

But take a State that was a coal-mining State and had a lot of men unemployed, a lot of coal miners. It is a part of the national problem in the State problem, and there would be a question whether the Federal Government should not come in in a reinsurance way to sustain benefits in that State until they worked it out. We suggested that one of the prime subjects for study should be to work out some form of reinforcement of that nature.

Senator HASTINGS. Of course, it would not be worth while to put in those minima if the Federal Government had to come to the aid of the State which could not meet the minimum.

Mr. KELLOGG. Of course, some of us have approached it from the other way around. We said, "What is a decent level that we would stand for as Americans to cover this risk of unemployment that we cannot stand up and defend?" And then the secondary question is, "Where do you get the money to pay for it?" I imagine that that question that you raised will not be a practical one for some years ahead.

The CHAIRMAN. Thank you very much. If you want to elaborate your views, you can give it to the stenographer.

The next witness is Clarence A. Kulp of Philadelphia, Pa.

STATEMENT OF CLARENCE A. KULP, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PA.

Mr. KULP. Mr. Chairman, I have not had time to prepare a statement, so I am going to be very short. If you like, I will submit one later.

The CHAIRMAN. You are from the University of Pennsylvania?

Mr. KULP. Yes. I perhaps should add that for the last 3 years I have served as adviser to the Pennsylvania Commission on Unemployment Insurance, was Governor Pinchof's representative on Mr. Roosevelt's interstate commission in 1931 and 1932, and have served as chairman of our State committee on workmen's compensation, which is a form of social insurance, presented a report to the Governor after 2 years of work.

In principle I favor the objectives of the Wagner-Lewis bill. In detail, there are a great many things about which everybody, I suppose, could raise questions.

The outstanding omission is the failure to include public-health insurance, although I understand that the attitude of the medical profession is the important factor that explains that exclusion. That is very unfortunate, because the public-health insurance would give us an ideal beginning on a social-insurance program. You would have no question about calculating reserves, because you would spend your money as you raised it, and no new money would have to be added. Experts of the committee have calculated that at present the average family spends 4½ percent of its income for medical help, and for that same sum it would get a much higher standard of help that would be spread over a much greater proportion of the population, in fact we have evidence from a number of private schemes that \$35 a year would do the job very nicely, including hospitalization, services of a general practitioner, dental care, and all the other elements that go into a complete medical hospital standard.

Senator BARKLEY. I-Tow do you draw the line between those who have received the service and those who have not applied for it?

Mr. KULP. I should make that system completely self-supporting. Senator BARKLEY. You mean you would apply it to everybody?

Mr. KULP. As far up as practical.

Senator BARKLEY. There is still an element of uncertainty?

Mr. KULP. I beg your pardon?

Senator BARKLEY. Would you fix any total income as standard by which to judge whether a family should receive medical care and dental care at public expense or private expense? How would you limit that?

Mr. KULP. The bill would be drawn up, I take it, so that the persons who would fall below an agreed-upon minimum of income would naturally be supported then as they are now, but on the whole we should expect the system to be self-supporting without Federal or State aid having the higher-income people contribute.

Senator BARKLEY. Contribute to a general fund?

Mr. KULP. Preferably a Federal fund.

Senator BARKLEY. Raised by general taxation or through a special health fund?

Mr. KULP. Special health fund.

Senator BARKLEY. Through a system devised by the States and controlled by the States?

Mr. KULP. Preferably a national system.

Senator BARKLEY. Thank you.

The CHAIRMAN. Proceed.

Mr. KULP. On the unemployment-insurance sections of the bill, I should like to say that I do favor the choice, although it has some unfortunate circumstances, the choice between the types of insurance plan. As it is drawn now you can have the establishment of funds whereby each employer would assume full responsibility for his own unemployment--it would permit the industry fund or it would permit the State-wide pool. If practicable, the ideal plan, I suppose, would be a Federal system, but as matters stand, I think if you tried to decide now between the reserve plan as against the pool, you would simply transfer this battle on the States which has been raging between Wisconsin and Ohio to Washington, and very probably would get to nothing at all. I think it would be a mistake if you tried to pin down upon all of the States the same plan at this moment.

I oppose the contribution of workers for the very fundamental reason that in any scheme of "unemployment insurance", so-called, they would still have to bear by far the greatest proportion of the cost. Even a 3-percent pay-roll bill would cover not more on the average than one-quarter of the wage losses.

You have heard Paul Douglas. You know by the figures, that he calculates that up to 1920 we had an average unemployment rate of 8 percent, leaving out part-time entirely. If you include part-time, at least 12 percent year in and year out, and that does not include the present depression, so that any bill obviously that asks for only a 3 percent of pay roll can pay for only 3 percent of lost time. The other three-quarters will be just where it is now, that is on the employee or in turn on public and private provision.

I am not impressed at all by the argument that workers have to pay in order to appreciate their blessings. I believe workmen's compensation is a precedent. There is hardly a State in this country where the worker is asked to pay even as much as a cent a day; in fact, there is one State in which he is asked to pay 1 cent a day. In most

States he is asked to pay nothing, not on the theory that the employee is to blame but that he is a convenient channel in which to collect the cost of industrial accidents.

Senator BARKLEY. Have you any opinion as to what the machine has contributed to this 12 percent unemployment in normal times?

Mr. KULP. I am afraid not.

Senator BARKLEY. We read about the machines throwing men out of work, and on the contrary there is a theory that the machine, while it has thrown men out of work in certain lines, has created work in other lines for them. I wonder if you have any opinion as to the balance of good and evil that has been brought about by machines?

Mr. KULP. I have an opinion, but that is all. In the long run, surely machines, as far as economic theory goes, create jobs placing men in new places to take up the slack of those that the machines have closed out, but you still may have and I think you will have for many years in the country the problem of short-run employment. 411 of the inductive studies seem to point that way.

Senator BARKLEY. Hasn't that problem grown with the years?

Mr. KULP. I think it has.

Senator BARKLEY. Does it not grow more permanent as we go along?

Mr. KULP. Perhaps. I am trying to be very conservative in the statement. Even if it does not increase, we will always have a permanent problem of short-run employment during the period that people have to look around for other places.

Senator BARKLEY. The advocates of a well-known pension plan that is soon to be explored before this committee take the position that in a certain length of time all of the work will be done by machinery and that men won't have anything to do except draw their pension. Do you look forward to any such situation as that?

Mr. KULP. No, sir.

Senator BARKLEY. Thank you.

Senator CONNALLY. Your theory is that the invention of the automobile, for instance, while it displaced some people—the wagon-makers and blacksmiths,—did however create a great many new jobs to make them and run them and fix them and supply the gas, and so forth. And that the invention of the radio, for instance, put thousands to people tinkering with radios that left other occupations. Your theory is that in the long run that these dislocations are cared for by the creation of jobs in other lines, in other industries? That is what you mean?

Mr. KULP. Yes.

Senator CONNALLY. Naturally there is a period of transition there that you speak of as short-time unemployment?

Mr. KULP. It may be a long period to the fellow that is looking for a job.

Senator CONNALLY. I understand that, but you said something about—what was the term you used?

Mr. KULP. Short-run unemployment. May I suggest a more modern illustration? Between 1920 and 1928, which was before the liquidation, about 2 ¼ million workers lost their jobs permanently in four American industries—in railroading, in agriculture, in textiles, and in coal mining; in my State particularly; coal-mining. Those people are off those pay rolls permanently. By and large, of course,

new jobs were created during that period, at least to equal the 2¼ million lost, but not in the same places. Manicurists, life-insurance agents—it is estimated that 100,000 new life-insurance agents were created during that period—barber-shop attendants, garage attendants, mechanics—all of the personal services. Of course, the miners up in Wilkes-Barre and Scranton, Pa., are not eligible for those new jobs, and by and large they just wait there for some miracle to happen.

Senator CONNALLY. Do statistics state those facts?

Mr. KULP. Yes; I can cite the source of those statistics.

Senator BARKLEY. What is the source of those statistics? Not that I doubt your statement, but I would like to have the reference.

Mr. KULP. Professor Schlichter, of Harvard University, in an article written for the Survey Graphic, based on census statistics issued about approximately April 1928. That can be checked very readily. Professor Schlichter, I believe, appeared before your committee.

Senator COUZENS. Have you any solution for those men in the coal mines that are staying there?

Mr. KULP. No; I have not.

Senator COUZENS. Has anybody offered any?

Mr. KULP. Yes; I suppose you would call some of the proposals a solution. Relocation of those coal miners has been suggested by Mr. Hopkins, for example.

Senator COUZENS. I mean, has he said where he would send them?

Mr. KULP. If he did., I did not follow him.

Senator COUZENS. I would not be very much impressed anyway.

Mr. KULP. May I say at this point that the unemployment insurance would do very little for those people anyway.

Senator COUZENS. This plan is not contemplated to take care of the present unemployed, is it?

Mr. KULP. No; but I believe that is not generally understood.

Senator COUZENS. It is quite well understood by this committee that this plan is not to take care of the present unemployed.

Senator HASTINGS. What are your specific recommendations?

Mr. KULP. On unemployment?

Senator HASTINGS. On anything here.

Mr. KULP. I was about to say I approve the section on unemployment insurance in principle, but I do deplore the lack of standards. I just heard Mr. Kellogg what he can say better than I.

Senator HASTINGS. And do you agree with what he said?

Mr. KULP. In general; yes.

Senator CONNALLY. Don't you think that in all of these plans we have got to make a beginning?

Mr. KULP. Yes.

Senator CONNALLY. And that the ultimate is not always to be attained at scratch?

Mr. KULP. Yes. Therefore I am for it as it stands even though it has all of the defects that I mentioned.

Senator CONNALLY. And is not something better than nothing as a rule?

Mr. KULP. Yes, sir.

Senator CONNALLY. Even the colleges in mathematics teach that something is better than no thing.

Senator HASTINGS. I noticed the recent budget message of the Governor of Pennsylvania provided for \$20,000,000 for old-age

pensions, and he specified and made specific recommendations as to how the extra money should be raised for that and other purposes. Do you know whether in Pennsylvania that is a preferable way than the tax provided in this bill for pension payments?

Mr. KULP. The funds proposed by Mr. Earle are to match the expected Federal contribution. We have our own system and the Federal subsidy would add to the sums that we already are providing.

Senator HASTINGS. Is the State of Pennsylvania paying out now \$20,000,000?

Mr. KULP. That is, not now. We had the unfortunate experience of being one of the first States to pass such a law and have our supreme court declare it unconstitutional in 1923. We have just repassed it, and I believe have yet to pay the first check. That is due to a local accident. We expected to make enough money on our liquor-store profits, and we are not making it.

Senator BARKLEY. Don't they drink as much in Pennsylvania as you expected?

Senator CONNALLY. Pennsylvania is not Kentucky. [Laughter.]

The CHAIRMAN. Have you finished your statement?

Mr. KULP. No sir, Mr. Chairman. The committee has asked me a number of questions. I shall be glad to go on if you want me to.

I favor a noncontributory scheme for the reasons that I tried to explain, and I favor also some approach toward national standards, although I believe the tax approach, because of constitutional reasons, is highly defective. I am not a lawyer, but I would take a lawyer's word on that point. Lawyers believe that the subsidy would be a preferable method for getting real standards. As it stands there would be no equity, as far as the law goes, between States or even between workers in the same State. There is no assurance of that. The amounts of money are so small that I see very little reason for getting excited about investing funds with the treasurer, or leaving the funds with the treasurer. At the outside those funds will hardly go over 2 billions of dollars, even at the top of the period of inflation, and according to the revised estimates of the actuaries of the Committee on Economic Security, probably not over 1 billion dollars, which is small change for these United States.

Senator HASTINGS. What was that amount?

Mr. KULP. Less than 1 billion on the adjusted basis, 2 billion on the unadjusted basis, which they believe is much too high.

Senator HASTINGS. And you say either of them are small change?

Mr. KULP. Yes; compared to the needs.

The CHAIRMAN. Proceed Mr. Kulp.

Mr. KULP. May I say, Mr. Chairman, on that point, this emphasis on cost is an unfortunate and an unfair one. I hope you do not mistake this for the ordinary statement of a college professor, but it is true that we are beating that cost now. The imposition of a pay-roll tax would not increase costs at all, it would transfer them, and in my opinion, transfer them to a place where they could be collected much more equitably. There isn't anybody who believes that we are not paying for unemployment now. This would provide a logical plan, a sensible way of paying, instead of throwing, as in the emergency relief law, the whole provision on the haphazard, emotional, high pressure methods.

Senator CONNALLY. Mr. Chairman, I want to interrupt a moment. You understand I am not trying to cast any reflections on the uni-

versities, it is only the views of some of the professors that I am concerned with.

Mr. KULP. I understand. Another major criticism that I should like to make of the bill, and of any program of economic security, is that we are in process, as far as this bill goes, of building up another gigantic bureaucracy. That, I think, is inescapable. You have to have people to administer social security schemes, but it would be a big mistake, I think, if we ignore the lesson of Great Britain, and, to a certain extent, Germany. For example, the same persons, by and large, will be beneficiaries under two or three or more schemes. The chances for interlapping on the one hand and for gaps on the other hand, are considerable. The British are finding that out and are patching up their structure, so in England, in the future, it will not be possible, as it has been in the past, for a man to get one sum of money, if he is injured while in a plant and another sum of money, if he is injured at home, and still a third sum of money if he is injured some other place.

I believe it would be unwise to try to put all of this in one department, either Federal or State department, but certainly there should be close coordination between not more than two departments. I have heard suggested a Federal department of welfare which should take over public-health insurance, conceivably; and support and relief to mothers and children, education and retraining of the blind, and so on, that conceivably would be one of the two departments. A department of social security, or whatever you would like to call it, should be the other. The two, if it is possible, should be coordinated so carefully that it would not be possible to give rise to all these anomalies that the British are now trying to correct.

Senator HASTINGS: Have you any recommendation to make with respect to that?

Mr. KULP. I would recommend two departments, one of welfare, and one of social security, by some means coordinated, to provide equity between workers under the different schemes in the different States.

Senator COUZENS. What is your objection to one department? I did not get it.

Mr. KULP. My objection is, and at the moment I am temporizing, that you could not secure a single department and have the people who are involved in its work together, with the welfare people bunched together with labor people. They fight like cats and dogs.

Senator CONNALLY. Isn't it true that you would have a clash in one department, with the labor people and the other people trying to tell you what to do?

Mr. KULP. I am temporizing. My idea would be one department.

Senator COUZENS. Let us not temporize.

Mr. KULP. I am temporizing in regard to this.

Senator HASTINGS. I think that is very vital, as to whether we would have one or two departments.

Senator COUZENS. He says he is temporizing.

Mr. KULP. I say I am not insisting, as someone said a moment ago, that it should be two departments.

Senator CONNALLY. Is your view one or two?

Mr. KULP. My view in the future is one.

Senator CONNALLY. That is all we are dealing with, is the future.

Mr. KULP. The immediate future, I mean. I would take what I can get at the moment.

Senator CONNALLY. You would take one?

Mr. KULP. Yes, if I can get it.

The CHAIRMAN. All right, proceed.

Mr. KULP. As for the rest of the bill I think a great deal of the work has still got to be done on the contributory contractual system. As the Senators know, the present proposal is for the Federal Treasury to postpone contributions until such time as income will exceed disbursements, perhaps about 1965. That, I think, would be very unfortunate from the standpoint of the average man. Persons now in middle age, and approaching the age of 65, would be receiving annuity payments for which they had not paid. It amounts to saying that the Federal Government will postpone its obligation until about 1965. On the other hand, if you ask the Government to pay over the whole sum required to set up reserves, the sum would be so considerable as to amount to as much as our present national income. I think the contributory annuity plan could safely be postponed, because we propose, in any event, to continue assistance to persons unable to take care of themselves. I think that whole subject requires much more study than it has had up to the present time. I should say postpone the contributory system, continue, expand your program of paying old persons unable to take care of themselves, as poor-relief cases.

The CHAIRMAN. If you desire to elaborate your views just put them in the record, Professor.

(Supplementary statement submitted by Mr. Kulp appears on pp. 1142, 1143.)

Mr. KULP. Thank you.

The CHAIRMAN. Mr. Harriman.

STATEMENT OF HENRY I. HARRIMAN, PRESIDENT UNITED STATES CHAMBER OF COMMERCE

Mr. HARRIMAN. Mr. Chairman and gentlemen: I do not appear before you as an expert on the technical details of the bill. Mr. Marion Folsom, of our committee on social reserves, has already appeared before you and he has expressed much better than I could the technical questions and discussed technical details.

The CHAIRMAN. He made a very fine witness.

Mr. HARRIMAN. I wish merely to make a very brief and very general statement.

The Chamber of Commerce of the United States takes positions on matters of public interest by means of referenda and by resolutions of its members at annual meetings. Obviously, because of the shortness of time since this program was presented to the public, we have not had the time to do that. We have had a committee, of which Mr. Folsom was one of the technical members, and of which Mr. P. W. Litchfield of the Goodyear Tire & Rubber Co. is the chairman, that has been studying these problems. The committee has not yet taken a definite position either for or against the pending bill and it will not do so before the bill is acted upon.

I think I may say that, in general, it recognizes the desirability of these two reserves, provided, they are set up without too great a