

This bill has three principal divisions: (1) the establishment of a permanent Federal-State old-age assistance system, which is desired in part, however, to also relieve the present emergency situation; (2) the establishment of a permanent Federal contributory old-age pension plan; (3) the creation of a permanent Federal-controlled system of State unemployment compensation, neither of the latter two having any possible beneficial result in the relief of present distress and indigency.

The Federal standards set up for the proposed State unemployment compensation laws are both inadequate and in opposition to lessons learned from foreign experience.

The unemployment compensation tax proposed ignores, moreover, the fact that additional cost-increasing burdens should not be imposed on industry until farm buying power increases.

The Federal contributory old-age pension system raises questions of actuarial solvency, of investment of funds, of stability of Federal financing, of possible raids on reserve funds, of whether this generation should arbitrarily compel future generations to bear our burdens—all questions of such extreme gravity, surely, that they merit long and calm review.

This bill permits arbitrary Federal attempts to control both living standards and wages in every part of the country.

This bill, as it has been formulated and presented to your committee, not only necessitates an elaborate administrative system and is filled with vaguely defined standards, but it violates principles enunciated by the President, disregards opinions of actuaries consulted by the Economic Security Committee, and in many important respects disregards advice tendered upon request to the Economic Security Committee by its advisory council.

Finally, Senators, we commend to your attention the belief by Edmund Burke that it is—

Better to be despised for too anxious apprehensions than ruined by too confident security.

The CHAIRMAN. The next witness is Benjamin C. Marsh, of Washington, D. C., representing The People's Lobby.

STATEMENT OF BENJAMIN C. MARSH, REPRESENTING THE PEOPLE'S LOBBY, WASHINGTON, D. C.

Mr. MARSH. Mr. Chairman and members of the committee, I appear on behalf of The People's Lobby and would like to make some comments on this bill, with your permission.

I want first to discuss the general principles involved, but to point out that in our judgment the bill should not be called a security bill or social-security bill for two reasons: The first is that you cannot make any individual secure in the unstable insecure situation in America today, which is daily getting worse and more precarious. The only thing that is preventing a complete collapse is the fact that the Government is continuing the policy inaugurated under President Hoover—I am going to be frank and not play any politics—of giving Government credit to maintain values which are water in the main. The proposed banking bill permits a complete shift in the whole banking policy of the country under which banking de-

posits were supposed to be liquid, permits banks in order to enable them to earn a profit apparently, to go into mortgage business and to loan 75 percent of the actual value of real estate, which, of course, is a wild guess, since the present value of land in cities and farms is two to three times what the people can stand.

No citizen is more secure than the economic system of which he is a part. That this fact is appreciated is indicated, I may say, because last week, Saturday, I spoke for 20 minutes in a coast-to-coast hook-up on the N. B. C. We have gotten in around 1,400 letters already from about 30 States expressing appreciation of the very thought I have given today.

But if you are going to attempt to have security of any sort it cannot be done as this bill contemplates. The words "unemployment insurance", as far as security is concerned, is a misnomer. It cannot be put on an actuarial basis. We cannot rely upon any individual employer continuing in business for a stated time, and you cannot hold him responsible, unfortunately, to maintain people if he is bankrupt himself.

The seriousness of the situation is entirely ignored in the Wagner bill, and I am going to quote a little from the report of the committee on economic security which was headed by Secretary of Labor Perkins, as chairman, and the other members I think you all know.

On page 2 of that report the statement is made that at least one-third of all of our people, upon reaching old age, are dependent upon others for support, and less than 10 percent leave an estate upon death of sufficient size to probate. Of course, if they do not leave an estate of sufficient size to be probated, that means that they have not enough to live on as income from it.

Further on they state:

The one almost all-embracing measure of security is an assured income. A program of economic security, as we vision it, must have as its primary aim the assurance of an adequate income to each human being in childhood, youth, middle age, or old age—in sickness or in health. It must provide safeguards against all of the hazards leading to destitution and dependency.

This bill ignores all of these principles. I will give some more brief references from this committee's report on this bill. It is entitled to be called a swindle on the American people. It says: "In 1930 there were nearly 6,500,000 people over 65 years of age in the country, representing 5.4 percent of the entire population. * * * It is predicted, on the basis of the present population trends, that by 1940 6.3 percent of the population will be 65 years of age; by 1960, 9.3 percent; and by 1975, 10 percent."

Further on the same page it says that "The number of old people now in receipt of charity is probably in excess of 1,000,000." And further, "At this time a conservative estimated is that at least one-half of the approximately 7½ million people over 65 years now living are dependent."

Taking those two statements together, you will realize that we will take conservatively 3,750,000 aged people are dependent, only 1,000,000 are being taken care of by public charity, and that means 2,750,000 people are dependent for existence in this wealthiest country in the world upon sponging upon their relatives. How much money would be necessary in order to take care of them? They make an estimate

also which is, in my judgment, very striking—I don't know how it escaped public notice as much as it has—they say at page 25 :

Men who reach 65 years still have on the average 11 or 12 years of life before them ; women 15 years. A man of 65 to provide an income of \$25 per month for the rest of his life (computing interest at 3 percent) must have accumulated approximately \$3,300; a woman nearly \$3,600. If only this amount of income is allowed to all of the people of 65 years and over, the cost of support of these aged would represent a claim upon current national production of \$2,000,000,000 per year.

How much does this bill carry? We have not got the exact figures, I concede, but the estimate was made as to how much would be paid out under this bill. I believe the highest is \$125,000,000 by the Federal Government—\$50,000,000, or something like that, to start on, and if they paid the full amount of \$125,000,000 and the same amount was duplicated by the States, you would have \$250,000,000, and this committee on economic security says that the support of the aged would represent a claim upon current national production of \$2,000,000,000 a year.

Another point I would like to make from this committee's report on economic security, the President's committee, it says that there are 300,000 dependent and neglected children, 500,000 people who are physically handicapped, 200,000 who come as delinquents annually before the courts, and 75,000 illegitimate children born every year. They also make the statement that there are at the moment over 7,400,000 children under 16 years of age on relief rolls.

And what is the proposal of the Committee on Economic Security? I do not mean to criticize individuals, but this bill can only be construed and described, and as I told the Committee on Ways and Means, as the President's bill for insecurity to evade responsibility for unemployment. It is that precisely. It attempts to pass to the States responsibility for the unemployed, although the Federal Government now for nearly 2 years, and this administration has been telling us not that prosperity was around the corner, upon which millions of people waxed fat under the Hoover administration, that prosperity is here. *It attempts to compel the States to establish State unemployment-insurance systems, which is thoroughly impractical—the States cannot be held responsible for that.

There is only one honest thing, and every member of this committee knows, for any administration to do—I don't care whether it is Republican or Democratic or Communist or Socialist—the Federal Government or the so-called " government " of every country has to maintain its people.

I have been this past summer in the four Scandinavian countries; also in Russia, Germany, France, Poland, and England. Despite the poverty, relatively, of most of those countries? their national governments are accepting the responsibility of seeing that people have either relief or employment . Our Federal Government, on the contrary, is refusing to do this, and is attempting to pass to the States the major responsibility for the inevitable collapses of the stupid policies euphemistically designated " the new deal " that is shown in their passing the buck, to use polite language, or attempting to place the responsibility upon the State government. Of course, it is futile to continue the policy we have up to date of taxing the poor to maintain the starving. The results of continuing this for some

time, and it is what we have been doing for quite a bit of time, is that you are crowding the people of moderate means into the ranks of the unemployed, or undernourished.

I would like to call to your attention that under the President's so-called "security plan", which we designate correctly as the "insecurity plan", the total outlay of the Federal Government for the fiscal year 1936 will be, in round figures, \$100,000,000 as estimated by the New York Times, of these following items: Old age, \$50,000,000; unemployment insurance, about \$5,000,000; mothers' assistance, \$25,000,000; maternal and child health, \$4,000,000; crippled children, \$4,000,000; child welfare, \$1,500,000; public health, \$10,000,000. Each succeeding year after 1936 the aggregate is going to be in the neighborhood of \$220,000,000 under this plan, but you will see that really the total unemployment insurance the first year, \$5,000,000, amounts, if you have 10,000,000 people, to 50 cents a year. I tell you that any administration that thinks that 50 cents a year, any administration that thinks that, is not entitled to be perpetuated in office because after next year they get \$5 apiece, and we are spending billions today and not providing decent standards of existence for them today.

Senator HASTINGS. Are you not misinterpreting what is meant by that \$5,000,000?

Mr. MARSH. That is the Federal Government's contribution for the unemployment insurance fund.

Senator HASTINGS. It is not expected that that \$5,000,000 will do anything more than help get the plan started. It is not intended to be distributed among the unemployed as you suggest.

Mr. MARSH. I pointed out that you cannot put this on an actuarial basis; it is out of the question. The Government has got to insure its people or they are going to starve, 5,000,000 of them for the next 7 years, and I am going to read to you, if I may, the figures from the British experiment.

Senator HASTINGS. I just did not want the record to show a clear misinterpretation on your part of what the administration expects to do with that \$5,000,000 when you talk about it being 50 cents a year for the unemployed.

Mr. MARSH. My point was this, and I would hold the same thing exactly if, when, and as the Republican Party comes back into power, that the Government has got to provide work or we are going to have an army of 5 to 6 million unemployed for years, or it has got to maintain them.

Senator COUZENS. We know, of course, that you are against the bill, but will you tell us what your solution would be! I think that would abbreviate the situation, would it not?

Mr. MARSH. I thought you might be more inclined to accept my solution if I pointed out the necessity for it. If that is admitted—

Senator COUZENS (interposing). I think it is a reflection upon the committee that we do not know the situation. We would like to know what you would do.

The CHAIRMAN. Mr. Marsh, I would like to ask you how much time you will take this morning?

Mr. MARSH. About 10 minutes more if you can grant it.

The **CHAIRMAN**. That is all right. May I say that these matters you want to read from, if you will mark them and just give them to the stenographer so that you can point out constructively what you would do under the circumstances.

Mr. **MARSH**. Surely.

The **CHAIRMAN**. So that you can elaborate in that way if you want to.

Mr. **MARSH**. May I read in an article from the New York Times of Sunday, February 10, on social security, what the nations have done, countries that have pioneered in the field?

Senator **COUZENS**. Why not put it in the record? Most of us have read it.

Mr. **MARSH**. If I may; yes.

The **CHAIRMAN**. Do you want it all to go into the record?

Mr. **MARSH**. It covers several countries, and I think it is really a very strong statement.

[Reprinted from the New York Times, Feb. 10, 1935]

FOR SOCIAL SECURITY: WHAT THE NATIONS DO—REPORTS FROM CAPITALS OF COUNTRIES WHICH HAVE PIONEERED IN THE FIELD THE UNITED STATES NOW ENTERS

With the eyes of the Nation focused on the President's social-security proposals, the experience of other countries in the field of unemployment, old-age and health insurance becomes of intense interest to the United States.

In Great Britain a wide system of social insurance is now taken for granted. In Germany, too, there are a number of compulsory measures. A more limited program is in effect in France. Social insurance has been fostered in such countries as Italy and Uruguay, while in Austria some setbacks are now believed probable.

In submitting his program to Congress President Roosevelt pointed out that **his** plans did not attempt to achieve the millennium immediately. His proposals included : (1) Immediate protection of the needy aged (above 65) through **free** pensions not to exceed \$30 a month; (2) a national system of compulsory contributory old-age insurance ; financed equally by employers and employees without Government participation ; (3) a system of voluntary annuities for those in higher income groups ; (4) a system of unemployment insurance, financed by a S-percent tax on pay rolls; (5) Federal grants to States for assisting widows and children.

For comparison with the American plan the significant facts about the social legislation of important countries are pointed out in the dispatches which follow.

BRITAIN'S LAWS EXTENSIVE—SOCIAL SECURITY PROGRAM HAS BEEN BUILT UP SINCE 1908

[Wireless to the New York Times]

LONDON, February 7.—The British State pension and insurance systems for social security had their origin in the Old Age Pension Act of 1908, for which David Lloyd George was responsible in his capacity as Chancellor of the Exchequer.

England is only 3 decades ahead of the United States in welfare legislation of national scope and financing, but already takes her expenditures of public funds to offset poverty as a matter of course. The fact that Britain weathered through the depression of recent years without violence or threats of revolution is attributed chiefly to the automatic State aid by which everybody is cushioned against economic disaster.

Unemployment insurance began in 1911 as a second step after old-age pensions. The first unemployment-insurance law was of modest dimensions, applying only to a few selected trades, like shipbuilding and house construction, which had seasonal slack periods each year. This covered only about 2,000,000 workers.

THE REVISED LAW

After the war this law was revised to extend its provisions to nearly all wage-earning groups except agricultural workers and domestic servants. Now it covers nearly 13,000,000 workers between the ages of 14 and 65, for all of whom the insurance is compulsory. The weekly contribution from employer and employee is 1s 6d (41 cents), to which is added 10d (20 cents) by the Exchequer.

The weekly benefits over a period of 26 weeks of enforced idleness are 17 shillings (\$4.25) for men and \$3.75 for women. There is an additional allowance of \$2.25 for each adult dependent and 7.5 cents for each child.

The receipts from employers and employees in 1833, the latest year for which full statistics are available, were £38,098,314 (\$190,491,570). The Exchequer contributed £1,918,223. But the State had to supplement that by a further payment of £53,785,682 to take care of workers who had become disqualified by nonpayment of premiums through long-continued periods of idleness.

MORE AID PLANNED

New legislation, which went into effect this year for unemployment assistance apart from insurance, was intended to relieve the strain on the overburdened insurance fund. There are about 17,000,000 persons within the scope of the new assistance scheme, although the Government estimates that only 3,000,000 will actually need assistance at any one time. This law is primarily to abolish the old poor-law system, locally administered.

The allowances granted under the new assistance law are \$6 weekly for husband and wife, \$4 for a single man and \$3.50 for a single woman.

After a month the Government announced that the machinery under the new law was defective and promised that in no case would recipients under the old system receive less than under the new. Complaints had been made that the attempt to set up a national standard had worked hardship in many instances; that the rent allowances were too low (7 shillings 6 pence—\$1.87 per week—standard); that tribunals to hear individual grievances were still lacking in some cases. It was believed possible that the rent allowance would be increased and the family means test modified or repealed.

Another new law to be enacted this year will provide compulsory unemployment insurance for agricultural laborers, estimated in number 750,000. The weekly contributions to this scheme are 8 cents each from employer, employee, and exchequer. The benefits recommended are \$3 for a man, with \$1.62 for his wife, and 50 cents for each child.

Compulsory health insurance was established for all persons earning not more than £250 (\$1,250) yearly about the same time as unemployment insurance. The employer pays into the fund weekly 37 cents for each man and 27 cents for each woman employed; of this cost, however, he may get back 18 cents and 12 cents respectively by deductions from pay rolls. The benefits include free medical treatment, a sickness benefit for men of \$3.75, with \$3 for women, and \$10 weekly maternity benefit.

Old-age pensioners receive \$2.50 weekly under a contributory system from 65 to 70, then come under a noncontributory system, receiving \$2.50 if their private resources do not exceed \$315 yearly, grading down to no pension if their resources are \$500. There are about 400,000 widows receiving pensions under the contributory scheme and 350,000 getting benefits for which they contributed nothing.

 SIX SCHEMES IN GERMANY—JOINT CONTRIBUTIONS THE RULE IN COMPULSORY INSURANCE PLANS

[Wireless to the New York Times]

BERLIN, February 7.—There are six kinds of compulsory insurance in Germany. They are for illness, accident, disability, unemployment, office employees, and a special mine union insurance. All are either managed or supervised by the Government.

Illness insurance embraces all workers, office employees, journeymen, apprentices, and domestic help earning less than 3,600 marks (\$1,440) a year. It

provides sick money beginning on the fourth day of illness and continues until the twenty-sixth week of medical attention. It includes assistance to women about to become mothers. In case of death it provides burial money.

Funds are raised by contributions according to wages by the insured person, who contributes two-thirds, and his employer, who pays one-third. Office employees, however, are entitled to 6 weeks' salary from their employers before the sick money becomes due.

HAZARDOUS OCCUPATIONS

Accident insurance includes persons in particularly hazardous occupations, such as factory workers, miners, druggists, hospital attendants, chimney sweeps, window cleaners, and butchers. It provides about the same benefit as illness insurance. In the case of fatal accidents it provides burial money of 50 marks (\$20) minimum and a pension for the families. The cost of this insurance is levied on employers only.

Office employees' insurance is compulsory disability and old-age insurance for all office employees earning less than 7,200 marks (\$2,880) a year. Contributions are made by pasting stamps in a book, employees, and employers each paying half the cost. After having contributed for a minimum of 60 months the insured is entitled to a pension after the age of 65 or earlier in the case of 50 percent disability. In addition the insurance pays the cost of prolonged treatments and, in cases of death, pensions to the families.

DISABILITY INSURANCE

Disability insurance is applied to all members in the illness insurance system who are not under the office employees' insurance and in general provides the same benefits and calls for the same contributions of proportional wages as the latter except that for persons under 65 years of age only those who are two-thirds disabled are paid.

Unemployment insurance embraces all those who belong to the illness or office employees' insurance systems except domestic help and agricultural labor. It provides benefits amounting roughly to half the weekly wage for 36 days and may be extended to 20 weeks if the insured is destitute. Employers and employees each pay half the cost.

Mine union insurance applies to all employees engaged in the mining industry and comprises* illness, pension, disability, and office employees' insurance.

The above insurance systems apply to all private business. Civil service officials and employees have their own illness and pension insurance system, from which the Government deducts appropriate amounts from their salaries.

VARIOUS FORMS IN FRANCE—SICKNESS, MATERNITY, OLD AGE AND DEATH ARE INSURED AGAINST

[Wireless to the New York Times]

PARIS, February 7.—Social insurance covering sickness, maternity, old age, and death became compulsory in France by the act of April 5, 1928, which was finally carried through parliament by Pierre Laval, now Minister of Foreign Affairs. All employees receiving less than 15,000 francs (\$075) a year, or less than 18,000 (\$1,170) in certain areas, are insured.

Employers and employees each contribute to the funds in the proportion of 5 percent of total salary paid. Payment is usually made by affixing stamps to the social insurance cards. The State contributes from budget 750,000,000 francs (\$48,250,000) under different headings.

Insurance is supposed to cover medical attention and pharmacy bills. It is, however, in actual experience rarely that this is done. After 6 days' illness and for 6 months thereafter the insured person is entitled to half salary. At the end of 6 months invalid employees who have been contributors to the scheme for 2 years are entitled to a pension.

OLD-AGE PAYMENTS VARY

Old-age pensions are provided from the age of 60 years, or 55 in cases where the employee has paid contributions regularly since the age of 16. The amount of pension is based on the salary and amount of contributions to the scheme.

Heirs of insured people have the right to a small capital repayment in the event of the death of the insured.

Employed women may receive half salary during 6 weeks previous to and 6 weeks following the birth of a child.

There is no State unemployment insurance in France.

MOVEMENT GAINS IN ITALY—SOCIAL INSURANCE DIVIDED INTO FOUR MAIN BRANCHES

[Wireless to the New York Times]

ROME, February 7.—Social insurance has received great impetus in Italy during the last few years. As conceived here it includes four main branches—accident, old-age, tuberculosis, and unemployment insurance. These are complemented by the Institute for Maternity and Infancy, which renders valuable assistance to mothers before, during, and after childbirth.

Accident insurance is a monopoly of the National Fascist Institution for Insurance against Labor Accidents. It is obligatory, and the premiums, which are paid entirely by employers, vary according to vocation and average about 10 percent. Benefits include lump-sum compensation for lost wages in cases of accident, or pensions in cases of total or partial permanent disability or death.

The three other branches are concentrated in the National Fascist Institution for Social Insurance. The insurance is compulsory and premiums are paid in equal shares by employers and workers. The premiums vary according to the weekly wage and average about 10 percent.

About one-quarter goes for unemployment insurance, the remainder being divided equally between tuberculosis and old-age protection.

Those insured against unemployment number about 4,000,000, agricultural workers being excluded. Persons receiving benefits average 250,000 throughout the year. In connection with this scheme there are professional schools, free employment agencies, a national committee for internal immigration to encourage unemployed persons to move to provinces where workers are lacking.

FREE MEDICAL CARE

The proceeds of tuberculosis insurance are largely employed in the construction of hospitals, a program providing for 20,000 beds being well on the way toward completion. An average of 40,000 cases receive free medical attention yearly.

About 6,000,000 persons are insured under the old-age scheme. Persons receiving pensions number 380,600, while 60,060 new persons qualify each year. Annual pensions average 1,000 lire (about \$120).

Through legislation for the care of maternity and infancy about 40,000 mothers receive financial help, and an average of 30,000 receive free medical attention annually.

Other provisions for social protection include compulsory sickness insurance, applied at present only to seamen, airmen, and persons employed in the trades, but which it is hoped will soon be extended to all workers.

DEFICIT IN AUSTRIAN FUNDS—CLERKS' UNION MAY HAVE TO PAY 20 PERCENT OF WAGES

[Wireless to the New York Times]

VIENNA, February 7.—Although Austria has experienced a counterrevolution in the past year which resulted in the abolition of the republican constitution and parliamentary democracy, social legislation has not yet been greatly affected.

Basic reforms are pending for overcoming the deficit in old-age pension funds, which alone amount to approximately 44,000,000 schillings (\$8,360,000), and to transfer responsibility for sickness insurance from the state to employees and employers. It is unofficially reported that the contributions of both employers and employed will be increased as the services decrease.

The clerks' insurance fund faces an anticipated deficit of 33,000,000 schillings (\$6,270,000) for 1935. It is believed that contributions will be increased to

the high figure of 20 percent of salaries, employers and employed each to pay half.

Payments for illness, unemployment, and old age are to be reduced. The discontented victims declare that this is due to the Fascist government's vast expenditure for troops and police and the abolition of various luxury taxes imposed on wealthy Viennese by the former Socialist administration. But long before the counterrevolution the deficit was growing apace as a result of the steadily increasing unemployment and the falling standard of living.

Sickness insurance covers a wide field. More than a million and a half persons are insured and an additional million family members are entitled to certain benefits.

Compulsory unemployment insurance paid for by employers and employed provides 12 weeks' benefit with possible extension to 30 weeks.

Universal old-age insurance exists only on paper, as the laws have not been put into effect except for clerks, miners, and certain other categories. Unemployed industrial workers receive allowances after 60 years of age.

URUGUAY HAS BROAD PLAN—SOCIAL WELFARE PROVISIONS ARE PART OF THE CONSTITUTION

[Special cable to the New York Times]

MONTEVIDEO, February 7.—Uruguay is recognized as one of the world's leaders in social-security legislation. Its far-reaching program of government ownership and social welfare is based on the ideal that all citizens should be employed by the state during their productive years and thereafter retired on state pensions.

Social-security legislation here is closely bound up with government ownership. There are 78 items in the combined program of final objectives; 45 items have been embodied in social and labor codes.

The social-security laws have been embodied in the new constitution. The section on "rights, duties, and guarantees" provides for old-age pensions, child welfare, state care of mothers, free medical attention for the poor, workmen's accident insurance, cheap dwellings for laborers, and special consideration for employed women and children.

Then I would like to give just a brief summary of the report of the British system in a book, *The British Attack on Unemployment*, published recently by the Brookings Institution here. I will just mark it to save your time, but they say here, pointing out that of the total amount expended up to March 1934 of \$4,486,000,000, the employers and workers paid \$2,126,000,000, and naturally the government paid the rest, considerably over half.

(The article 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 employers, 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 has 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", says 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."

I would suggest this. As far as unemployment insurance is concerned, that you strike out practically everything—I will say everything after the enacting clause—and substitute therefor the Lundeen bill (H. R. 2827) as to the principles. There are some changes I would suggest.

You have got to take care of the people all the time they are unemployed. There is no provision for them in any bill except this one, and this is the only bill so far as I know which provides that compensation for disability because of maternity shall be paid to women 8 weeks previous and 8 weeks after childbirth.

I would like to have that bill go into the record.

The CHAIRMAN. All right. I think it has been put into the record once.

Mr. MARSH. I do not want to duplicate, surely.

The CHAIRMAN. If it has not been, let it go into the record.

Senator HASTINGS. It is not very long.

[H. R. 2827, 74th Cong., 1st sess.]

A BILL To provide for the establishment of unemployment, old age, and social insurance, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known by the title "The Workers' Unemployment Old Age and Social Insurance Act."

SEC. 2. The Secretary of Labor is hereby authorized and directed to provide for the immediate establishment of a system of unemployment insurance for the purpose of providing compensation for all workers and farmers above eighteen years of age, unemployed through no fault of their own. Such compensation shall be equal to average local wages, but shall in no case be less than \$10 per week plus \$3 for each dependent. Workers willing and able to do full-time work but unable to secure full-time employment shall be entitled to receive the difference between their earnings and the average local wages for full-time employment. The minimum compensation guaranteed by this Act shall be increased in conformity with rises in the cost of living. Such unemployment insurance shall be administered and controlled, and the minimum compensation shall be adjusted by workers and farmers under rules and regulations which shall be prescribed by the Secretary of Labor in conformity with the purposes and provisions of this Act through unemployment insurance commissions directly elected by members of workers' and farmers' organizations.

SEC. 3. The Secretary of Labor is hereby further authorized and directed to provide for the immediate establishment of other forms of social insurance for the purpose of providing compensation for all workers and farmers who are unable to work because of sickness, old age, maternity, industrial injury, or any other disability. Such compensation shall be the same as provided by section 2 of this Act for unemployment insurance and shall be administered in like manner. Compensation for disability because of maternity shall be paid to women during the period of eight weeks previous and eight weeks following childbirth.

SEC. 4. All moneys necessary to pay compensation guaranteed by this Act and the cost of establishing and maintaining the administration of this Act shall be paid by the Government of the United States. All such moneys are hereby appropriated out of all funds in the Treasury of the United States not otherwise appropriated. Further taxation necessary to provide funds for the purposes of this Act shall be levied on inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over. The benefits of this Act shall be extended to workers, whether they be industrial, agricultural, domestic, office, or professional workers, and to farmers, without discrimination because of age, sex, race, color, religious, or political opinion or affiliation. No worker or farmer shall be disqualified from receiving the compensation guaranteed by this Act because of past participation in strikes, or refusal to work in place of strikers, or at less than average local or trade-union wages, or under unsafe or unsanitary conditions, or where hours are longer than the prevailing union standards of a particular trade or locality, or at an unreasonable distance from home.

Mr. MARSH. Then let me point out this' that you can do, at least; you can arrange to raise the revenue—I will discuss that later—if you have a revenue revision, and I think you have to, and unless you do you will have bankruptcy within 12 months for the Federal Government.

The New York Journal of Commerce points out that the total dividends and interest payments for the 5 years of the depression were 10 billion dollars greater than for the 5 years before the depression. From 1930 to 1934 the investor received 36 billion in dividends and interest. From 1925 through 1929 he received only 26 billions. And that compares with 17 billion for the 5-year period from 1920 to 1924.

I might say that the chairman considering the Lundeen bill has accepted an amendment to it to provide for taxing liquid surpluses of corporations as well as corporation current profits and personal incomes and estates.

Senator Couzens has asked how we would meet the situation. Well, Senator Couzens, there is no possibility in my judgment of meeting the situation until the Government goes into the employment of people generally. It will be futile to do that on the present capitalization. At the close of 1929, the alleged assets of corporations were 335 billions. That was about 175 to 190 billions more than they should be. At the end of 1932, the last figures we have, they were down only to 280 billions. You have got to squeeze out scores of billions of water.

I made the remark since then several members of the committee have come in, that last Saturday I spoke over the N. B. C. radio hook-up on coast-to-coast, and I have gotten 1,400 letters from people about it. I discussed this writing down of capitalization and so forth. You have got to do that. The United States Steel has at least a billion of water in it. The utilities we know about. Whether under capitalism or under socialism you cannot pay returns on watered stock and let the producers have enough for a decent existence. Secondly, you have got to write down interest rates and the principal of long-term interest. We all know perfectly well what the Supreme Court will do has nothing to do with the situation. And if any country wants to survive, it does what it has to do to survive whether 9 lame ducks ratify it or not, and personally I think that 5 of those men will uphold anything that is necessary to save the situation.

Third., you have got to write down speculative land values. New York City, on Federal credit, paid Vincent Astor \$145,000 an acre to house the poor. That was legal but it was robbery. Young Wallace talked about the farmer—I beg your pardon, Secretary Wallace, and he points out that land values have gone up about \$1,340,000,000 in 1 year. For whose benefit and whose betterment? For the betterment of speculators like the Iowa Farm Holiday Association, the farm-land speculators, just as a major part of the expenditures which the Federal Government has made was beneficial to land-owners, and I have drafted an amendment to the proposed public-works bill stipulating that no Federal credit shall be extended to any State or local government agency unless there is a provision—and I would like to submit that for this committee's information—

that at least half of the cost of such a public improvement shall be assessed upon the property benefited thereby. There was an application for a Federal loan from New Jersey a year and a half ago. The chamber of commerce pointed out that the increase in the value of the property would be nearly 10 times the cost, and they did not want to pay a cent of it.

That is not going to meet the situation. The Federal Government has got to set-up its housing corporation. A bill will be introduced to do that. You have got to have the power to take land at a fair price instead of at a price at which all patriots always unload on the Government. Patriotism is usually measured by the excess of the price of your products which you are able to get from the Government. That was the case during the war and it continues in peace times.

I am going to remind you that 3 years ago, and then when the N. I. R. A. was pending, I told you that you could not compel the employer to keep on employing people. It was an idle gesture, just as this so-called "security bill" is a gigantic swindle. If you want to employ people, the Government has got to do it, and as I mentioned before some of you came in—I have been over in Europe a good deal this summer—there is no immediate fear of war because they will have a revolution at home if they start it and they know it—but every government is assuming the responsibility and going more and more into the, giving of employment. And this Federal Government has got to within the next year or so, employ 4 to 5 million people.

Senator COUZENS. Doing what?

Mr. MARSH. Doing what will be demanded by the people when you have a decent distribution of national income,

Senator COUZENS. Yes; but what would you put them to work at? Manufacturing products for some one or some Government improvements?

Mr. MARSH. I would put them at the things in which consumption is deficient now. Of course, as a Detroit man, you ought to agree with me when I suggest that automobiles is one of them. Housing is the biggest thing.

Senator COUZENS. Do you say there is a deficiency in automobiles now?

Mr. MARSH. Sure. If there were a decent priced automobile I would not be driving one that is 5 years old.

Senator COUZENS. You think they are too high priced?

Mr. MARSH. Yes.

Senator COUZENS. You think the Government could manufacture them cheaper?

Mr. MARSH. If they would cut out the profit, they certainly ought to be able to cut it down a little.

Senator COUZENS. I am commencing to lose confidence in your judgment, now, Mr. Marsh.

Mr. MARSH. I would hardly expect a person who has been so blessed by participation in the Ford Co. to criticize the profits of the automobile companies, but I am pointing out—

Senator COUZENS (interposing). That is many years ago. They do not make the same profit that they used to.

Mr. MARSH. That is a matter upon which you have more information than I have.

Senator COUZENS. That is the reason I am questioning your judgment.

Mr. MARSH. I would point out that the Government had been able to do some things reasonably cheaper.

Senator KING. What, for instance? I have not discovered it yet.

Mr. MARSH. Before the advent of Saint Jim Farley, they ran the post office pretty well.

Senator KING. Not very cheaply. They had a deficit, notwithstanding the high prices, a deficit of about \$150,000,000 a year.

Mr. MARSH. Under which administration!

Senator KING. The deficit was under all administrations.

Mr. MARSH. A Republican administration will always find a deficit under Democratic administrations, and a Democrat administration will always find deficits under Republican administrations.

The CHAIRMAN. I am trying to accommodate everybody today; we have a large calendar. Will you proceed, Mr. Marsh?

Mr. MARSH. I am answering questions. I will confine myself to the unemployment feature and security.

Before Senator Couzens raised the question of what the Government would do, I had mentioned the establishment of a housing-corporation and buy land cheaply; secondly, it will have to go into those industries where there is vast unemployment, because of over-capitalization, commandeer them, write down the capitalization and put people to work. It will have to go all down the line and do that, and it is going to have to do that within a year or have to spend 4 or 5 billion dollars, and as the National City Bank pointed out, our real debt of the 31 of June next year, the national debt is going to be nearly, \$39,000,000,000. You cannot keep on feeding them; the Government has got to employ them.

I have made the practical suggestions as to this bill, and I suggest that you substitute the principles of the Lundeen bill and stop talking about unemployment insurance when that term is now 10 years too late. If we had started 10 years ago, it might be insurance. Now, the only thing you can do is for the Government to get prepared to insure income or to maintain people without doing any work, and if this administration cannot I am confident the American people will find their administration that can in the next election. We shall have to socialize ground rent, all natural resources and natural monopolies, and basic industries.

The CHAIRMAN. Thank you. Is Miss Taylor here?

STATEMENT OF MISS LEA D. TAYLOR, CHICAGO, ILL., REPRESENTING THE ILLINOIS COMMITTEE ON SOCIAL SECURITY

Miss TAYLOR. I am representing the Illinois Committee on Social Security, a State-wide organization on which there is representation from those connected with civic, educational, religious, agricultural, social service, labor groups and individuals, and employers, such as the Woman's Trade Union League, Amalgamated Clothing Workers, Illinois Federation of Labor, Chicago Church Federation, Chicago Federation of Settlements, the Urban League of Chicago, the committee on social legislation of the Governor's committee on unem-