

failure to utilize the creative labor of millions of unemployed citizens. If this tragedy is to be prevented from persisting, it is essential that a social-security program must be organized not on the policy of doles and increased taxes, but on the policy of self-support and prevention.

The simple way of doing a thing or solving a problem is almost invariably the last step in the process to be discovered. This has been the usual experience in the development of mechanical machinery. If there be any who object to the simple direct method here proposed for the abolition of unemployment as a problem, I can only say that I think the sufficient answer is to ask them the wise question stated in the Greek proverb, "If water chokes, what can one drink to stop choking?"

The **CHAIRMAN**. I desire to submit in the record a statement on the pending bill by Mr. Richard W. Hogue, director, Independent Legislative Bureau, Washington, D. C.; also statements by the Washington branch of the American Association for Social Security, and by Mr. Clarence A. Kulp, University of Pennsylvania, Philadelphia, Pa. There is also submitted a letter from Mr. Percival Hall, chairman, executive committee, Conference of Executives of American Schools for the Deaf, Inc.; and a letter addressed to Senator Robert F. Wagner, of New York, by Mr. Ralph Whitehead, executive secretary, American Federation of Actors, New York City.

STATEMENT BY RICHARD W. HOGUE, DIRECTOR, INDEPENDENT LEGISLATIVE BUREAU, WASHINGTON, D. C.

Mr. Chairman, in view of the very full testimony, already placed before you, I shall offer only a brief written statement. I should not do this but for the fact that only a few passing references have been made to two matters which seem to others besides myself of really major importance.

The references that have been made to the first of these matters convey a very erroneous and unjust impression. This should be corrected for the sake of the record. The impression has been given that consideration of social-security legislation has been suddenly thrust before an uninformed and indifferent Congress. This has been implied by certain witnesses, particularly in regard to old-age pensions. It has been conveyed by a part of the daily press to a large portion of the American people. What are the facts?

For several years Congress has been seeking to evolve a sound and an effective plan of Federal old-age assistance. In the Seventy-third Congress the Pension Committee of the Senate and the Labor Committee of the House unanimously agreed on and reported out identical measures. Overwhelming sentiment for the passage of this legislation existed in both Houses. Appeals were made to the President and to administration leaders to allow the legislation to be placed on the administration's "must" program. This was not done. The bills were not permitted to come to a vote in either body after the President announced that he would present a program for social security to the Seventy-fourth Congress. This statement of fact should have a place in the record of these hearings.

The demand for national old-age pension legislation has existed in Congress and throughout the country for many years. Twenty-eight States and the Territories of Alaska and Hawaii have old-age pension systems. A campaign of education and active legislative effort has been carried on for many years by many forces, notably by the American Association for Social Security. Nation-wide sentiment has been crystallized during the depression. Certain last-minute organizations have set out to capitalize this sentiment. Each one of them claims that it is forcing action by a reluctant Congress, under the fear of political reprisals. This claim is both unfair and unfounded. It would be less worthy of notice were it not for the tragic disillusionment that awaits the aged poor who have invested their faith, as well as their small savings, in the claims and promises of these privately organized and controlled old-age pension movements.

THE MAJOR ISSUE

There is one chief factor that will determine the success or failure of old-age annuity and unemployment-insurance legislation by Congress. Beneath the structure of administrative methods and legislative standards its foundation

must be socially just and economically sound. If it is not, it will defeat its own ends and sooner or later be nullified or replaced by the people. What happened to the prohibition amendment is even more possible in the case of a law that has not become a part of the Constitution.

In the minds of many who are not influenced by partisanship or self-interest the foundation on which it is proposed to base this legislation is unsafe as well as unsound. If they are right, as they may well be, the legislation will prove unworkable, harmful, and finally intolerable.

There is no need to dwell upon the conditions of the vast majority of the people of this country. If the depression were to end tomorrow, as it will not, it would take years to replenish their long-exhausted resources. Can they meet the payroll taxes imposed in this bill? Can purchasing power be increased by diminishing its chief sources? Is it either socially, just or economically sound to overburden the impoverished, to lay taxes on those who cannot pay them, to force the cost on those least able or unable to pay it? Yet this is precisely what is proposed in the provisions for setting up a system of old-age annuities and unemployment insurance.

Does anyone doubt that most of the huge cost of this legislation will be passed on to the consumer and the worker, both as worker and consumer? Can they meet it during or even long after, the most severe and prolonged depression they have ever endured?

There is only one way to avoid doing this and reaping the inevitable consequences. That is to place a substantial part of the cost on those who are in a position to meet it, through an inheritance tax, a tax on surplus incomes, a tax on that part of the wealth of the Nation which has been exempt from its full share of the cost of national well-being. No sane man can argue that such wealth does not exist, and in abundance. No fair-minded man will claim that it is not largely the product of other hands than those in which it is held. You have only to recall such cases as that of the young woman who has inherited \$30,000,000 bequeathed by one man from a fortune built on the labors of exploited workers and the purchases of overcharged consumers.

The surplus wealth exists. The right to tax it for the public good is in the hands of Congress. Does not that right become a duty in the presence of the crisis that confronts the country? Is it not the surest and simplest way to revive the spread of purchasing power essential to industrial recovery and human well-being? According to Stuart Chase, the expenditures of the rich and the very rich constitute only 3 percent of the total annual amount spent for consumers' goods. Those who need the purchasing power do not have it, while those who have it can only use a small fraction of it. So long as this condition prevails just so long will Congress have to battle with the ever-increasing problems created by social maladjustment.

Beneath a system of social security there must be a foundation of financial security. Such a foundation cannot be built out of the exhausted or depleted resources of consumers and employees. Our people, our States and the counties in our States cannot bear the whole burden. There should be a substantial-Federal subsidy from sources able to supply it. Such a subsidy should lead to a national system of social security. The permanent soundness and justice of such a system will some day be recognized. Even today the arguments against it are not convincing. On this point I respectfully ask the members of your committee to read with open and impartial minds the article which I herewith submit.

**CONCLUDING PART OF ARTICLE BY GEORGE SOULE IN THE NEW REPUBLIC FOR
JANUARY 16, 1935**

Although there is strong opinion among the experts that a national plan is preferable, and although support for this course exists in labor and even among influential employers, it has not been seriously considered by the President's Committee on Economic Security.

The case for a national plan is almost axiomatic: The markets for both goods and labor are in large degree national; competition is mainly on an interstate scale; the great corporations which administer the bulk of production and distribution are nationally controlled and the policies of others are decided on a Nation-wide basis; all the other elements of the "New Deal" legislation are embodied in national measures; a national scheme would make certain the inauguration of unemployment insurance promptly throughout the country; it would make possible a wider distribution of the risk and more adequate benefits when, as is often the case, certain regions are more heavily hit than others; and a national

plan would make possible the essential knitting together of the various elements of a true security program, such as unemployment insurance, relief, old-age pensions, and the rest.

The case against a national plan may be outlined-though by no means fully discussed in the space here available-under the following heads:

1. Speed of enactment: State legislatures are already meeting, ready to put through plans; something must be done to encourage them. (The answer is that not more than half the States at the outside are likely to pass a measure; we may spend a quarter-century getting the rest to do so and then another quarter-century obtaining an adequate national scheme to supersede the confusion of 48 different State schemes, each one of which will have developed a vested interest of its own.)

2. Necessity for experiment: States can try different plans and we can learn on a limited scale and without great risk of loss what their virtues and defects are. (Other countries have done already most of the needed experimenting. On their experiences we can build a fairly good national system. The only really new experiment proposed in this country is the Wisconsin plan, and we can predict almost certainly that, whatever its success, it will be inferior as an attack on the problem of security.)

3. Need of decentralized and local administration: A Federal plan would be too big and unwieldy. (There is no proof whatever that State administration would, outside of exceptional instances, be better than Federal. Administration of any new scheme is indeed a highly important matter, but would 48 separate administrations of insurance in a Nation-wide industrial system be any better than a single administration setting standards and decentralizing those functions that can better be handled locally?)

4. Those concerned cannot agree on the nature of the plan; therefore we must allow them to differ by States. (Unfortunately it is true that the experts cannot all agree, and that there are differences between labor and employers. Such controversies, however, precede almost all legislation and are customarily resolved by majority rule or by the decision of the responsible executives. If we waited for experts, capital, and labor to become unanimous on any subject whatever, we should never try anything.)

5. Congress would not pass, and if it did the courts would declare unconstitutional, a national system. (Congress would pass almost anything in the line of security legislation that the administration favored. It may even pass measures to which the administration is opposed, * * *. Some, at least, of the experts on constitutional law believe that no good grounds exist for invalidating national unemployment-insurance legislation; if the Supreme Court should do so, it would be even more likely to wipe off the slate most of the other "New Deal" legislation.)

In spite of these considerations, the administration has apparently made up its mind to support a bill resting upon State systems. It will probably encourage State legislatures by a scheme similar to the Wagner-Lewis bill penalizing employers by Federal taxes in States that do not set up unemployment-insurance plans. It probably will not even adopt the suggestion to give grants-in-aid; an encouragement, because of its commitments toward budget balancing. probably the standards it will set up for approval of State systems will be as lax as possible. All this, I believe, will in the future appear to have been a cardinal error.

JOINT STATEMENT TO COMMITTEE, SUBMITTED BY THE WASHINGTON BRANCH
OF THE AMERICAN ASSOCIATION FOR SOCIAL SECURITY

This statement is issued jointly by the following:

Barbara N. Armstrong, University of California! author of "Insuring the Essentials", and staff expert of the President's Committee on Economic Security.

Bruce Bliven, editor, "The New Republic."

Paul Brissenden, professor, Columbia University.

Douglas Brown, professor, Princeton University, and staff expert of the President's Committee on Economic Security.

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Abraham Epstein, executive secretary, American Association for Social Security, and author of "Insecurity-A Challenge to America", "The Challenge of the Aged", etc.