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 escced 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

burden upon industry at the start: We believe that these matters must be more or less of an evolution., just as they have been in other countries. We, of course, recognize that, historically speaking, reserves of this type have been set up in Europe for many years. As far as my knowledge goes the only country where such reserves have been abandoned is Russia. In the other countries they have been continually experimenting and continually changing, and I haven't any doubt the history of these measures in our own country will be similar and that we will experiment with them, and for that reason it is the feeling of our committee that we shoulcl start these two important reserves in a very cautious way and develop by experience what is the ultimate plan.

May I say that in 1931 the chamber, by referendum vote, overwhelmingly committed itself to the principles of voluntary reserves for unemployment, old age, sickness, and accident. The vote was about 5 to 1 in favor of the setting up of such voluntary reserves.

Senator CONNALLY. You mean by that that the whole cost is to be borne by assessments?

Mr. HARRIMAN. They were set up by various companies on one plan or another. It was voluntary with the company as to the method or plan which it would set up.

Senator CONNALLY. Of course that sort of thing does not require legislation.

Mr. HARRIMAN. No; not at all. That was in 1931, before the depression had reached very great depths. Already substantially 400 concerns in the United States have such reserves for unemployment, and I think they cover approximately 2,000,000 workers.

The committee feels that if this bill is to pass, there should be certain modifications; and I feel with them, first, as to the unemployment reserve; and second, as to old-age reserves or pensions.

The first amendment that we would provide is that the employee shoulcl bear at least 1 percent of the 3-percent tax which is to be levied on the pay roll. In England, the contribution by employer and employee is equal; and in England, it is fair to say also, there is an equal contribution by the State.

Senator BYRD. Mr. Harriman, what is the percentage?

Mr. HARRIMAN. In England I think one-third is borne by the state, one-third by the employer, and one-third by the employee.

Senator BYRD. What is the total percent?

The CHAIRMAN. Four and one-half percent, as has been stated here.

Mr. HARRIMAN. The committee believes that such a contribution on the part of the employee is essential, so that the employee will help to keep the fund solvent by seeing that those who do not deserve the fund do not receive it. I believe this is a very important point.

Senator BARKLEY. The employer has the power to pass his contribution on to the public, while the employee does not have that power. Do you draw any distinction there?

Mr. HARRIMAN. The employer in the long run, undoubtedly will pass it on. I doubt if he can pass it on immediately. I do not suggest that the employee should bear, as in England, an equal amount with the employer, but I do think that a certain percentage should be borne by the employee. Mr. Folsom recommended one-half of 1 percent, and our committee recommendation would be, I think, 1 percent.

Senator BARKLEY. This contribution, as far as the employer is concerned, would become a part of the cost of manufacture and; of course, would be included in the price to the public.

Mr. HARRIMAN. Yes.

Senator BARKLEY. That cannot apply to the employee. He does not fix the price of the products, he does not participate in that except by his wage. If it turns out that the employer's contribution is finallv made by the public and the employee's contribution is not, then the employer ultimately pays no part of the tax.

Mr. HARRIMAN. Of course, in the long run again, wages are determined, at least to an extent., by costs, and this becomes part of the costs of living.

Senator BARKLEY. And the costs are always determined, in the long run, by wages.

Mr. HARRIMAN. Yes. I recognize that there is good argument both ways, but it was the feeling of our committee that the value of a direct contribution, very small in amount, would be very substantial. The committee felt that it would prevent demands for unreasonable increases in the future. A man is always more reserved in asking for something of which he pays a part than where it is a mere grant to him.

Senator BARKLEY. I concede the logic of the contention that if the respective contributions are to be taken out of the earnings of both sides that there might be some justice in making both sides contribute; but if one has the power to get out from under and the other does not have that power, that presents to me a different situation.

Mr. HARRIMAN. I am perfectly free to grant there is a-good argument both ways. The experience, certainly, of England is that it is wise to have the joint contribution.

The second suggestion that we would make is that there be exempted from the operation of the fund agricultural workers, domestic servants, and casu als. I should think that it would be, as a practical matter, practically impossible to collect the tax on, for instance, the casual worker-the man who comes in and works in your garden for a day or two, or he shovels snow. I think the burden of setting up an organization to collect such taxes would be substantially impossible; and I believe that, certainly at the start, it would be very much better to remove those three classes.

Senator HASTINGS. You do not think this exemption in the present bill of three or four classes of persons, whatever it is, is sufficient to do that?

Mr. HARRIMAN. No; I do not think so,

The third suggestion is that the pay-roll tax apply against only that portion of the wages which are considered in determining the benefits; that is, up to $250 per month.

Senator CONNALLY. You mean you would not tax men whose salaries are below $2,500 a year?

Mr. HARRIMAN. I would tax up to $250 a month.

Senator CONNALLY. $3,000 a year?

Mr. HARRIMAN. Yes; because he would receive a benefit based upon that in return. I believe the "white-collar" man, who has been drawing a large salary, is very often in need, on this type of relief.

Senator CONNALLY. Why should not you tax him on his whole salary, then ?

Mr. HARRIMAN. Because the benefit is not based on his whole salary.

Senator CONNALLY. This whole bill is predicated on the theory that somebody would continue to be employed and would not draw any benefits. I think that all ought to be taxed. Why should you, as president of the company, drawing $25,000 a year, not pay as well as the fellow drawing $25 a week?

Mr. HARRIMAN. Of course, the $25-a-week employee will receive a benefit based upon 50 percent of his wage. The man drawing $25,000 would receive a benefit based upon only $250 a month, or $3,000 a year.

The CHAIRMAN. Mr. Harriman, your suggestion, then, is different from the bill?

Mr. HARRIMAN. Yes.

The CHAIRMAN. It is different in that the bill exempts all whose salaries are over $250 a month, while your suggestion is they are to be taxed up to $250 a month?

Mr. HARRIMAN. Yes.

The CHAIRMAN. No matter what they make?

Mr. HARRIMAN. Yes; on the basis of the benefits which he will later receive.

Senator HASTINGS. You are now talking about the unemployment compensation?

Mr. HARRIMAN. I am talking now about unemployment compensation.

Senator HASTINGS. That $250 applies to the old-age compensation proposition, doesn't it?

Mr. HARRIMAN. I think it is $50 a month, is it not?

Senator COUZENS. The $250 is not in the bill, but it is proposed to be put in the bill.

Senator HASTINGS. I am sorry. I was not here when that occurred.

Mr. HARRIMAN. The fourth and a very important change is to provide, by various amendments, which Mr. Folsom has gone into with you, that existing company plans, if they are more liberal than the Federal plan, be allowed to continue, that in that case there be an exemption from the pay-roll tax; and, also, that the plans provide for the reasonable assurance of employment.

The CHAIRMAN. In other words, if the State wan ts to adopt the Wisconsin plan it may do it, or it may adopt some other plan?

Mr. HARRIMAN. Yes.

Senator HASTINGS. Do you disagree in any way with Mr. Folsom's recommendations?

Mr. HARRIMAN. No; except that our committee felt that 1 percent should be passed on to the employee rather than, as he suggested, one-half of 1 percent. I am not sure that that is a difference of any very great importance,

Turning now to the old-age pension, the old-age reserves, those are divided into three classifications. The first is for those who are now 65 years of age and for whom no reserves would be collected.

The committee feels that the plan for Federal grants to those who are now above 65 years of age should be amended to provide that the States may set up their own standards. There is now at least a strong inference that the Federal Government can use its power to raise standards. Eventually that may be necessary, but I do not believe

that anvthing looking toward fixed standards for the whole country is desirable, because living conditions and costs of living vary greatlv in the different States. I believe that, certainly at the start, there should be the broadest ground in these pensions fcr the States to determine their own standards, toward which the Government would make a contribution.

Senator BARKLEY. Is there any such variation in the standard of living in the different sections of any other country where this system is in operation?

Mr. HARRIMAN. I do not think there is. Of course England is a very small, compact country. Germany, France, and Italy are relatively compact. There mav be slight variations in different sections, but certainly not such profound variations as there are between the cost of living in New York and the cost of living in a southern or western agricultural State.

Senator BARKLEY. Do you think it desirable, over a long period, or as they say on the stock market, over a long pull, to try to bring standardization of conditions in the standards of living in this country?

Mr. HARRIMAN. No; I do not think so; at least I do not think we are wise enough as yet to say what that standard should be. If you are talking of the very distant future, that may be so. I think it is very desirable, in order to save inordinate burdens that might be placed on the States, because it has to pay one-half of the cost certainly of the contributory system, that these standards should be set by the States themselves, and I believe they will be set fairly. If later on there is proof that they are not, then the bill can be amended. I consider this bill only a first step; that it will be amended in a vast number of ways, as experience shows that is desirable.

Coming now to the plan for contributory reserves, we would suggest three changes. Again we would exclude argicultural workers, domestic servants and casuals, for the same reasons that I referred to in unemployment reserves.

Second, I would certainly permit existing private annuity plans to be continued as a substitute for the Government plan, under proper regulation and if they are suitable.

Finally, I do not agreewith recent suggestions that have been made, that the tax be increased at this time, starting at 2 percent rather than 1 percent, and reaching its ultimate in 1947 instead of 1957, for the reason that the reserves that would be ultimately accumulated would be so terrific that I do not believe it would be possible to handle them safelv. The reserves under the present plan will never exceed 11 billions-of dollars. That in itself is an enormous sum, more than one-third of the whole national debt. If the amendments were made the reserves would reach at least 40 billions of dollars and might go to 50 billions of dollars. That is an unthinkable amount to be handled by the Government or by any other group. Of course if we were to set up the whole plan on the basis of annuities, without Federal contribution, it would go to 70 or 75 billions of dollars, which is one-fourth or one-fifth of the national wealth. So I think that the tax features should be left as they are.

I recognize that there are going to be very severe burdens, vast burdens placed upon the Government beginning in 1965 and reaching a peak, it is estimated of a billion and a half in 1980. I think, between the two dangers, it would be less dangerous to accumulate these huge

reserves. So I hope that the act will be left as it is. And, furthermore, there is the question as to whether, at this time, when we are in the middle of a depression, it is wise to burden industry more than is outlined.

The CHAIRMAN. The committee thanks you for your contribution, Mr. Harriman.

Mr. HARRIMAN. Thank you.

The CHAIRMAN. Mr. Lloyd A. Peck has asked to speak for 5 minutes. Mr. Peck is representing Mr. Coneby, and he is also representing the Laundry Owners National Association.

STATEMENT OF LLOYD A, PECK, JOLIET, ILL., REPRESENTING THE LAUNDRYOWNERS NATIONAL ASSOCIATION

Mr. PECK. Mr. Chairman and members of the committee, I am general manager of the Laundryowners National Association, with a membership of power laundries doing approximately 70 percent of the volume of business handled by this industry. According to the Bureau of the Census, this industry employed approximately 190,000 people during the year 1933.

We will not endeavor to comment in detail in connection with the proposed economic-security legislation represented by this bill under consideration. Our comments will be restricted to a statement of general opinion and recommendation in view of the probable results of this legislation on our industry, representing as it does, an investment of approximately a half billion dollars, and nearly 200,000 employees.

We are intensely interested in all of those conditions and proposals which will immediately alleviate the suffering caused by unemployment, but do not believe it is sound policy to enact legislation at this time which cannot possibly contribute to the correction of the unemployment problem immediately.

The tremendous burden proposed for employers to carry, through a pay-roll tax, will act as a definite curb on business expansion, and will likely eliminate many businesses now on the verge of bankruptcy. We contend that the portion of the burden to be carried by employees will further curtail their purchasing power, thereby increasing their difficulties in meeting actual living expenses. Therefore, this proposed social-security legislation will stifle recovery forces now at work and increase unemployment which the legislation is supposed to ultimately alleviate.

Speaking more directly for the laundry industry which we are charged to represent in matters of this kind by our membership, the vast majority of establishments cannot carry this additional burden without most serious consequences. According to the quite complete information assembled by our association in October 1934, a cross section of the more efficiently operated units in our industry showed a loss of 4.15 percent.

Senator KING. Is that a deficit or a loss from former standards of profits?

Mr. PECK. A loss on actual present operations.

Senator COUZENS. Is that due to competitive conditions?

Mr. PECK. It is due to a great many factors, not particularly competitive conditions. It is a loss of volume and some lowering of prices to maintain business and employment where it now, stands.