the pension system. In the State of Minnesota in 1925 when the government made a survey it cost $470.90 per person to take care of them in institutions, poorhouses, and poor farms. The maximum pension would be $360 a year, which would be a saving of one-third. The experience in Wisconsin, in Montana, and Minnesota showed that the actual cost of taking care of these old people was between $200 and $400. So that it costs half to take care of these people on a pension basis what it did in institutions. That is without taking any consideration of the investment in those institutions. So that if they were shiftless, even if they did throw away their money, you are going to pay more to take care of them if you put them in institutions than you are if you put them on pensions.

The CHAIRMAN. There is no disagreement about that difference. The only point I wanted to bring out—and I am not debating it at all; I am just asking your reaction and your opinion—is whether, if these people are to be assured against want or need in their old age, that they will be taken care of in the way of a pension, that does not militate against a disposition to thrift.

Mr. NORDLIN. I do not think so. The amount involved is too small. I do not believe that any individual would throw away an opportunity of benefiting himself just because 20 or 30 years later or even longer he is going to receive, say, not to exceed a dollar a day.

The CHAIRMAN. But is it not probable that with this dollar a day you have mentioned there will be an effort made, and the tendency and even perhaps the effect will be to increase that amount. It is just starting now, a dollar a day. Once you start a system of that kind they will say, "That is not adequate at all; we cannot live and maintain ourselves in decency on a dollar a day." In all probability will not that be very greatly increased, in your opinion?

Mr. NORDLIN. That would be true if you did not start your contributing system. If you did not start a contributing system and you left your State systems there, possibly the natural effect would be to increase the amounts.

The CHAIRMAN. In order to make the amount from the contributing system adequate you would either have to supplement it or levy a much heavier tax than is contemplated in this bill, would you not?

Mr. NORDLIN. That depends upon conditions that you face in the future.

The CHAIRMAN. Thank you for your presence and for the interesting information you have given the committee.

The next witness is Benjamin C. Marsh, of Washington , D. C., representative of the Peoples Lobby.

## STATEMENT OF BENJAMIN C. MARSH, REPRESENTING THE PEOPLES LOBBY

Mr. MARSH. Mr. Chairman, and members of the committee: I should state in the beginning that the Peoples Lobby is not particularly interested in unemployment insurance, because we realize that it is too late for unemployment insurance to do much good. What we have to have is socialization of basic industries and natural resources and monopolies, and nothing like this. But I would point out tthat the Townsend bill is no more fantastic and no more cruel and no more dishonest than the so-called "security bill" which has been presented to your committee. The real name for it, as I shall point out with rather detailed information from the Committee's

hospital institutions will have to be established where the old people who are mentally or physically afflicted and cannot live in their own environments can be sent and receive proper medical attention and nursing, and receive it under proper environment where they are away from types with which they should not be associated.

The CHAIRMAN. If they were to receive relief as you have indicated, what tendency would that probably have on the people with respect to thrift and the desire to lay by something to take care of themselves when they reached an age and a physical condition where they could no longer earn their support?

Mr. NORDLIN. Mr. Chairman, I do not want you to consider this as facetious, but in fighting for old-age-pension laws, I have had the same question asked before. I have made this statement, that I have been a member of a legislative body for 18 years. I have sat on committees that have dealt with a great many pension matters. I have acted on legislation that gave judges pensions. I have acted on committees that gave firemen and policemen pensions. And I have never heard of anyone worrying about a judge or a policeman or a fireman failing to do his duty, failing to be a good citizen, because, after the end of a certain number of years of service, he was going to receive a compensation without working for it that would take care of him for the rest of his days.

The CHAIRMAN. But they are supposed to get that from some services they have rendered the public, the country, that there is something left over coming to them. That is a contribution that the public is making to them for services rendered. That is not analogous at all to persons who have never rendered any special service to the public and who might probably save something if they had an incentive to do so. I am not talking against the bill, I just want your reaction to it.

Mr. NORDLIN. Mr. Chairman, I feel that there is something analogous. Most of the State laws required and always will require that the person who gets the benefit of this pension has been a decent citizen. It is not going to be given to a criminal.

The CHAIRMAN. A man might be a decent citizen and never strike a lick of work. He might not be a very honorable citizen, yet he could be a decent citizen if he obeyed the law and kept out of the toils of the law. You could not charge him with being an indecent citizen.

Mr. NORDLIN. If he has been a decent citizen, he has helped to build the civilization that he is under. Whether he has paid taxes directly or not, he has paid taxes, because he has had to pay taxes in connection with anything that he bought, even the place that he lived in. If he paid rent, part of his contribution in rent went toward the taxes. So that he is as much responsible as anybody else in building up the community. When the time comes because of either changed conditions in industry or merely the effect of old age itself that he cannot find work to take care of himself, by what he has done he has earned the right to live in decency, at least, for the rest of his life.

The CHAIRMAN. There is a great difference in people. There are people who cannot find work, those who do not find work, and those who do find work and squander or waste a lot of the fruits of their toil when they might have saved them and laid them up. That is the class of people about which I am talking.

Mr. NORDLIN. I realize that you have those different types, but I think at that the cheapest way of taking care of all of them is through

own reports is "The Insecurity Bill to Evade the Responsibility for Meeting the Unemployment Situation."

In the report of the Committee the statement is made on page 8 that:

> Public employment is not the final answer to stranded communities, declining industries and impoverished farm families, but is a necessary supplement to more fundamental measures for the solution of such problems.

We know perfectly well that if something like 8 or 9 million unemployed are ever going to be reemployed in America they are going to be employed by the Government. This proposal is designed or devised, which ever way you want to put it, to be a substitute and to permit the postponement of the inevitable. But it does not do that.

I want to take it up by sections. Take the old-age pensions. It is stated in this report that in 1930 there were 7½ million people over 65 years of age in this country, representing 5.4 percent of the entire population. That is to increase in 5 years to 6.3 percent, and in 1960 to 9.3 percent, and so on. Then it says, lower down:

> At this time a conservative estimate is that at least one-half of the approximately 7,500,000 people over 65 years now living are dependent.

In other words, you have about 4,000,000 people over 65 years of age, dependent. And what is the humanitarian program of the "new deal", for these 4,000,000 unemployed, who will curse the day the "new deal" was born, and they, too. Well, in the fiscal year ending 1936 you, the Federal Government, are to pay—I know the States will supplement it—$50,000,000 to look after 4,000,000 people over 65 years of age. Great Scott! Shylock in his worst moments never would dare a thing like that. This is just an effort to prevent the rich from paying taxes, and everybody knows it. Let me suggest that you look up the report by a Democratic paper, the New York Times, an article a week ago yesterday by Louis Stark, pointing out how this Committee repudiated statements of its experts. Invite Mr. Stark up here. He is a very able man, and he will give you a lot of information. I hate to say this, because the Chairman of this Committee, Frances Perkins, and I lived in the same settlement in New York for years. I have known Harry Wallace. I knew young Morgenthau when he was a kid. He never had any indication of capacity then.

Mr. VINSON. Will the gentleman yield? Is that the same Mr. Louis Stark that used to make the estimates for Mr. Mills and Mr. Mellon down at the Treasury?

Mr. MARSH. No. I think he has been the labor reporter on the New York Times for years. I never knew of his being there.

Mr. VINSON. There was a Mr. Stark who was an actuary down here under Mr. Mills and Mr. Mellon.

Mr. MARSH. I think it is another one. They admitted they repudiated the reports of their experts.

Mr. HILL. You have spoken about the Committee. Which committee are you referring to?

Mr. MARSH. The President's Committee on Economic Security, which signs this statement: Frances Perkins, chairman; Henry Morgenthau; Cummings, whom I do not know; Wallace, I know; and Harry Hopkins, I know well.

I do not know as I blame them, because of course they were practically under supervision.

But let me point out the fictitiousness and injustice of this. May I say this for a moment: I have been studying some dictatorships abroad this summer. I was in Russia, Poland, Germany, and a few other places. I very much prefer our old American method of a legislative body which will discuss things put out by a president or a czar or a dictator or what not. I am glad you are doing it. I know that a lot of you men do not like the principles involved in this proposal.

I do not want to say anything about the testimony of the very able and conscientious head of the Children's Bureau who appeared this morning, Miss Lenroot, but there are apparently today a million children in very poor families. I do not see how they are going to be taken care of on $25 apiece for a million children. I do not believe a single member of either branch of Congress would consider that worthy of consideration as an allowance for their children.

Let us come to this so-called "unemployment insurance." For the first year it is in force between $4,900,000 and $5,000,000 is to be the Federal Government's subvention of unemployment insurance. That is 50 cents a year that the Federal Government is to contribute the first year, on the basis of 10,000,000 unemployed. It is laughable and ridiculous. At the highest, it is $5 a year. Now, why was it that this Committee repudiated the advice of most of their experts? They were not quite unanimous. Why was it that they failed to recommend that there be a national unemployment-insurance system? You know, and I know. I am not a lawyer, but we all know the Federal Government cannot compel any State to establish a State unemployment-insurance system. It cannot do it. You can give them a subvention, and I admit you can pay a larger part of it, but you are evidently not going to under this proposal.

We have no prospect of any large reduction in unemployment Take your allotment of $10,000,000 for health. Why, only a few months ago Isador Lubin, the Commissioner of Labor Statistics, said that about 2,500,000 people were going to have to be employed by the Government in recreational, educational, and health work. You cannot put it at less than an average of a thousand dollars. You can figure out for yourself that that means $2,500,000,000. And a lot of it has got to be in health work.

As to the contributions by the individuals, I might say I discussed this on the N. B. C. hook-up the other day, and I am going to again next week, Saturday. I made a world-wide radio broadcast in Boston Sunday night last. The American Federation of Labor points out that the average wage paid is 43 percent less than needed to maintain a decent standard of living, $813 less. All right. Suppose you compel the fellow to pay even 1 or 2 percent out of that deficit of 43 percent of what he needs; you are reducing the standard of living and it is utterly cruel, besides being stupid.

It is proposed that there shall be a tax on pay rolls. The fact is, that the smaller the pay roll, in the main, the larger the profit of the corporation, because the small pay roll means that the corporation with large funds has installed labor-saving and profit-making machinery. Therefore this is, in effect, like a good deal of our N. R. A. legislation, a direct attack and injury to the little fellow and I hold no brief for the little fellow if he is inefficient, but the fact remains that a lot of them are quite as efficient as a big unit of production,

but they have a larger pay roll, because they are employing people for the reason that they cannot afford to buy expensive machinery.

I am not going to make a long argument. You have been listening all day. But let me suggest that the only practical way out in our judgment, if we are going to have unemployment insurance—and let me repeat, this is not a panacea, it is only a filler-in. Of course, Russia has an unemployment-insurance system; but as this committee notes, they have not paid any unemployment insurance since 1930 because they have put people to work—a much better scheme, on the whole. But if you are going to have an unemployment-insurance system, the full responsibility—except for the highly paid workers, I would say, over $1,500 or $2,000—for the maintenance of the fund must rest upon Federal and State Governments primarily, possibly some from local government. The reason is, those are the only agencies which can get the money in an equitable way.

I do not know how much it is going to cost. I understand that you had Dr. Moulton here this afternoon—I was not able to be here. Am I correctly informed, Mr. Chairman? I was not able to be here. May I ask if I may read into the record a summary, only about eight or nine hundred words, or possibly twelve hundred, of a report on the British unemployment-insurance system, giving some figures of the contributions made. It is a very short statement which I would like to read, if I may do so, so as to save time.

Mr. HILL (presiding). The gentleman's time has expired now.

Mr. REED. Is that the statement by the Brookings Institute?

Mr. MARSH. Yes.

Mr REED. Is there any objection to putting it into the record?

Mr. HILL. Without objection, it may be inserted in the record.

(The statement referred to is as follows:)

THE BRITISH ATTACK ON UNEMPLOYMENT

Unemployment insurance in Great Britain has brought benefits to industry and the nation which "probably offset any disadvantages arising from the cost of premiums", according to a study of "The British Attack on Government," by A. C. C. Hill, Jr., and Isador Lubin, published by the Brookings Institution of Washington.

The book is most timely in view of pending social security legislation.

The authors term such insurance preferable to any workable relief system yet devised from the standpoint of maintaining the workers' morale. Although agreeing that "no system of unemployment relief can completely escape the danger of demoralizing some of its beneficiaries", they nevertheless insist that, "For every British worker demoralized, a score may owe their self-respect and personal integrity to national unemployment insurance."

The authors report that the British fund in the 14 years ending with March 1934, had incurred a deficit of approximately $671,000,000, with the pound sterling at its old parity of $4.8665. Of the total cost of $4,486,000,000, employers and workers paid $2,126,000,000 and the National Government $886,000,000 in premiums. The remainder, excepting a $107,000,000 surplus carried over from the earlier fund which had existed since 1911, came from the treasury. In all but 3 of the 14 years, deficits resulted.

Disbursements of $788,000,000 were made by the fund in furnishing outright poor relief rather than actual unemployment insurance benefits, as the two were not segregated completely. This situation was brought about by easing of benefit requirements. Such payments were in addition to other large expenditures for direct poor relief, made chiefly by various governmental subdivisions.

"British experience," the authors say, "clearly indicates that an unemployment-insurance fund can maintain its financial solvency only by limiting the period of unemployment for which it assumes liability".

They deny that the cost of unemployment insurance increased prices so as to cripple consumption and reduce exports, as has been charged by some employ-

ers, and assert the cost to the employer has been an "insignificant" factor in cost of production. For the 14 years they place it at a maximum of 1 percent of the wage bill in manufacturing and mining, wherein practically all workers are insured.

They hold "the benefits which have accrued to industry and to the Nation as a result of unemployment insurance probably offset any disadvantages arising from the cost of premiums. Labor reserves have remained in fair condition, the civil peace has been well preserved, property loss resulting from discontented labor has been almost negligible, and purchasing power for certain consumers' goods has been remarkably well maintained. It is peculiarly significant that industries which rely on the many small purchases of the 'rank and file', such as the manufacture of tobacco, furniture, the publication of newspapers, and the distribution of commodities have suffered little from unemployment".

"Constant tinkering with the requirements for unemployment benefits", the authors say, "has made it impossible to maintain the British unemployment insurance fund in a state of solvency".

For the decade prior to 1931, when the average percentage of unemployment is placed by the authors at approximately four times that of the previous half century, "successful governments permitted unemployed persons, and even gave them the legal right, to draw benefits from the national unemployment insurance fund despite the fact that they had exhausted legitimate insurance claims. The cost of this, as well as that of other relaxations, was met by doubling premium contributions, by loans from the treasury, and beginning in 1930, by an outright Treasury grant. Late in 1931, a clear demarcation between insurance and relief was made for the first time".

The authors assert that the system, whereby contributions are made by the workers, employers, and the government, provides "excellent checks and balances."

"The wage earner," they say, "realizes that if benefits are to be extended or conditions relaxed, he, as well as his employer, must deduct the additional contributions from current income," but they hold the employer should contribute in order that he may pay "at least part of the social cost of preserving his labor reserves, of installing labor-saving devices, of failing to stabilize production and of poor employment practices."

"The Treasury should contribute because unemployment is a public, as well as an industrial, problem. Irregular employment growing out of consumer whims and fads may thus, to some extent, be paid for by the consumer in the form of taxes."

They also pointed out, contributions by the State place unemployment resulting from such circumstances as blockades, wars, embargoes, discriminatory tariffs or monetary instability on the shoulders of the sovereign power.

Among the other instruments for dealing with unemployment in Great Britain discussed by the authors are public works, transferring of unemployed workers to overseas colonies and possessions and the retraining of workers.

"Relief works," say the authors, "have been limited in quantity and ineffectively planned and organized." Many of the public works projects never went beyond the blueprint stage and relief work never provided employment for more than a small fraction of the unemployed, they add.

The failure of public works substantially to relieve unemployment in Great Britain is attributed among other things to lack of advance planning and difficulties encountered in taking over land from private owners.

"Neither the size of the program nor its timing was such as to afford it an opportunity markedly to affect the general industrial situation in the British Isles."

Mr. MARSH. I will close, then, if my time has expired, but I suggest that you revamp this bill and revamp it on the ability to pay for the unemployment insurance. The present scheme is to make the unemployed pay for their own salvation, and a little minus anything is not enough.

May I take one minute to tell you where to get the money? This is from the New York Sun and the Journal of Commerce.

Mr. HILL (presiding). Without objection, you may.

Mr. MARSH. The New York Sun reports dividend and interest payments last year, 1934, were $6,600,000,000, compared with

$6,500,000,000 in 1933, and $6,900,000,000 in 1932. Dividends and interest payments to investors in 1932, the worst year of the depression, were $2,500,000 more than in 1929. In 1929 the investor received $6,887,650,000 and in 1932 he received $6,900,000,000.

The total dividend and interest payments for the 5 years of the depression were $10,000,000,000 greater than for the 5 years before the depression. I do not need to give any argument on that, but I will point out to you that to say to the unemployed man, "You cannot draw a sou until you have been employed for 4 weeks; you can get only half the wage which at best, was, say, three-fifths of the amount you needed to live on; and you can draw it for only a maximum of 20 to 26 weeks", while you permit the dividend and interest payments to continue to pile up, is brutal and inhuman, besides which it is short-sighted. It is going to knock us in the hole worse than we are today.

If Government assumes the responsibility for unemployment, it has to see that people have a decent wage—a decent wage; I do not say a luxury wage—during the time that they are employed, whether it is 1 year or 2 years, or whatever period of time it may be.

I thank you for your courtesy. From your faces I know I have voiced the sentiment of quite a few members of this committee, which I trust you will express, remembering that we still have the right of freedom of speech, including that of Members of Congress.

The CHAIRMAN. I hope you observe no disposition on the part of this committee to deprive you of that right.

Mr. MARSH. You have been very courteous, and I always have enjoyed your kindness.

The CHAIRMAN. The next witness is Hon. James W. Mott.

## STATEMENT OF HON. JAMES W. MOTT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

The CHAIRMAN. Please state the relation in which you appear. Do you appear in advocacy of the bill?

Mr. MOTT. I appear for the purpose of urging the committee to report out an adequate old-age pension bill. I am here as a Representative from the First District of Oregon, on my own initiative.

Gentlemen, I am very glad to have an opportunity to state my views on old-age pension legislation and to offer some suggestions to this committee, which for the first time in the history of our country is about to report out an old-age pension bill which has assurance of becoming law. The bill recommended by the President, and which is now before the committee, is not by any means satisfactory to me. I do not think it is satisfactory to anyone who has made a real study of the subject of Federal old-age pensions. Nevertheless I am happy in the knowledge that at last there has been a partial response in Congress to the overwhelming demand by the people for a Federal old-age pension law. I shall consider it most unfortunate if the response to this demand goes no further at this session than that contemplated in the pending bill. I want the response to go a great deal further and I am optimistic enough to believe that it will. The point is, however, that we have now made an actual beginning with the bill, unsatisfactory as it is to me, and that the committee with the pending bill as a nucleus or a starting point for its consideration, has an opportunity now to give to Congress and, consequently to