

Mr. REYBURN. National and State action; yes.

Mr. TREADWAY. In order that your employees may be benefited. Have you ever carried out these provisions and found out whether or not they are practical?

Mr. REYBURN. I think this—this is my personal opinion; I have no right to speak for all these other men—that any organization that is making a big profit and can be more generous to its employees than the law requires is helping society. They ought to be permitted to do that any time, provided they segregate those assets and do not leave them at the risk of their business.

Mr. TREADWAY. That is getting to be a pretty complicated proposition when you talk about high profits. I am afraid the pensioners would be suffering right now if they were all based on high profits of the last few years.

Mr. REYBURN. That is true. But there still are companies that for years—I think the Eastman Kodak Co. has had some system for a number of years, and with the money they made they have been more generous. The result of it was they probably got better employees. And Ford, with his great profits—you can remember several years ago when he raised wages. He got a tremendous advantage out of it, and finally, all employees were benefited by it.

Mr. TREADWAY. Thank you.

Mr. VINSON. In the case of Armour & Co., to which you have referred, there was no segregation of funds there?

Mr. REYBURN. No segregation of funds.

Mr. VINSON. And when business went down the pension went down?

Mr. REYBURN. The pension went down; yes.

The CHAIRMAN. Thank you, Mr. Reyburn, for your appearance and for the information you have given the committee.

STATEMENT OF ALBERT D. HUTZLER, REPRESENTING THE NATIONAL RETAIL DRY-GOODS ASSOCIATION

Mr. HUTZLER. I am vice chairman of Mr. Reyburn's committee. Mr. Reyburn told you of the result. You have been reading that. I wish the whole thing could have been read. It was interesting to see how closely the document follows the bill, both in spirit and, in many places, in recommendation. There are many titles in the bill that might have been written by the retail committee itself; for instance, the whole subject of child welfare, the maternal and child care. Assistance to those who are now old was so substantially in accord with the document of the retail association that there is no need in our short time to discuss any details on which we might differ.

However, as far as the problem of health is concerned, this does not go as far as the retailers' platform. We understand that there is a special commission studying health insurance. We feel that that is important to be followed up.

As far as the question of old-age insurance for those who are not yet old, when we had our meeting and after our various studies, we were somewhat stumped. The problem has not been developed as far as the other subjects, particularly unemployment insurance. While studying the provisions of this bill, we feel that the framers

of the bill were up against the same obstacles. We notice, for instance, that the coverage is incomplete, although the entire population grow old and many of them need it. We notice that the funds are raised by a tax on pay roll, which, when superimposed upon payments to unemployment reserves, will create a real encouragement to the employer to install labor-saving devices. There is no relationship whatever between growing old and employment.

Because of the deflationary effect of this item, because it is not necessary to include it immediately if the old-age assistance for those who are now not old, which is provided in other parts of the bill, is adopted, and because of the long time necessary to whip this section of the bill into proper shape, we think it might be well to divorce this question of the old-age insurance from the bill. If we do this, then we can speed up the other sections of the bill before the legislatures adjourn, and we can get a real start for our social-security program.

The unemployment insurance generally notes that the spirit is the same as that shown in the retailers' resolution, but there are several points we consider important that we would like to bring to your attention. The retailers have been studying this subject for some time, and we feel that contributions to any fund for this purpose should be made by the employer, the employee, and the State, the State contributing from general tax funds at least the amount necessary for administration in order that the full sum contributed by the employer and the employee should be available for benefits.

The way this bill is drawn seems to us to discourage the States from adopting plants providing this 3-way contribution.

The retailers realize that unemployment insurance can bear only the initial part of a depression and must be supplemented by public works. As Mr. Reyburn has said, we feel that our program for the next depression must be built up promptly.

There is one point we want to place particular emphasis on, and that was discussed while Mr. Reyburn was here. That is the differential. That is the substituting of 2 years for 5 years. We think that this is essential and that it will stimulate employers to stabilize employment. That is really what we want. We do not want people to be unemployed; we want them to be employed. We want to stimulate employers to stabilize employment. This will prevent employers from taking wage-saving machines which would throw more people upon the benefits of the unemployment reserves.

In this connection—and here is something that is quite missing from the bill—minimum standards of compensation should be written into the bill in order that no State may adopt such low standards that most industries can take advantage of differential rates and thus give partially cooperating States a competitive advantage over fully cooperating States.

Mr. TREADWAY. Can you offer any explanation as to the reason that your brief suggestions so closely coincide with the President's?

Mr. HUTZLER. I cannot offer any explanation whatsoever, because so far as I know there was no one on the committee that drew this up, or on the preliminary committees; there were three or four committees that drew up different subjects. Then there was a coordinating committee that met about a week before the convention, in order to have it ready for the convention. This was changed in only

two immaterial words in the convention; so that there was no connection between them at all.

Mr. TREADWAY. How long has this subject matter been before your organization?

Mr. HUTZLER. Oh, for some months; for quite some months.

Mr. TREADWAY. Of course, it may be that some of your members consulted with the President's representatives and talked these subjects over?

Mr. HUTZLER. I do not think so.

Mr. TREADWAY. So you think it is purely a coincidence of general interest in the subject matters that causes this very close resemblance?

Mr. HUTZLER. Mr. Treadway, I think that the retailers have approached this subject not for the sake of their own employees but from the viewpoint of the country as a whole. In other words, the retail industry is closer to the consumer and is closer to the public than any other industry. We get the effect of unemployment, we get the effect of different kinds of economic distress more rapidly than any other industry of the country, because our customers are the people.

Mr. McCORMACK. In connection with Mr. Treadway's inquiry, I think I might clarify it to see if the gentleman's understanding is the same as mine. I assume that Mr. Kurstine and Mr. Filene are very much interested in your organization, are they not?

Mr. HUTZLER. Mr. Kurstine was a member of the committee.

Mr. McCORMACK. He is associated with Mr. Filene, E. A. Filene & Sons in Boston, which is a very large store?

Mr. HUTZLER. Yes.

Mr. McCORMACK. Mr. Filene has been a very keen student of this subject for many years. I know in 1931 he appeared before a subcommittee of the Senate. I notice that his proposals were along the lines that your organization has recommended, so it would seem to me that at least members of your organization have been studying this for some years, and that proposals along the same lines were made by individual members to congressional committees at least 3 or 4 years ago; then Mr. Filene has written a book. Have you read it?

Mr. TREADWAY. I have heard him on the radio.

Mr. McCORMACK. He has written a very interesting book, of which I can see the—

Mr. TREADWAY. Earmarks.

Mr. McCORMACK. This is the substance of it with reference to the consumer's dollar, and the theory of this resolution is substantially the same as the underlying theory of his book with reference to unemployment insurance.

Mr. TREADWAY. I recognize Mr. Filene's great interest in public questions and have followed his ideas for many years. I hope he is nearer right on this program, if he is responsible for it, either to the administration or to the dry-goods association, than he is on his views on the tariff. I do not agree at all with his attitude in that respect.

Mr. McCORMACK. Of course, you agree we are not considering the tariff now.

Mr. TREADWAY. No; I agree to that. We judge people a little bit, you know, by generalities. However, that has nothing directly to do

with the three or four more inquiries I would like to make of the gentleman.

It is always well to plead ignorance, which I do most humbly; I am referring to the question I am leading up to. I know it is perhaps more unfortunate for me that I am not better posted on terms. Your colleague, Mr. Reyburn, as well as yourself, has referred to a "differential." I know where there is a differential, and my genial chairman has suggested that sometimes it has something to do with an automobile, with transportation. But differential is a new word to me. I wish you would define it for me.

Mr. HUTZLER. I am not very good at defining, but I think I will explain.

Mr. TREADWAY. That is what I mean, explain.

Mr. HUTZLER. When you take out fire insurance, if you have a nice sprinklered fireproof building, you get a differential rate over a man who has an old wooden firetrap. When you go to the insurance company in one case you pay a dollar and a half and in the other case you pay 50 cents. The same way here. I will put it again. In workmen's compensation insurance, everybody started at practically the same rates, if not the same rates in various States. After experience was built up in individual establishments, then the companies began giving differential rates, so that you were encouraged to keep your stores in repair, to put balustrades on properly, and put safety treads on, and to put guards on the machinery in order that the hazards might be reduced. When you did these things, and your experience was good, you got a differential rate in workmen's compensation. We believe the same thing could happen in unemployment insurance.

Mr. TREADWAY. In other words, if the employees of your stores have less hazardous employment than the employees of a mill, where there is more machinery operation and so forth, if the records prove that there are less accidents in your type of business, or if the health of the employees is such that they can continue to work longer without a vacation, that is a differential; is that correct?

Mr. HUTZLER. We are thinking just in the unemployment end rather than in the health end.

Mr. TREADWAY. It would bring in the health problem, then, would it not?

Mr. HUTZLER. We think that the health problem is a tremendous problem. We do think that in order to get this bill through speedily that should be deferred. I do not mean the health problem. The health problem is not in this bill at all. I was thinking of the old age.

Mr. TREADWAY. But the health of your employees, if they work under the best of sanitary conditions, is surely more liable to be good and they are not as liable to go on the sick list, which would be unemployment to a certain extent, as in some other type of employment. That is what I mean.

Mr. HUTZLER. Yes.

Mr. TREADWAY. I think I understand the differential.

Mr. HUTZLER. The whole thing is this: Some employers distribute their employment definitely throughout the season, so that they do not have the peaks and the valleys. They do not lay off. It would

give definite encouragement to distribute employment evenly when those differential rates go into effect.

Mr. TREADWAY. We have that differential in Massachusetts in automobile insurance.

Mr. HUTZLER. Yes.

Mr. TREADWAY. There are zones. One zone the record shows has had fewer accidents, and they get a lower rate on their compulsory casualty insurance. That is a differential, is it not?

Mr. HUTZLER. That is a differential. It is provided on page 50, line 12:

Provided, That such variations—

“variations” is the term used in the act—

are not allowed within 5 years after contributions are first paid under such law.

We simply want that changed to 2 years.

Mr. TREADWAY. In your opening statement you mentioned urging speed on account of legislatures being in session, and in your remark just now you repeated it. The various items that are included in the bill have been in operation or under study for a good many years, some in operation like the Public Health Service, and so forth, and some would be brand new. While individuals have studied these problems, and associations have studied these problems, so far as any movement toward legislation is concerned, the hearings that were held by a subcommittee of this committee last year was the first definite move of that nature that I have in mind. I may be in error, but it is my recollection that this is the first definite move toward Federal legislation. You at your meeting adopted this on the 15th of January, or is that the date this is printed?

Mr. HUTZLER. No; 15th of January it was adopted, although the committee, of course, and various subcommittees met previous to that.

Mr. TREADWAY. I know, but this was printed the 15th of January, and Mr. Doughton's bill was introduced here the 17th of January. Two weeks ago yesterday is the first this measure has been before Congress. Now, do you not feel that we as representatives of the people are entitled to every possible opportunity to study as important problems as are submitted in this bill?

Mr. HUTZLER. Of course, I do not want to be hooked up on congressional procedure.

Mr. TREADWAY. No; I think that is a fair question I am asking you.

Mr. HUTZLER. And I think it should be studied, but there are certain titles in the bill that have had a great deal of study. As you say, I appeared before the subcommittee of this committee last year on unemployment insurance. That has had a fair amount of study. These other measures are to a large extent a substitution for types of relief work that are going on; in other words, the old-age assistance.

Mr. TREADWAY. Expansion, in many instances.

Mr. HUTZLER. I think to a large extent a substitution. For instance, the old-age people are receiving it from the relief committees. It will now be a 50-50 Federal and State payment under this, and a

permanent thing instead of a temporary thing. I believe that most of the titles, except the one on old-age insurance for those who are not now old, have received enough study that you can hear it.

Mr. TREADWAY. By whom has it been studied and heard? Certainly not by this committee, and here is where it must originate.

Mr. HUTZLER. Of course, I do not know the amount of study the committee has had; I know a week or two.

Mr. TREADWAY. You appeared as a witness, you say, before the subcommittee?

Mr. HUTZLER. Yes.

Mr. TREADWAY. All the members of that committee do not happen to be members of Congress at the present time, either.

Mr. HUTZLER. I really would prefer not to comment on legislative procedure.

Mr. TREADWAY. Responsible as we are for offering this legislation eventually to Congress, are we not entitled to a little time, not to get out of breath or get too great a perspiration putting this thing through because it happens that State legislatures may be adjourned in a few days?

Mr. HUTZLER. I would much prefer not to comment on legislative procedure.

Mr. COOPER. I submit it is not a question for this witness to answer as to how much time this committee should take in considering a measure.

Mr. TREADWAY. That is all right; I admit that.

Mr. COOPER. It is a matter for the committee to determine, and not for this gentleman here.

Mr. TREADWAY. But he is advising us to hurry, Mr. Cooper.

Mr. COOPER. He would not presume to undertake to advise the committee on that point.

Mr. TREADWAY. I think he did.

Mr. HUTZLER. I am simply calling attention to the fact that if these other titles can be gotten through before the legislatures adjourn, it will be desirable.

Mr. LEWIS. Mr. Hutzler, being from Maryland, I recognize the friendly service you have given this cause and that you are not antagonistic in purpose. We are speaking about differentials. Preceding witnesses said about 20 percent of the retail value of goods sold goes to pay roll.

Mr. HUTZLER. About that.

Mr. LEWIS. In the coal-mining industry about 70 percent goes to pay roll. You have a tax in the case of the unemployment insurance of 3 percent. With respect to coal mining, the operator would have to raise his price 2.1 percent in order to make good on the tax. With respect to retail merchandising, with pay roll taking 20 percent of your sales, you would have to raise your price three-fifths of 1 percent. Is there not already in the act a differential of 3.5 times imposed on the higher pay roll employment as compared with your own? Can you answer that? Are those figures correct?

Mr. HUTZLER. No; that is just what I want to say. Of the other 80 percent, a great deal is pay roll.

Mr. LEWIS. I am going on 20 percent of it pay roll. What is the pay roll?

Mr. HUTZLER. I do not know, because it is the pay roll of the manufacturer who made the article. In other words, the article we have bought is greatly pay roll.

Mr. LEWIS. We are dealing with the retail trade this morning.

Mr. HUTZLER. The retail trade on its percent of total business done would pay less than if its—I mean, if the coal-mine pay roll is as you say, and you know that, so I am sure it is absolutely right, but the differential might work in favor of the coal mine. The individual establishment might be able to work out its load seasonally; instead of paying 3 percent it would pay only 1½ percent, while the retailer might from his curve have to pay 2½ to 3 percent. In other words, you want to supply the incentive to the individual establishment to spread out employment throughout the year.

Mr. LEWIS. Now I will come directly to that question. The depression did not fall on us like the rainfall, so that all industries and businesses did not suffer in the same degree. The depression fell, for example, I think on the steel industry with perhaps the greatest effect of all. The depression falls in a much smaller degree on retail merchandise, say with an average degree. Now, if these rates are to be imposed on an industry simply to cover its own unemployment loss, then each industry would have to bear the burden of a tax proportionate to its unemployment loss, and any reductions made in the tax on the less unfortunate industries would abstract from the general fund from which the payments to the more unhappy industries would have to be made. In other words, you neglect a principle, it seems to me, in this subject matter of imposing the burden according to ability to bear the obligations imposed upon this fund.

Mr. HUTZLER. That is not entirely the particular industry. Some of the industries that are very profitable have a seasonal curve that causes tremendous seasonal unemployment, in profitable industries. I do not think you will find that seasonal lay offs have particularly any relationship to a profit or lack of profit in industry.

Mr. LEWIS. Let me put this question to you: If in our State of Maryland this act goes through and corresponding legislation follows there, would you favor a pooling of all the funds, unemployment insurance funds, in Maryland?

Mr. HUTZLER. Now, a pooling of the unemployment fund? Let us keep it down there.

Mr. LEWIS. The unemployment fund.

Mr. HUTZLER. I think that this retailers' declaration favors a pooling of the funds, a definite pooling of the funds.

Mr. LEWIS. Of all the funds.

Mr. HUTZLER. But with a differential premium based on experience after the initial stages.

Mr. LEWIS. You spoke of competitive advantage. Does not this tax so far as it is imposed by the Federal Government apply equally to all like trades in all the States?

Mr. HUTZLER. Mr. Lewis, if you applied minimum rates of compensation to be paid out, and then let the various industries and the various individuals within the industry work for stabilization of employment and give them the benefit of that stabilization, it will still be on the competitive basis, because the industry that is stabilized probably will have increased operating cost, which should be

compensated by a differential in this rate. As far as this bill is concerned, it provides basic equality for 5 years, but after 5 years differential rates are established under this bill, on page 50. I think it starts on page 48 at the top of the page. But it says it cannot be before 5 years. We want it to be after 2 years, but we want minimum standards established so that there must be some sort of uniformity.

Mr. LEWIS. Mr. Hutzler, so far as employers are concerned, who have to meet each other in interstate competition, the Federal tax is equal upon them all. So far as any tax may be imposed by the separate States upon the employees, they do not meet each other in interstate competition, and no prices are raised because of a tax on their services. Is that correct?

Mr. HUTZLER. You and I read it differently.

Mr. LEWIS. It is not a question of reading, sir.

Mr. HUTZLER. I mean, the way this law reads, after 5 years differentials can be established, and they can be established on laws without any minimum benefit. We think that there ought to be minimum benefits.

Mr. LEWIS. Just what do you mean by "differential"?

Mr. HUTZLER. Shall I read from the bill?

Mr. LEWIS. Perhaps that would be just as well.

Mr. HUTZLER. It says [reading]:

Any employer qualifying under section 608 of this act who has made contributions and has reduced them under a State law which initially required uniform contributions from all employers making contributions, and which thereafter allows certain employers to reduce their contributions, may, for any taxable year thereafter, credit against the tax an amount in addition to the credit allowed under section 602 of this act.

That is what I call a differential.

Mr. LEWIS. Let me observe there that I think it is well that employment be regularized, but I do not think it ought to be regularized at the cost of this pool of unemployment-insurance money. It would be at the cost of the unemployed under those circumstances. Some other method of giving encouragement to regularization and stabilization of employment should be secured.

Mr. HUTZLER. I do not think it would hurt the pool.

Mr. LEWIS. It would ruin the pool if we had the differentiations you have in mind.

Thank you, Mr. Hutzler.

Mr. COOPER. Am I correct in understanding that you advocate a differential as applied to this 3-percent excise tax on the pay rolls of industry?

Mr. HUTZLER. No. We simply recommend that the provision in this bill on pages 48 to 60, and the top of 50, where it says, on line 12:

Provided, That such variations are not allowed with in five years—

Be simply changed so that the word "five" is changed to "two." That makes the bill exactly in accordance with our desire, except that we think that minimum benefits should be also put in the law so that those variations cannot be too great; in other words, so that they are kept within control.

Mr. COOPER. Will you be kind enough to answer my question? Does not that mean that you favor a differential in this 3-percent excise tax applied to the pay rolls of industry?

Mr. HUTZLER. We advocate that a differential credit be allowed; yes. It amounts to the same thing.

Mr. COOPER. Do you advocate this differential as between the different industries of the country or between different units of the same industry?

Mr. HUTZLER. Between different units as well as between different industries. In other words, if a man, just as in workmen's compensation, keeps his plant in better shape or his employment conditions in better shape than a competitor, he should be allowed to take advantage of the fact that he is stabilizing employment.

Mr. COOPER. Then you favor the granting of preferential rates to certain groups within the same industry, so far as this excise tax for unemployment insurance is concerned?

Mr. HUTZLER. I would not say "preferential rates." I would say we believe that stabilization of employment by individual plants should be recognized.

Mr. COOPER. And that they should be granted a preferential rate?

Mr. HUTZLER. A differential rate; yes.

Mr. COOPER. Is it not a preferential rate?

Mr. HUTZLER. Well, it is, within that.

Mr. COOPER. You prefer that against other branches of that industry who do not meet the requirements that you set up, do you not?

Mr. HUTZLER. Yes.

Mr. COOPER. Is it not correct to assume that the underlying principle which forms the very basis for an unemployment insurance system to be adopted is to regulate the question of competition?

Mr. HUTZLER. No more so than in fire insurance and workmen's compensation.

Mr. COOPER. I am not talking about all those. I am just asking for a direct answer to what I am asking.

Mr. HUTZLER. No; I may say now within certain limits, "Yes"; but if a man can stabilize employment, which costs money—

Mr. COOPER. You do not need to go into all of that. If you will be kind enough to give me direct answers, we can save a lot of time. The point I am asking you at this time is whether or not you recognize that the underlying principle which forms the basis for the system of unemployment insurance from a national standpoint is the question of competition.

Mr. HUTZLER. Competitive concerns should have equal opportunities under it.

Mr. COOPER. Yes. When you establish the system of granting preferential rates to certain industries within the same group, do you not strike at that foundation and that very principle that should be recognized?

Mr. HUTZLER. No; not in the least; because the other fellow has the same opportunity to stabilize the employment within his plant and to get the same benefits. That is what we want—the stabilization of employment.

Mr. COOPER. He has the same opportunities, but conditions in one State may be vastly different from those in another State, and they may be conditions beyond his control.

Mr. HUTZLER. That may be true in almost anything.

Mr. COOPER. Yes. In other words, the purpose of having a national unemployment insurance system other than having State

unemployment insurance systems is to try to strike at the question of competition, is it not?

Mr. HUTZLER. Oh, absolutely.

Mr. COOPER. Then if you are going to grant preferential rates to one business as against other businesses in the same industry, how can you keep from striking at that basic principle which affects competition?

Mr. HUTZLER. Personally, I think that it could be stabilized just as well in one State as in another.

Mr. COOPER. If that is your view, I do not have anything else to ask you.

You realize, of course, there are different laws in all the States?

Mr. HUTZLER. That is the reason a minimum benefit is essential under that.

Mr. COOPER. But if by State laws conditions are different in one State from what they are in another State, how can the industry of that State establish a system that compares identically with that of another State?

Mr. HUTZLER. They will be essentially the same, and should be.

Mr. LAMNECK. I understood the previous witness to say that this legislation was generally acceptable to your group. Is that true?

Mr. HUTZLER. This legislation is generally acceptable to our group. We do believe that the old-age insurance is superimposed upon the unemployment insurance needlessly at the present time.

Mr. LAMNECK. I gather from your testimony that you think if you have a business that has very little unemployment, you ought to have a lower rate than I would have if I had a great amount of unemployment. Is that right?

Mr. HUTZLER. After the experience develops.

Mr. LAMNECK. We will just accept that as a fact, you have less unemployment than I have, and you think that you have to have a less rate than. Suppose you had a business in Baltimore that employed 100 men day in and day out and year in and year out. What would be your idea as to how much you should pay on the unemployment features of this bill? Should you pay anything or should you pay half as much as the rate provides, or a third, or fourth, or what percentage do you think you ought to pay under those circumstances? In other words, if you had no unemployment at all?

Mr. HUTZLER. This bill provides 1 percent to the general fund. Our committee did not discuss that or object to that. It was not discussed at great length. It did not object to this 1 percent of all employers to a general fund, to the general pooling State-wide. But we did get some telegrams lately from the California State Association that they thought one-half of 1 percent as a State-wide risk was better.

Mr. LAMNECK. In other words, if you have practically no unemployment in your business in Baltimore, you think you ought to pay one-half of 1 percent toward the unemployment fund; and if I had plenty of unemployment in my business, I ought to pay 3 percent. Is that right?

Mr. HUTZLER. No; because we would have unemployment. Remember, we are not totally free of unemployment.

Mr. LAMNECK. I am assuming that you would have none.

Mr. HUTZLER. Yes; if you got a case, say, that amounted actuarially to only one-fourth of 1 percent, then you ought to pay somewhere from three-fourths to $1\frac{1}{4}$ percent to the pool.

Mr. LAMNECK. Under the unemployment security legislation the total tax on pay rolls, including all items, is 3 percent. Have you given any consideration—or has your industry given any consideration—to what effect that would have upon your ability to stay in business?

Mr. HUTZLER. Our committee definitely feels that the old-age-insurance tax should not be on pay roll. The old-age tax for those who are not old at present should not be on pay roll. Putting 8 percent onto the pay roll will encourage people to employ labor-saving machinery. It will be a subsidy to labor-saving machinery. We feel that some other form of tax should be devised for that, because there is no relation between pay roll and old age whatsoever. But I think that in normal conditions it is simply a matter, when everybody has to pay a certain amount, you can pay it. It simply means that the cost of production goes up that much.

Mr. LAMNECK. Let me ask you this in another way: Suppose your pay roll were \$50,000 a year and you are taxed 8 percent of that pay roll. Your pay roll would be \$54,000. Would that make any difference in your business?

Mr. HUTZLER. If we were to apply an 8-percent tax on pay rolls, it would be a big brake on recovery.

Mr. LAMNECK. Would it have any tendency to lessen the number of people employed in your business? Would you have a tendency to keep just a few people?

Mr. HUTZLER. There are certain machines that would not justify themselves today that would justify themselves with an 8-percent addition to the pay roll. It is too big a percent.

Mr. KNUTSON. I understood you to say when you first took the stand that you are in the merchandising business.

Mr. HUTZLER. Yes.

Mr. KNUTSON. Could you give the committee any information as to the approximate increase in cost of commodities that this program will cause?

Mr. HUTZLER. That is very difficult.

Mr. KNUTSON. Approximately what will be the increased cost in commodities as a result of putting this program into effect as we now have it before us?

Mr. HUTZLER. I am going to have to plead ignorance there, because I do not know, and it varies from year to year.

Mr. KNUTSON. Certainly the percentage would not vary much.

Mr. HUTZLER. Why, yes; your pay-roll tax goes up. It starts at 1 percent and it goes up to 8 percent.

Mr. VINSON. When you say 8 percent, you are including that part of the tax that is paid by the employee.

Mr. HUTZLER. Five and one-half percent is really there. I mean that figure was used on the other side.

Mr. VINSON. Three percent on unemployment insurance; $2\frac{1}{2}$ percent on the contributions made by industry to the old-age fund.

Mr. KNUTSON. It will add $5\frac{1}{2}$ percent to your overhead, will it not?

Mr. HUTZLER. No; no. It will add 5½ percent to 20 percent of our cost of doing business. In other words, in our particular business 20 percent is pay roll. It will be 5½ percent of 20 percent of our particular business, but we will have to pay more for everything we buy.

Mr. KNOTSON. That is what I am getting at—that it will be reflected all along the line. There will be an increase in commodity prices all along the line to absorb this tax; or will you gentlemen turn philanthropic and put up the money out of your own pockets?

Mr. HUTZLER. Oh, no; we will not be philanthropic.

Mr. KNOTSON. It will increase commodity prices in proportion to the position that the 5½ percent bears to your pay roll. That is a fair statement, is it not?

Mr. HUTZLER. Yes.

Mr. VINSON. You are not advocating the inclusion in this bill of any differential or preferential at the present time?

Mr. HUTZLER. No; we simply want to change the words "five years" to "two years."

Mr. VINSON. You are not advocating any preferential or differential at this time, are you?

Mr. HUTZLER. No.

Mr. VINSON. You are satisfied with the rates included in the bill during this present time and through the initial stages?

Mr. HUTZLER. Through the initial stages, which we think should not exceed 2 years.

Mr. VINSON. When did you reach the conclusion that 2 years was the "initial stages"?

Mr. HUTZLER. I think when this particular document was drawn up it was felt that it should be shorter than 2 years.

Mr. VINSON. Why did you not say so in your document?

Mr. HUTZLER. Because there was a little variety of opinion as to the exact time as to how long it would take to develop a reasonable experience for differential rates. It was felt that 2 years would develop a reasonable experience for differential rates.

Mr. VINSON. Whatever may appear to be the initial stages as to these experiences, what you want is preferential or differential treatment?

Mr. HUTZLER. Differential treatment; yes.

The CHAIRMAN. We thank you, Mr. Hutzler, for your appearance and for the information you have given the committee.

STATEMENT OF DAVID LASSER, NEW YORK CITY, REPRESENTING THE WORKERS' UNEMPLOYED UNION

Mr. LASSER. My name is David Lasser, 22 East Twenty-second Street, New York. I represent the Workers' Unemployed Union of New York and the Provisional National Committee of Unemployed, with some unemployed groups in some 24 States and a membership of something like 400,000. We are the people who are concerned at the present time in the unemployment-insurance problem, and we would like to state our point of view.

Mr. KNOTSON. Is your organization a communistic organization?

Mr. LASSER. No, sir; it is not?