*Information for All Participants*

It is January 17, 1935. President Roosevelt has just sent his proposed "Economic Security Bill" to the US Congress for consideration. Here in Washington, D.C. the weather is foggy with a high of 42 and a low of 28. Almost all of the people in this room are members of the House of Representatives committee on Ways and Means (essentially, finances).

The president's proposal contains the following measures:

* Unemployment insurance, funded by a payroll tax,
* Old-age benefits starting at age 65 for retiring workers,
* Pensions to be funded pay-as-you-go, with the tax split between employee and employer,
* Only those workers in large firms (say, over 50 people) would be included--which would not include farmers/sharecroppers or domestic help, and
* Federal aid to dependent children and orphans.

The president's proposal does not include general health insurance, but says the issue is "under study".

We will leave it to later committees to consider the constitutional balance between direct federal action vs. funneling money through the state governments.

You might not feel that you have enough data to make quantitative arguments about various topics. The Library of Congress, the data from the US Census, and vast other amounts of information, are available to you--the chief librarian, a certain Mr. Google, can help you search. If some piece of information is not forthcoming, you should feel free to give a reasonable estimate (perhaps built up from a series of smaller, more easily handled estimates), as your kindly math instructor in college taught you to do, back around the turn of the century (when the other Roosevelt was president). Of course, any such estimation may be debated by those with opposing views.

While many people in 1935 struggle to do tedious arithmetic and charting, you have a staff of extremely smart people to do your mathematical bidding--and the head of your staff is named Mr. Excel. If you wish to present a graph or a small table of numbers to the hearing, it can be displayed on the slide projector if you ask Mr. Powerpoint to arrange it for you.

If your role sheet does not give you a name, you may make one up, or use your own name (from 2010, if a date so far in the future can even be considered). Do not show your role sheet to anyone else.

Maintaining an air of civility, despite the perhaps desperate nature of our times in 1935, is extremely important. Everyone is addressed as "Mr. Lastname" or “Mr. Congressman” at all times (whether speaking publicly, or in a faction meeting, or privately), except of course Mrs. Roosevelt. Also, the chairman of the committee is addressed as "Mr. Chairman". All members of Congress are men. If you wish to refer to someone sarcastically (which would be rare), you veer toward formality: "The Honorable Representative from Oregon has claimed that…". It is nearly unheard of to vocally interrupt someone who is speaking--a raised hand is a much more polite indication that you wish to speak, and of course the Chairman will call on you when it is your turn. If he feels like it.

When a faction member is allowed to speak by the Chairman, the speaker may make a proposal to include or exclude something from the draft law, with a cost figure, and make an argument for it; then open to questions. Opponents need not respond immediately and both sides may return to caucus mode. Opponents may make counter-arguments, attacking numbers, and if the latter is an improvement on the pro-analysis, the chairman has the power to not allow the proposal into the draft, and send to subcommittee for "further study." Proposals can be proposed again if new analysis is provided. Once all players on a faction have made a presentation, they can call for a vote. Opponents have some allotted time to respond to specific proposals that have not yet been countered.

All players of this game should know that “social security” was a term for all potential programs that were advocated to promote economic security for members of American society; for example, it often was used to include health insurance (which certainly can help provide security to a family). The lack of actual “social security” was an acute crisis that, in the 1930s, compelled attention from political leaders. In later years, “Social Security” largely became a term used for the specific benefits provided by the Social Security Act. For this game, it’d be a mistake to apply that later, more specific idea of the phrase “social security” to discussions taking place before any social security act was passed in the United States. The actual act of 1935 produced more specific and narrower meanings for the phrase than previously. But in this game, what a social security act will include has yet to be determined. Before the Act was passed, the term social security often reflected goals for society values; since the Act, it’s largely used descriptively. Today if you mean it more generally you say “economic security”.

If a member of the House presents numbers that do not work, a few things could happen:

* their opponents could call them on it, thus leading to embarrassment
* the chairman of the committee could call them on it
* the House Committee on Ethics (via the Gamemaster) could get suspicious about that person's campaign finances and launch an investigation that would keep that player from voting.

***1. Things you can implement***

“Social security” can be interpreted broadly to include many kinds of services and protections for members of society. All of the following were being considered at the time the original social security act was passed.

**Old age pensions:** Providing old age pensions is the most prominent among the choices available to you. The first thing to ask is, “why is this legislation needed?” The answer to this question can help shape the details of the policy. There are various arguments for government-provided old age pensions.

1) Income redistribution. Many elderly people have been made poor by the depression, and have no way of improving their lot, unlike younger individuals and families. Those who are poor and elderly are especially vulnerable, and especially deserving of additional income.

2) Fairness. The elderly have made many contributions to society during their lives, and society should pay them back.

3) People cannot prepare for retirement themselves. There is no effective way for individuals to save for their own retirement. Most people have no idea how to go about doing this, and recent history shows investing is not safe. (You might measure this by looking at index numbers. DJIA in 1935 is about the same as in 1925, and had wild swings in between.) Even if investing were safe, it is hard to know how much saving is enough.

4) Social breakdown. Families cannot afford to provide for elderly relatives themselves. Some elderly have no children to turn to. If we show lack of respect for the elderly, the moral fabric of society will tatter. You will need to decide how much the pension should be. Should it be the same as the pensioner’s income while working, a subsistence amount, or something else?

**Aid for the disabled:** The elderly are not the only people who may find it difficult to find work. A person might not be able to continue working if they have health problems or an accident. This can impoverish entire families. It can also discourage children from attending school. Even more so than with retirement, people have no way of insuring themselves against disability. Insurance companies worry that people only in risky occupations will buy such insurance, and that workers may take more risks once they have insurance. The rationales for this kind of aid are similar to those for social security.

If you decide to implement this, you will need to decide whether to make payments to any disabled person, or only to workers who subsequently become disabled.

**Unemployment insurance:** Unemployment is very high in 1935. People are struggling to find jobs. Unemployment insurance could help someone make ends meet until they find new work. Insurance companies do not provide this insurance because they think only people with a high risk of unemployment will buy it. But if the government gets everyone involved, maybe this is no longer an issue.

Implementing unemployment insurance can be tricky, because unemployment is not always easy to identify. Farm workers, for example, work seasonally, and may or may not work in the winter. Is a freelance writer unemployed if they are having trouble selling articles? Should someone who has never worked be considered unemployed? What about women and children? Will unemployment insurance discourage people from working?

**Aid for the poor:** There are many impoverished people in America, both young and old. Charities have not been able to help them all. Shouldn’t all of the poor receive some sort of payment? In addition, maybe this is necessary to prevent social unrest. On the other hand, will this policy end up rewarding those who do not work hard at the expense of people who do? To determine benefits, you may want to consider an individual’s wealth as well as their income.

**Health care:** Many workers cannot afford to pay for medical treatment. Others cannot take time off for treatment since they would be fired. Maybe the government should provide health care, or at least pay for it. Should it do so for everyone, or just the poor?

Because health care focuses on how money is spent, not just whom it is given to, there are additional questions to consider. Why is health care special, when compared to other expenses? After all, food and shelter are just as important to survival. Is access to medical care mainly a matter of having money? Would it be better to give the poor more money, and let them spend it as they see fit? Does access to medical care actually improve health?

***2. Coverage and benefit options***

**Universal v. Targeted:** A universal approach offers benefits to all citizens, or all workers, without qualification. A targeted approach is more restrictive: benefits might be offered only to the elderly, or to workers in certain industries. Benefits might also be “means-tested”, meaning wealth may disqualify an individual.

**Cash v. In-Kind:** You can give beneficiaries cash according to some formula, or you can give them in-kind payments, which might include coupons for specific items, or government-provided food, clothes, housing, and health care.

**Voluntary v. Mandatory:** In a mandatory system, everyone must participate in the same program. A mandatory system is the simpler option to implement. In principle, everyone can receive benefits, and if money for benefits is collected directly from the participants, everyone must pay.

A voluntary system might allow some people or groups to opt out of a program, so that they do not pay and are not entitled to benefits. For example, you might require everyone to have a pension fund, but allow individuals to opt out of the public social security program. Voluntary systems may be proposed for sake of fairness or freedom.

***3. Payment options***

**Fully-funded v. Pay-as-you-Go:** This distinction is important for pension funds. Under a fully-funded system, money is set aside immediately to cover future costs, according to projections. The projections take into account investment, inflation, and future expenses. Under a pay-as-you-go system, money is collected to cover just the current year’s benefits. Nothing is set aside for future payments. It is possible to mix the approaches, leading to a “partially-funded” program.

Although this terminology originated with pension funds, it can be applied to other benefit programs.

**General Taxation v. User Fees:** With general taxation, benefits are treated like any other budget item, and paid for using any funds the government possesses. This means that everyone is paying for the program, although it can be hard to identify how much. User fees, which can be considered taxes, are collected for a specific purpose or program from the users of the program. If a program is mandatory, the distinction between user fees and general taxation is mostly in name.

If one group benefits from a program more than others, user fees may be called for. For example, the steel industry may regularly lay off large numbers of workers, representing a large fraction of the unemployed. Some would then argue that the steel industry and its employees should pay more for unemployment insurance than others, since they consume more of the benefits.

**Progressive v. Regressive Taxation:** This terminology compares the amount of taxes paid to an individual’s income. A progressive tax is one that taxes people with high income a larger percentage of their income than people with low income. The United States income tax system is progressive. A regressive tax is one that costs low income people a greater percentage if their income than high income people. Sales taxes are usually regressive. A tax that costs everyone the same percentage of their income is a flat tax.

**Taxes v. Debt v. Printing Money:** Up to this point, we have assumed that the government collects money to pay for its programs. There are alternatives, however. The government can also borrow money by selling bonds. The loan will be paid back at some point in the future, when the government may elect to borrow again, or collect taxes to pay off the debt. This may have the effect of pushing the tax burden to younger generations. Economists disagree about whether this matters. You may need to project future tax collections to justify borrowing for the program.

A second alternative to taxation is printing money to pay expenses. This can lead to inflation. In 1935, the United States is experiencing deflation, and some inflation may be welcome, as a sign of economic growth. On the other hand, inflation can be considered as a hidden, regressive tax. You probably will need some analysis to justify printing money to pay for social security. A move to increase inflation will meet resistance from the Federal Reserve and from investors.