P. S.—It might be advisable to substitute the words "legal domicile" or "domicile" for the word "residence" in the paragraph in question if (as you of course will know) the effect of such substitution will be to extend and make less stringent the requirements of this provision.

STATEMENT BY C. A. KULP, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PA., BEFORE THE SENATE FINANCE COMMITTEE

I am professor of insurance in the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, and a fellow of the Casualty Actuarial Society. In 1931 and 1932 I served as commissioner for Pennsylvania on the Interstate Commission on Unemployment Insurance initiated by the then Governor of New York, Franklin D. Roosevelt. In 1933 I acted as advisor to the Pennsylvania Commission on Unemployment Insurance. During the past 2 years I was chairman of the Pennsylvania Commission on Workmen's Compensation and Insurance, which published its final report in December 1934.

I wish to say that, although there are a number of things in the Wagner-Lewis bill (S. 1130) I do not like, I favor its general objectives. It is not the purpose of the following statement to provide a list of reasons why no economic-security bill should be passed. The statement is not intended to be a complete or detailed list of criticisms. Some of the defects may be eliminated before the bill becomes law.

The principal criticisms are these:

1. The omission of provision for contributory compulsory public-health insurance. In a way this is the most important defect of the bill. Public-health insurance, of all that cover social risks, is technically the easiest to put into operation. There are no actuarial problems of calculating long-time rates and reserves. The insurance fund would be expended currently, practically all within the period of collection. There would be no danger of piling up in this generation long-time obligations to be met by the next. No additional finances would need to be found. It would be possible to provide for substantially the whole wage-earning population a standard of medical and hospital care considerably higher than today at a cost no greater than under the present system. The health risk moreover presents greater opportunity for preventive work than any other. It is quite true that public-health insurance will be handicapped as long as the medical professions do not cooperate heartily in health-insurance administration. This is the time for enlisting this cooperation. Two Nation-wide medical and hospital associations are already on record as favoring health insurance in principle.

2. In the unemployment-insurance section I favor the intent of the bill to allow choice of the fundamental insurance plan (establishment reserve, industry reserve, State-wide pool) to the States. I believe at this time it would be a mistake to try to write into the law one plan or another. It would probably have the effect of canceling any action at all at this stage. I favor also the collateral objective of the bill: to secure a system of unemployment-insurance basic benefits and administration uniform as nearly as practicable between the States. Any unemployment-insurance system attempting both objectives must compromise to a greater or less degree on one of them, because obviously a completely uniform system requires a single insurance unit. In its attempt to play completely safe on the first point, the present bill fails badly on the second. The failure to require standards for insurance administration particularly is a very serious one. I am told that this absence of standards is related directly to the use of the pay-roll tax and to the desire to minimize attacks on its constitutionality. If this is true, some other method of achieving comparative uniformity between the States should be substituted.

I believe also that the unemployment-insurance fund, whatever its base, should not ask workers to contribute. As with the social insurance of the industrial accident risk, the employer should collect the cost of the insured part of the risk from the consuming public. This does not mean that employers only are responsible for the hazard of unemployment, although it is quite true they are more responsible than are workers and are in a position to do more about it. The cost of unemployment must be recognized for what it is, a part of the cost of the goods and services consumers demand. I do not believe that workers must help pay unemployment benefits in order to make them realize their blessings. There is no feeling of degradation in the noncontributory workmen's compensation system we have used in this country for 25 years.. Finally, no matter how you arrange

your financial contributions, the bulk of the unemployment risk will remain where it has always been and where it must always remain, on the worker himself and on public and private charity. Assuming a full-time unemployment rate of 8 percent (and an additional 50 percent for part-time employment), the fraction of the risk to be assumed by any 3-percent-of-pay-roll insurance fund on the average will be 3-12. The worker and society will still have the remaining 9-12, and in particular cases even a greater proportion.

The question of cost, which several witnesses have referred to this morning, is an important one. To a considerable extent, however, these costs are not new costs at all but redistribution of present costs. The essential idea of social insurance is that it does logically and according to plan what has to be done anyway; in depressions like this by methods haphazard, inefficient, emotional. No one believes that unemployment insurance will be able to assume the whole unemployment loss. It is a first defense, and reduces by at least so much the demands on other sources of relief. In the case of health insurance there would be no new costs at all; there would be an important redistribution of present expenditures. The point is that someone pays now for all these social costs but not necessarily the groups and persons most responsible or most able to take steps to reduce them.

3. This would be a unique opportunity for this country, embarking on a series of social-insurance plans, to create a true social-insurance system. A considerable bureaucracy will need to be created, and the more nearly the various sections of this bureaucracy can be coordinated the better for the insured persons and for those who support the plans. It is extremely important that we coordinate our long-time relief program with unemployment insurance and to a lesser degree with the other social insurances. To prevent inequities due to overlapping and gaps, the social insurances must also be coordinated with each other. Foreign experience with poorly coordinated plans is a commonplace. At the outside there should be, State and national, no more than two departments administering the poor-relief, public-work, social-insurance program of the future. One might be welfare, one labor. The possibilities of a single department for the whole job should not be shrugged off but examined carefully. Apparently there has been no such examination by the framers of this bill.

4. The financial and actuarial problems that will result from a contributory old-age annuity program such as is proposed are so considerable that it should be initiated and expanded with the greatest caution. We already have a system of State noncontributory pensions for the dependent aged, to be subsidized by Federal funds according to the bill. Our first objective should be to strengthen this State system as an approach to the immediate problem and the more feasible goal.

CONFERENCE OF EXECUTIVES OF AMERICAN SCHOOLS FOR THE DEAF,
February 16, 1935.

Hon. **PAT HARRISON,**
Chairman Committee on Finance, United-States Senate,
Washington, D. C.

DEAR SIR: I understand that your committee has under consideration Senate Bill 1130, the so-called "economic security, bill", and that the Commissioner of Education has filed with your committee a memorandum suggesting certain changes and additions. Among these changes and additions I note a request, B 1, to provide for the education of physically handicapped children the sum of $10,000,000 for the next fiscal year and for each fiscal year thereafter to be allocated to the United States Office of Education. I have no doubt that your committee will arrive at a just conclusion as to whether or not such assistance is necessary in a general way to promote educational work among this handicapped class of children. I note further under section B 4, paragraph E, the provision that not more than 25 percent of the fund allocated to any State shall be used for residential schools or institutions for physically handicapped children.

I have not had the honor of being consulted by the Commissioner of Education in connection with the proposed assistance for the education of deaf children. I do represent, however, as chairman of the executive committee of the Conference of Executives of American Schools for the Deaf, 64 residential schools for deaf children in the various States in which over 14,600 deaf children, or practically 77 percent of all deaf children in school last October, are educated. These schools represent an investment in plant and grounds of more than $32,000,000. All of them have a history of earnest and successful endeavor in the education of the