

pose in the State public-school budget. The State superintendent of schools shall ascertain the respective amounts the city of Baltimore and the counties shall be so entitled to receive from the State under this section, and when such amounts are so ascertained, the State superintendent of schools shall certify the same to the State comptroller.

Wisconsin.-In excess of \$70 per child * * * the amount apportioned to any board shall not be in excess of the following * * *: (a) For each pupil residing in the district and attending * * * such day school * * * or * * * class for the deaf or blind, \$250; for children physically disabled, \$300; (b) for each pupil residing outside the district, but within the State, who attends * * * such day school or class * * * \$400; for children physically disabled, \$450. (Transportation for the physically disabled is also furnished.) (Laws of Wisconsin, 1927, ch. 488.)

California.-The average daily attendance of physically handicapped pupils shall be included in the total average daily attendance of the district for purposes of the usual State and county apportionments on average daily attendance and teacher units. In addition to the above apportionments the State and county will reimburse the district for the amount of the excess cost of educating physically handicapped children when the cost is more than the average cost of educating a normal child in said district. Such reimbursement, however, cannot exceed \$100 each from the State and the county for each unit of average daily attendance of physically handicapped children. Excess cost is determined by computing the difference between regular classes and the average current expenditure for each unit of average daily attendance of physically handicapped pupils. The district must furnish the buildings and equipment, as items expended for capital outlays cannot be included in figuring the cost of this special instruction. (Abstract of law.)

The CHAIRMAN. The next witness is Francis D. Tyson, Professor of Economics, University of Pittsburgh.

STATEMENT OF FRANCIS D. TYSON, PROFESSOR OF ECONOMICS,
UNIVERSITY OF PITTSBURGH, PITTSBURGH, PA.

Mr. TYSON. I may say, gentlemen, that I have been a-member of the State committee on unemployment reserves, and I should like to address my brief remarks particularly to the unemployment compensation sections of this act.

I would like first of all to pay a tribute as a student to the courage and wisdom of the President in launching this economic security program to protect the citizen, as he put it, from the major hazards and vicissitudes of modern life, through having us devote our attention this winter to the enactment of social-insurance measures.

Social insurance has been an institution operating practically in Europe for 50 years, but is relatively unfamiliar with us; and in Pennsylvania, as Senator Guffey knows, we have been working for 20 years with these measures. Our first experience began in 1915-16, with the workmen's compensation commission and the enactment of our compensation law.

I think, gentlemen, you have brought the issues out of the field of academic and commission discussion into the field of practical experiment. The omnibus bill, as I read it, seems to be quite ingenious and very constructive from the standpoint of the adoption of a national program, in general, in old-age security, and children's assistance phases. It seems to me the old-age security provisions leave little or nothing to be desired.

I would, if there is time, just suggest one or two possible minor adjustments. I should think that rather than have the old-age pensions identified with the Federal Emergency Relief Administration it might be well if you should consider establishing an independent

Old-age Pension Commission in line with the established Federal tradition or at least give it autonomy until a Federal department of welfare has been set up nationally. Our claim in working for mother's assistance, with Mrs. Tyson as administrator in Pennsylvania since 1915, and the program of old-age assistance which we adopted partially at the last session, and which the Democratic administration will now extend, makes the claim that we are establishing the self-respect of these needy people, and I think it unfortunate that that emphasis should be lessened by having the administration identified with the Emergency Relief Administration.

The CHAIRMAN. Would you make this social board on unemployment insurance independent of the Department of Labor?

MR. TYSON. That brings up another issue, of course. I was referring to the initial section with regard to old-age assistance. With regard to old-age security, I think I favor your judgment if you indicate it by your question, that the social insurance board because of fiscal problems, and think it might be located independently, according to our Federal tradition establishing the Interstate Commerce Commission, the Federal Reserve Board and other commissions. And I think recently the Aviation Commission was so treated, or I think it might be in the Treasury rather than the Labor Department since it involves citizen as well as labor interests.

Senator CAPPER. Do you think this program protects the rights and privileges of the States to the extent that it should?

MR. TYSON. Yes., sir, and rather more than it may to get the best results. I would like to address myself particularly to that issue.

Senator CAPPER. There is no reason why the States should be alarmed at anything in this bill.

MR. TYSON. Not in the least. They have the very broadest powers. Under the terms of the unemployment compensation sections, nearly everything is left to the States. Question has been raised whether the Federal Government might not legitimately go a little further in setting minimum standards to avoid lack of uniformity and extreme diversity among the States, which of course would make things difficult for the worker who travelled from State to State; and I remind you that the American working population is very mobile. I would like to recur to that matter in a few moments, if I may.

It seems to me that in rather marked contrast to the old-age security sections of the bill no. 1130, the unemployment compensation sections are rather confused, involved and in a measure contradictory. On January 25 in his message on conservation of natural resources, the President said, "only through the growth of thought and action in terms of national economics can we best serve individual lives in individual localities." I have a great admiration for the constructive way in which our national administration has assumed responsibility for unemployment in this disaster, both with regard to Mr. Hopkins' F. E. R. A. policy, and in regard to Mr. Ickes' public-works program. That same assumption of national responsibility is, I think., assumed in old-age pensions and old-age security and other specific assistances of your bill, but unfortunately that seems not to be the case in the very important unemployment compensation sections, sections 406, 602 and following.

Of course a good many of us have thought in the past, although I admit the ingenuity of this bill, that it might be well from the standpoint of our national tradition to separate the tax feature, the excise tax in this case, from the payment of Federal funds to the States. You recall the tradition established in the Smith-Hughes measure for education and the Smith-Towner Act, and latterly in the Wagner-Peyser bill in the establishment of Federal employment offices. Whether that is practical here, I cannot say. But then the experts on the committee on economic security and the advisory committee were divided on the issue, with the majority in each case thinking that it was practicable to separate tax measure and subsidies in order to permit more effective standard setting among the States, to exercise a large degree of Federal supervision over the minimum standards set in the State lines. Such supervision certainly would assure a grater measure of uniformity and meet more effectively what we have found in our Pennsylvania commission to be the most effective argument against action by the States. Both the bituminous coal operators in western Pennsylvania and the textile employers in eastern Pennsylvania complained that it was unfair to ask them to assume the 2 or 3 percent pay-roll burden when other and less progressive States enacted no such pay-roll contribution. One of the difficulties I can see in action by the States, which will be very diverse under the terms of this law, is that some States may enact a 1 percent pay-roll reserve, some 2 percent and some the full 3 percent. In that case the obstacle of interstate competition would still be a real obstacle. Perhaps it has been magnified and employers have exaggerated the increase in pay-roll cost and in total cost from the imposition of so slight a tax.

I admit, under our Federal system, the need of a good deal of elasticity and experimentation among the States, and I will say frankly that I believe this bill has a slight bias in the direction of the encouragement of the Wisconsin idea for experiment by the employers under an exclusive pay-roll contribution to stabilize their employment; and I would like to see the Wisconsin idea furthered under the terms of the bill so that at least we may see whether it will or will not work.

The CHAIRMAN. You think it should be broad enough to make it optional with the States as to what plan they adopt?

Mr. TYSON. Yes, I think that should be done and at the same time secure this other objective of a degree of uniformity that will prevent waste and loss and relative chaos in the administration of our national unemployment system. I will have a word to say about that a little later if I may.

The real issue, as you know, is whether the States shall adopt plans calling for exclusive employer reserves of 1, 2, or 3 percent under the terms of this bill, or bills of the Ohio type, with the penalties of the employers who have unstable employment. The theorists who advocate this measure claim it would stimulate those employers to find ways and means of reducing the penalty by stabilizing their employment. Of course, considerable debate, as you know, has gone forward for some years on that issue. It is interesting that more and more support has been given among the experts to the State pool idea. An instance, particularly, is the reversal of an earlier commission position, in the most recent Massachusetts commission on unemployment reserves; the recent report of the New Hampshire com-

mission, by Dr. Feldman of Dartmouth and the even more trenchant and effective reversal of the Minnesota report, the leader in the preparation of which was Mr. Hansen, who, I believe, has already been before you, and is now connected with the State Department.

The CHAIRMAN. Yes; he has been before the committee.

Mr. TYSON. I do agree that there should be a degree of experimentation made possible, insofar as that does not lower standards too far. Some of us believe that the claim for the Wisconsin plan has been greatly exaggerated, and that the individual employer or the single industry face very definite limits with regard to what may be done in reducing the incidence of employment. America is a dynamic country, not only with diverse climate, and, as you know, seasonal unemployment related to climatic conditions as well as to style and fashion change. In the face of those general psychological changes or political changes, the individual employer and the individual industry is relatively helpless. Similarly with regard to the rapid pace at which technological change is made and technological unemployment occurs, it is pretty hard to see how an individual employer or a single industry can do more than mitigate or slow up those changes; and of course the incidence of cyclical changes or a depression on employment, as in the last 4 years, leaves the individual employer or industry helpless before the burden of involuntary idleness of workers.

I realize that the bill does make some very constructive provisions mitigating somewhat the exclusive emphasis of the Wisconsin law. I refer to the 1-percent pool device and the incentive provided for guaranteed employment through the offset credits in the excise tax. Whether this measure will prove as effective as would direct subsidy by the Social Insurance Board, figuring that the States may meet certain standards as is now the case under the Smith-Hughes Educational Act or the Wagner-Peyser Employment Office Act, remains to be seen. Some of us would prefer, the continuing of the established practice which is undoubtedly, my lawyer friends, say constitutional—the Federal Government taxing, the Federal Government offering assistance in the terms of the restrictions in the maintenance of the definitely defined and supervised standards.

With regard to the standards, I may say that there is not in the present bill adequate safeguard against the passage and administration of rather loose State laws. That is, there is no definition as to minimum benefits, waiting period, or coverage in the bill as written. I fear that such poor State administration unchecked by the standard setting devices of the Federal Government might result in the dissipation of funds, the failure to pay guaranties, or too meager benefits—in which case the high promise given by President Roosevelt and by the administration could not be fulfilled. The result might be a political boomerang in terms of the dissatisfaction and discontent of the workers who are promised assistance, which you know under the Wisconsin measure is not fulfilled. You realize that the maximum benefits under the Wisconsin law are only \$100. The employer establishes a reserve of 2 percent of only \$55 per worker, and the number of workers represents only the steadily employed group. His contribution applies to earnings on \$75 and then ceases. Wisconsin cannot even guarantee those promised payments in the absence of a State pool.

Senator COSTIGAN. Do you recall the waiting period under the Wisconsin law?

Mr. TYSON. Yes, sir; two weeks. The Ohio law in contrast, Senator Costigan, provided three. Three or four seems to most of us necessary. There is or has been a great deal of conservative criticism of course with regard to maligning, but I do not believe that the American workers would voluntarily stay out of work to receive (and bearing of the cost of unemployment for 3 or 4 weeks), half or such of their wages.

Of course, in insurance you get exactly what you pay for, as Dr. Leiserson remarked in the Harrisburg State labor meeting recently. "I asked myself why I do not carry \$100,000 of life insurance; I should, because I have a large family. My only answer is this: I cannot pay for it."

It seems to me this unemployment is national; a community, a national, a social problem; our main problem is to provide some adequate agencies to meet that part of its cost which can be covered by this mechanism of unemployment compensation or insurance; and I should like to be sure that the bill provides what I hope we may get in Pennsylvania, the 5-percent minimum employer pay-roll contribution plus a 1-percent employee participation. I realize that economically, Senator Costigan, it makes very little difference. The employer pays a tax immediately and then if economies do not ensue from the adoption of the measure, he passes it on to the consuming public and the risk is spread over the whole of America, so that, economically, an employee contribution is simply enforced savings from the peak of prosperity to the trough to increase the benefits available when employment is denied. But cooperation is essential, and the only intensive study that has been given in America, unfortunately, is actuarial study in Ohio where, through the university and the State government, very effective employment and unemployment figures existed, and that study, which I have been over and believe to be sound, reached the estimate of the 3-percent contribution (which they thought was all the fund would bear at the time they proposed the act 2 years ago) to provide benefits of the maximum of \$15 a week for 16 weeks, and that 4-percent, if you could have gotten the employer and the worker to share 50-50—say 2 and 2 or even 2½ and 1½—that the benefits could have been extended to 26 weeks, giving appreciable protection.

I am not quite sure from a review of the testimony in the New York Times whether it will be sure that the States have opportunities to adopt more liberal measures, and have the workers decide on participating, as did the workers of England and Germany with their more adequate assistances.

Senator COSTIGAN. The safeguards proposed would fall substantially below those of Great Britain?

Mr. TYSON. Substantially below those of Great Britain, and so far as the Federal setting is concerned, substantially below those meager standards imposed by the Ohio bill. I should like to speak on that point, sir; that there seems to me no good reason for this scale of benefits. The time to accumulate unemployment reserves is on the up-curve of the business cycle. I think there is general agreement that we are on the up-curve. Prices will advance through this year probably at the rate of 1 percent a month. If the State of Wisconsin can undertake a lien, in the face of the interstate competition obstacle, for the Z-percent employer reserve, certainly it does not seem unfair to

ask the employing group as a whole on a Nation-wide basis to accept this s-percent reserve initially.

I remind you that in all likelihood collection of contributions will not begin until the end of this year—perhaps for a full year—and the payment of benefits will not be made for another year. I think we will be well up toward recovery by that time, and that this small percentage of the cost will not burden industry or delay or impair recovery.

We learned in *Pennsylvania in discussions with the employers and their statisticians that a 2- or 3-percent pay-roll tax would be a charge in most industries of only a fraction of 1 percent of the cost of the product, and we believe that quite often no corresponding increase in cost will accrue at all, particularly if the Wisconsin idea of giving incentive to the employers to regularize and stabilize, and these offset credits and guaranteed employment, work at all to use this instrument of insurance to enhance efficiency and reduce some operating costs of industry. Certainly, Senator Costigann, that has been our experience with workmen's compensation, has it not? That the insurance charges and premiums of the employer meant, in the safety-first movement, that it has gone far, certainly, in to reducing the increasing rate and cost of accidents and to more than pay for the mechanism of the insurance. I have some figures on that, if you wish them.

The CHAIRMAN. Just put them in the record.

Mr. TYSON. Yes, sir; I shall be glad to do so. I shall be glad to answer any questions.

You realize, sirs, that it is rather unfortunate, the wide latitude granted to the States by the Wagner-Lewis Act, which makes no provision whatever for workers moving across State lines. I think at the beginning I referred to that. A worker may move from a 2-percent Wisconsin plan to a 4- or s-percent Ohio or Michigan plan and could not, as far as I see, transfer his benefits. Of course the problem of caring for interstate-commerce workers in the railroads is a separate Federal problem.

Senator COSTIGAN. Have you any suggestions for correction of that feature of the proposed legislation?

Mr. TYSON. Yes, sir; my suggestion would go back to my initial point that if possible the tax be levied separately; payments and standards set independently.

Senator COSTIGAN. It would certainly be undesirable to compel workers to reside where they now reside, would it not?

Mr. TYSON. Yes; and a mere reserve plan would have the tendency to deter the mobility of labor seeking a better opportunity for employment.

I should like also to point out that this is unfortunate from the employers' point of view. The employer may pay under this law a ~~9-percent~~ Federal excise tax and yet may be asked in a meager inadequate State measure to pay only 1 or 2 percent, in which case he loses the advantage that might accrue from full offset of the tax into the State insurance fund, and by the same token the interstate competition argument would again weigh—which I believe this bill was designed to overcome and eliminate,—and in discouraging the employers' interest in supporting the passage of such unemployment compensation laws in the States.

Finally I should like to stress the fact that unemployment insurance is widely misunderstood. It is not a means of stabilizing or reforming our present economic system. I would call, it as Dr. Leiserson first did, I think, a "first line of defense" against this inevitable hazard of modern life. Again, we believe, in the light of the British experience and the German experience, and in fact the experience of all civilized industrial countries of the world, it will take care of continuing seasonal and technological unemployment. More than that, if the reserves are adequate, it can also mitigate the cost of cyclical or depression unemployment.

I think the British testimony is convincing. You provably have testimony to that effect already. If you move surplus funds from the peak of prosperity to the trough, a reservoir of purchasing power is secured.

In the Ohio figures I think roughly \$150,000,000 would have been available had the law been enacted with 3 percent reserves, 2 percent from the employer and 1 percent from the employee, in 1923—after the depression of 1921—which would have carried the fund, on the basis of the benefits designated (16 weeks with the payment of the maximum of \$15 a week, or \$240) to mid-1932. The actuary of the Ohio Commission estimated that with another percent, had the workers' participation been 2 percent, it would have carried the fund through 1933.

I need not tell you that the taxpayers of Ohio, like those of Pennsylvania, have been severely burdened to meet the relief needs in the daily provision for our vast number of unemployed workers during the depression. If the unemployment problem is largely a community problem, a Nation-wide problem, it seems to me, with all due regard to conserving to the fullest extent the rights of the States under our system, in the light of the past experimentation with Federal stimulation, Federal standards, setting up Federal aid—it might be well to consider strengthening some of the sections of the present measure to provide for adequate assistance, or to stimulate the States to provide more adequate assistance and to put in certain standards.

SENATOR COSTIGAN. Is it your theory that a national administration would have a substantial advantage over a State or local administration?

MR. TYSON. It does logically, Senator. But I would say that it would be well, in handling the machinery and administration of this institution of unemployment insurance, to adopt a Federal system.

MR. GERARD SWOPE, the president of the General Electric Co., in his *Stabilization of Industry*, and in subsequent addresses before the National Electrical Manufacturers' Association, said that we are living in an economic society whose market is Nation-wide, the invested capital for the industry is extended from coast to coast, and he has argued very trenchantly for the national system of unemployment insurance, and Mr. Soule has argued trenchantly for the national public unemployment system. Yet I might say that my 25 years' experience in working in the States, and a little in Washington, has convinced me that we should continue to support the Federal system.

The crux of this matter is administration. With good administration a State may secure fine results from even a poor law. I regard the Wisconsin law as poor and adequate. A poor administration will impair the operation of the best law. I would rather move slow, Sena-

tor, in regard to this matter and set up our administrative machinery effectively so that waste and excessive burdens on the insurance phases of this problem may be eliminated.

I call your attention to the fact that the effective operation of a Federal-State system of unemployment offices-labor exchanges, as the British call them-will be absolutely essential in the States and nationally, to the effective administration of unemployment compensation. Payments of benefits, and fixing eligibility, rest here.

Now, we have made a start, a real beginning on it, under the Wagner-Peyser Act. In Pennsylvania, Senator Guffey knows that our new secretary of labor and industry, Mr. Jones, is tremendously interested. We recently had a meeting of the advisory council of our Pittsburgh office, with representatives of employers and labor leaders, and considered this very matter—to continue to raise the standards of administration of a unified employment office system.

This country serves vast and diverse interests and it seems to me we will have to make haste slowly, set standards of administration, and work out the most constructive State measures, and then, sir, with the aid and leadership of the Federal Government, attempt to extend those effective standards. But I do think, sir, in considering the adjustment of the unemployment compensation titles of this bill, you might very well strengthen the hand of the Federal Government in guiding these States, not in coercing or embarrassing them.

The CHAIRMAN. Thank you very much. If there is any statement which you want to incorporate in the record, you may give it to the clerk. Mr. Murray Latimer.

STATEMENT OF MURRAY LATIMER, WASHINGTON, D. C., CHAIRMAN, RAILROAD RETIREMENT BOARD

Mr. LATIMER. My name is Murray Latimer, Washington, D. C. I am chairman of the Railroad Retirement Board.

The CHAIRMAN. Were you on the technical board of the Economic Security Committee?

Mr. LATIMER. Yes; I was chairman of the technical board's subcommittee on old-age security.

Mr. Chairman and gentlemen: I have a statement here which is too long to read so I should like to add it in the record, in addition to my oral statement.

The CHAIRMAN. The statement may go in the record and then you can elaborate it with any additional statement you wish to make.

Mr. LATIMER. I should like to discuss rather briefly four points, confining myself entirely to the old-age security provisions of this bill. I do not think it can be overemphasized that the old-age assistance laws, which are to be created and strengthened under the stimulus of title I of this act, are not and will not be a permanent solution of the problem of old-age dependency in this country. There have been a great many statements here about cost estimates which have been presented, which show what the cost will be next year, and in 1980, all of which are guesses, and some of which I am responsible for.

The CHAIRMAN. What is your best guess now?

Mr. LATIMER. Of course a guess right now would be based on factors involving political judgments as to how fast States will pass these laws under the stimulus of the so-percent subsidy. I am not a judge