not available, however, for non-service-connected conditions except where the exserviceman is in receipt of compensation or was discharged for disability in line of duty.

The Commission makes no recommendation in this field since the medical programs were outside its jurisdiction.

VETERANS' INSURANCE

Under present laws and regulations, peacetime servicemen are entitled upon leaving the service to take out \$10,000 of insurance. This insurance is of two kinds. Veterans with a service-connected disability may obtain service-disabled veterans' insurance, which is available on both a permanent plan and term basis. Nondisabled veterans may take out the veterans' special-term insurance, which is obtainable only on a 5-year renewable term basis. No dividends may be paid under the latter program.

Recommendation No. 49

As discussed in another part of the Commission's report, the Government should continue to provide insurance to veterans with service-connected disabilities which prevent them from obtaining commercial life insurance at standard rates, but the insurance for nondisabled veterans should be discontinued for future entrants. These same recommendations should apply to peacetime ex-servicemen as well as to wartime veterans.

MUSTERING-OUT PAY

One of the more costly readjustment benefits provided to World War II and Korean conflict veterans have been the mustering-out payments. These have been paid at the rate of \$100 for domestic service of less than 90 days, \$200 for domestic service of over 90 days, and \$300 for those with overseas service.

The payment of a sum in cash in the months following separation has been designed to tide newly discharged veterans over until they could obtain jobs. Under the Korean "GI bill" veterans do not become eligible for unemployment compensation until one month has passed for each \$100 of mustering-out pay received.

Mustering-out payments have averaged about \$250 per man, and with a turnover of 700,000 men annually would represent an annual cost of \$175 million. Under present day conditions when there is no forced demobilization and the problem is rather to retain personnel in the Armed Forces, the payment of substantial amounts of mustering-out pay undoubtedly helps provide inducement for a serviceman to go back to civilian life. The average serviceman who is separated receives about \$200 cash in the form of terminal leave settlement plus final pay and transportation home, and this should be adequate.

Recommendation No. 50

Under the more normal conditions now prevailing in the economy, there appears to be no need for special mustering-out payments to ex-servicemen.

REEMPLOYMENT RIGHTS

An important readjustment benefit in the field of employment is the guaranty of reemployment rights to all servicemen who have left a regular job to enter the Armed Forces. This right was established by the Selective Service Act of 1940 and is still in effect for peacetime ex-servicemen.

Recommendation No. 51

Reemployment rights provided by existing laws should be maintained as long as compulsory military service exists.

EMPLOYMENT ASSISTANCE AND RELATED SERVICES

Veterans of all wars, including the two most recent conflicts are entitled to special services and priorities in obtaining jobs through the nationwide system of public employment offices.

The nondisabled veteran is given priority over nonveterans in referrals to job openings, and disabled veterans have an overriding preference. In addition, veterans receive special services such as employment counseling.

The peacetime serviceman will without question have special problems in finding employment after his discharge, and these will not differ greatly from those of the Korean veteran since youth and lack of experience are the main reasons for their difficulty in finding jobs.

It does not appear desirable or necessary, however, to extend to peacetime servicemen the same priorities that are given to war veterans. Instead, it appears desirable to meet this problem by developing long-range programs which recognize that one important function of the public employment service will be to assist young men and women who return to the labor market after a period of military service. The employment service, in principle, seeks to provide appropriate assistance to all applicants who have special placement problems. If the special needs of the peacetime servicemen are recognized, and adequate programs exist to meet these needs, no arbitrary "priority" seems necessary.

Recommendation No. 52

While priority in referrals to job openings does not appear to be necessary for peacetime ex-servicemen, special attention should be given to employment counseling and similar services for this group.

PREFERENCE IN FEDERAL EMPLOYMENT

Wartime veterans including veterans of the Korean conflict receive preference in obtaining Federal employment, and those who obtain such employment are given a lifetime advantage in retaining such jobs. Peacetime ex-servicemen with service-connected disability have preferential rights for Federal employment on the same basis as wartime veterans.

Persons who have entered the Armed Forces since July 1, 1955, and who are without service-connected disability have no rights

under the Veterans Preference Act of 1944. They do have a temporary retention preference based on their reemployment rights and the right to file a delayed application for examinations which were open while they were in the Armed Forces. The Commission is in accord with this policy as well as the policy of giving peacetime ex-servicemen with substantial service-connected disability the same rights as wartime veterans. The Commission's views on such rights for wartime veterans with service-connected disability are discussed further in Chapter IX.

UNEMPLOYMENT COMPENSATION

With the exception of self-employed persons and domestic servants, almost all workers in the economy are eligible for unemployment compensation when unemployed. Most of them are covered by State unemployment insurance laws, while separate Federal programs exist for railroad workers and Federal Government employees. Persons in active military service, unless they are war veterans, have no such protection. The present program for Korean veterans, administered by the Department of Labor, has operated much more satisfactorily than the earlier program for World War II veterans, but does not apply to persons who entered the Armed Forces after January 31, 1955.

Under present law, few peacetime ex-servicemen have benefit rights under State unemployment compensation laws, based on prior civilian employment. In general, such rights exist only in those States which provide for "freezing" benefit rights during military service, since only the wage credits earned within the last year or two are normally counted under State laws. Since many peacetime ex-servicemen are young and have little or no civilian work experience, the majority have no right to benefits.

Insurance against unemployment has gained wide acceptance in this country and is a form of protection to which every worker

is entitled whether he serves with the Government or is employed in private industry. In 1954, unemployment compensation was extended to Federal civilian employees on a basis whereby benefits are geared to those payable under the laws as found in each State and the cost is borne on a 100-percent basis by the Federal Government. This approach appears to be a satisfactory prototype for coverage of military personnel, who are at present the largest single group working for a major employer who are not covered by unemployment insurance.

In extending such coverage, it appears desirable to base the ex-serviceman's wage credits on his "gross compensation" while in military service. In this way both basic pay and allowances and maintenance in kind would be reflected in the wage base on which unemployment benefits are computed. For convenience in administration, wage credits should probably be fixed at a uniform amount for all individuals in a given grade or rank, since to determine the exact amount of individual earnings and allowances would require complex records and would not greatly affect the final amount of benefits.

Recommendation No. 53

Unemployment insurance coverage should be extended to peacetime service in the Armed Forces along the lines of the protection now provided for Federal civilian employees. For this purpose the wage base should recognize the full or "gross pay" of military personnel.

EDUCATION AND TRAINING BENEFITS

The Commission recognizes that the main handicap which may be incurred by the peacetime ex-serviceman, other than service-connected disabilities elsewhere discussed, is the effect that a period of 2 years' mandatory service at an early age may have upon education. At the age of entrance into military service, schooling is the occupation of many, and military service will delay some young men from advancing their formal education and will perhaps cause some to drop their plans forever because marriage and other pursuits may interfere with their return to school or college.

In terms of educational attainment there will be three major groups of peacetime ex-servicemen:

Those who did not finish high school, about 40 percent of the total.—Most of these men entered the service voluntarily. They did not finish high school because they did not find such training compatible with their interests and aptitudes. Most of them will have neither the educational background nor the aptitude for regular college work. In general, the regular educational system is not equipped to meet their needs, otherwise they would have stayed in school longer. Except for such training and experience as they may acquire while in service, they will be poorly equipped to enter the labor market. Many of them will need trade and vocational training of below college level in order to make up for the civilian work experience and seniority lost by virtue of military service.

Those who completed high school and did not enter college, also about 40 percent of the total. Consisting of both inductees and enlistees, this group will have varied educational needs. First, there will be those who have neither aptitude for nor interest in college training. To the extent they did not acquire while in service skills useful in civilian life, their educational and training needs will be much like those who did not complete high school. Second, there will be able students who wished to go to college but did not have the funds to enter and hence could not get a college deferment. Such persons will still want to go to college when they reenter civil life. Finally, there will be those with aptitude for college or other formal postsecondary training who had not made up their minds just what to do after high school. The absence of a clear-cut career goal is not uncommon among 19- and 20-year-olds. The availability of education and training benefits at the time they leave the service is apt to have great influence on whether they go to college or other training, just as it has for those who wished to go to college before entering the service but who did not have the funds.

Those who had entered or completed college, almost 20 percent of the total. This group will consist largely of those who

were deferred for one or more years to attend college or were in the ROTC programs and served as officers. Of those who have not finished college, some will have failed in college or failed to qualify for deferment, and part of this group will wish to go to work immediately or acquire trade or vocational training. In view of the use of education benefits by Korean-conflict veterans, however, most of those who had entered but not finished college prior to entering the service will wish to continue their education after service. Of those who had finished college, perhaps a fourth or more will wish to go on to advanced graduate or professional study.

The educational requirements or aspirations of these ex-servicemen cannot, however, be attributed entirely or even primarily to the fact of military service. Peacetime ex-servicemen will have the educational needs outlined above because they will be young and will have characteristics and problems much like those of all young people.

The Commission has noted the present favorable conditions under which military service is performed, including the educational opportunities available while in service, the level of military pay and allowances and the liberal deferment policy for high school and college students. Of particular relevance is the wide range of alternative ways of fulfilling the obligation for military service and the fact that under present conditions the timing of military service can be planned so as to minimize the effect on formal educational progress.

The Commission believes the effect of 2 years of compulsory military service on formal educational progress under present conditions is not great enough to justify the establishment of a special program of educational benefits for peacetime ex-servicemen.

It is true that in a few years the number of students receiving educational benefits under the Korean GI bill—presently some 350,000 in college and a like number in training of below college level—will drop sharply. The country's largest scholarship program will end, at a time when all signs point to an in-

creasing need for more highly trained professional and scientific personnel and wider educational opportunities.

It has often been pointed out that the World War II and Korean-conflict educational programs provided benefits of such breadth and magnitude that they lifted the educational level of the country as well as of the individual veteran.

The Commission is strongly of the opinion, however, that on a long-range basis—the context in which the problem of the peacetime ex-serviceman must be appraised—Federal educational benefits based solely on peacetime military service are not a sound means for meeting the country's educational needs, pressing though these needs may be.

The problem must be met squarely on its own merits. The Commission feels that serious consideration should be given to the best way of meeting the country's needs through appropriate general programs open to all who can qualify, including ex-servicemen.

Recommendation No. 54

(a) Under present conditions of military service the degree of interruption of the educational process incurred by peacetime ex-servicemen does not warrant special programs of educational benefits.

(b) Educational benefits for ex-servicemen should not be used, on a long-term basis, as a means for meeting national educational needs. The broader national interest in adequate education, particularly at the higher levels, should be considered on a general basis which will take into account the abilities and needs of all young people, including ex-servicemen. Qualified ex-servicemen competing for Government scholarships, under any future general programs of educational assistance, might properly be given a reasonable preference to offset the handicap they would have in competing with civilians with more recent academic work. Factual data collected by the Commission in its study of special veterans' programs may prove of value to agencies considering our general educational needs, such as the President's Committee on Education Beyond the High School.

LOAN BENEFITS FOR PEACETIME EX-SERVICEMEN

Since the peacetime serviceman is normally released at an age when he is not ready to marry and buy a home, the type of readjustment needed by him can be met better by other readjustment aids. For those servicemen who elect to stay in the service, an FHA program (title II, sec. 222, added to the National Housing Act in August 1954) is already available. The insurance premiums for these loans are paid by the Department of Defense as long as the borrowers stay in the service. For the others, service in the late teens or early twenties for a 2-year period can hardly justify a long-range loan benefit program other than that available to the general public.

Recommendation No. 55

It is recommended that no special loan benefits be made available for peacetime ex-servicemen.

NON-SERVICE-CONNECTED PENSIONS

Non-service-connected pensions for peacetime ex-servicemen raise an important issue. The Commission's study showed that by the year 2000 there will be over 26 million peacetime ex-servicemen in civil life, assuming that the Armed Forces remain at their present strength and the annual turnover is 700,000 men. If non-service-connected pensions were provided for this group, it would ultimately involve outlays running into many billions of dollars, since even under existing laws the projections indicate that non-service-connected pensions will cost an average of \$6,000 to \$9,000 per man who enters service.

In terms of precedent the answer is unequivocal. Non-service-connected pensions have not been provided to peacetime ex-servicemen. Pensions have been associated with the concept of war risk and have been limited to war veterans. As in the case of readjustment benefits, the case against pensions rests on a low level of Government obligation to the peacetime ex-servicemen because of the more favorable conditions of peacetime service. There is the further important consideration that under

pending legislation—and as also recommended by this Commission—all active military service would be credited for OASI purposes just like private employment.

Recommendation No. 56

Non-service-connected pensions should not be provided for peacetime ex-servicemen.

Chapter XI

NON-SERVICE-CONNECTED PENSIONS

Pensions are paid to veterans or to their dependents to fill needs not directly arising from military service. Traditionally, pensions have been awarded to veterans of wartime service either by reason of age or on account of disability not traceable to service-connected causes. Such payments have also been made to the widows and orphans of war veterans who died from causes not traceable to service. Usually, they have been paid upon proof or presumption of need. Older veterans and their widows, however, have often been awarded pensions regardless of their economic situation. Pensions have never been paid to peacetime ex-servicemen.

Of all the programs administered by the Veterans' Administration the pension program looms largest in the years ahead. Already it is on a par, in terms of expenditures, with readjustment and rehabilitation benefits and is second only to service-connected disability and death compensation. Within 5 years its cost—under present laws—will equal that of compensation. About 20 years later it is likely to equal, and thereafter to exceed for several decades, the cost of all other Veterans' Administration programs combined. (See chart III in chap. IV.)

In terms of beneficiaries eligible under current laws, present numbers must be expected to double within 10 years and nearly quadruple within the next 30 years.

The reason for this sustained growth over a period of time when the trend in caseloads and costs under all other veterans' programs will have turned downward is explained by the nature of pension benefits. Pensions are essentially a means of aiding veterans and their dependents in coping with the common adversities of life not connected with service. These adversities may—and usually do—arise long after service was rendered.

The needs for readjustment and rehabilitation benefits manifest themselves soon after the end of a conflict. Service-connected disability and even death claims reach a peak within 2 or 3 decades. Not so the needs which give rise to pension claims. Disabilities developed in civil life, old age, and ultimately death, all come typically many years after a veteran leaves the service. When a veteran dies from natural causes, long after war's end, survivor pensions may be paid to his widow or children for many more years.

Historical Development and Rationale of Pensions

Service-connected compensation benefits date back to the 16th century laws of Elizabethan England and to Colonial enactments in this country. Non-service-connected pension benefits, however, have their origin in this country at a later point in time. There is no counterpart to them in England and in most other countries. Canada does have a similar type benefit for veterans in need who rendered overseas service during wartime.

The first pension in this country was enacted for veterans of the Revolutionary War in 1818. Service during the war of at least 9 months was required to qualify for pension and the amounts varied depending on whether the veteran had been an officer or a private. From then on similar legislation was enacted after every major conflict in which this country has been engaged. For the earlier wars benefits of this type were enacted approximately 30 to 50 years following the end of the conflict. At first, they were usually limited in scope and exacting in conditions of entitlement. Subsequent liberalizations lessened the restrictions, notably by reducing the period of war service required and thus widening the group of eligibles. Requirements of need and other qualifying conditions such as age and disability were eliminated until wartime service alone, usually for 60 or 90 days or even less, remained the sole condition of eligibility.

This progressive development is particularly striking with regard to pensions for dependents of deceased veterans. The first enactment of pension benefits for widows was in 1836. It began by extending the pension payable to a veteran with no less than

6 months' service in the Revolutionary War to his widow, for the term of her widowhood, provided she had been married to him before the end of his service. Gradually the service requirement was lowered to 14 days or participation in 1 engagement and eligibility was extended to widows married to the veteran at any time prior to his death. Subsequent legislation extended the benefit even to a veteran's widow who had remarried and been widowed anew.

The time span for enactment of pensions has been shortened for recent wars. For World War I veterans a limited pension was enacted in 1930. For veterans of World War II and the Korean conflict pension benefits were provided while the conflicts were in progress. Eligibility requirements for World War I and World War II pensions, especially those for survivors of World War I veterans, have been liberalized since their original enactment. However, outright service pensions of the type provided in connection with the Spanish-American War and earlier wars have not been granted to veterans of any of these three conflicts.

Many reasons have been advanced in support of veterans' non-service-connected pensions. The pensions for Revolutionary War veterans were justified largely by the argument that they had not been adequately paid during the war and, later, had received back pay in depreciated currency.

Many other arguments in support of pensions were advanced in later periods. The soldiers' contributions to the enrichment of the country by their exceptional valor were stressed for the War of 1812 and the War with Mexico. A frequent reason throughout was reward for service freely given to the country in its time of need. This was particularly stressed in connection with the volunteer method of raising troops for wars prior to the Civil War. Those who responded to the call were deemed to merit special, preferential treatment, especially in their own hour of need. Often it was suggested that pensions would have an incentive effect upon those in service or who would serve in the future. Some arguments changed from war to war as conditions changed or as counterarguments were produced by the

opponents of pensions. Until recent wars, poor medical records for those in the Armed Forces and unduly strict requirements to establish service connection for certain disabilities were important factors underlying the demand for pensions.

Changing economic conditions, especially the changing condition of the Federal Treasury, have also had their influence upon the development of pensions. As a rule, pension laws were enacted or liberalized during periods of Treasury surplus. On the other hand, the only two significant attempts to curtail benefits were made during periods of budgetary stringency, in 1820 and in 1933.

Economic Security for Veterans

Stripped of all passing considerations, the main concern of pension legislation for veterans has been to keep them and their kin from want and degradation. Pensions for Revolutionary War veterans were to keep them from "being reduced to indigence and even to real distress" in their old age. They were made available to any veteran in "need of assistance from his country for support." Throughout the years this has been the lasting motivation. Even where need was not required to be shown, it was presumed to exist by reason of old age. We have been unwilling as a Nation ever to see the citizen-soldier who had rendered honorable service in wartime reduced to the dishonorable status of a "pauper." Pensions were provided to them as an "honorable" form of economic assistance.

To understand the historical preoccupation with this possibility, one must remember that from Colonial days down to the 1930's the only alternative to granting special protection to needy veterans and their dependents was to expose them to the risk of becoming charges of public or private charity. There simply was not available a general first line of defense against the common hazards of economic life: Loss of income due to unemployment, inability to work either because of old age or disablement, and death of the family provider. True, State and local programs of public relief had improved in quality with the country's increasing wealth. The moral contempt for the poor which had been a characteristic of the early days was

fading. Yet, the conditions accompanying the receipt of relief retained those very features which denied it the character of an honorable substitute for the normal work income. Disfranchisement, pauper's oaths or, at any rate, designation of the relief recipient as pauper, almshouses, workhouses remained common features of State welfare care as late as our own century.

Present Pension Provisions

At present, pension provisions are substantially alike for veterans of the "new wars," that is World War I, World War II, and the Korean conflict, but different for those of the "old wars," mainly the Spanish-American War.

Veterans of the "old wars" have enjoyed service pensions payable by reason of service alone or disability or age and regardless of the veteran's other income. Since the pensionable age for Spanish-American War veterans is 62, and since all surviving veterans of that war are older than that, it can be said that all living veterans of that and any other "old war" who have had the minimum period of service required to be eligible (ranging for the most part from 30 to 90 days) are now on the pension roll. The same is true of the survivors of deceased veterans of the "old wars," that is, their widows who are not remarried and their minor or helpless children.

Veterans of the "new wars" who have served honorably for 90 days (or less if discharged for a service-connected disability) are eligible for pensions based on disability from any nonservice cause, other than willful misconduct, which makes the veteran unemployable. In the case of veterans below age 55 such disability must be both permanent and total, in addition to causing unemployability. From age 55 on the required extent of the disability is lowered until at age 65 disablement of 10 percent entailing unemployment is sufficient. A further qualifying condition is limited income. The veteran's income from other sources than the pension must not exceed \$1,400 per year, or, if he is married or has a minor child, \$2,700.

The pension rate of \$66.15 monthly is the same for all, except that those over 65 and those on the roll 10 years, even though

younger, receive \$78.75. Those helpless or blind or in need of regular aid and attendance draw a substantially higher rate, \$135.45 monthly.

Pensions to widows and dependent children of a deceased veteran vary more widely. Those payable to widows and children of the "new wars" are practically the same in all respects but one. World War II and Korean conflict pensions are payable only if the veteran at the time of his death had a service-connected disability of some kind. World War I survivors' pensions, like survivors' pensions of the "old wars," are not subject to such a restriction.

Orphan children aged 16 and over, up to 18 (or 21 if in school, or any age if helpless—until married) are generally treated alike under all laws. Orphan children below age 16 are favored under the Spanish-American War pension laws by a substantially higher rate of pension.

Survivors' pensions under "old wars" legislation are not subject to an income test. Under the pension laws pertaining to the "new wars" the same income limitations apply as are used in determining eligibility for disability pensions. But the income tests are administered separately to the widow and, if she is disqualified on account of excess income, to the children of the deceased veteran.

TABLE 1.—Current Rates of Pension Payable to Veterans and Their Survivors

Category	Monthly		Annually	
	World War I, World War II, Korean conflict	Earlier wars	World War I, World War II, Korean conflict	Earlier wars
Veteran:				
Under 65.....	\$66.15		\$793.80	
Age 65 and over or 10 years disabled.....	78.75	\$101.69	945.00	\$1,219.08
In need of regular aid and attendance, helpless or blind.....	135.45	135.45	1,625.40	1,625.40
Spanish-American War, only 70 days' service:				
Helpless.....		88.04		1,056.48
Other.....		67.73		812.76
Widow of veteran:				
Alone.....	50.40	40.64-67.73	604.80	487.68-812.76
With 1 child.....	63.00	48.77-75.86	756.00	585.24-910.32
Each additional child.....	7.56	8.13	90.72	97.56
Children of deceased veteran:				
1 child.....	27.30	27.30-62.31	327.60	327.60-747.72
Each additional child (earlier wars only).....		7.56-13.65		90.72-163.80
2d and 3d child (each).....	13.65	7.56-13.65	163.80	90.72-163.80
Every additional child.....	7.56	7.56-13.65	90.72	90.72-163.80

Implications for the Future

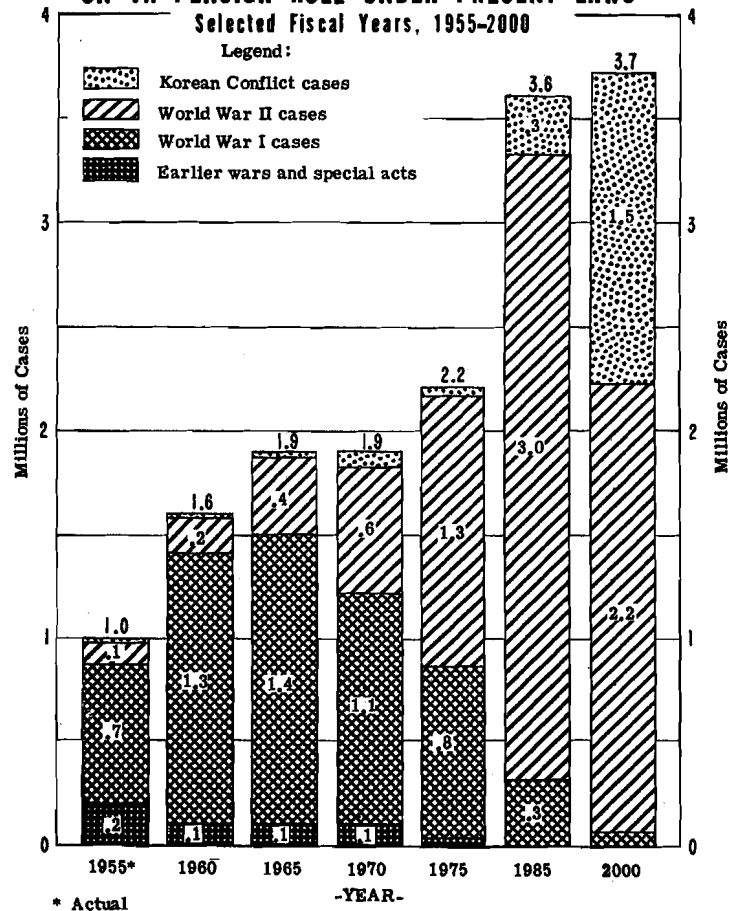
Veterans and survivors who are eligible for service-connected compensation benefits have always constituted a small percentage of those serving in a given conflict. The peak in the compensation roll has always come shortly after the end of each conflict and then has tapered off through the years.

The heaviest pension load by contrast, has typically come many years after the end of each conflict, since pension benefits have tended to be payable to veterans on an old-age or non-service-connected disability basis, or to the widows of deceased veterans.

At the present time only a small proportion of the living veterans are in the age 65 and over group. The big pension load for World War I, World War II, and the Korean conflict lies ahead. Chart I shows the projected number of cases which are likely to be on the non-service-connected pension rolls under existing laws, assuming that 50 percent of the veterans over 65 qualify for pensions. At the present time there are about one million veteran and survivor cases on the rolls. In the next few years the World War I load will increase sharply and then after 1965 will tend to decline. However, this decline will be more than offset by an increase in the World War II load, and toward the end of the century, by accession of Korean conflict cases. As the chart shows, by the end of the century it is likely that over 3 1/2 million veteran and survivor cases will be on the benefit rolls. The bulk of this increase will be among veterans, since the number of survivor cases on the rolls at that time is projected at somewhat less than the 400,000 now on the rolls.

The increase in the number of cases on the pension rolls would, of course, be much sharper if present laws were liberalized to provide for a "service pension" for all veterans of age 65 and over and to widows of all deceased veterans. As chart II shows, on this assumption the number of cases would increase by the end of the century to over 12 million—more than 3 times the number expected under present laws. Not only the number of veterans on the rolls, but the number of survivor cases too would

CHART I
ESTIMATED NUMBER OF VETERAN AND SURVIVOR CASES
ON VA PENSION ROLL UNDER PRESENT LAWS

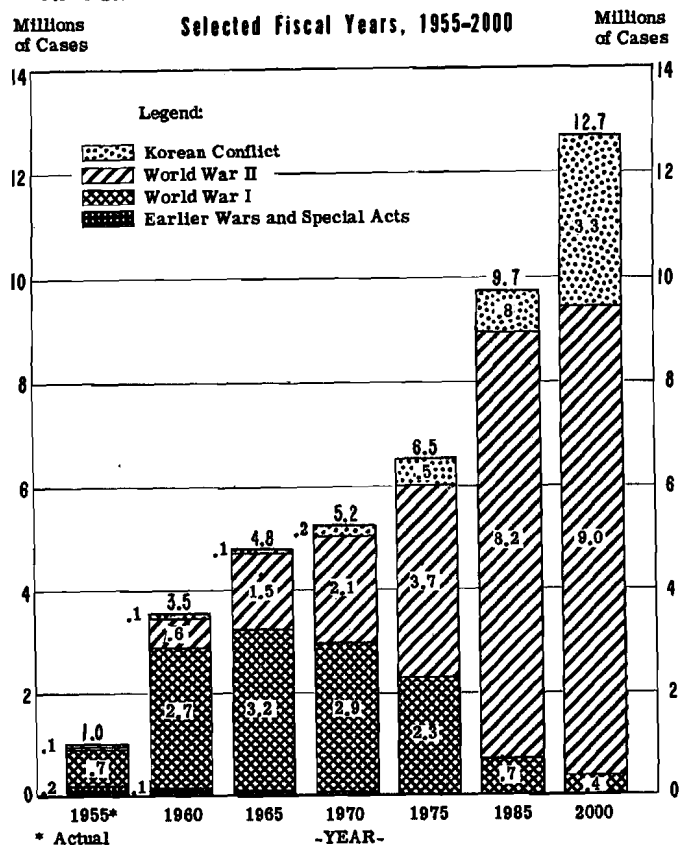


increase sharply. By the year 2000, the dependents cases on the rolls would number about half the total of 12 million shown in chart II.

The Commission's studies indicate that all people, including veterans, tend to have lower incomes after they reach age 65. Accordingly, proposals which would automatically presume all veterans beyond age 65 to be totally disabled or unemployable,

CHART II

ESTIMATED NUMBER OF VETERAN AND SURVIVOR CASES ON VA PENSION ROLL ASSUMING SERVICE PENSION



under present income limitations of \$1,400 and \$2,700 per year on outside income exclusive of Veterans' Administration benefits, would go a long way in the direction of a "service pension." For example, statistics indicate that in 1954, 78 percent of the World War I veterans in the over 65 age group had total incomes (including Government benefits) of less than \$3,500, and 67 percent had incomes below \$2,500. A substantial number, 29 percent had incomes of less than \$1,000. The private incomes of these veterans were, of course, somewhat lower than their total in-

comes, since about one-third of the World War I veterans in the age 65 and over group were already receiving veterans' pensions in 1954.

THE GENERAL SOCIAL SECURITY PROGRAMS

The main function of the veterans' pension programs has been to provide support to veterans when they were in actual or presumed need because of disability or old age, or to their dependents after the veteran had died. Since no other programs were available to meet these legitimate needs, it can be said that the veterans' pension programs pioneered in the income maintenance field in the United States.

With the passage of the Social Security Act in 1935, however, a new era in social welfare legislation began. The bulk of the wage earners, including most of the veterans, were provided benefits comparable to some of those which had been available only to veterans. In rapid succession, the various social insurance features of the act took effect, beginning with the payment of lump-sum death benefits in 1937, unemployment compensation benefits in 1938, and survivor and old-age benefits in 1940. Moreover, the traditional "last resort" programs of public assistance were substantially bolstered, expanded, and afforded a measure of respectability by anchoring certain categories of benefits in Federal law and supporting them by Federal grants.

Purpose and Scope of Social Security Programs

As the framers of our social security program conceived of it, and as subsequent developments have to a large extent borne out, the program, consisting of several constituent parts, was designed to provide safeguards against the major risks of economic insecurity. Thus, the social security system provides protection in the form of income maintenance to the worker and his dependents when the family's usual income is cut off by such common hazards as unemployment, retirement, or death of the breadwinner.

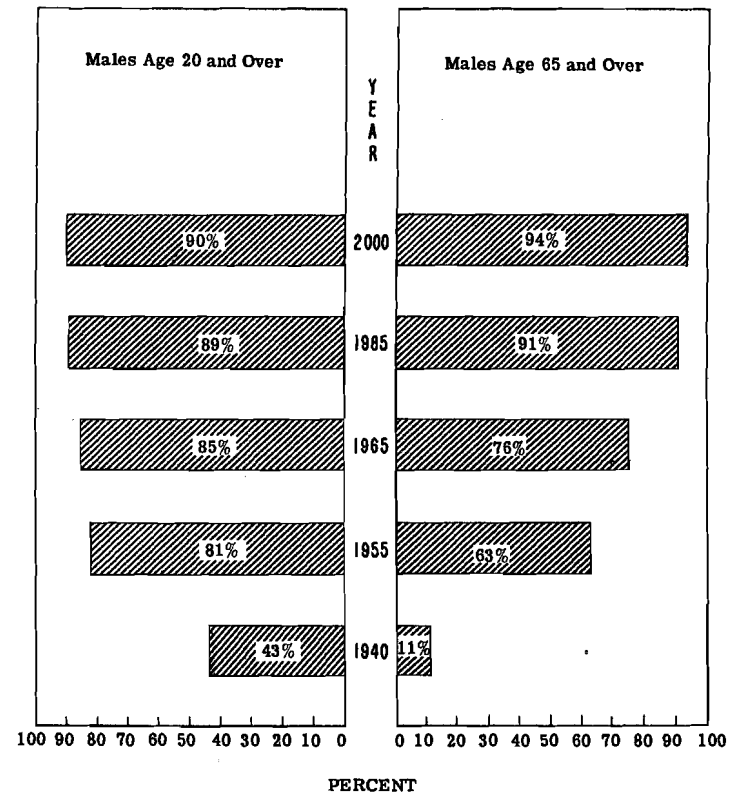
Old-age and survivors insurance (OASI), the largest component of the social security program has become the basic social insurance protection for persons in gainful employment and for their dependents. Financed from contributions by the wage

and salary earners of the country, by their employers, and by the self-employed, this program pays benefits based on past earnings to aged persons insured under it who retire from full-time work, to their aged wives and minor children. Upon the death of the family provider insured under the program, it pays survivor benefits to his widow provided she is aged or has minor children in her care.

This general program has been broadened through successive amendments so that in 1955, practically universal coverage had been achieved. By the middle of that year, out of 64.6 million persons working, 56 million (87 percent) were covered under OASI. Of the 8.6 million not so covered, Federal civilian workers accounted for 1.8 million. They have their own retirement and survivorship program. Efforts to coordinate that program with OASI are currently under way. Three million were in the Armed Forces. While not permanently covered under OASI, members of the Armed Forces have "temporarily" received free wage credits for every month served since September 1940. Many have thus acquired fully insured status for life and others have acquired substantial wage credits of \$160 per month toward OASI-insured status. This temporary coverage provision expired on March 31, 1956, but a bill to make OASI coverage for the Armed Forces permanent is now before the Congress. For those who have left the Armed Forces, the chances are better than 9 out of 10 that they have entered civilian jobs which are covered under OASI.

The OASI program has grown into its own as the basic economic security program only in the last few years. In 1940 only two-fifths of all male workers were insured and eligible for benefits (see chart III). Of the males over age 65, only one-tenth were eligible. Today, four-fifths of all male workers are insured. Of all the aged males (65 and over) living today, more than three-fifths are eligible for OASI benefits. Among the males currently reaching age 65, three-fourths are eligible. Of all men dying, more than one-half leave their survivors eligible to draw an OASI benefit.

CHART III
PERCENT OF MALE POPULATION INSURED UNDER OASI
Estimated for Selected Years, 1940-2000

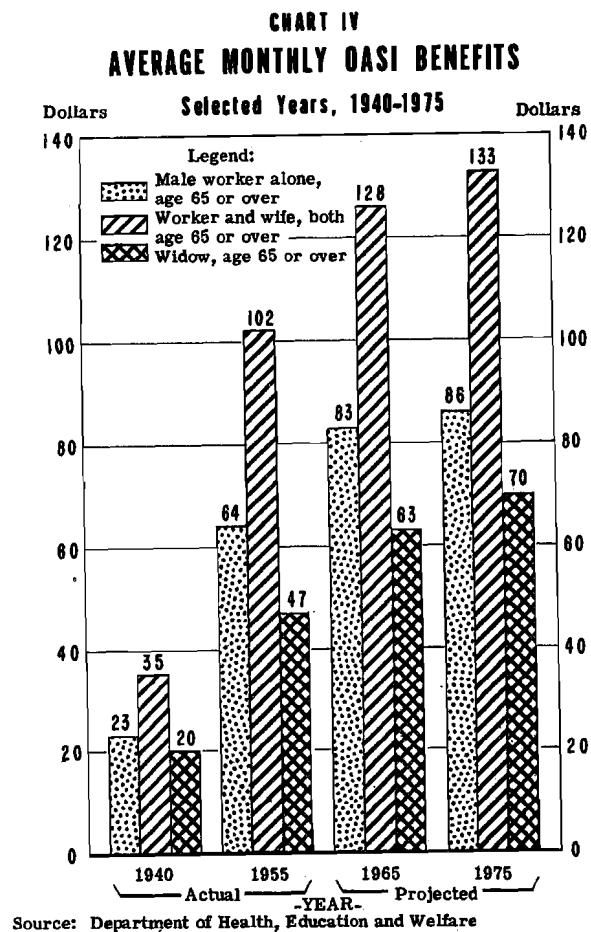


Source: Department of Health, Education and Welfare.

In future years, the extent of OASI protection will be even more inclusive. Under existing laws, in 1965 and thereafter, about 9 out of 10 male workers will be not only covered but insured under that program. Thus 9 out of every 10 males reaching age 65 will be entitled to benefits upon retirement and, in the event of death, their survivors will be so entitled.

Along with the broadening of the OASI program, there has also taken place a marked improvement in the adequacy of benefit amounts. In 1940 the average monthly benefit paid to

a retired male worker without dependents was \$23 and to one with a wife age 65 or over, \$35. By 1955, average benefits for these categories of beneficiaries had increased to \$64 and \$102, respectively. As chart IV indicates, the future will bring further



increases in the adequacy of OASI benefits. By 1965, the individual retired worker will receive, on the average, \$83 and one with a wife over 65 will receive \$126 per month. Further increases will materialize in the years following.

Taken together, the broadened eligibility for benefits under OASI and the greater adequacy mean that an increasing segment of our population will have a minimum level of basic protection in old age and in the event of death of the family provider.

Other General Income Maintenance Programs

The old-age and survivors insurance program is the basic income maintenance program in this country. As indicated in chapter IV, outlays under the program in 1955 amounted to more than \$4 billion. In 10 years they will more than double. By 1985 they will more than quadruple under existing laws.

Simultaneously with the increase in the scope and adequacy of the OASI program, there has been a substantial growth of other income maintenance programs in our society. Various public retirement programs other than OASI as well as private retirement programs, notably in the industrial sector, have come into being. Unemployment insurance has likewise been established in every State. State and Federal programs of workmen's compensation which protect workers who are disabled while on the job, have been improved. Finally, to meet needs which are not met in any other way, Federal-State public assistance programs have been established to provide the essentials for aged, blind, and disabled persons and for dependent children.

Altogether the general income maintenance programs at Federal State and local levels of Government—but not including private benefit plan disbursements—in the past fiscal year accounted for expenditures of over \$11 billion. As described in chapter IV this total is projected at over \$18 billion for 1965 and at nearly \$30 billion in 1985. It is clear that there has come into existence a source of protection against economic hazards providing substitute incomes which are bound to benefit veterans along with nonveterans in large proportions. This new source of protection must be taken into account in any reevaluation of the proper role of veterans pensions in our society.

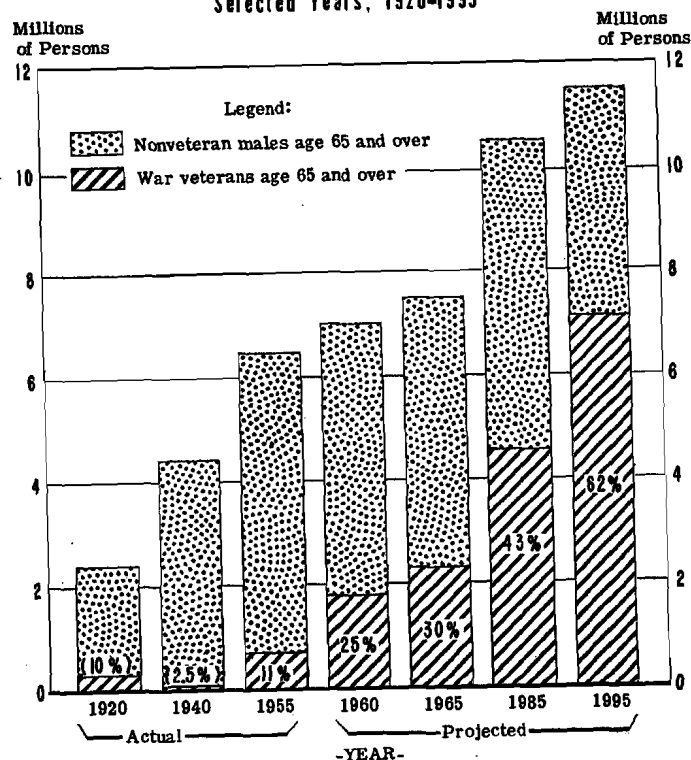
Veterans Under the General Income Maintenance Programs

Veterans as well as nonveterans share increasingly in the protection which is provided by OASI and other general income maintenance programs. Today one-tenth of all males age 65 are veterans; toward the end of this century more than three-fifths will be. (See chart V.) Today nearly one-sixth of all males dying are veterans; toward the end of the century veterans will represent nearly one-half of that group. Even more important veterans constitute today two-fifths of our labor force, and in the comparable age groups a somewhat higher percent-

CHART V

WAR VETERANS AGE 65 AND OVER IN TOTAL MALE POPULATION AGE 65 AND OVER

Selected Years, 1920-1995



age of veterans are in the labor force and are working than of nonveterans.

This means that veterans are covered under the basic OASI program in an even higher proportion than are nonveterans and that in the case of old age or in the event of death, they or their survivors will be entitled to OASI or other benefits. Thus, in the years to come, virtually all veterans who die or who reach the retirement age of 65 will be insured for OASI survivor or retirement benefits. If they are not covered by OASI, it is likely that they will be covered by one of the other staff retirement systems. As a last resort, of course, they are—just as other people—entitled to fall back on the public assistance programs, where the main criterion for benefits is individual need. At the same time, however, the conditions of eligibility for veterans' non-service-connected pensions have been liberalized. At age 65, a disability from any cause of only 10 percent is required if it results in unemployability and if the veteran's income is below the level of \$1,400 if single, or \$2,700 if married or with dependent child. Under existing laws and regulations, veterans who have reached age 65 can qualify for a non-service-connected pension in a substantial percentage of cases. As table 2 indicates, in 1947 only 14.8 percent of World War I veterans who were over 65 were receiving pensions. With the return of the economy to peacetime conditions and the liberalization of eligi-

TABLE 2.—World War I Veterans on Non-Service-Connected Pension Roll

[As percentage of living World War I veterans]

Year	Veterans age 65 and over on pension roll compared with all World War I veterans 65 and over	Veterans under 65 on pension roll compared with all World War I veterans under 65	All World War I veterans on pension roll compared with all World War I veterans
1935.....	8.1	0.7	0.8
1940.....	8.9	1.4	1.6
1945.....	11.8	2.2	2.4
1946.....	11.6	2.4	2.5
1947.....	14.8	2.9	3.1
1948.....	16.7	3.5	3.7
1949.....	21.4	4.5	4.8
1950.....	26.7	5.9	6.4
1951.....	31.3	7.3	8.1
1952.....	30.0	8.2	9.5
1953.....	31.4	9.0	11.2
1954.....	33.0	9.7	12.9
1955.....	34.5	10.4	15.1

bility requirements, 34.5 percent of the World War I veterans in this age group are now on the pension roll. Accordingly, in the Commission's projections it seemed realistic to assume that at least one-half of the veterans age 65 or over would be on the pension roll in future years under existing laws.

Even at present, the extent of overlap between OASI and the veterans' pension program is considerable. A survey undertaken by the Veterans' Administration in 1954 indicated nearly one-half of the aged veterans of the "new wars" who were on the pension roll were also receiving OASI benefits. This resulted in part from the as yet rather low level of average OASI benefits and also the fact that today the income limitations under the veterans' laws and regulations are sufficiently high so that even the maximum OASI payment falls below them.

In future years, both the number and proportion of veterans entitled to OASI payments will increase to the substantial percentage shown on chart III or even higher. Thus under existing laws, it appears that an increasing number of veterans will qualify for OASI benefits and for veterans pensions as well. This raises a fundamental issue of public policy: Is it necessary or desirable for the Federal Government to continue to provide veterans pensions to persons whose basic needs will be met through the basic OASI system to such a degree as the Government has determined to be adequate for the population generally? More specifically, the issue is whether the Government is obligated to provide a veteran who is receiving an OASI benefit of from \$70 to \$100 a month, an additional veteran's pension at present rates, or indeed any pension at all.

RELATIONSHIPS BETWEEN THE VETERANS' ADMINISTRATION PENSION PROGRAM AND THE GENERAL OASI PROGRAM

Different Origins But Common Purpose

The two programs, veterans' non-service-connected pensions and OASI, though differently conceived are clearly merging on several fronts.

Pensions have been premised on the conviction that those who fought the Nation's wars should be assured its support when

and if needed. Sometimes need was simply taken for granted—when pension laws were long delayed and could benefit relatively few persons of ripe old age. But this was done against a background of a complete lack of general income maintenance programs. Under such conditions need could indeed be presumed to exist rather widely.

Modern social insurance programs are almost entirely based on the idea of meeting presumptive needs which are known to exist whenever common economic hazards strike. Thus OASI was designed to do for all the people what veterans' pensions were to do under more limited circumstances for a group regarded as especially deserving.

Both programs aim to protect against loss of regular income due to old age or to loss of the family provider: Pensions in the form of a gratuity for past service, OASI on a contributory basis related to past earnings. In addition, the pension program covers loss of income owing to work-disabling illness or accident. Similar protection on a limited scale has been proposed along with other liberalizations of OASI as part of the Social Security Act Amendments of 1955, now before Congress.

Frequently the argument is made that in view of the contributory character of the OASI benefit as an earned right, such benefits should be considered as in a class by themselves. Specifically, it is sometimes argued that OASI benefit payments should not be regarded as a part of the nation's total budget for social welfare outlays, nor should receipt of individual OASI benefits be taken into account in determining a veteran's eligibility for a pension and the extent of his presumptive unmet need.

The Commission cannot espouse this view. OASI is a program of social insurance. Unlike private insurance, it is not geared primarily to individual equities but rests in the main on broader social considerations. It was conceived and organized with concern for satisfying widely felt social needs for economic security. For those insured under the program, the categories of persons entitled to benefits are those generally recognized as needing protection most, chiefly retired aged persons and survivors such as minor children, aged widows and those left with

minor children in their care. OASI benefit amounts are heavily weighted in favor of low-income earners and are all subject to minimum and maximum limits. Although it operates through a trust fund with a limited buffer reserve, the contribution rates in the form of payroll taxes on covered employment are scheduled to rise in future years as benefit disbursements increase, which revenues must then come out of current production.

The Commission believes that a fiscal and economic evaluation of any special benefit program must take into account the impact of OASI. In light of the OASI program's designated role as basic income insurance system for the whole population, the Commission believes further that it is imperative to take account of the protection OASI provides in assessing the need for any other more specialized program, such as the veterans' pension program.

Similarities and differences in the major elements of protection afforded by the two programs are as follows:

TABLE 3.—*Comparison of Type of Protection Offered Under the Veterans' Pension and the OASI Programs*

Risk covered	Veterans' pension program	Old-age and survivors' insurance
1. <i>Old-age</i> Benefit for worker or veteran.	Provided under pension laws governing "old wars" for all veterans with minimum service. Under "new wars" pension laws only if veteran age 65 or over is at least 10 percent disabled, unemployable, and has less than statutory income.	Available at age 65 to "fully insured" individual with less than \$1,200 annual income from work. Higher earnings may reduce or cancel benefit. At age 72 work income no longer considered.
Benefit for spouse.....	None.....	At age 65 or any age if wife has minor child in her care.
Benefit for children.....	do.....	Up to age 18.
2. <i>Death</i> Benefit for widow.....	Provided under "old wars" pension laws for all widows of deceased veterans with minimum service. Under World War I pension law to any widow with less than statutory income. Under World War II and Korean conflict pension laws to widow of veteran who had some service-connected disability at death and subject to statutory income limit.	Available to widow of "currently insured" worker at age 65 or to widow of "fully or currently insured" worker at any age if she has minor child in her care.
Benefit for children.....	Up to age 18 or, if in school, age 21, or if helpless, any age until married.	Up to age 18.
Benefit for others.....	None under pension program, but burial lump-sum benefit is provided under other laws.	Dependent widower, divorced wife with child, dependent parent. Also lump-sum death payment.
3. <i>Disability</i> Benefit for worker or veteran.	Provided for veteran of any age who is unemployable due to permanent total disability and subject to statutory income limit.	None except "freeze" to protect eligibility and amount of benefits.
Benefit for wife or children.	None.....	Same as above.

Overlaps and Gaps

The extent of parallel coverage of certain risks as well as differences in coverage is indicated by the foregoing tabulation. The areas where one program provides protection to those eligible under it and the other one does not, may be summarized as follows for veterans of World War I and later wars:

1. Disability benefits at ages below 65 stand out as the main area where there is at present no double coverage. Veterans' pensions in this area provide an important protection to veterans which is not now available through the general OASI program. However, even in this area legislation is pending to provide cash OASI payments at age 50 or above.

At ages 65 and above, there can be duplication under existing laws between OASI "old-age" benefits made possible by the "disability freeze" and Veterans' Administration "disability" pensions.

2. In the survivor benefits area there are some major differences, as well as overlaps. Under the veterans' pension program benefits are provided to childless widows under age 65; under OASI only after 65. Both provide benefits to widows with minor children, or to children whose mother has remarried or who have been orphaned. OASI children's benefits tend to be substantially more liberal, but they are payable only up to age 18; the Veterans' Administration payments are made up to age 21 if the child is in school, or for life if helpless.

However, not all widows and children of veterans are covered by the Veterans' Administration pension program. Protection is available to all otherwise eligible World War I cases where the dependents have income below the statutory income limitations. But for families of World War II and the Korean conflict, veterans' pension benefits are available only if, in addition, the veteran had a service-incurred disability.

3. OASI old-age benefits are available at age 65 to all insured workers if they retire from full-time work so their earnings are below the stipulated limits. Veterans' pensions at age 65 are adjudicated on the basis of "disability" with resultant unemploy-

ability leading to an income below the statutory limit. However, the required 10 percent degree of disability is so small (reduced from 40 percent to 10 percent in 1948) that most older persons can readily meet it, so the program has increasingly assumed the function of providing old-age benefits.

4. The OASI benefits are contributory, related to past earnings and payable as a matter of right. The purpose of the program is to give all workers a chance to make basic provision for their future economic security needs through a general social insurance system. Veterans' pensions are gratuities, paid in recognition of actual or presumed need. They are more similar to public assistance in this respect than to OASI. At the same time, they have been based on service to the Nation and hence are thought of as more honorable than the public assistance benefits.

5. Neither of the two systems is 100 percent comprehensive in its coverage, nor fully adequate in all its benefits. The OASI system does not yet cover all employment and some who work in covered employment are not yet "insured" and hence not protected. Eligibility requirements under the Veterans' Administration pension program leave many gaps for both veterans and their survivors. Benefit levels under each of the programs are inadequate for some beneficiaries when taken alone, but are larger than warranted in the case of others who receive both simultaneously.

VETERANS' PENSIONS AND PUBLIC ASSISTANCE

Similarities and Differences

Though limited in scope and sometimes lacking in consistency as are most pioneering efforts, veterans' pensions have served as a pilot for our general income maintenance programs. Today, the social insurances have become the "first line of defense" for all the people against the common adversities of life. Public assistance cares for those who "fall through the meshes" of this screen.

Public assistance programs have taken great strides since the days of the poor laws. Notably, an effort is made in every State to arrive at an objective determination of individual needs. Nevertheless, public assistance benefits have not attained the social acceptance which has long been accorded to veterans' pensions as an honorable means of substitute income. Aside from outworn traditions, this is due to great variation in State and local practices accentuated by differences in fiscal capacity.

Assistance programs in almost every State cover the risks against which the veterans' pension program offers protection, including disability. However, conditions of eligibility, notably under the Federal-State program of Aid to the Permanently and Totally Disabled, vary widely between States.

Present Relationship Between Pensions and Public Assistance

Unlike OASI benefits, public assistance benefits are provided generally in such a way as to take account of any veterans' pension that may be paid, just as of any other income. Veterans and their dependents are encouraged to qualify for any veterans' pension to which they might be entitled before they are paid public assistance. Also, veterans themselves seek to obtain veterans' pensions in preference to public assistance and will continue to do so as long as they consider public assistance—rightly or wrongly—less acceptable.

Occasionally, difficulties result due to the inclusion of public assistance payments as income and ensuing forfeiture of the pension. These arise from the fact that public assistance authorities had counted on the continued receipt of the pension in determining the amount of supplementary public assistance necessary in order to meet minimum needs. These difficulties could be avoided if public assistance payments were excluded from the computation of a pensioner's income.

THE ROLE OF VETERANS' PENSIONS

Priority Obligations of the Government to Veterans

This Nation traditionally has provided generously for the needs of veterans who have fought its wars. Those needs di-

rectly due to war service, and, therefore, specifically needs of veterans, have always commanded top priority. First of all are the needs of those injured and disabled owing to war service and of the families of those killed in war or who died as a result of service. Next to be considered are the needs of all those who suffered economic or social disadvantages, usually of a temporary nature, as a result of service in comparison with those who did not serve.

At one time pensions, aside from land grants, were almost the only benefit which the Federal Government bestowed upon veterans in an attempt to discharge this latter obligation. By contrast, World War I veterans received a bonus and World War II and Korean conflict veterans were given a wide range of readjustment benefits at a cost of \$27 billion to help them gain or regain a foothold in civil life and compete with nonveterans on favorable terms.

Statistical surveys show us that veterans of World War II are faring as well or better than nonveterans in regard to education, occupational status, full-time employment, and income. Among the Nation's disabled—probably due largely to veterans' benefits and rehabilitation training—veterans make a better showing than nonveterans in regard to employability, gainful employment, and income.

As outlined earlier in this report, not only the substantial developments in the field of general warfare but other significant changes in our military, economic, and social institutions have taken place which affect the Government's obligation to veterans of recent wars. Of foremost importance is the shift from volunteer service to conscription. Equally important are the improved conditions of service in recent wars—more equitable selection processes with the advent of selective service, dramatic lessening of risks of death from disease and battle injuries due to better medical care and sanitation, occupationally useful military experience and training, improvements in pay and benefits. As described earlier, the value of military experience has been recognized by the veterans themselves in their responses to the Commission's survey questionnaire.

Thus, the circumstances which originally gave rise to pensions in the years following the Revolutionary War are in the main no longer present. True, our method of conscription is still based on selective rather than universal service. However, looking ahead, even more drastic changes are likely as military service becomes a regular and expected duty of the bulk of our young men and as the conditions of possible warfare become such that the whole society becomes involved.

Under these conditions, the differentiation of people in our society according to previous military service becomes increasingly arbitrary and inequitable as the basis for providing protection against common risks which have found general recognition and against which protection is commonly available to veterans and nonveterans alike.

Social institutions ought to be adapted and redesigned from time to time in the light of changing conditions and needs. The traditional veterans' pension programs were forward looking when they were first enacted, but they have not kept pace with the rapidly changing forces and have not been brought into alinement with newly emerged institutions. Properly redesigned veterans' pensions may serve a useful purpose for some time to come, but they urgently need to be brought up to date.

Veterans' Pensions Becoming a "Reserve Line of Defense"

War service may not cause, but neither does it preclude untimely death, disability, and other adversities in later life. To veterans' pensions used to fall the task of averting destitution in such cases.

Today, this task is being accomplished in large and ever-growing measure for veterans as for nonveterans under our general social security program. In a nation where veterans and their dependents make up half of the population their common needs can no longer be considered "special." Significantly—as shown in a recent survey—veterans themselves consider general lifetime pensions no longer warranted. Merely 1 in 8 of those interviewed was in favor of pensions; 1 in 5 was outspoken against it. The majority favored them only for disabled veterans. However, at the present time the desired assurance of

the essentials of life through our social insurances has not been fully accomplished either for all veterans or for all nonveterans.

In cases where social insurance benefits are unavailable or insufficient—along with other sources of support such as savings, etc.—to provide for basic needs, the last resort is to public assistance. The question arises: Should needy veterans be left to rely, just as needy nonveterans must rely, on this last line of defense?

The Commission is conscious of a national resolve expressed and reaffirmed over many years not to let a war veteran sink into destitution. For the time being, and for some time to come, it is felt that our national pension program should continue to serve war veterans as a "reserve line of economic defense." As a national program, not subject to geographic variations nor to the uncertainties of State and local financial conditions, this program can and should effectively accomplish for the bulk of needy veterans, wherever they might reside, what public assistance is striving to do for all needy persons. At the same time, the public assistance program is available to fill needs of veterans not covered by the pension and their other resources.

Within the not too distant future a separate veterans' pension program should no longer be necessary. On the one hand, the number of veterans—as well as nonveterans—left out or insufficiently provided for under OASI is expected, within the foreseeable future, to dwindle to insignificant proportions. On the other hand, the public assistance programs will be achieving their residual tasks more uniformly and more adequately as their burdens, in terms of the relative number of cases, will be eased. Once this is accomplished, public assistance benefits are likely to command a degree of public acceptance comparable to that long accorded to veterans' pensions. The traditional task of the separate veterans' pension programs would thus be accomplished. Veterans and their dependents will be assured of the essentials of living under our general social security system without impairment to their social standing in the community.

Recommendation No. 57

In keeping with the foregoing considerations and in line with the broader principles outlined in an earlier chapter, it is recommended that:

(a) Since OASI has become the basic income maintenance program for all the people of this country, the Government should rely upon it to the greatest possible extent in providing income maintenance benefits against the common hazards of life to veterans as well as to nonveterans.

(b) The veterans' non-service-connected pension program should be retained as a separate program which can continue to serve as a "reserve line of economic defense" for war veterans and dependents of veterans until such time as their minimum income requirements are met through the basic OASI program or through any other source of regular income available to them.

(c) The benefit and eligibility provisions under the veterans' pension program should be coordinated with those of the OASI program so that overlapping and duplication of benefits will be avoided.

(d) The Federal-State public assistance program should continue to serve in its residual role in individual instances where the veteran's pension and other resources may not be adequate or may be unavailable, and provision should be made to preclude denial or suspension of a veteran's pension by reason of supplementary income from public assistance.

METHODS OF COORDINATION

Various ways are open to accomplish the recommended tie-in between the veterans' pension program and OASI as the main public program for income maintenance. The form which such closer relationship should take depends upon many different considerations of public policy.

The Commission considered alternative ways of achieving coordination, each with the common objective of assuring to the old or disabled war veteran or to the survivors of a deceased war veteran a minimum guaranteed level of income. These several methods are described in a supporting report of the Com-

mission. They differ in the degree to which they involve establishment of close ties between the two programs. Several of these methods would involve partial or complete integration of the veterans' pension program with OASI. While they would appear to be the most direct and simple way of dealing with the problem, there would be certain disadvantages also. One of the most important drawbacks is that a merging of the two programs would involve the establishment of high minimum benefits under the OASI program for a large group, with the consequent danger that the basic philosophy that benefits should be related to contributions under that program might be diluted. In addition, any proposal to transfer the veterans' program from the Veterans' Administration would be certain to be met by strong opposition from those who favor the maintenance of all veterans' programs in one agency. On the other hand, if such obstacles could be overcome, the proposals to integrate the two programs appear to have the advantage of solving once and for all the difficult problem of interrelating these two important sets of benefits.

The Commission also explored carefully various coordination proposals which follow the principle that veterans' pensions should be paid through a separate and independent program administered by the Veterans' Administration, but that its benefit provisions should be coordinated with the benefits payable under the OASI program by the well-known offset device. The offset method of coordinating OASI and staff retirement systems is used in many instances throughout our economy. Inasmuch as the financial resources of veterans and their dependents are likely to vary substantially, the offset method offers great promise as a means of assuring that all individuals would have whatever minimum level of economic security was determined to be desirable.

Adequate Coordination With Minimum Change

The method of coordination favored by the Commission would require a minimum of change. It would involve no change in OASI whatever. It would assure every eligible veteran or survivor of such income as the Government is prepared

to underwrite by taking account of the applicant's annual income from all sources, OASI and all other benefits included (except public assistance), with the veterans' pension making up the difference between actual income and the stipulated amount.

This general rule could be modified to permit certain outside earnings without loss of the pension. Thus, a small flat amount of income from work might be disregarded. It might also be desirable to provide pensioners an incentive to gainful work within the limits of their ability. Nonwork income would be offset dollar for dollar, but work income in excess of a certain minimum might be offset only in part by a reduction in the pension amount of, for example, one-half the amount earned. Such a sliding scale of pension rates would insure that the pension would be payable at decreasing rates up to a given maximum amount of work income and that the veteran or his family would have an incentive to work and earn.

Recommendation No. 58

(a) The provisions of the veterans' pension laws should be adjusted to fit the pension benefits into a pattern consistent with benefits provided under OASI.

(b) Coordination between the Veterans' Administration pension program and OASI program should be accomplished by a method whereby benefits paid under these two programs will be brought into a proper relationship which will be maintained in the future even though elements of one or the other are changed from time to time.

(c) There are several possible ways to achieve satisfactory coordination between the Veterans' Administration pension and OASI benefits. The simplest method is to keep the two programs separate as at present but to modify the eligibility requirements under the Veterans' Administration pension program so that they will more realistically reflect actual need, and so that the income limitations treat all income, including OASI payments but not the public assistance benefits, as resources. This will assure that veterans or dependents of veterans who draw a

substantial OASI benefit will not be entitled to pensions while those otherwise eligible who are not covered by OASI or whose minimum needs are not fully met can fall back on Veterans' Administration pensions.

LEVEL OF PENSION BENEFITS

At present, pension rates do not vary to take account of family obligations of the veteran. If he has a wife or children he is merely permitted more outside income without forfeiting the pension. The pension is regarded in all cases as a partial source of support.

The Existing Income Limitation Governing Veterans' Pensions

In considering the proper relationship between the pension and the social security programs, the Commission gave attention to the operation of the existing veterans' pension income limitation. As indicated earlier, the present laws provide that single individuals who are otherwise eligible may qualify for a pension if their other income is not above \$2,700. This income limitation operates on an "all or nothing" basis. If the veteran's income from outside sources is below the stipulated amount he receives a pension ranging up to nearly \$1,000 per year. If his income exceeds the limit by a small amount, he receives no pension at all. Aside from causing substantial jumps in the income of people at the margin, this results in unequal treatment of individuals in essentially similar circumstances.

A further weakness of the present income limitations is the exclusion of income from various sources with the consequent result that persons with substantial incomes from Veterans' Administration insurance or other excluded sources can receive pensions at Government expense while other individuals, notably those whose income is derived from work, may be denied payments. The equitable way to handle the situation is to count money income from all sources. Furthermore, in the interest

of fairness, not only actual money income but asset holdings—where they exceed a reasonable minimum amount—should be taken into account in determining need, as is the practice in certain other countries as well as under the Federal-State public assistance programs.

In addition, it appeared that the existing income limitations as measures of presumptive need are no longer true to their original concept. When they were established in 1933, the income limitations were \$1,000 for one individual and \$2,500 for a veteran with dependents. These were the Federal income-tax exemptions at that time. Since 1933 the income-tax exemptions have been reduced to the level of \$600 for each individual in a family. Meanwhile, the limits on outside income allowable to veteran pension recipients have been increased through legislation to their present levels of \$1,400 and \$2,700, respectively.

Moreover, they are based not on family income but on individual income. A veteran's wife can have a substantial income, but he can still receive a pension. A widow can be disqualified by reason of income, but her child can qualify for a pension. At the same time various types of income are exempted from consideration.

At these high levels, the limits have lost their significance as gages for the determination of presumptive need. They permit combined income from outside sources and veterans' pensions of over \$2,300 for a single individual and in excess of \$3,600 per year for a veteran with one dependent. These amounts far outstrip any realistic measures of need devised under our public assistance programs. They also result in the payment of a tax-free pension to persons whose total incomes exceed the level at which other people not so favored are required to pay substantial taxes.

At present the Veterans' Administration income limits are high enough so that the maximum OASI benefits possible in future years under existing law—\$108.50 monthly for a retired worker, and \$162.80 for a retired worker with spouse—will be payable without disqualifying the recipient for a veteran's pension. Hence, the existing Veterans' Administration income

standards are almost completely ineffective as a means of coordinating benefits under the two programs, since the limits generally have an effect only if non-OASI income is also being received. The need for re-formulation of the income limitations along realistic lines is obvious.

Review of the financial condition of a sample of current veteran pensioners shows that the current outside income limits of \$1,400 and \$2,700 per year are of no practical import for the great mass.

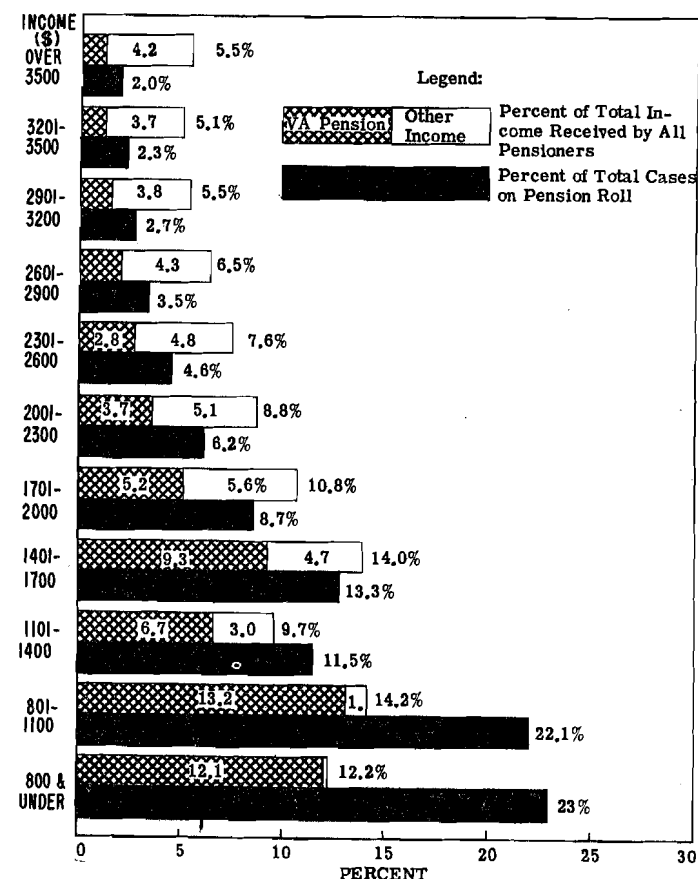
Taking all disability pensioners, the great bulk had no income outside of their pension or had very little. (See chart VI.) The least favored among them, those getting \$1,100 or less per year, accounted for 45 percent of the cases. They received only 26 percent of all the income, consisting almost entirely of their pension. If the pensioners with total incomes up to \$1,700 per year are included, 70 percent of all the cases and 50 percent of all the income is accounted for. Only one-fifth of all that income was due to sources other than the pension. The remaining 30 percent of the pensioners, those getting more than \$1,700 per year, accounted for the other half of total income. In this upper group three-fifths of the income was derived from sources other than the pension. The top 11 percent got 23 percent of all income, nearly two-thirds of it from nonpension sources.

Even among the disability pensioners with dependents, fully two-thirds had annual incomes of \$2,000 or less. They received less than half of all the income, almost three-fourths of it coming from the Veterans' Administration pension. At the top, 3 percent drew incomes above \$3,500, but received 8 percent of all income. Three-fourths of the total amount of these incomes came from outside sources.

The situation with respect to widows was analogous. (See chart VII.) Three-fifths of all widow pensioners had a combined income resulting from pension and outside sources not exceeding \$1,200 per year. Nearly two-thirds of all income went to the better situated two-fifths. At the top of the scale, 4 percent had a combined pension plus outside income in excess of \$2,700, and received 9 percent of all income.

CHART VI

ALL VA DISABILITY PENSIONERS — TOTAL INCOME BY SOURCE

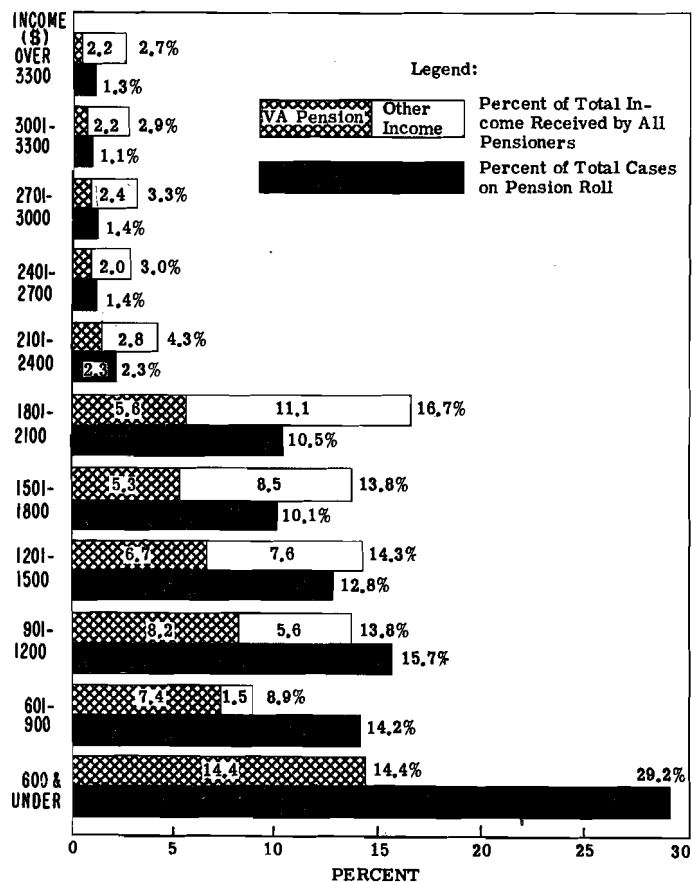


Source: Veterans Administration (Sample Survey of World War I, World War II and Korean Conflict Veterans on Pension Roll, March 1955)

Meeting First Needs First

The foregoing shows that the Government is paying pensions to some people whose outside income resources appear to be substantial, while other veterans who are in much more needy circumstances must get by on minimum payments regardless of

WIDOW PENSIONERS—TOTAL INCOME BY SOURCE



Source: Veterans Administration (Sample Survey of World War I, World War II and Korean Conflict Widow Pensioners on Roll, March 1955)

family obligations. If the basic purpose of veterans' pensions is to keep them from destitution then, without any doubt, our concern must be primarily for those veterans and survivors who have no outside income, or very little. The main objective is to assure them of a means to meet minimum needs without, in gen-

eral, having to resort to the public welfare process. At the same time, the payment of pensions to persons with substantial incomes cannot be justified under a needs program.

A Common Measure of Need for All

Minimum needs common to veterans and nonveterans alike should be measured by the same yardstick. Measures of such needs have been carefully worked out under the various Federal-State public assistance programs. Current variations are summarized from the latest available figures for the major regions of the country in the exhibit below.

TABLE 4.—Median Monthly Amount Included in State Old-Age Assistance Budget Plans for Basic and Total Living Requirements¹

[For selected groups of recipients, by region, for a selected month December 1952–May 1953]

Region	Median amount included in OAA plans for—			
	Recipients who lived alone		Recipients who lived with spouse only who received OAA	
	Basic needs	Total needs	Basic needs	Total needs
Total, 48 States.....	\$64.36	\$88.66	\$102.80	\$110.12
Northeast.....	68.75	71.12	107.81	112.46
North Central.....	60.42	64.14	98.26	109.67
South.....	50.81	53.10	83.58	90.08
West.....	84.60	87.02	158.12	164.84

¹ "Basic needs" are budgetary items included in all cases. "Total needs" include in addition, items not considered essential in every case, e. g., transportation, telephone, furniture, prosthesis and some medical care (not including payments made directly to the purveyors of such care).

Source: Department of Health, Education, and Welfare.

Under the Federal-State public assistance programs the benefit levels are set by each State. The above table shows the median budgeted requirements for the old-age assistance program in various regions of the country and also the median for all 48 States. In some of the States, the actual amounts paid are lower than the budgeted requirements for the reason that State financial resources are inadequate. The above figures serve as guides for determining need. In cases where the applicants own their own homes or have other income from OASI or employment, actual payments are reduced accordingly.

In a national program in no way geared to local or State characteristics and aiming at uniform treatment, geographic

differentials would raise innumerable difficulties. The alternative to such variable benefits is to establish nationwide pension levels which would meet the standards adopted in the great majority of States and applying to the bulk of the population. In this connection account should be taken of the fact that veteran pensioners enjoy an important advantage over nonveterans in that they may obtain Veterans' Administration hospitalization on a space-available basis at no cost to themselves.

Final determination of levels of benefits under the veterans' pension programs should take into account not only the levels of payments under the Federal-State public assistance programs, but also the long-run problem of coordination between the veterans' program and the OASI system. Since the OASI system is the basic social insurance program in the country, it would manifestly be undesirable to establish rates of benefits so high under the veterans' program that supplementation of OASI would be the rule after that program matures and average benefits under it reach the projected levels. As is the case now with respect to the public assistance programs, the policy in the veterans' pension program should be to gear benefits to meeting basic necessities.

Our national policy is to rely on the OASI program to provide basic economic protection for all workers as a matter of right. The objective is to extend the protection of this contributory social insurance program to all gainfully employed people so that when workers retire or die, the number of instances in which workers and their families must depend on the more limited programs based on need will be further reduced. The need for public assistance thus can be expected to decrease as the scope of OASI protection increases. The same exception seems warranted with regard to the veterans' pension program. Its scope too should then be reduced to the limited number of instances where the veterans or their families are not covered or inadequately protected by the basic OASI program, either because they are unable to work or for some other reason.

In this connection, the Commission believes there is an important equitable consideration which must be borne in mind.

Workers provide for their future economic security through the OASI system by making contributions in proportion to their covered earnings. The Veterans' Administration pensions are gratuities, based on need, and paid from general taxation. This raises the question: Would it be proper public policy to pay gratuitous veterans pension rates in excess of general OASI benefits provided by existing law once the latter fully reflect current coverage and taxable earnings?

To pay veterans' pensions in excess of reasonable OASI benefits would be to favor those who have not provided for their own welfare. In the opinion of the Commission, this would be unsound and contrary to American economic principles. Our public policy is to keep any citizen from suffering destitution. At the same time the improvident or the unproductive should not be given benefits more favorable than those who have endeavored throughout their lifetimes to be self-sufficient and to make their own provisions for future needs. The role of public welfare programs, moreover, is not and should not be so great that the traditional American reliance on individual provision for the future through savings, insurance, and other private measures is undermined. This principle now underlies the benefits underwritten by the OASI program. It would be unsound to deviate from this philosophy in the veterans' pension program.

At the present time a monthly allowance of \$70 for a single veteran and \$105 for a veteran with a dependent wife would meet minimum living needs in most States and in the bulk of cases, and would be reasonably consistent with OASI rates. States in the western region are fewer in number and their public assistance standards are not generally considered representative of the rest of the country. Under the public assistance programs, standards have been worked out also for cases where there are dependent children by themselves or with a widow. These standards can be used as a guide for setting the benefit rates in such cases under the veterans' program which are, at present, relatively inadequate.

The table below demonstrates on the basis of these illustrative amounts, converted to annual pension rates, how the proposed sliding scale would permit certain increases in pensioners' total income by reason of gainful employment.

TABLE 5.—Treatment of Work Income Under the Proposed Sliding Scale of Pension Rates

Work income	Deductible portion thereof	Annual amount of pension ¹		Total income	
		Veteran alone	Veteran and wife	Veteran alone	Veteran and wife
\$100		\$840	\$1,260	\$840	\$1,260
\$200		840	1,260	940	1,360
\$300	\$50	790	1,210	890	1,410
\$400	100	740	1,160	1,040	1,460
\$1,500	700	140	580	1,640	2,060
\$1,600	750	90	510	1,690	2,110
\$1,700	800		460	1,700	2,160
\$2,500	1,200		60	2,500	2,560
\$2,600	1,250			2,600	2,600

¹ This amount would be subject to reduction in full by the total amount of income from any source except work income and public assistance. Current information on work income might be obtained from the pensioner or by utilizing OASI reports.

As guidelines for more specific study of all the aspects involved in the determination of a proper rate structure, the Commission recommends the following:

Recommendation No. 59

(a) Within the veterans' pension system the objective should be to meet first needs first, providing assistance to those who require it most in terms of commonly accepted standards of need, and to encourage maximum reliance on their capacity for self-support.

(b) The Government guaranty of a "floor" of income to pensionable veterans and their dependents should be restricted to minimum needs varying to a limited extent with family obligations and subject to such maximum amounts as will meet these needs for most pensioners.

(c) The pension rates should be in line with the Federal-State public assistance standards which apply to most of the population and should be adjusted from time to time to maintain this relationship.

(d) Keeping in mind the basic role and the contributory character of the OASI program, veterans' pension benefits should not exceed average benefits which will be paid under OASI when it reaches reasonable maturity.

(e) At present, a monthly pension of \$70 for a veteran pensioner alone and \$105 for a veteran with a dependent wife would appear to fulfill these criteria. Benefit levels for veterans in need of regular care, and for survivors of veterans should be established in accordance with their comparative needs.

(f) All pension benefits should be reduced in full by the amount of family income from any source, except income from work or public assistance. Income from work which is not in excess of \$100 per year should not reduce the pension. Additional work income should reduce benefits by some practical formula, such as by \$50 for each \$100 earned. With earnings large enough to reduce the amount of pension to less than \$50 for any year, a pension should no longer be payable for that year.

(g) Four percent of a pensioner's assets in excess of \$10,000 should be considered as part of his annual income unless income to this extent from such assets has already been included as a resource. However, capital gains from the sale of a home or business should not be counted as income if used to purchase new quarters.

CONDITIONS OF ELIGIBILITY

Length and nature of service

The assurance of Government support to a war veteran who becomes needy any time during the rest of his life should be based on substantial grounds.

Early pension enactments rested entitlement on much longer war service than the present 90 days. While subsequent laws shortened this period, those called up found themselves in zones of combat after very short periods of training as the wars were fought on American territory or near our borders. In World War II, most if not all of the first 90 days of service were consumed in basic training. In both World Wars and in the Korean conflict a serviceman could enter a zone of combat only if he

went overseas. Canada, therefore, limits its pension entitlements to those veterans who had served overseas. In terms of hardships suffered, a strong case can be made in support of this limitation. From the point of view of equality of sacrifice at least a considerable extension beyond 90 days in the period of domestic service required of a veteran who rendered no overseas service and did not sustain a service injury would be justified.

Disability, unemployability, and age

To qualify a veteran for a pension under the "new wars" legislation, his disability must be permanent and total. This is defined as "any impairment of mind or body which is sufficient to render it impossible for the average person to follow a substantially gainful occupation and * * * reasonably certain * * * [to] continue through * * * life."

In application, a disability of 70 percent or even 60 percent if arising from one single cause, is considered sufficient at any age to meet this definition. For veterans aged 55 to 59 and 60 to 64 the 70 percent is reduced to 60 and 50 percent, respectively, from any or all causes. At age 65 and thereafter a 10 percent impairment from one disability is deemed sufficient.

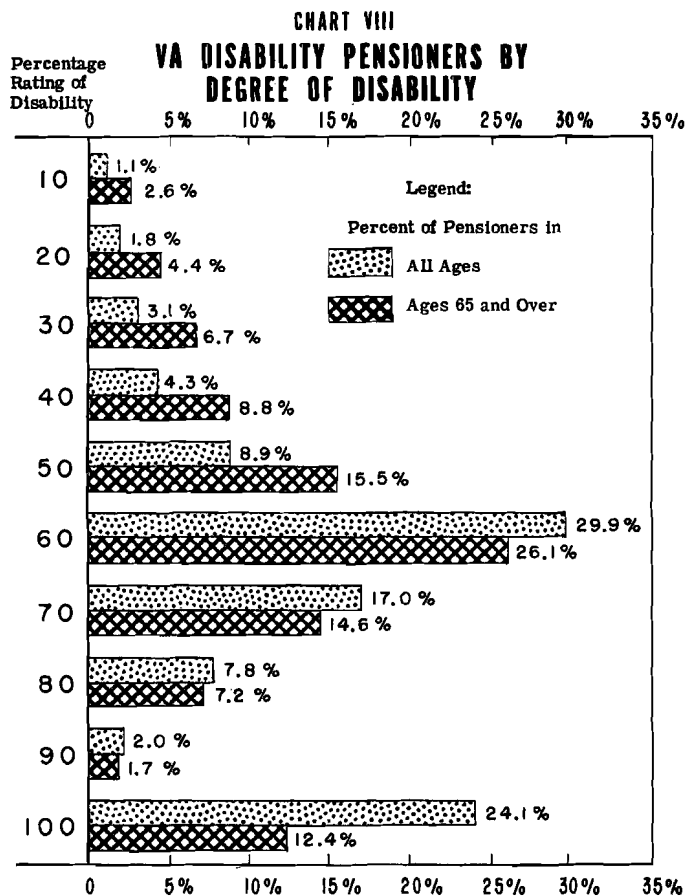
In all except 100 percent disability cases this finding of permanent and total disability is only one part of a composite finding—the other being unemployability due to such disability. Obviously, at age 65 this double test becomes for all practical purposes a test of employability since an individual at that age is virtually certain to have a "disability" of at least 10 percent due to the natural aging process. At present, this test of employability at age 65 is often rather perfunctory.

The concept of age 65 as a retirement age goes back to the mid-nineteen thirties, when depressed labor market conditions made it desirable to encourage people to retire early. In recent years this has not been the case. Moreover, it has increasingly been recognized that arbitrary and early retirement ages are not desirable for other reasons. Geriatriests have concluded that early retirement is not as good for people as continued activity and work. Further, the success of medical science in preserving the vitality of older persons and in dramatically lengthening the

average span of life has emphasized the feasibility and desirability of maintaining the productive endeavor of older people.

Unfortunately, older workers have met great obstacles in their search for employment. This is particularly true of those that have reached the "retirement age" arbitrarily fixed at age 65 under many retirement programs. However, an increasing nationwide effort is being made to combat this antisocial and uneconomic prejudice against the older worker. By postulating a 10 percent disability as "permanently and totally disabling at age 65" the present veterans' pensions practice lends support to the obsolete view of age 65 as the "retirement age" and should be changed. More emphasis on employability and ability to work rather than a de facto presumption of unemployability may help reverse the discrimination against older and handicapped workers.

One of the most useful functions which the Veterans' Administration pension system serves in our society is to provide disability protection to veterans who are seriously disabled. At the present time 97 percent of all veterans of World War I, World War II, and the Korean conflict on the pension roll are disabled 30 percent or more. Those disabled 10 percent comprise only 1 percent of all veterans on the roll. Even among those age 65 or over they represent only 3 percent. More than three-fourths of the disability pensioners aged 65 or over are disabled 50 percent or more. (See chart VIII.) Undue reduction of the disability requirement by reason of age alone tends to undermine the system by opening it to those whose needs are less urgent. The Commission believes that a minimum requirement of more substantial disability at the higher ages will assure that veterans of any age who are genuinely unemployable because of disablement can continue to rely on the pension program in case of need. At the same time it will preclude the gradual transformation of this program into one providing pensions to practically all veterans attaining age 65. As in other areas, the Commission believes that the emphasis should be on helping those who need assistance most, and helping them more adequately.



Source: Veterans Administration (Sample Survey of World War I, World War II, and Korean Conflict Disability Pensioners on Roll, March 1955)

With this aim in mind, the Commission recommends as follows:

Recommendations No. 60

(a) The test of impairment at ages 65 to 70 should be made more realistic by requiring at least a 30 percent disability. However, those found individually unemployable despite a lesser disability might be put on the roll in recognition of special cir-

cumstances, as is done now, with the changes in procedure recommended below.

(b) To actual tests of employability should add a more constructive note to the present procedure.

(1) Pension applicants should be required to register with the State Employment Service. The fulfillment of this requirement should be attested by a statement from the veteran's employment representative that efforts made to place the applicant have not been successful.

(2) Applicants for pensions at ages below 55 and those aged 55 or over who claim to be unemployable due to a disability which is of lesser degree than that required for a pension at their age, should be referred to the Federal-State Vocational Rehabilitation Service. Only if the Rehabilitation Service declares the veteran is unable to overcome his impairment and the Employment Service certifies its inability to place him, should the veteran be put on the pension roll.

(c) At age 70, any disability requirement should be dispensed with an unemployability as such be considered sufficient to establish eligibility for pensions, subject to the income test.

ELIGIBILITY FOR SURVIVOR PENSIONS

At the present time, widows and children of veterans of the "old wars" and of World War I may generally qualify for a pension whenever service conditions are met, and survivors of World War I veterans whenever service and income conditions are fulfilled. By contrast, World War II and Korean conflict widows and children qualify only if in addition to service and income conditions being met, the deceased veteran had a service-connected disability. This disability might have been too insignificant to have been given a compensable disability rating but must have been in evidence at the time of death.

In the original form in which this restriction was formerly applied to World War I widows, such service-connected disability at death had to be at least 30 percent in degree. Thus formulated, a widow's pension could be understood as reward for the sacrifices imposed on her while the veteran was living

through impairment of his earning capacity or his need for her care, and his lowered ability to accumulate an estate. This meaning is lost when the severity of the disability is ignored. In that event, the accidental presence or absence of an insignificant service disability may keep one needy and worthy widow or child off the pension roll while admitting another in comparable or better circumstances and based on less meritorious service.

Since the entire pension program has more and more become oriented to meeting needs rather than rewarding especially meritorious service—extra long and hazardous service is hardly taken into account in any phase of this program—a more meaningful criterion today, rather than service disability at death, is presumptive need. Such need could be due to limited income coupled with the care of minor children, old age, disablement, or unemployability. Whatever the cause, the need would be the same whether a widow had been married to a veteran prior to or after a certain date and regardless of the length of marriage, providing it is not of the “deathbed” variety. (Both date and length of marriage are current qualifying requirements.) By the same token, such needs of veterans’ dependents are the same as those of nonveterans’ dependents.

In such a program account should be taken of the current tendency for women to work. Indeed, the pension system should not provide an incentive not to work by paying pensions to widows who do not have a minor child to care for and who are at younger ages. At the same time, in view of the difficulty older women have in securing employment, it would appear desirable to recognize age 65 for women as an age of presumptive need, subject to realistic income limits.

Recommendation No. 61

(a) Survivors’ pensions should be available to the widow and/or children of any deceased eligible war veteran who are in presumptive need because their total family income falls below the amount fixed by the Government provided that:

- (1) A widow, to be eligible, must (a) not have remarried and
- (b) have a dependent child in her care, or have attained age 65,

or be permanently and totally disabled or otherwise unemployable as certified by the State Employment Service; and

- (2) A widow must have been married to the veteran at least 1 year prior to his death in order to qualify for benefits.

(b) The income standards for payment of pension benefits to survivors should be governed by the same type of formula recommended earlier for pensions to veterans.

CURRENT PENSIONERS

There is universal agreement supported by a series of court decisions that pensions are a gratuity, rather than a right, granted by the Government and subject to being revoked by the Government.

Apart from the legal aspect, however, the question arises whether there is a moral obligation upon the Government to continue such benefits once they have been enacted, notably in instances in which an award has been made.

Only in few cases have retrenchments been attempted in the past, chiefly on economic grounds. The economy measures enacted in 1820 and 1933 were followed soon by at least partial reestablishment of the status quo.

The foregoing recommendations are not of this nature. They are made in the conviction that they are in the best interest of veterans as well as in the general interest. None would do away with pensions, except as no longer necessary. What is proposed amounts to a redesigning of the pension program to make it dovetail with our general social security system.

Only two significant program changes are proposed which would infringe upon present pension entitlements. One relates to the treatment of outside income. Those affected adversely are the less needy. They could qualify at any future time for a pension whenever they should lose such income derived from other sources as is in excess of the amounts to be underwritten by the Government. The other recommendation which would curtail present entitlements is the one limiting eligibility for widows’ pensions below age 65. As to widows without de-

pendent children and able to work, no ready reason for a pension suggests itself.

On the whole, it is believed that with the granting of an adequate pension to the disabled and unemployable veterans in need and to needy survivors too young, too old, too disabled, or otherwise unfit to work, hardship cases are not likely to occur in any significant number.

In order to protect present pensioners against hardship, the Commission recommends as follows:

Recommendation No. 62

Any changes in the pension program which the Congress may enact or which the Administration may adopt in consequence of recommendations made by this Commission should be applied to veterans or dependents now on the pension rolls after a delay of 1 year. Individual exceptions on grounds of hardship might be authorized by the Administrator of Veterans' Affairs.

Chapter XII

DISCHARGE REQUIREMENTS FOR VETERANS' BENEFITS

SERVICEMEN'S READJUSTMENT ACT OF 1944

Prior to the Servicemen's Readjustment Act of 1944 there was no general standard of eligibility for veterans' benefits based upon the character of a person's discharge or release from active service. For example, some laws required an honorable discharge, others required a discharge under honorable conditions, and still others provided certain benefits for persons not dishonorably discharged.

The Servicemen's Readjustment Act of 1944 contained three provisions dealing with discharges. In section 300, benefits based on the period of service from which so discharged were barred for any person discharged or dismissed by reason of a sentence of a general court-martial; any person discharged on the ground that he was a conscientious objector, who refused to perform military duty or wear the uniform or otherwise comply with lawful orders; any person discharged as a deserter; and any officer whose resignation was accepted for the good of the service. Section 301 directed the establishment of Army and Navy boards of review with power to review on their own motion or upon the request of a former service person, the type and nature of discharges or dismissals, except a discharge or dismissal by reason of the sentence of a general court-martial. Such boards were authorized to modify any discharge or dismissal reviewed by them, and to issue a new discharge in accord with the facts presented to the board, subject only to review by the Secretary of the Army or the Secretary of Navy. Section 1503 prescribed that a discharge or release from active service under conditions other than dishonorable should be a

prerequisite to entitlement to benefits provided by that act or Public Law No. 2, 73d Congress, as amended.

Legislative Purpose

The purpose of section 1503 was to lay down a basic rule of entitlement contingent on the type of discharge or release from active service. The phrase discharge "under conditions other than dishonorable" was adopted so that veterans with discharges which were neither specifically honorable nor specifically dishonorable—such as discharges without honor in the Army, and similar discharges in the Navy—would not be automatically deprived of veterans' benefits. The impression seems to have prevailed in 1944 that the services were separating persons with such discharges because of relatively minor offenses. The congressional committees which studied the measure apparently believed that if the conduct upon which the discharge was based could be characterized as dishonorable the veteran should be barred from any benefit; if it could not be so characterized, the veteran should be eligible. Under section 1503, the Veterans' Administration was authorized to make an adjudication as to whether such discharges were under conditions other than dishonorable. Such adjudications are ordinarily made in Veterans' Administration regional offices.

DISCHARGES

Since 1944 the laws and regulations of the military departments governing discharges have been revised and made more uniform. In 1948 the Department of Defense issued a directive prescribing the types and characteristics of service discharges and in 1951 the Uniform Code of Military Justice became law. The Department of Defense directive governs administrative discharges, while the Uniform Code governs the issuance of punitive discharges.

Administrative Discharges

Currently, each service has the same types of administrative discharges, namely: Honorable, general (under honorable conditions), and undesirable (under conditions other than honorable).

So far as laws administered by the Veterans' Administration are concerned, the effects of an honorable or a general discharge are identical and entitle the person so discharged to full rights and benefits. An undesirable discharge is neither specifically honorable nor specifically dishonorable, and is subject to adjudication by the Veterans' Administration as to whether or not the veteran is entitled to benefits.

Discharge Under Honorable Conditions

Honorable or general discharges are issued to persons discharged for the following reasons:

1. Expiration of enlistment.
2. Convenience of the Government.
3. Dependency-hardship.
4. Minority.
5. Disability.
6. Inaptitude.
7. Unsuitability.

Undesirable Discharges

Undesirable discharges may be issued to persons discharged for the following reasons:

1. Unfitness.
2. Misconduct.
3. Homosexuality.
4. Security grounds.

The regulations of the services governing the issuance of undesirable discharges are basically similar, although there are differences in procedure. In the Navy and Coast Guard all such discharges are ordered from Washington after the required investigation has been made. In the Army, Air Force, and Marine Corps, undesirable discharges in some instances may be directed by commanders exercising general court-martial jurisdiction, and other general officers. Where such authority is delegated to field commanders, the applicable regulations spell out in detail the procedure to be followed, which ordinarily includes consideration by a board of officers.

In the opinion of the Commission, the reasons for issuing undesirable discharges are such as to warrant depriving the person so discharged of any veterans' benefits. Furthermore, the procedures followed by the services in connection with the issuance of such discharges appear to be fair and have been designed to prevent injustices. Moreover, the statutory provisions for the review of discharges by discharge review board affords ample appellate review.

A survey of action taken by the Veterans' Administration in 415 cases of veterans given undesirable discharges during the period of July 1, 1953-June 30, 1954, discloses that 32 were found eligible for veterans' benefits. In each of the cases in which favorable action was taken it appears that the result might have been different if the case had been considered in some other regional office.

Recommendation No. 63

An undesirable discharge for an enlisted man and discharge under other than honorable conditions for an officer should render the veteran ineligible for benefits based upon the period of service from which he was so discharged, except for transportation to his home or place of entry into military service. If, however, he has suffered a service-connected disability under circumstances unrelated to the discharge, the obligation of the Government should include necessary hospitalization by the Veterans' Administration and disability compensation.

Bad Conduct Discharge

When the Servicemen's Readjustment Act was passed in 1944, summary court-martial in the Navy could impose bad conduct discharges but no such discharges were then authorized in the Army, which at that time included the Air Force. When the Uniform Code of Military Justice became effective in 1951, it authorized in all services a punitive discharge called a bad conduct discharge, which could be imposed by either a general or a special court-martial. While there are differences in trial procedure between general and special courts-martial, the appellate procedure for a case involving a bad conduct discharge

is essentially the same in either case. This appellate procedure includes a review by a board of review in the service department concerned and the right to petition the United States Court of Military Appeals.

There is a difference, however, in the effect a bad conduct discharge has on veterans' benefits, depending upon the type of court-martial. If the discharge is imposed by a general court-martial, the person so discharged is ineligible for veterans' benefits under the provisions of section 300 of the Servicemen's Readjustment Act of 1944. On the other hand, if the discharge is imposed by a special court-martial, the veteran's eligibility is subject to adjudication by the Veterans' Administration under the provisions of section 1503. If the discharge is held by the Veterans' Administration to have been under conditions other than dishonorable, the veteran is entitled to benefits. This inequality respecting veterans' benefits is emphasized by the practice of the Army in using general courts-martial almost exclusively for the trial of cases likely to result in sentences involving a bad conduct discharge.

The Commission feels that a person who is given a bad conduct discharge does not deserve veterans' benefits regardless of whether such discharge is imposed by a general or a special court-martial. In either case, the safeguards thrown around an accused by the Uniform Code of Military Justice are adequate to prevent a miscarriage of justice, and no further review by the Veterans' Administration is warranted.

A survey of action taken by the Veterans' Administration in 184 cases of veterans given bad conduct discharges during the period July 1, 1952-June 30, 1954, disclosed that only 5 were found by the Veterans' Administration to have been separated under conditions other than dishonorable and therefore eligible for benefits.

Recommendation No. 64

(a) A bad conduct discharge, whether imposed by a general or a special court-martial, should render a veteran ineligible for any benefits based upon the period of service from which so discharged.

(b) A veteran receiving either an undesirable or a bad conduct discharge should be furnished transportation in kind to his home or place of entry into the military service.

VETERANS IN PENAL INSTITUTIONS

During consideration of discharge requirements for veterans' benefits, it has come to the attention of the Commission that under existing law there is no authority to reduce compensation or other benefits payable to a veteran who is confined in a State or Federal prison or other similar institutions not under the jurisdiction of the Veterans' Administration.

There would appear to be strong public policy grounds against making such payments except perhaps for dependents. The argument is especially strong with respect to non-service-connected pensions which are based on need. The Commission has not had facilities to make a study of this problem.

Recommendation No. 65

A thorough study should be made with respect to what, if any, compensation, pension, or similar payments should be made to veterans while receiving hospital or domiciliary care at public expense or while incarcerated in penal institutions.

Chapter XIII

ADMINISTRATION

Veterans will receive the full benefit of programs adopted in their behalf by the Congress only if the efficiency and sense of mission of the Veterans' Administration are adequate to the responsibilities placed on it. In the matter of administrative efficiency, the Commission has nothing to add to the numerous surveys and investigations made of the Veterans' Administration in recent years. On the whole, a reasonably effective—if not always economical—job has been done furnishing veterans with the benefits intended by the Congress.

The Commission, however, believes a positive contribution to the welfare of veterans can be achieved by broadening and modernizing the Veterans' Administration's concept of mission. At present, the Veterans' Administration is imbued with a tradition which limits its functions largely to administration of existing laws. This falls short of what is required by the expanding role of the veteran in our changing society. The Commission further believes that the importance of veterans' affairs in the Government as a whole deserves more across-the-board consideration than it presently receives. Likewise, that fundamental changes should be made in the scope of the authority Congress has placed in the hands of the Administrator of Veterans' Affairs.

In Executive Order 10588 establishing this Commission, and in subsequent communications to the chairman, the President directed special attention to administrative aspects of veterans' affairs. Such issues have direct impact on the everyday welfare of many million veterans and their dependents as well as on our society as a whole. In the view of the Commission both a broadening of the basic administrative philosophy as well as changes of an organizational nature are of utmost importance.

In examining the role of the Administrator of Veterans' Affairs the Commission has been mindful of the scope of his assignment.

Under the Administrator's direction, the Veterans' Administration spends more than \$5 billion a year in budget and trust funds. He directs 178,000 employees in a central office and in a nationwide network of over 500 field stations, including 170 hospitals. Through this network many programs affecting 22 million veterans and their dependents are administered. Disability compensation and pensions are paid to more than 2.6 million beneficiaries at an annual cost of \$2.0 billion. Over a million dependents of deceased veterans receive more than \$650 million a year. Approximately 800,000 veterans are now receiving \$700 million in educational and training benefits annually. The Veterans' Administration insurance and hospital programs are the biggest in the United States, if not in the world.

In carrying out the duties thrust on him by these programs, the Administrator deals with some of the most powerful and most complex forces influencing society as a whole:

1. The effect on the national economy of the tremendous sums of money disbursed for veterans' benefits.
2. The effect of fluctuations in the national economy on the needs of veterans.
3. The impact of technological progress on such factors as health, length of life, employability of the handicapped, educational needs, and public psychology—all of which affect the needs of veterans for special benefits.
4. "Cold war," international police actions, civil defense and civilian exposure to risk in case of atomic war, as these new factors relate to the growing number of veterans and their changing status.
5. Great problems in developing consistency and common purpose in the many large and interrelated programs which the Veterans' Administration operates through its three departments and their various services.

To fulfill his role as head of the Nation's central veterans' agency, the Administrator clearly must be prepared to cope with a steady flow of complex problems—some concerning veterans themselves and some concerning the country at large.

The Administrator needs ready access to every important fact about the programs he administers and the clientele he serves. He must know how veterans compare with nonveterans, and what are the handicaps and needs of veterans in various categories. These facts must be readily available to him in digested form for quick use.

He needs positive means for measuring the effectiveness of the programs he directs and the decisions he makes. He must know the effect of existing benefits upon veterans, and be in a position to appraise the long-run impact of both existing and proposed programs upon the Government and the economy. He needs facilities for applying these facts directly to the solution of problems and the development of sound policies.

There should be a clear channel by which he can regularly supply facts and counsel to the President, receiving in return the President's guidance and support.

Only if he has these aids can the Administrator be expected to evolve definite, cohesive, up-to-date programs providing for all reasonable future contingencies.

From observation of the existing situation in the Veterans' Administration, the Commission concludes that the Administrator is not now provided with the facilities essential to carrying out his full mission. The current role of the Administrator, and the facilities supporting him, reflect the traditional Veterans' Administration position—frankly stated by key executives throughout the agency—that its mission is to administer the distribution of veterans' benefits in accordance with existing laws, nothing more.

True, there is considerable statistical work done within the Veterans' Administration's departments. But the data gathered relate largely to administrative operations and do not provide a basis for gauging needs or for analyzing the effectiveness of the

programs. The flow of reports to the Administrator qualitatively falls far short of needs for basic program analysis.

What analysis is done largely stops within the limits of the Veterans' Administration's three autonomous departments. With the exception of the Department of Medicine and Surgery, analytical activities are fragmentary and are devoted almost entirely to operational problems on the immediate horizon.

Measurement of the effectiveness of Veterans' Administration programs is limited almost entirely to elementary studies of operating efficiency. To such an important question as the actual accomplishments of the vast veterans' educational program—for example—Veterans' Administration management appears to have no answer. Similarly, on the question of impairment of average earning capacity, the very heart of the disability compensation program, Veterans' Administration management seemingly conducts no studies and has no source of reliable information as to the realism of the grants it makes.

The Commission is particularly concerned with the tradition in the Veterans' Administration which has governed relations with the Presidency. The Veterans' Administration has generally adopted a passive role, and the initiative has been left to the President. Lack of basic information on the needs of veterans and on the effectiveness of existing programs has reduced the Veterans' Administration's capacity to assist the President in making broad policy decisions. The Administrator should participate actively in policy discussions and policy formulation at the highest level in matters affecting veterans or the impact of veterans' programs on the economy. In short, the Commission believes the role of the Administrator of Veterans' Affairs should be much broader and more positive than presently conceived within the Veterans' Administration.

Recommendation No. 66

(a) The President should clarify the mission of the Administrator of Veterans' Affairs to reflect positive responsibility for comprehensive program analysis and long-range policy development, including the function of advice to the President.

(b) The Administrator's personal staff should be augmented to include the highest caliber professional advisors in such fields as economics, statistics, public administration, and sociology.

(c) Research and statistical resources of the Veterans' Administration departments should be strengthened. Qualified personnel should be available in larger numbers within the departments to assist in program review, analysis, and planning.

VETERANS' AFFAIRS IN GOVERNMENT AS A WHOLE

The ramifications of veterans' affairs extend far beyond the borders of the Veterans' Administration. Within the Federal structure at least 8 other agencies are directly concerned with some sort of service to veterans. An even greater number of Federal agencies are indirectly concerned with one or another phase of veterans' programs. Other Federal departments operate benefit programs for the general citizenry, including veterans, which are closely related or tend to duplicate Veterans' Administration programs. Such related programs include:

Veterans' pensions-----	Old-age and survivors' insurance and public assistance programs of the Department of Health, Education, and Welfare.
Veterans' loan guaranty----	Mortgage insurance and other programs of the Housing and Home Finance agency; loan program of Small Business Administration.
Veterans' disability compensation.	Military disability retirement of the Department of Defense and the Federal Employees' Compensation Act benefits of the Department of Labor.
Veterans' vocational rehabilitation.	Federal-State vocational rehabilitation program.
Veterans' educational programs.	Activities of the U. S. Office of Education.
Veterans' hospitals and other health programs.	Military hospital and medical activities, and public health service and medical research of the Department of Health, Education, and Welfare.

To cope with this complex of activities, the Congress, the President and the various agencies themselves need coordinating and fact-finding machinery.

At present, each of the agencies exercises responsibility within its own particular sphere. There is no effective means for integrating or adjusting the programs of the different agencies to conform to an overall policy.

In Congress, certain of the committees exercise a coordinative influence and perform a fact-finding function. However, the Congress is handicapped by the need to turn to each individual agency for the basic data and by other difficulties connected with obtaining a clear and complete view of executive branch positions. The President largely depends on the Bureau of the Budget, which has limited facilities for this big task. Among the agencies themselves, coordination is at a minimum and depends almost entirely on the ingenuity of officials in developing *ad hoc* procedures for working on specific problems of mutual interest.

It is clear that adequate facilities for continuing exchange of information and coordination of policy are lacking. That this may be a result of the recent growth of Government and unintentional omissions make the problem no less serious.

The existing resources of the executive branch, including those of the Presidency and of the agencies with veterans' programs, should be utilized to rectify this deficiency. A facility should be provided to furnish digested information on veterans' matters at the top level of the Government. It should be organized so as to allow ready coordination across agency lines and a consistent flow of firm executive direction.

Recommendation No. 67

(a) Serious consideration should be given to making the Administrator of Veterans' Affairs a member of the Cabinet. In any event, the President should establish a Cabinet Sub-Committee on Veterans' Affairs, with the Administrator of Veterans' Affairs as a special member. This subcommittee should have representation from all departments concerned with veterans' and related programs.

(b) Augmented fact-gathering facilities of the Veterans' Administration—as recommended above—should furnish consistent data needed by the Congress, the President, and other executive agencies for policy decisions.

(c) Professional program-analysis resources of the Bureau of the Budget in the veterans' field should serve as the continuing focal point for assimilation of factual data on a Government-wide basis.

SCOPE OF THE ADMINISTRATOR'S AUTHORITY

The Congress has delegated to the Administrator of Veterans' Affairs power to issue regulations interpreting laws with limits much broader than customarily granted Government officials. This exceptionally wide discretionary power affects large numbers of people and involves vast expenditures of money.

Study of the extent and use of this vast authority reveals that the Administrator can and does take sweeping actions without consultation with other interested Government agencies or other parties. The procedures he follows are those of his own device. The decisions often create great public obligations and affect the lives of millions of veterans and their dependents.

The Administrator, through his power to change the Schedule for Rating Disabilities, determines in the largest measure the criteria for eligibility for disability compensation and disability pensions. He determines the frequency for review of awards. He plays a decisive role in determining eligibility for, and payment of, dividends from the veterans' life insurance programs.

Since the Congress has not placed additional limitations upon the Administrator, some assume it is satisfied with the present situation. Similarly, it is sometimes assumed that the President endorses the Administrator's actions because the Administrator is a presidential appointee. Others contend that veterans' benefits are largely in the nature of gratuities and that since gratuities cannot be claimed as a "right," the Administrator's authority need not be limited.

Data available to the Commission is persuasive in the direction of some modification of the Administrator's freedom of

action. A decisive example involves actions taken by the Administrator in 1948 and 1950 without, so far as can be determined, any kind of outside review. These actions—issuance of extensions to the Veterans' Administration Schedule for Rating Disabilities—have the practical effect of ultimately qualifying hundreds of thousands or even several million additional World War I, World War II, and Korean conflict veterans for non-service-connected pensions at age 65. This result was derived from the Administrator's decisions to lower eligibility standards to those only 10 percent disabled and to broaden the range of physical conditions that might be evaluated at 10 percent.

The Commission's perspective on the questions of the Administrator's authority has been conditioned by mindfulness of the American traditions of "due process of law" and "the rule of law." Reasonable limitations should be placed on the authority of all administrators, regardless of the nature of the laws which they administer. Even though it may be hoped that Veterans' Administration Administrators will always use their authority with wisdom and discretion, democratic procedure requires that public administrators operate within a discernible framework established by the legislature. The Commission believes that the present authority of the Administrator is broader than required for efficiency and prompt service to veterans.

Recommendation No. 68

(a) Additional limitations should be placed on the authority of the Administrator of Veterans' Affairs by more precise requirements and definitions.

(b) The rules to be promulgated by the Administrator in large matters affecting eligibility of veterans for benefits or involving changes in program objectives should be made subject to advance notice to and advance review by appropriate agencies of the Government.

FINALITY OF THE ADMINISTRATOR'S DECISIONS

Decisions of the Administrator of Veterans' Affairs are absolutely final under a number of veterans' laws. The courts of the

United States do not have jurisdiction over cases involving the administration of Veterans' Administration benefits, except for certain types of insurance matters.

The finality of the Administrator's authority is illustrated vividly by the act of March 20, 1933, reducing compensation and pension benefits, which provides:

All decisions rendered by the Administrator of Veterans' Affairs under the provisions of this title, or the regulations issued pursuant thereto, shall be final and conclusive on all questions of law and fact, and no other official or court of the United States shall have jurisdiction to review by mandamus or otherwise any such decision.

In studying this matter, the Commission has addressed itself to the administrative and philosophical issues surrounding it, rather than to the technical legal questions involved.

The gratitude of the Nation to those who have served it in time of war is fundamental in the whole concept of American veterans' benefits. This tends to place benefits in the category of a gratuity to which the recipient (the veteran) has no legal "right," and which the giver (the Government) has a right to withhold. A case decided in 1940, *Morgan v. United States* (115 Fed. (2d) 426) stated this as follows:

[A compensation claim] is given as a token of the Government's benevolence. It is a bounty which Congress has the right to give, withhold, distribute, or recall, at its discretion.

The whole spirit of the veterans' program would be violated if the adjudication of a claim were considered as an adversary proceeding between the claimant and the Government. However, both he and the Government must be protected against unreasonable and arbitrary decisions. The proper role of the Veterans' Administration is to make sure that the veteran receives what is due him and deny that which is not due.

After careful consideration, the Commission decided that final decisions of the Administrator of Veterans' Affairs should not be subject to judicial review. The evidence indicates that the Board of Veterans' Appeals operates efficiently and affords appellants a high degree of protection. There is relatively little criticism as to the fairness of its decisions. Judicial review, on

the other hand, would be slow and expensive. It would overburden the courts and would place on the Veterans' Administration an administrative load out of all proportion to the good that might be achieved. Even the creation of a special tribunal would pose serious problems.

While the present system affords safeguards for the veteran, it does not adequately protect the interest of the United States, especially with respect to claims involving physical disabilities. There is not, at present, any effective means for assuring necessary uniformity between different field rating boards. The present area offices exercise a spot-check review. However, since individual claims typically amount to many thousands of dollars more intensive efforts to reexamine and review the cases periodically is urgently needed. In addition, greater uniformity and objectivity might also be furthered by a systematic program for periodic reassignment of rating-board members and adjudication officers from region to region.

Experience in the Military Services indicates that their field boards tend to vary greatly in applying the schedule for rating disabilities but a satisfactory degree of uniformity is attained by having a central review.

Because of the large volume of cases, such review would pose a serious administrative problem for the Veterans' Administration. However, the Commission feels that the results would be worth the effort, either centrally or on a semidecentralized basis. All veterans would be assured of an impartial review. Fewer cases would have to be taken to the Board of Veterans' Appeals, and the Government would be adequately protected.

Recommendation No. 69

There should be no change in the finality of decisions by the Administrator of Veterans' Affairs but he should make provision for the central administrative review (or its equivalent on a semi-decentralized basis) of all decisions by field boards. After such review claimants should have the same rights, as at present, to be heard by the Board of Veterans' Appeals.

Intergovernmental Relations

All but four States have some sort of State veterans' program. These range from bonus laws to multiple state-financed benefits or preferences. In a broader sense, a whole range of State programs and Federal-State partnership programs in welfare, health, and education relate to the Nation's veterans in varying degrees. In some States and local jurisdictions, substantial networks of locally administered veterans' service facilities are in operation. In the aggregate, these State and local activities constitute an important factor in the total scheme of veterans' affairs.

The dynamics of intergovernmental relations recently have been studied comprehensively by the President's Commission on Intergovernmental Relations. The findings of this group may well have applicability in future development and coordination of the Nation's veterans' programs.

Codification of Veterans' Laws and Regulations

Veterans' benefits stem from a vast structure of complex legislation enacted over a span of many years. This body of law is not coordinated beyond the general codification of the United States Code. The quantity of regulatory and advisory materials implementing and interpreting these laws is tremendous.

Veterans' law is "living law" to the country's veteran population, but a veteran requires a professional expert to help him understand it. The complexity of existing legislation places an extra burden on the Congress in considering the impact of the steady stream of proposed new laws. Federal administrators also are hampered by the hodgepodge of legislation.

Recommendation No. 70

The laws affecting veterans should be codified. In the process, stress should be placed on simplification, with mindfulness of the direct, personal impact of these statutes. Similar treatment should be given the related regulations.

CONCLUSION

The Veterans' Administration has been examined many times by outside management experts and Government bodies in regard to its internal operating procedures. Partly as a result of these examinations, the Veterans' Administration has been administratively reorganized a number of times. This has had some salutary effect, although the shifting of organization charts has long since been discredited as a panacea for the ills of governmental administration.

Whatever operational improvements have been made, the basic administrative concept within the Veterans' Administration appears to remain unchanged in any important respect. It is an agency devoted to the distribution of benefits in accordance with statute and recognizes no wider responsibility for positive and creative direction and development of these programs.

The Commission's view is that the Veterans' Administration, as the focal point of the Nation's programs for ex-servicemen, must develop a broader administrative concept of its mission. When the Veterans' Administration was established, veterans were a relatively small segment of the population and many of the services performed for this group were unique. Today the Government serves all the people in many of the ways that were once the exclusive prerogative of the exservicemen. This change, combined with the tremendous increase in the number of veterans, creates interrelationships with the total problems of government and society that must spell the end of a Veterans' Administration rigidly compartmentalized from the rest of the Government. The Commission hopes that its recommendations will lead to improvements in organization and sounder programs.

Appendix A

EXECUTIVE ORDER 10588 ESTABLISHING THE PRESIDENT'S COMMISSION ON VETERANS' PENSIONS

By virtue of the authority vested in me as President of the United States, it is ordered as follows:

Section 1. *Establishment and composition of Commission.*—There is hereby established a Commission which shall be known as the President's Commission on Veterans' Pensions, and which shall be composed of a Chairman and six other members, all of whom shall be designated by the President. The Chairman and members shall receive such compensation as the President shall hereafter fix.

Section 2. *Functions of the Commission.*—The Commission is authorized and directed to make a comprehensive survey and appraisal of structure, scope, and administration of the laws of the United States providing pension, compensation, and related nonmedical benefits to veterans and their dependents, and it shall make recommendations to the President regarding policies which, in its judgment, should guide the granting of such benefits in the future. The Commission shall give particular attention to:

(a) Changes in basic military, social, fiscal, and economic factors in our society affecting the role of these benefits.

(b) The conditions under which benefits should be provided to different categories of veterans.

(c) The relationship of various veterans' benefits to each other, to benefits for persons still in the military service, and to the broader social security and other benefits which are provided to persons without regard to their status as veterans.

Section 3. *Procedures of the Commission.*—In performing its functions under this order, the Commission may prescribe such rules of procedure, any may hold such public hearings and hear such witnesses as it may deem appropriate.

Section 4. *Cooperation of Federal agencies.*—All executive departments and agencies of the Federal Government are authorized and directed to cooperate with the Commission in its work and to furnish the Commission such information and assistance, not inconsistent with law, as it may require in the performance of its functions.

Section 5. *Staff.*—There shall be an Executive Director of the Commission, who shall be appointed by the Chairman of the Commission after consultation with the other members of the Commission, and such appointment may be without regard to the civil-service laws. Within the limits of such funds as may be made available, other persons may be employed by or under the authority of the Commission, and such employment may be without regard to the civil-service laws. The Executive Director and other persons employed by the Commission shall receive such compensation as the Com-

mission shall hereafter fix. Subject to the direction of the Chairman of the Commission, the Executive Director shall direct the activities of all persons employed by the Commission, supervise the preparation of the report provided for under section 7 of this order, and perform such other duties as the Chairman of the Commission shall designate.

Section 6. *Financing of the Commission.*—During the fiscal year ending June 30, 1955, the expenditures of the Commission shall be paid out of an allotment made by the President from the appropriation entitled "Emergency Fund for the President—National Defense" in title I of the Independent Offices Appropriation Act, 1955 (Public Law 428, 83d Cong., approved June 24, 1954). Such payments shall be made without regard to the following: section 3681 of the Revised Statutes of the United States (31 U. S. C. 672); section 9 of the act of March 4, 1909 (35 Stat. 1027; 31 U. S. C. 673); and such other laws as the President may hereafter specify.

Section 7. *Report to the President.*—The Commission shall make a final written report, including findings and recommendations, to the President pursuant to section 2 hereof not later than November 1, 1955. The Commission may also make such earlier progress reports to the President as it may deem appropriate. The Commission shall cease to exist 30 days after making its final report to the President.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE,
JANUARY 14, 1955.

Appendix B

Immediate release

March 5, 1955.

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

The President today appointed Gen. Omar N. Bradley as chairman of the President's Commission on Veterans' Pensions.

At the same time, the President also appointed the following as members of the Commission:

Clarence G. Adamy, of Arlington, Va., field director of the National Citizens Committee for Educational Television.

William J. Donovan, of New York City, N. Y., attorney and World War II director of the Office of Strategic Services.

Paul R. Hawley, of College Corner, Ohio, director of the American College of Surgeons.

Martin D. Jenkins, of Baltimore, Md., president of Morgan State College.

Theodore S. Petersen, of Hillsborough, Calif., president of the Standard Oil Company of California.

John S. Thompson, of Glen Ridge, N. J., vice chairman of the board, Mutual Benefit Life Insurance Co.

The Commission was established by Executive order on January 14, 1955. It is to make a final report to the President not later than November 1, 1955.

The White House also made public the following letter from the President to General Bradley:

DEAR GENERAL BRADLEY: The Commission on Veterans' Pensions, of which you are the chairman, has been appointed by me to carry out a comprehensive study of the laws and policies pertaining to pension, compensation, and related nonmedical benefits for our veterans and their dependents. I would like the Commission, on the basis of its studies, to furnish me with a report, including recommendations regarding fundamental principles, which I can use as the basis for making recommendations to the Congress for modernization of these benefits and clarification of their relationship to our broader Government social insurance and family protection programs.

This Nation has always responded generously to the needs of those men and women who have served it so well in times of great danger. Pension

and other benefits for veterans have been provided since the Revolutionary War. I am in full accord with this policy.

In recent years, however, rapid and profound changes in our national military, social, economic, and fiscal circumstances have occurred which affect fundamentally our long-standing veterans' pension and compensation programs. In 1940 there were only 4 million veterans. There are now nearly 21 million, and the number is increasing rapidly. The necessity for recruiting large Armed Forces has led to substantial improvements in military pay and other conditions of service. Extensive and timely medical, rehabilitation, and readjustment programs have been established for veterans. Most notable in this respect are the improved medical, prosthetic, and rehabilitation measures for disabled veterans and the readjustment benefits for all new veterans to help them become economically productive and recapture the normal pattern of their lives. To maintain the well-being and strength of our democratic society we have also instituted policies to maintain high and stable employment and developed the broad social security programs to provide economic assistance to the aged and the needy. These developments reflect the growth of the Government's obligations and a more adequate recognition of its responsibilities, and they have also had an important effect on its fiscal situation.

While these fundamental changes were taking place, the traditional pension and compensation programs for veterans and their families were also being further extended and liberalized. Thus under existing laws and regulations many of our veterans will be able to qualify both for non-service-connected pensions and social security benefits when they reach age 65. In the service-connected compensation program the standards for rating disabilities have been modified many times since their development in the years after World War I. Numerous piecemeal legislative changes have also granted legal presumptions of service connection and provided additional specific awards which result in different payments to individuals of the same degree of disability.

These programs are large and very significant. Expenditures for pension and compensation benefits to veterans are almost as large as all benefit payments of the old-age and survivors insurance system and are likely several decades hence to be double their present magnitude. In this situation the need is apparent for a constructive reappraisal of the standards under which such benefits should be provided. It is our duty to arrange our affairs so that future generations will inherit an economic and social structure which is fundamentally sound and in which obligations, including those owed to veterans and their survivors, are distributed equitably and not as an unwelcome burden.

It is in this constructive sense that I have established the Commission on Veterans' Pensions. It is my desire that this Commission systematically

assess the structure, scope, philosophy, and administration of pension, compensation, and related nonmedical benefits furnished under Federal legislation to our veterans and their families, together with the relationships between these benefits and others which are provided our citizens without regard to their status as veterans. The objective of this effort should be to bring up to date and correlate these benefits and services so that veterans and their survivors will receive equitable treatment consistent with the orderly development of public policy in this important area.

In this task you will have the full cooperation of the administration, including the facilities of the executive agencies. The White House staff will assist you on administrative housekeeping matters. I should like to keep in touch with your progress, and I ask that your final report with its recommendations be in my hands by November 1, 1955.

Sincerely,

DWIGHT D. EISENHOWER.

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The attached advance copy of the report of the President's Commission on Veterans' Pensions **MUST BE HELD IN STRICT CONFIDENCE**, and no portion, synopsis, or intimation may be divulged to any person, or published in any newspaper, or telecast or broadcast

UNTIL MORNING PAPERS, MONDAY

APRIL 23, 1956

(This applies in the U. S. and abroad)

PLEASE USE EXTREME CARE TO AVOID PREMATURE PUBLICATION OR ANNOUNCEMENT.

OMAR N. BRADLEY, Chairman
President's Commission on
Veterans' Pensions

SUMMARY

OF

FINDINGS and RECOMMENDATIONS

BY THE

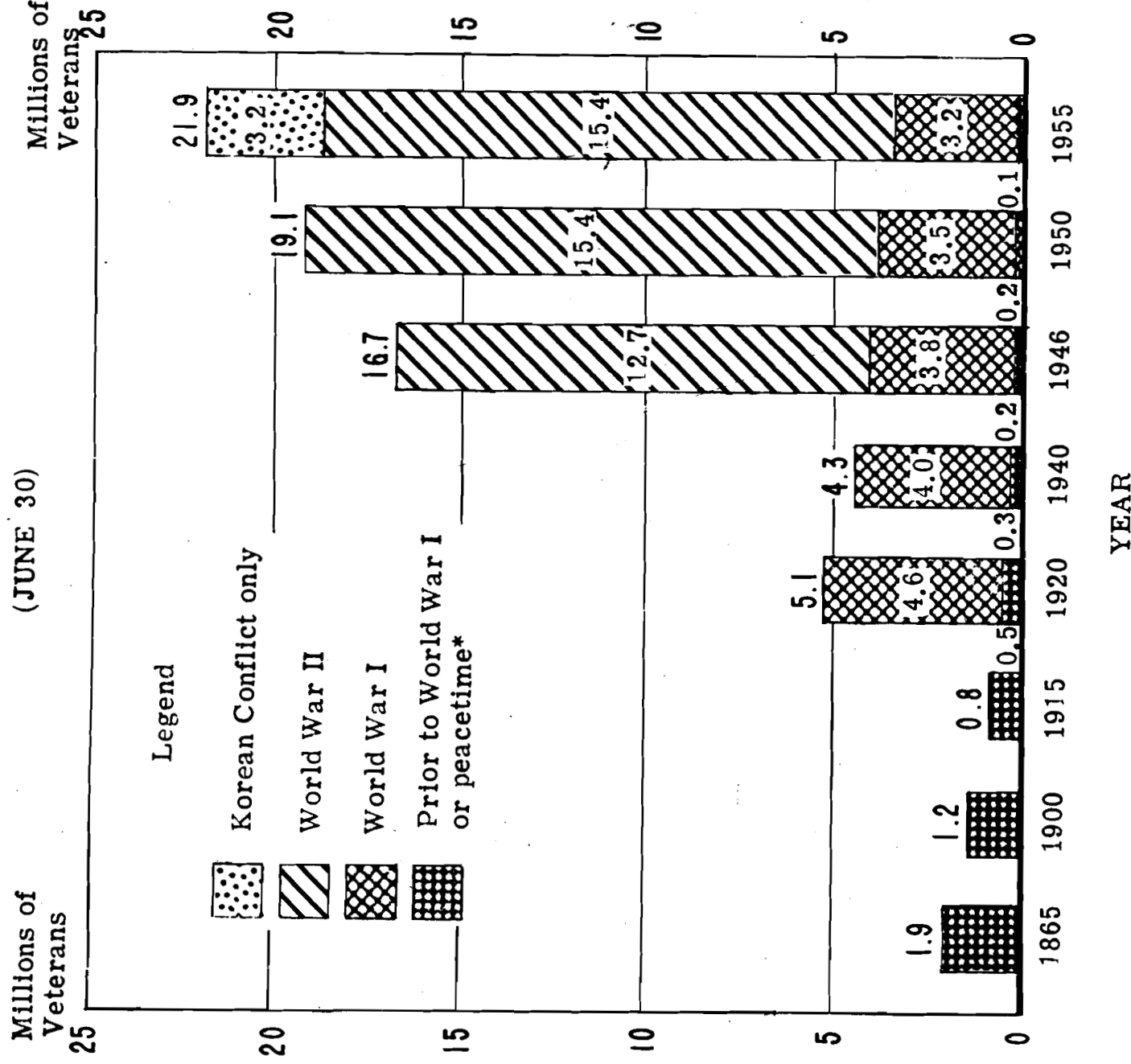
PRESIDENT'S COMMISSION ON VETERANS' PENSIONS

HOLD FOR RELEASE

HOLD FOR RELEASE

ESTIMATED LIVING WAR VETERANS*

By War of Service for Selected Dates, 1865—1955

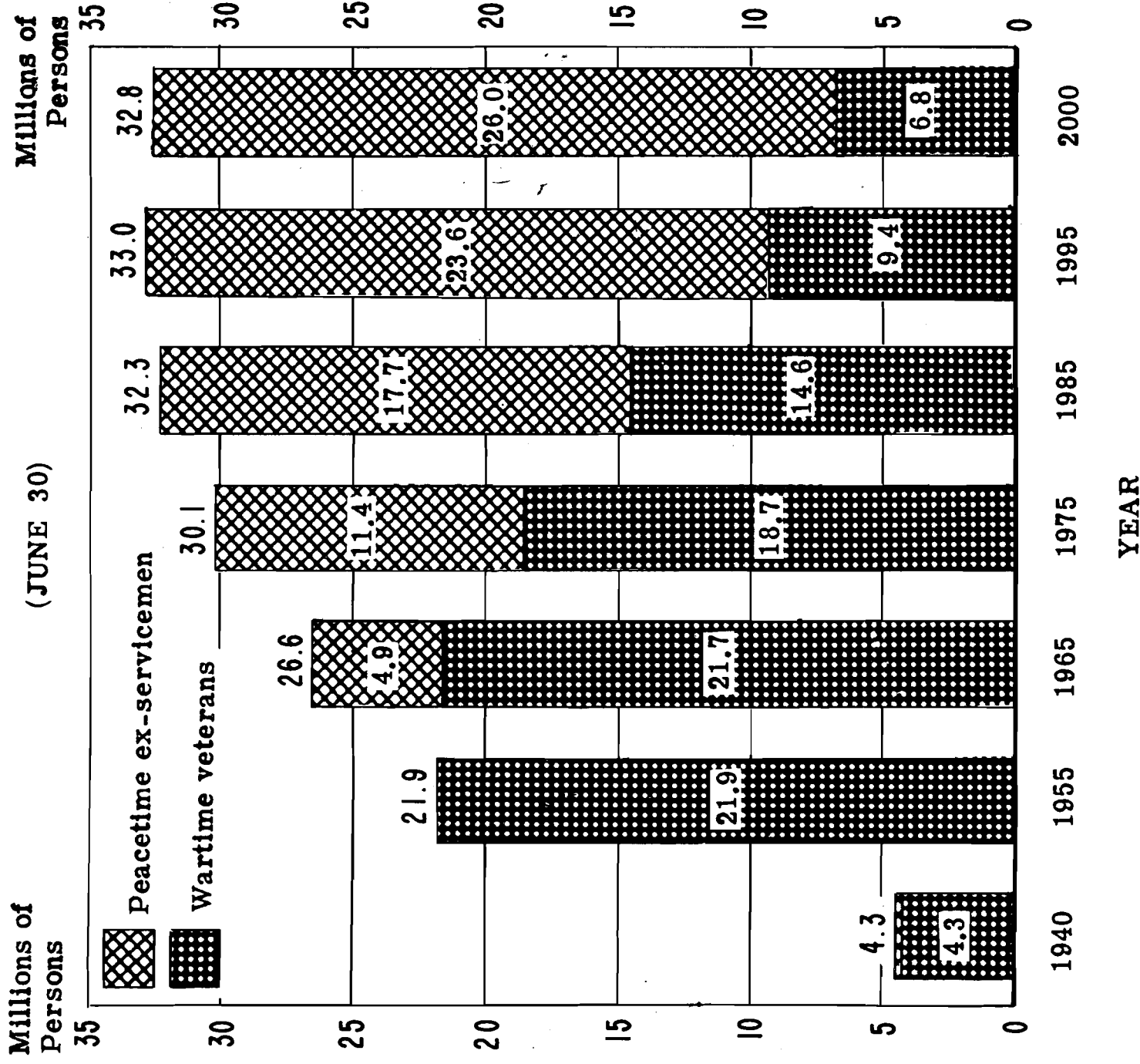


* FIGURES INCLUDE "PEACETIME" OR REGULAR ESTABLISHMENT VETERANS ONLY IF THEY ARE DRAWING VA COMPENSATION

Source: Veterans Administration

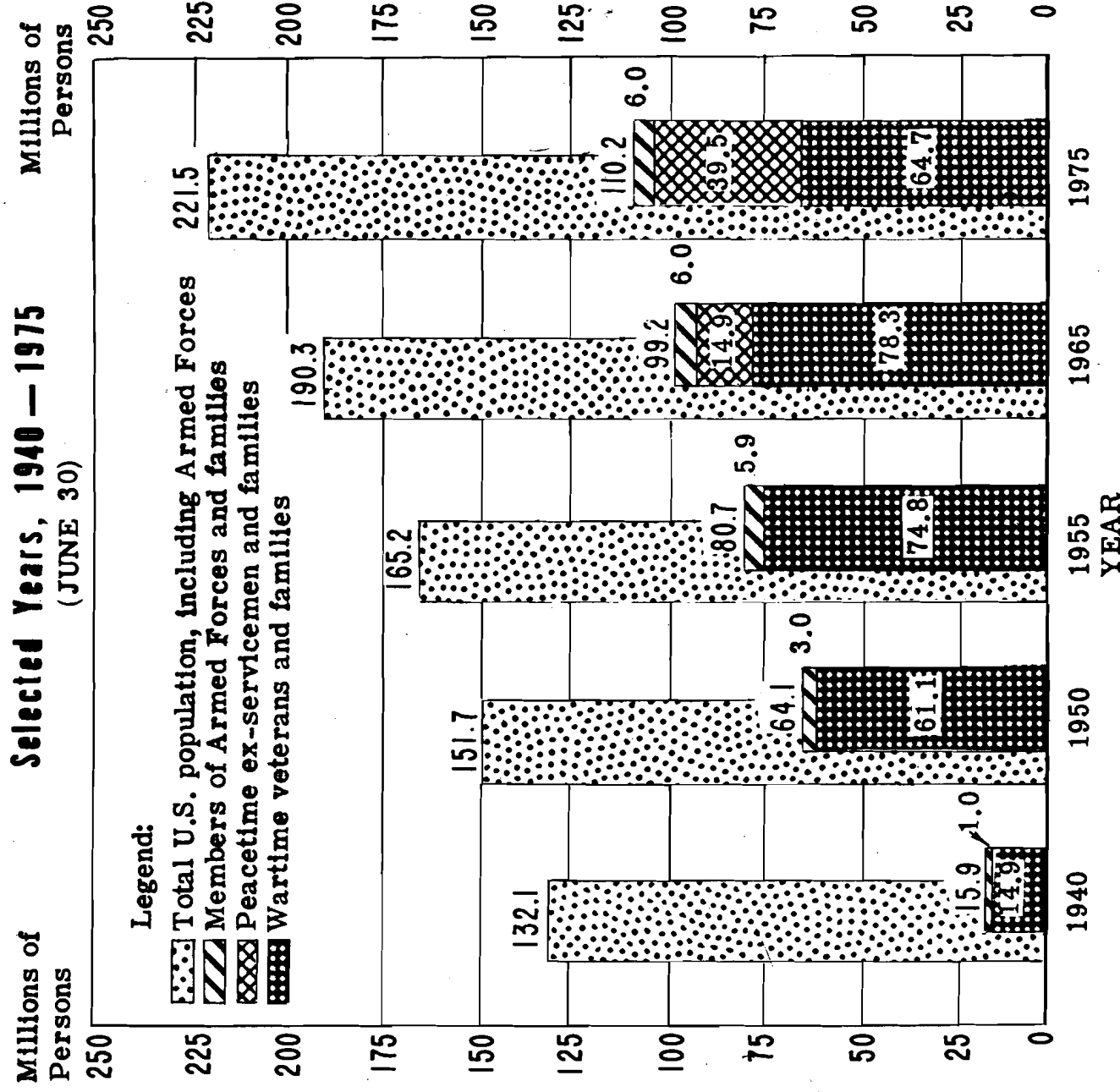
ESTIMATED NUMBERS OF WARTIME VETERANS AND PEACETIME EX-SERVICEMEN IN CIVIL LIFE

Selected Years, 1940-2000



Source: Veterans Administration

ESTIMATED NUMBERS OF PERSONS IN FAMILIES OF MALE VETERANS, EX-SERVICEMEN AND SERVICEMEN* COMPARED WITH TOTAL POPULATION IN THE UNITED STATES



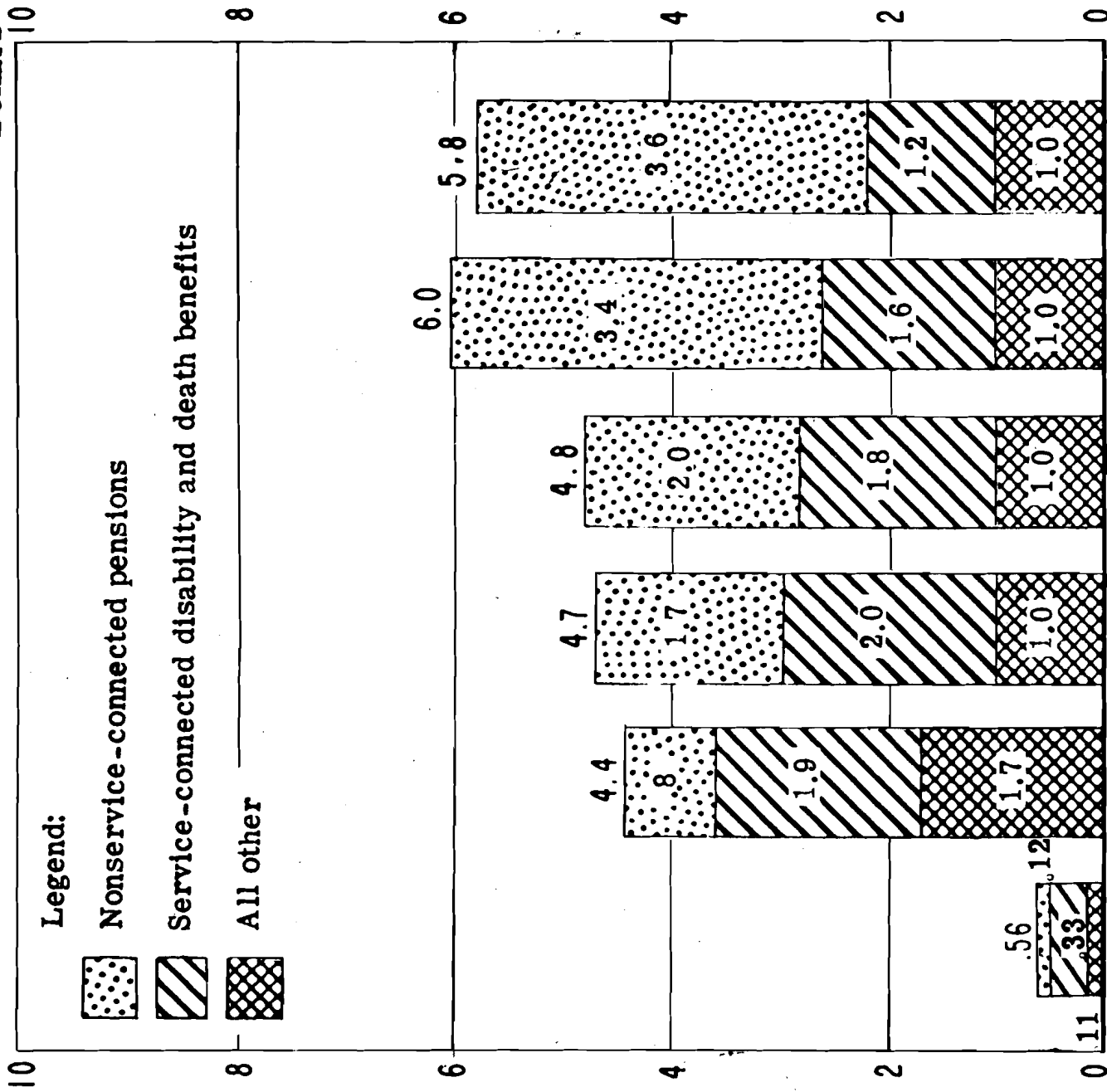
* INCLUDES WARTIME VETERANS, PEACETIME EX-SERVICEMEN WITH SERVICE SINCE FEB. 1, 1955, & MEMBERS OF THE ARMED FORCES & THEIR FAMILIES.
Source: Veterans Administration, Bureau of the Census & Department of Defense

VETERANS' ADMINISTRATION BUDGET EXPENDITURES UNDER PRESENT LAWS

Billions
of
Dollars

Selected Fiscal Years, 1940 - 2000

Billions
of
Dollars



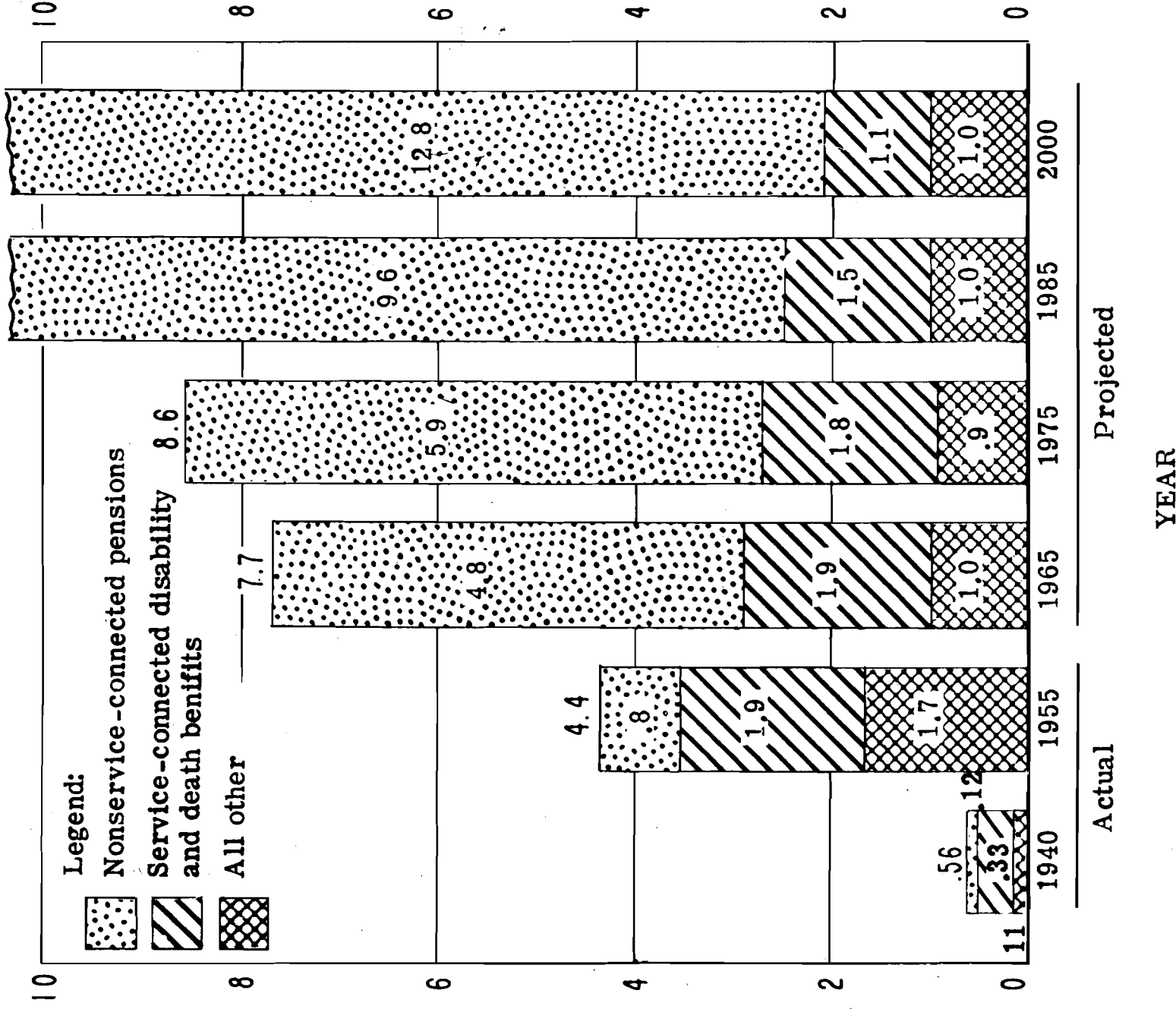
Actual Projected
YEAR

VETERANS' ADMINISTRATION BUDGET EXPENDITURES

ASSUMING SERVICE PENSION

Billions of Dollars Billions of Dollars

Selected Fiscal Years, 1940 — 2000

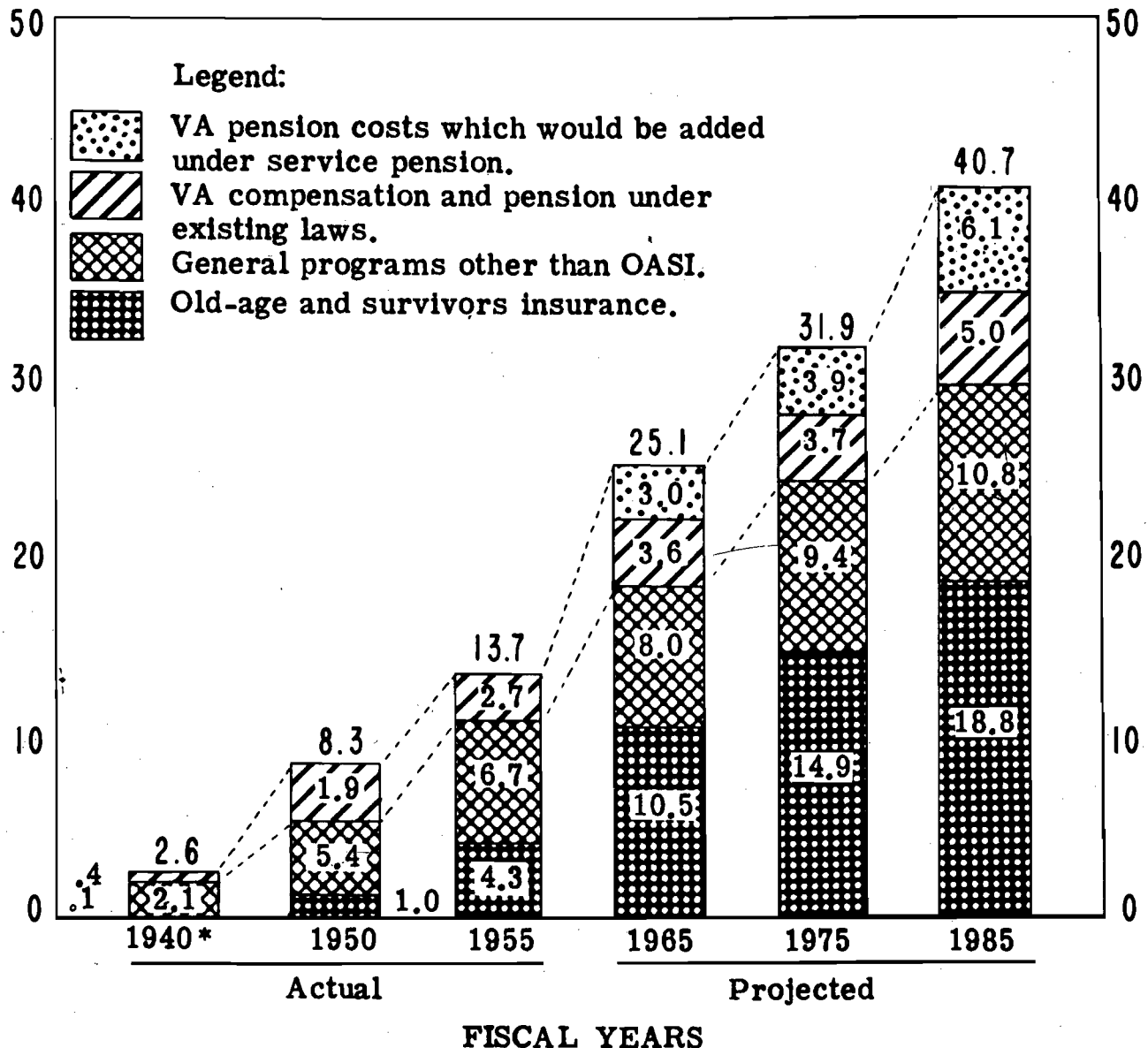


INCOME MAINTENANCE PAYMENTS UNDER PUBLIC PROGRAMS

General Federal, State, And Local Programs
Plus VA Compensation And Pensions
Selected Years 1940 — 1985

Billions of
Dollars

Billions of
Dollars



* FIGURES FOR NON-VA PROGRAMS ARE ON CALENDAR YEAR BASIS.

Source: Department of Health, Education and Welfare, Department of Labor, and Veterans Administration.

THE COMMISSION'S GENERAL FINDINGS

THE COMMISSION FOUND—

1. Veterans' programs are on the whole meeting veterans' needs effectively.
2. Veterans as a group are in better circumstances than non-veterans.
3. Basic conditions affecting veterans' benefits have greatly changed in the last several decades:
 - The number of veterans has increased to twenty-two million, and with their families they will soon be half of the population;
 - Conditions of military service have improved;
 - Changes in the nature of warfare are making the old concept of "veterans" obsolete;
 - New and effective readjustment benefits have been developed to help veterans immediately after discharge;
 - New general social security programs are increasingly meeting the economic security needs of veterans as well as non-veterans.
4. Present veterans' programs are not a "system". They have grown up piecemeal over many years.
5. There is no consistent national philosophy regarding veterans' benefits. The nature and extent of the Government's obligation to war veterans has never been clearly defined.
6. There is need for positive leadership on veterans' programs and policies, and for better coordination, both in the Veterans Administration and in the Executive Branch generally. This is especially true with respect to utilization of the Government's total resources in meeting the needs of veterans, and correspondingly, in fitting special veterans' programs into a pattern consistent with the more general programs.

THE COMMISSION'S GENERAL RECOMMENDATIONS

THE COMMISSION RECOMMENDS our national policy on veterans' benefits be based on the following guiding principles:

1. Military service is an obligation of citizenship. It should not in itself be considered a basis for special privilege and benefits.
 2. Veterans' benefits are a means of equalizing significant sacrifices that may result directly from military service.
 3. The Government should adopt a positive policy of meeting fully and promptly the needs of veterans resulting from service.
 4. Service-connected death or disability benefits should be accorded the highest priority. Readjustment needs are almost equal in importance. Veterans' nonservice-connected needs should be met when possible through programs for the general population; the nonservice-connected veterans' programs retained only to meet minimum needs not covered by general programs.
 5. Veterans with equal handicaps should have equal treatment.
 6. Benefits for veterans with similar needs should, in most programs, be uniform throughout the country.
 7. We must bear our own responsibilities. We should not burden a future generation with obligations we ourselves are not willing to shoulder.
 8. We should keep the whole range of our national needs in perspective, so our veterans' programs will be in balance with each other and with other general programs.
 9. Our national veterans' policy should be developed in the open forum of public discussion. The people should be given complete factual information on the economic and social status of veterans and their needs.
-

COMPENSATION FOR SERVICE-CONNECTED DISABILITY

THE COMMISSION FOUND —

1. The Veterans Administration compensation system is working fairly well but needs revision to bring it up-to-date.
2. The Schedule for Rating Disabilities has not been thoroughly revised since 1945.
3. Statutory awards (e.g., extra amounts for amputees) result in unequal treatment of veterans with equal degrees of disability.
4. Present compensation rates tend to under pay the totally disabled and to favor the less disabled.
5. The levels of compensation have not been geared to prevailing standards of living.
6. Certain diseases are arbitrarily determined by law to be service-connected for one or more years after the veteran leaves the service.
7. The standards for disability evaluation among Federal agencies differ, as does the interpretation of these standards.
8. Rehabilitation offers the greatest promise to the disabled but present programs lack coordination.
9. A serious overlap between the Veterans Administration disability compensation and disability retirement programs of the Armed Services.

THE COMMISSION RECOMMENDS —

1. The system should be thoroughly revised to incorporate latest advances in medical science and rehabilitation technique.
2. The rating schedule should be revised by a group of qualified physicians, economists, sociologists, psychologists, and lawyers.
3. A single comprehensive rating schedule based primarily upon average impairment of earning capacity but with allowance for loss of physical integrity, social inadaptability, and shortened life expectancy.
4. The rate of compensation should be relatively greater as the severity of disability increases.
5. Compensation benefits should be based on the average earnings of a representative group of workers and adjusted periodically.
6. Existing "presumptions" should be repealed in favor of medical diagnosis, since present laws otherwise adequately protect the veteran.
7. Disability criteria among Federal programs should be standardized.
8. Procedures should be developed to take advantage of modern-day concepts of rehabilitation in assisting return of disabled veterans and servicemen to useful life.
9. A study to eliminate duplication of effort and establish common standards.

SERVICE-CONNECTED SURVIVOR BENEFITS AND GOVERNMENT INSURANCE

THE COMMISSION FOUND —

1. Present survivor benefits are complex and inequitable:
 - Four Federal agencies administer six different programs.
 - Benefits are inadequate in some cases; excessive in others.
 - The period during which indemnity payments are made is inflexible.
 - Payments are made in some cases to non-dependents.
 - Social Security coverage is on a temporary basis.
2. Some of the existing Veterans Administration term insurance is not convertible. This will cause many veterans to drop their insurance in later years.
3. The Uniformed Services Contingency Option Act and veterans' laws do not enable retired military personnel to provide definite and certain amounts of survivor protection for their families.

THE COMMISSION —

1. Strongly endorses the improvements embodied in the pending Hardy Bill (H.R. 7089).
2. Recommends that conversion to permanent policies be allowed for a limited period.
3. Recommends that the Contingency Option Act benefits be coordinated with those provided by the Veterans Administration so a definite amount of protection can be elected and paid for on a predictable basis.

READJUSTMENT BENEFITS

THE COMMISSION FOUND —

1. Readjustment benefits are a dramatic improvement over earlier backward looking pension and bonus benefits because:
 - Help is given when it is needed most;
 - The amount of aid is fitted to individual needs;
 - The aid is constructive and of lasting value.
2. World War II veterans, as a group, have successfully reestablished themselves in civilian life.
3. Benefits were often misused or ineffective under the original World War II "GI Bill" because safeguards and standards were inadequate. Considerable improvements were made in the Korean "GI Bill".
4. The Veterans Administration loan guaranty program has helped many veterans buy homes, but its advantages are largely offset by increased costs from discounts, poor construction, and VA - FHA duplication.
5. Education and training benefits for Korean veterans are essentially sound, but there are some problems that should be avoided in any future program.

THE COMMISSION RECOMMENDS —

1. Adequate readjustment benefits should be the primary method of meeting the Government's obligation to non-disabled veterans.
2. The Government's future policy be based on the premise that "GI Bill" benefits substantially discharged the Government's obligation to non-disabled veterans.
3. Future programs should provide for:
 - Proper safeguards to limit use of benefits to bona fide readjustment purposes;
 - Benefit levels geared to those in general programs;
 - Use of agencies administering similar general programs whenever possible.
4. Responsibility for veterans' home loans should be transferred to Federal Housing Administration to eliminate duplication and permit more orderly termination of the program.
5. Future training programs should provide for:
 - Vocational guidance and counseling for all;
 - A two-year limit for entering training;
 - No subsistence allowance for those employed full-time.

NON-SERVICE-CONNECTED PENSIONS

THE COMMISSION FOUND:

1. Veterans' nonservice-connected pensions came into being a century before the country had general social welfare programs.
2. The veterans' pension program overlaps the basic social security program -- Old Age and Survivors Insurance -- established in 1935.
3. The present veterans' pension program is not geared to meeting needs:
 - Income limits are too high;
 - Income limits operate on an "all-or-nothing" basis;
 - Some benefits are inadequate for those in genuine need.
4. Disability and employability standards for veterans are unrealistic in that:
 - A 10 percent disability at age 65 is rated as "total";
 - Unemployability is established without attempts at placement or rehabilitation.
5. Eligibility standards for widows and children are not geared to need and are discriminatory among survivors of different wars.
6. Standards regarding simultaneous payment of public assistance and veterans' pensions are not clear.

THE COMMISSION RECOMMENDS —

1. The main purpose of veterans' pensions should be to provide assistance to those in need.
2. Veterans' pension benefits should be coordinated with the general social security benefits:
 - Veterans' pensions should become a "reserve line of defense" to OASI, the basic social insurance program.
 - Coordination should be achieved by setting realistic minimum income standards for pensioners and offsetting other income, including OASI benefits, against the pension.
3. Veterans' pensions should stress assistance to those who are in greatest need:
 - Pension levels should be based on public assistance standards and should be consistent with OASI.
 - Deductions from income should be on a sliding scale, with only a partial offset for earned income.
4. Disability and employability standards should be strengthened:
 - Up to age 70 a 30% minimum disability should be required.
 - Unemployability should be confirmed by referral to State Employment and Vocational Rehabilitation Services.
5. Survivor pensions should be available to all veterans' families which are in equal need; and the eligibility standards should be brought in line with OASI.
6. Payment of public assistance to those receiving veterans' pensions should not disqualify the pensioner, so veterans with special needs can obtain supplementary assistance.

BENEFITS FOR PEACETIME EX-SERVICEMEN

THE COMMISSION FOUND —

1. Persons entering the Armed Forces since January 31, 1955, are eligible for Veterans Administration disability compensation and related benefits but not for the "GI Bill" benefits.
2. Maintenance of Armed Forces at present level will mean an annual turnover of 700,000 -- one-third draftees -- and 26 million living peacetime ex-servicemen by the year 2000.
3. Peacetime military service, unlike service in wartime, can be foreseen and planned for.
4. Service today is better paid and provides training and experience useful in civilian life.
5. The interruption and handicap from peacetime military service is not sufficient to require substantial readjustment assistance.

THE COMMISSION RECOMMENDS —

1. That the following benefits be provided for peacetime ex-servicemen:
 - Service-connected disability and death compensation at wartime rates;
 - Vocational rehabilitation for service-connected disabilities through the Federal-State program;
 - Insurance for those with significant service-connected disabilities;
 - Reemployment rights as provided by existing laws;
 - Unemployment compensation, through State programs, like that provided Federal civilian employees.
2. That the following special benefits not be extended to peacetime ex-servicemen:
 - Mustering-out pay;
 - Loan guaranty benefits;
 - Nonservice-connected pensions;
 - Education and training benefits (if a national educational program is considered necessary, it should be on a general basis and fill the needs of all qualified young people, including ex-servicemen).

ADMINISTRATION

THE COMMISSION FOUND NEED FOR —

1. Broader outlook in the Veterans Administration -- and greater responsibility on the Administrator.
2. More top-level professional advisers for the Administrator.
3. More facts on the status of veterans and on the effectiveness of veterans' programs.
4. Government-wide coordination between veterans' programs and general programs.
5. Some restraints on the Administrator's broad authority.
6. Greater uniformity and safeguards for the Government in Veterans Administration claims adjudication.
7. Simplification of the extremely numerous and complex veterans' laws and regulations.

THE COMMISSION RECOMMENDS —

1. Re-definition of the Administrator's mission to include responsibility for program-analysis, long range policy, and positive advice to the President.
2. Additions to the Administrator's professional staff.
3. Strengthening of Veterans Administration facilities for research and analysis on veterans' matters.
4. A Cabinet sub-committee on veterans' affairs, and consideration of Cabinet status for the Administrator.
5. More specific standards in legislation and advance review of important Veterans Administration actions by appropriate Government agencies.
6. Central review of decisions of Veterans Administration field boards.
7. Simplification and codification of veterans' laws with corresponding simplification of regulations.