

cipal concerns in the machinery business in the country, but we have found in endeavoring to secure orders to keep ourselves alive that our customers say that they need this equipment, they would like to purchase it, but they are fearful of their ability to do so because of their inability to determine what their taxes will be in the future.

I want to further say in this connection that unless there is a turn in the tide in this direction, this small concern will be obliged to fold up, primarily because of the burden of taxation which it is already carrying. It exists today primarily through the sufferance of our local tax collector. He could at any time close us up.

Testimony already in your records, I understand, emphasizes the actuarial deficiencies of these plans on the basis of our present experience. That testimony merits the closest study of the committee before a bill is reported out. Some of the actuarial witnesses were from the State of Connecticut, which houses the most renowned masters of actuarial science in the United States, and their testimony on a phase of this subject on which they are professionally competent to pass judgment is of far greater significance than seems to have been attached to it thus far. In connection with unemployment compensation, they spoke from personal knowledge of the lack of experience tables on which to base remedial legislation. In connection with old age pensions—and this I think is highly important—they pointed out among other things that the population of the United States is rapidly approaching a static condition and that the percentage of older people in the population will tend to be appreciably higher.

On behalf of the group which I represent, therefore, I respectfully urge that, instead of saddling us with this staggering additional burden you give consideration to the wisdom of creating an executive commission to coordinate Federal, State, and local studies in the field of social security to determine accurately both the extent of the need and the feasibility of suggested remedies before legislation is attempted.

The CHAIRMAN. Is that all you have?

Mr. WEBSTER. That is all unless the committee has some questions.
(No response.)

The CHAIRMAN. Thank you very much. The next witness is Paul Kellogg.

STATEMENT OF PAUL KELLOGG, EDITOR THE SURVEY AND SURVEY GRAPHIC, AND VICE CHAIRMAN ADVISORY COUNCIL, COMMITTEE ON ECONOMIC SECURITY, NEW YORK, N. Y.

Mr. KELLOGG. I should like first to take a moment of your time to tell you how I regard this committee and its work.

You will remember the recent collision off the Jersey coast, when the Mohawk went down, and 45 lives were lost—seamen and passengers. A fortnight ago, the newspaper carried headlines that told that while suits for a million dollars were in prospect against the company, the owners held that their total liability to everybody concerned was not over \$10,000. That was like digging up the thigh bone of a mastodon in your back yard. It harks back to the old laws of the sea that go back to sailing ships, before we had our modern notions of corporate responsibility toward workers and passengers. That old law had it that survivors could get damages up to the value of the wreck, if any. There wasn't any wreck in this case, only the lifeboats that got to shore.

I remember in the case of another great disaster, publishing in the Survey an article on this ancient network of maritime law, written by an expert who has since become the head of a great life-insurance company, and the title we put over it was "Ships and Sealing Wax."

Yet after all, until 25 years ago we were equally backward with respect to the hazards of accidents on the land. Our employers' liability laws that were supposed to give protection to workers in great plants, with molten metals and chemicals and voltages and tremendous machines against which human flesh and blood were pitted, went back to the old master-and-servant rulings of bewigged English judges of 200 years ago, who figured out whether the squire should be held responsible if the maid put damp sheets on the 'osler's bed and the 'ostler took pneumonia and died of it.

Now all that is changed for the better. State after State has adopted workmen's compensation laws, which tackle these new risks of work in a new way; put a tax on the employer, who puts it on price, and all of us pay a bit when we buy a ton of coal or a car or sack of flour, for the human wear and tear that goes into the things we consume.

Our factories and mills and mines come under a rule of security that has not reached our ships. And employers, employees, and the public the country over know that it is the sound, decent thing to do and would not go back to the old ways.

And so we come to this greater and more devastating hazard you are considering today, this hazard of broken work and broken earnings, and how to bring the principles of insurance and collective coverage to bear, so that we shall not let our people down; so that the whole burden of lost wages shall not fall like a ton of brick on the wage-earner's household, breaking the back of it. If we cannot supply steady work in our modern industrial life, we should at least supply some security of income to the people we call together to do the work. We should do it in their interests and the interests of the rest of us, if purchasing power is to be stabilized.

If a group of engineers and physicists in a laboratory were working on some new motive power that would revolutionize production, the world would get the drama of what they are about. The President and his associates have essentially been at a kindred task in drafting the administration's program of social security. You, in turn, are a group of statesmen, holding open court to employers, labor leaders, economists, social workers, and the rest. You, too, are just as essentially engaged in a process of discovery, only here and now it is a social invention you are handling, one of a whole series of social inventions through which human beings are trying to adjust themselves to the industrial changes about us, so that life and livelihood may be secure in the midst of them. Some day the public will wake up to the drama of this thing you are doing; and meanwhile you, who are up to your elbows in it, may now and then stand back and look at yourselves, and catch the adventure of it, and be bold in what you are contriving to protect the men, women, and children of America against these hazards of our times, which the depression has driven home as never before.

The depression has swelled this risk of unemployment and its consequences to huge terms. Yet if we are to have progress and change in our scheme of production, we are bound to lay people off

in the course of them. Unemployment is a characteristic of prosperous times and a progressive industrial life. But unemployment without security is as hoary an evil as irresponsible disasters at sea, and we can do something about it if we will. We have been belated in this country in doing anything about it in a long-run way. But that is all the more reason to forge instrumentalities that will stand up and are adequate now that we have put our hands to it.

For 20 years the fear of interstate competition has kept our States—Wisconsin excepted—from passing unemployment-insurance laws. If the progressive manufacturers of Connecticut and the public of Connecticut wanted to have an unemployment-compensation law, under present conditions they would have to add to the cost of their manufactured products and be at a disadvantage with Massachusetts and New York and the rest of the country.

I should like to hail the President, Secretary Perkins, Senator Wagner, Congressman Lewis, Director Witte, Mr. Eliot, and all those who have had a hand in plans to cut that knot. I have constructive criticisms to make of the Wagner-Lewis bill, but I want you to write me down as for the fundamental objective of this groundbreaking legislation. Once its pay-roll tax provisions are passed, no longer will progressive States be so disadvantaged in their production costs if they seek to protect their workers against unemployment. There is another great gain, and that is, with this dread of unfair competition lifted, the national act can safely go further than any State could contemplate going alone. It is because the measure as drafted fails to go further that I level my first major criticism. Rather it is a recession from the original Wagner-Lewis bill before the Senate last year. That called for a 5-percent tax. This calls for 3 percent, and the revenue therefrom is thoroughly inadequate as the foundation for benefits, as I see it, to allow an adequate coverage of this risk.

Eight of the members of the Advisory Council, the chairman, the vice chairman, the president of the National Federation of Settlements, the president of the American Federation of Labor, and four other labor members of the Council, took this stand in a supplementary statement to the Council's report. To increase the benefits, a considerable minority of the Advisory Council voted-for 5 percent, and a larger group tied the vote at 4 percent. In its report the Committee on Economic Security presents actuarial tables which give the maximum standards possible on such a 3-percent tax base. These are, first, after a worker is laid off, a 4 weeks' waiting period without benefit; then 15 weeks' benefit at 50 percent of normal wages—but in no case more than \$15; thereafter, except for long-time employees, nothing.

Now, when I challenged the length of benefit as the simplest test of the adequacy of coverage, it was pointed out to me that these estimates were made on the basis of taking the whole of the United States as a pool. A State with relatively small unemployment might be able to lengthen them. But by that very token the State with relatively high unemployment would have to cut them down, and we might have States with 10 and 5 weeks' benefit periods.

We had statistical estimates before us that even at 15 weeks, and even in good times, over half of the unemployed workers listed in unemployment censuses made in the post-war years would have fallen outside the benefit period provided by the 3 percent base.

Roughly a quarter would have fallen in the prolonged waiting period and another quarter would have fallen beyond the short benefit period.

These statistical estimates, with their known limitations, can be brought down to everyday realities by reference to the results of a field survey carried out in 1928 for the Senate Committee on Labor—Senator Couzens, chairman. This was a study of 750 workers let go the 12 months preceding from 20 groups of industries in Chicago, Baltimore, and Worcester, Mass. It was directed by Isador Lubin, now Chief of the Bureau of Labor Statistics of the United States Department of Labor. With prosperity at its height, 42 percent of those who had secured jobs, and 55 percent of those who had not at the time they were interviewed, were unemployed for more than from 4 to 5 months, exhausting their protection had the proposed system been in operation.

When it comes to the amount of benefit, take the ease of a \$3-a-day man. He's out of work for the 4 weeks waiting period, and the 15 weeks' benefit period and his compensation for the initial 19 weeks would average roughly \$7 a week. That's less by a lot than our monthly home relief in New York; it no more than approximates the national average for home and work relief—\$28 a month—which we have been able to provide at the end of 5 years of depression, with millions of unemployed to fend for.

Tables prepared by members of the technical staff of the Committee on Economic Security, compared the protection *proposed under a 3-percent plan for the United States and that afforded throughout recent years by the standard benefits of the British system of unemployment insurance which has a combined 4½-percent base—one-third each from employers, employees, and the Government. These showed that in the lower-wage brackets the British worker, if single, would fare about as well as the American; but, if married, with dependents, would get from 50 to 100 percent more than the American. In the higher-wage brackets, the American would come off favorably with the British as long as his compensation lasts, but in any case that is only part of the picture. The general run of American benefits would be cut short at 15 weeks, while the British standard benefits begin after 1 week's waiting period—against the 4 proposed for the U. S. A.—and run up to 26 weeks—against the 15 proposed here.

An employee (with a long work record in America, might qualify for extended benefits for half a year, in England for a full year.

In our supplementary report eight of us contended that if the British people could swing such a coverage throughout the post-war depression, and are now liberalizing it, the people of the United States might at least do as well in setting up a system of security in this period of anticipated recovery, when no benefits are to accrue to unemployed workers until 1938. A 5-percent base would cut the waiting period to 2 weeks, lift the benefit period to 30—approximating the British.

So long as the American waiting period is left at 4 weeks there is no just basis for calling on employees to contribute, for they will be bearing the entire wage loss of short-term unemployment. There is justification for lifting it to the 5-percent rate of the original Wagner-Lewis bill as it is a tax that may much of it be shifted onto consumers. Yet as such it is subject to all the criticism leveled at other sales taxes, and to the additional one that it may provoke mechanization and so increase the unemployment it is intended to mitigate.

A better case can be made for matching the 3-percent pay-roll tax with at least a 2-percent contribution from the Federal Treasury. Then all of us, according to our ability to pay, whether we draw incomes from salaries, from bonds, from real estate or dividends, would be sharing in meeting the cost of that security and stability in our economic life on which all of us depend.

Some of you may not agree with me on how high standards of unemployment compensation the United States can afford at the start. But we could agree, all of us I hope, that they should not needlessly be debased in any part of the Nation.

The rights of workers out of work should be the very heart of unemployment compensation legislation. Let me urge you to incorporate in the Wagner-Lewis bill national minimum standards protecting those rights.

To leave them out is a violent breach of the principle of national responsibility toward unemployment which the "new deal" has stood for.

To turn back the Federal pay-roll tax to the States without setting the standards below which no State shall go is to make a hollow shell of the protection for which the money is collected.

Such minimum standards should let every wage earner in the United States know, no matter where he lives or works, the least he can count on with respect to the share of his wages that will go to him as benefit, the length of benefit, the waiting period, the work record that will qualify him for benefit, his standing as a part-time worker, or as a worker who moves from State to State, his right to work benefit when cash benefit stops-and the other terms which are the measure of security, or lack of it, to him and his family.

After prolonged discussion and repeated sessions such standards in the Federal bill were recommended by majority vote of the employers, labor leaders, and representatives of the public who made up the Advisory Council to the Committee on Economic Security, of which Council I was vice chairman. Chairman Graham, himself a southerner, was so much concerned with this matter of national standards that he wrote a supplementary statement urging them as the prime test of national legislation.

The Wagner-Lewis bill will mark a great advance in using the force of congressional enactment as a leverage to overcome the drag of interstate competition. The Federal pay-roll tax provided for in the bill will free and spur the States to act, and its funding provisions will pry the reserves raised into the custody of the Federal Treasury to prevent their chaotic handling.

But under the bill as drafted, this lever thereafter goes limp and becomes a hose, piping the Federal-tax money back into the States without any provisions that will safeguard the unemployed themselves, for whom the system is supposedly set up.

In leaving these national standards out of the administration program, the Committee on Economic Security and the Wagner-Lewis bill not only broke with the majority recommendations of the Advisory Council, but with those of outstanding experts on unemployment insurance—like Dr. I. M. Rubinow and Paul Douglas whom you should call before you—who were brought together at the National Conference on Economic Security in midfall, and with the report—which you should call for—of the technical staff on unemployment, headed by Bryce Stewart, which carried on studies of

the subject, beginning last summer, for the Committee on Economic Security.

Just as the purpose of the Economic Security Act would be defeated by any State which failed to accept its provisions and enact a law, so its purpose would be defeated by any State which cut down the amount and length of benefits to levels which would be out of line with its tax provisions and would make its protection a farce.

I have thumbed through the transcript of the testimony given before you and am impressed with the fact that whether they were labor leaders like Mr. Green, or outside experts like Mr. Epstein, or, social workers like Miss Hall, the witnesses who know conditions of life and labor among the wage-earners first-hand, seemed to all raise this question of national standards and advocated them. So did representations from such alert national bodies as the League of Women Voters, the, National Federation of Settlements, the National Consumers' League. There is significance in such a banked demand, worth weighing against the loose proposal of the administration to provide merely that the States must spend the money raised on unemployment benefits. Any State that sets up plant-reserve accounts can cut that money raised down in course of time by merely cutting the benefits down to begin with.

I was one of those who, while our Advisory Council! discussions were going on, swung around from the Wagner-Lewis Federal-tax, State offset-credit formula to the Federal-tax, State grants-in-aid formula, which all these groups likewise recommended. I did it and others did it because we felt that it would facilitate such standards. We had the assurance, however, of Mr. Eliot, associate counsel of the Labor Department, that they could be incorporated with either plan. Which framework is employed is to my mind not so important as that the necessary national minimum standards be laid down in whatever is employed.

To start action the country over, and to start it right, the bill recognizes the need for national leverage. We look to the Federal ~~pay-roll tax~~ to get the States to act. By the same token we should look to national standards in the Federal bill to assure minimum protection the country over. If we let them slide now we shall be confronted later on with the coalesced resistance of States and industrial interests to any interference with their own standards, however meager. Instead of scotching the snake of interstate competition, we shall have it in this new guise, harder to combat, putting employers in progressive States at a new disadvantage and stultifying the attempt to give security to wage earners everywhere.

To incorporate the principle of national minimum standards in the bill now, while it is malleable, would assure a ground-floor level of protection which as a Nation we could stand for; which unemployed Americans could stand on. Perhaps more important in the long run, this would give us a leverage to lift that level later on. It would leave the States free to experiment above those levels, but not in the subcellars of human misery.

It is that issue of national standards! national minima, that I should like to incorporate as my contribution to your hearing.

Senator HASTINGS. Did you give any consideration to the Federal Government operating the whole unemployment scheme?

Mr. KELLOGG. That was the united recommendation of that group of experts who got together the clay following the conference on

economic security in midfall, but our council went ahead on the theory that the administration had made up its mind that a Federal-State system should be the basis of any congressional program that they would put forward, so we considered what was the framework of a Federal-State system that would best work.

Senator HASTINGS. I was wondering whether your recommendations were practical, whether in order to carry them out it would not be necessary for the Federal Government to administer the whole unemployment-insurance law.

Mr. KELLOGG. Some experts take that position, but I think that in general you would say that national standards could be very simply laid down, I mean the minima under a Federal grant-in-aid plan, a subsidy plan which Mr. Graham recommended, Mr. Green and others. It is not quite as easy under the Federal pay-roll tax combined with an offset system which is in this bill. We have the assurance of men like Mr. Elliott that it is quite feasible. You see if it does not attempt to set the form or mold in which State experiment shall go, but merely sets a bottom level below which they could not go.

Senator CONNALLY. Do you favor the Federal Government fixing a minimum?

Mr. KELLOGG. Yes, sir.

Senator CONNALLY. And then if the State does not come up to that minimum, to deny the States anything at all?

Mr. KELLOGG. "Of course, under the Wagner-Lewis formula, it would be the other way around. A State could not get any of the offset money unless it met that minima."

Senator CONNALLY. In other words, if the State decided that it would not pay over \$10 a month, we will say, for this employment insurance-you are talking of unemployment?

Mr. KELLOGG. Yes; I am not competent to talk on the old age.

Senator BARKLEY. What do you think of the wisdom or justice of levying this tax on the pay roll of the State prior to the time when it can enact a law or meet the demand, and take that money for any period, 1 or 2 or 3 years, or whatever it may be before the State can comply with this act, for general purposes of the government?

Mr. KELLOGG. Of course you would cut the knot of that swiftly if you would change the tax to a tax Federal-aid system, because then you would have the tax collected as a straight tax matter, and then the subsidy offered to the State, and no State would refuse this subsidy.

Senator BARKLEY. Change it around somewhat after the fashion of our road appropriations and child welfare and others.

Mr. KELLOGG. Practically. Practically every insecurity in the bill except unemployment is handled by the Federal-aid procedure.

Senator HASTINGS. Do I understand that you would recommend a minimum number of waiting weeks and a minimum number of weeks they might be paid under the system?

Mr. KELLOGG. Yes, sir; and there is other minima, but they are fairly simple. A dozen of them would do the whole trick.

Senator HASTINGS. If the 3-percent tax upon the pay roll of a particular State was not sufficient to meet that, you would compel the State to raise the fund in some other manner?

Mr. KELLOGG. Of course; to meet that situation, we discussed quite at length the needs for some insurance fund nationally. For example, I do not happen to know the situation in the different States.

But take a State that was a coal-mining State and had a lot of men unemployed, a lot of coal miners. It is a part of the national problem in the State problem, and there would be a question whether the Federal Government should not come in in a reinsurance way to sustain benefits in that State until they worked it out. We suggested that one of the prime subjects for study should be to work out some form of reinforcement of that nature.

Senator HASTINGS. Of course, it would not be worth while to put in those minima if the Federal Government had to come to the aid of the State which could not meet the minimum.

Mr. KELLOGG. Of course, some of us have approached it from the other way around. We said, "What is a decent level that we would stand for as Americans to cover this risk of unemployment that we cannot stand up and defend?" And then the secondary question is, "Where do you get the money to pay for it?" I imagine that that question that you raised will not be a practical one for some years ahead.

The CHAIRMAN. Thank you very much. If you want to elaborate your views, you can give it to the stenographer.

The next witness is Clarence A. Kulp of Philadelphia, Pa.

STATEMENT OF CLARENCE A. KULP, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PA.

Mr. KULP. Mr. Chairman, I have not had time to prepare a statement, so I am going to be very short. If you like, I will submit one later.

The CHAIRMAN. You are from the University of Pennsylvania?

Mr. KULP. Yes. I perhaps should add that for the last 3 years I have served as adviser to the Pennsylvania Commission on Unemployment Insurance, was Governor Pinchot's representative on Mr. Roosevelt's interstate commission in 1931 and 1932, and have served as chairman of our State committee on workmen's compensation, which is a form of social insurance, presented a report to the Governor after 2 years of work.

In principle I favor the objectives of the Wagner-Lewis bill. In detail, there are a great many things about which everybody, I suppose, could raise questions.

The outstanding omission is the failure to include public-health insurance, although I understand that the attitude of the medical profession is the important factor that explains that exclusion. That is very unfortunate, because the public-health insurance would give us an ideal beginning on a social-insurance program. You would have no question about calculating reserves, because you would spend your money as you raised it, and no new money would have to be added. Experts of the committee have calculated that at present the average family spends 4½ percent of its income for medical help, and for that same sum it would get a much higher standard of help that would be spread over a much greater proportion of the population, in fact we have evidence from a number of private schemes that \$35 a year would do the job very nicely, including hospitalization, services of a general practitioner, dental care, and all the other elements that go into a complete medical hospital standard.

Senator BARKLEY. How do you draw the line between those who have received the service and those who have not applied for it?