The CHAIRMAN. Mrs. Lamb, will you please come forward, state our name, and the capacity in which you appear.

STATEMENT OF MRS. BEATRICE PITNEY LAMB, REPRESENTING THE NATIONAL LEAGUE OF WOMEN VOTERS, NEW YORK CITY

Mrs. LAMB. Mr. Chairman and gentlemen of the committee: The National League of Women Voters favors the passage of the unemployment compensation sections of the economic security bill. Since our reasons for supporting the bill are much the same as the reasons already given by other advocates of the bill, we will not take the time of the committee to go into them.

Instead, I will confine myself to speaking about certain sections of the bill, about which questions have occurred to us.

The first of these is section 606, under the definition of "Unemployment fund", which seems to require that every State law, whether of the pooled-fund type or the separate reserves type must set up a pooled fund with at least 1 percent contributions from employers. The rest of the fund might be of any type desired by the State, but there must be in any case this 1-percent pooled fund. This is a valuable provision, for it would provide some secondary security, for example, to workers covered by company reserve funds, which had become exhausted. In the case of the Wisconsin plan, it would be a step toward changing from the reserve to the pooled plan, and provide greater security to workers.

As I say, section 606 seems to require this, but doubts arise in our minds about it, for this provision is hidden away not only in a definition instead of in the main body of the bill, but also in parentheses, which is a strange place to find a major requirement of this kind.

If this requirement is to be binding it should be taken out of parentheses, taken out of section 606, and set down definitely as one of the requirements for State laws, under sections 407 and 602. Otherwise, a court of law might hold that it had slipped into the bill by accident, and that it was clearly not the intent of Congress to require the setting up of a 1-percent pooled fund as one of the conditions of receiving administrative allotments or employer credits.

My second point is that as the bill stands at present, there is one serious loophole, a loophole that might actually encourage States to pass weak rather than strong State laws. This results from the very generous sections on additional credits, in sections 607 and 608, combined with the fact that the bill requires no standards as to length of waiting period or size or duration of benefit payments.

Under section 608 (b) of the bill, the employer is allowed full credit against his tax for all the contributions which he is not making to his reserve fund providing that fund does not fall below 15 percent of the annual pay roll. He can cease his contributions entirely and still receive credit so long as the fund is up to the required 15 percent.

The simplest way to keep a fund up to 15 percent is to pay very little out of it, that is by making the waiting period long, the benefits small, and the benefit period short. If the employers in a State wish to evade the Federal tax and at the same time pay little or nothing as

If you do not mind, I will ask Mr. Altmeyer to answer those questions.

Mr. ALTMEYER. There are about 7,000,000 who are over 65 at the present time. As the years go by, that number will increase. In about 30 or 40 years you will find it will run up to about fifteen or twenty million. Those figures are contained in the supplement of the committee report, which I shall be glad to file with the committee.

Mr. MCCORMACK. That is based on the tables of mortality?

Mr. ALTMEYER. Yes, sir.

Mr. MCCORMACK. Why should they be excluded from the benefits of old-age assistance?

Secretary MORGENTHAU. Who, Mr. McCormack?

Mr. VINSON. May I suggest to the gentleman from Massachusetts that they are not excluded.

Mr. MCCORMACK. Is it proposed by you that they should be?

Mr. VINSON. They are merely relieved from the compulsory contributory features not excluded from old-age pensions.

Secretary MORGENTHAU. I tried to make clear, and I am glad to have the opportunity again, that I do not suggest that anybody be excluded. I simply point out that the Bureau of Internal Revenue feels that a plan has not yet been devised which will make it practical to collect this tax.

We just came out of one of the most difficult eras of selling liquor. I have been struggling with that for about 13 months. We are beginning to see daylight now, and getting the public to realize that it is a question of buying tax-paid or non-tax-paid liquor. The American public got itself into a frame of mind where they just did not think they had to obey the Federal laws.

What I am afraid of is that if we make it so difficult to collect this tax that we may again build up a large population or group who will get themselves into that same sort of frame of mind. I feel that it is up to us to find a way to collect that tax, and the Internal Revenue Bureau should do that. But we have not been smart enough yet to do it. I want to make it very clear that we are not recommending that any group should be excluded.

Mr. VINSON. May I suggest that the testimony before the committee, Mr. Secretary, has shown that the moneys that would be paid in by this group in taxes, under the contributory plan, would buy very small annuities. You would take the benefits that would accrue, and, of course, there is no suggestion here that this group would be excluded from the noncontributory features, or what we generally call the old-age pension plan.

Mr. MCCORMACK. I recognize the force of the argument that there are administrative difficulties, but that is taking an attitude of defeatism, it seems to me. If we do not get them in the bill, then you are going to have a lot of difficulty in the future getting them into the bill. If we are going to do anything, we might as well embrace them now, and if necessary suspend payments from them for a year or two until you have devised a method of obtaining those payments in a practical way. That would be my thought on the matter.

Secretary MORGENTHAU. I would say that that would be ideal.

The CHAIRMAN. If there are no further questions, we thank you for your appearance and the testimony you have given the committee, Mr. Secretary.

unemployment compensation contributions they can do so. All they have to do is to get through their legislature a bill providing for the scaling down of contributions to zero as soon as the reserve funds reached 15 percent and then stick in a provision to protect the reserve fund for example by providing for a 30-week waiting period.

It may be argued of course that a 30-week waiting period is something that no one has ever suggested and that therefore this possibility does not merit serious consideration. However, it should be noticed that the bill as it stands at present makes possible this or any other fantastic waiting periods as a means of evading the intent of the law. Such evasions should be made impossible by amending the bill to include standards that States must meet in regard to the length of waiting period, the size of benefits, and the duration of benefits.

Now, my third point: Such standards are important not only to plug up loopholes in the bill but also to accomplish the major purposes for which unemployment compensation legislation is designed. One of these purposes is that benefit payments take the place of relief at least for a limited length of time. But this no longer holds true if the waiting period ends or if the benefits are so small that they will not cover cost of living. In these cases relief would have to be used to supplement compensation.

This immediately would mean the expense of performing a means test and the duplication of administrative expenses resulting from the fact that each person is receiving both compensation and relief.

Some people argue that the mere existence of a 3-percent Federal pay-roll tax would take care of standards since it would encourage the passage of laws providing for 3-percent contributions from employers. This does not necessarily follow for the reasons I just spoke of in connection with the scaling down of contributions.

To make compensation a reality and to accomplish what the security program set out to accomplish, we consider it essential to include in the bill minimum standards in regard to length of waiting period, size of benefits, and duration of benefits. We urge that these standards be the ones suggested by the Committee on Economic Security as being feasible in connection with 3-percent contributions. These were that the waiting period be no longer than 4 weeks, that the benefit payments be at least 50 percent of the workers' weekly wage, and that the payments be paid over a period of 15 or 16 weeks.

I was pointing out that the bill as it stands at present, having no requirement at all as to what the States must put in their bills as regards the waiting period, makes it possible for States to have as long a waiting period as they choose in their bill. That might be to the advantage of some employers if they were trying to evade paying both the Federal pay-roll tax and any contributions into their State fund, because the bill as it stands at present provides that the employers can receive what are known as additional credits against their pay roll tax for all the contributions that they are not making into their State fund, in other words, for the contributions that they have been let off from making into their State fund.

Mr. VINSON. But if you eliminate private reserves, that objection would be thrown out the window.

Mrs. LAMB. I submit also that the sections——

Mr. VINSON. Just a minute. Is that correct, that if you eliminate private reserves that question as to credits is eliminated?

Mrs. LAMB. If you eliminate the reserve system completely, that particular feature would be all right. Do you mean, sir, if you make the bill not cover any State laws which have the reserve-fund system? Was that your question?

Mr. COOPER. I assume, of course, that you understand that the purpose here is to enact Federal legislation laying down rather broad provisions which must be met and complied with by all States of the Union. As to many phases of the system the thought is that the States should be left some latitude in which they may set up systems that would be effective and apply to conditions prevailing in that particular State.

Mrs. LAMB. Yes, sir; but it would seem that possibly you might desire to have a latitude above a certain minimum. As I see the bill, the latitude is so great that employers might in some States actually evade the intent of the Federal law, namely, they might be able to evade paying both the Federal tax and any contributions into their State funds.

Mr. COOPER. I understand, of course, that is your viewpoint. You are from New York, I understand?

Mrs. LAMB. Yes.

Mr. COOPER. I assume that probably your observations have been more or less based upon experience in the State of New York?

Mrs. LAMB. I represent the National League of Women Voters.

Mr. COOPER. I understand your representation, but being a resident of one particular part of the country, it is reasonable to assume, and I think fair, that probably your observations have been certainly more confined to that section than to perhaps other parts of the country.

Mrs. LAMB. I have been in close contact with the various sections of our League of Women Voters throughout the country, and I would hope that my observations would represent all of our feeling on the subject.

Mr. COOPER. You position is, then, that you reflect an entirely national view on that matter?

Mrs. LAMB. Yes, sir.

Mr. COOPER. Your observations are not confined to any experience that may have been had in any section of the country?

Mrs. LAMB. No; that is right, sir.

Mr. COOPER. But to get back to the point that has been raised, can you not appreciate the fact that conditions are vastly different throughout the different sections of the country, and things that might obtain in one State would be considerably different from the situation that might obtain in another State? The more we prescribe minimum standards to be met here, just that much further we are getting away from the principle of allowing States to meet and solve the problem according to the situation that exists in that State or that section.

Mrs. LAMB. It would seem to me possible to prescribe minimum standards which would still leave the States wide latitude to meet their own particular conditions, but would plug up the loopholes in the bill and accomplish the purpose for which it has been our understanding the economic security program was designed.

Mr. COOPER. No question about it being possible. We can make it airtight, just as far as it is possible for us to conceive. But in doing so we would get entirely away from the principle that we have been trying to bear in mind, that some consideration should be given to the States, and allow them the opportunity to pass State legislation that would more nearly meet the conditions of their particular States than we can possibly hope to meet them by a general Federal system.

Mrs. LAMB. Under the bill as it stands at present, it would be possible for the States to get their grants from the Federal Government for administrative purposes regardless of the weakness of the State bill. Furthermore, it would be possible for the employers to get credits against their Federal pay-roll tax, even if they were not paying anything into State compensation funds. It would seem the purpose of this legislation in general to encourage the States to pass actual compensation laws which were not mere pretenses, and which would set up funds. In this I have tried to show one loophole that exists, which would seem to me to defeat the main purpose of the bill.

Mr. COOPER. We understand that, I am sure. From your point of view, you consider that a loophole. I think we quite understand your view on that matter.

Mr. REED. Mrs. Lamb, do you favor the pool system or the reserve system?

Mrs. LAMB. It is my personal view that the pool system would give greater security. In speaking of the pool system under my point 1, I said that I was glad to see the provision that I think section 606 intends to be, that every State must have at any rate a pool fund to the extent of 1 percent contributions from the employers, because it would seem to me that that would be a step toward making it possible for all States to have the pool funds.

Mr. REED. From your general observation as you go about the country, coming in contact with various groups, does the sentiment seem to prevail in favor of the pool system in the States or the reserve system?

Mrs. LAMB. The pool system, I think, sir.

Mr. REED. There is one point that I was wondering if your organization had given any study to; that is, the danger of loading down this bill with all classes of employees, as was done in Great Britain. For instance, they found over there that it was very irritating to the farmers and to their employees and very difficult of administration, so they had to exempt them. The same was true of domestic servants and quite a long list. For instance, take the farmer that brings in berry pickers, beet-sugar growers, and various other farm activities. They just found that it was utterly impossible of administration and very irritating. Has your organization given any thought to those exceptions and exemptions?

Mrs. LAMB. We have studied that question quite carefully. We have taken no position on it, but I think we feel there is that danger that there are certain kinds of occupations which are very difficult to cover satisfactorily. We have taken no position on it.

Mr. REED. Does your group feel that the wise thing in formulating this bill, starting it on its way, is to pick out those definite things that can be administered in such a way as to give public approval to the bill as it goes along?

Mrs. LAMB. I think so, sir. Yes.

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

Mr. THOMPSON. Mr. Chairman, I am informed that the clerk of the committee has received a statement from the executive secretary of the Illinois Manufacturers Association. I would like to ask unanimous consent that that statement be inserted in the record for the benefit of the committee.

(The matter referred to follows:)

STATEMENT RELATING TO THE ECONOMIC SECURITY ACT (H. R. 4142) SUBMITTED BY JAMES L. DONNELLY, EXECUTIVE VICE-PRESIDENT, ILLINOIS MANUFACTURERS' ASSOCIATION

The Illinois Manufacturers' Association desires to cooperate in the solution of the problem of unemployment relief, the stabilization of employment, and general social betterment. We submit, however, that any program contemplating the solution of these problems should be predicated primarily upon adequate knowledge and facts and not alone upon the commendable desire of helping our fellow man.

The wrong solution of the problem will retard business recovery, increase unemployment, and seriously injure the employee, the employer, the aged, the dependent, and all other elements in our social and economic life whom the program is designed to benefit.

We submit that the Economic Security Act now pending in our Federal Congress (H. R. 4142) should not be enacted at the current session of the Federal Congress for the following reasons:

1. Haste in enacting legislation of this character is unnecessary. It is universally recognized that social legislation of this character cannot offer any immediate help in alleviating unemployment. While the proponents of this program frankly admit that it is experimental, it should be recognized that State legislation which the program contemplates will no doubt be permanent, notwithstanding the fact that the experiment may reveal the principle involved in the Economic Security Act and State legislation enacted pursuant thereto is unsound.

2. The wrong solution of the problem and the uncertainty regarding the effect of such a program on our economic and social life would be a serious deterrent to the forward planning by business which is necessary to real recovery.

3. Adequate facts regarding the nature and extent of employment at the present time are almost wholly lacking.

4. The adoption of this program at this time would impose a serious and indefensible tax burden on private enterprise at a time when productive industry is already so overburdened with taxation that opportunities for employment are now seriously impaired.

5. This measure is an unwarranted attempt to use the taxing power of the Federal Government to coerce States into the passage of legislation on a subject which lies outside of the constitutional powers of Congress.

6. The provisions of any program of compulsory social legislation will eventually be dictated by political expediency and not by considerations based on sound economics.

7. The experience of European countries with compulsory social insurance legislation has demonstrated that such legislation imposes an intolerable tax burden upon all economic groups and particularly upon productive enterprise, that it tends to promote idleness; that it invites waste, that its provisions are largely dictated by political considerations, and that it is futile as a means for relieving depressional unemployment.

8. The adoption of the program contemplated by the Economic Security Act (H. R. 4142) will eventually increase unemployment by further impairing the purchasing power of the consumer. The increased burdens placed upon productive enterprise by such a program must unless industry is to be completely prostrated, be passed on to the consumer. This impairment of the purchasing power will be particularly true of the American farmer. One of the principal reasons for the depression has been the maladjustment of farm income with the income of other groups.

9. This program would result in the creation of a new, extensive, and costly Federal bureaucracy which would assume prorogatives which rightfully belong to the States.

10. This program would undermine the fabric of our economic and social life by destroying initiative, discouraging thrift, and stifling individual responsibility.
11. There is no dependable actuarial or statistical background available at the present time for this type of social legislation.

We also respectfully submit that the inclusion in one measure of all of the proposals embraced in the Economic Security Act is unwarranted, impractical, and tends to confusion. We recommend that the various proposals which are included in the Economic Security Act, particularly old-age assistance, old-age pensions, and unemployment compensation be made the subject of separate measures dealing specifically and exclusively with these various proposals.

Respectfully submitted.

JAMES L. DONNELLY,
Executive Vice President, Illinois Manufacturers' Association.

STATEMENT OF GEORGE A. HUGGINS, REPRESENTING THE CHURCH PENSIONS CONFERENCE

Mr. HUGGINS. I am George A. Huggins, member of the executive committee of the Church Pensions Conference, actuary for various ministerial denominational systems, such as Presbyterian in the U. S. A., Presbyterian U. S., United Presbyterians, Disciples of Christ, Congregational, Methodist Episcopal, Southern Baptist, and others.

I represent a group of workers who have not been a special social care on the community because they have been cared for by their own denominational groups. I refer to the Protestant ministers and preachers. We represent 22 denominational pension systems, including 110,000 ministers, serving 135,000 churches, and representing 25,000,000 church members. That group includes the 3 Presbyterian bodies, the 2 methodists, the 2 Baptists, the Episcopalian, the Congregationalists, the Disciples of Christ, Evangelical, Nazarenes, United Brethren, Unitarians, and Universalists.

We have been operating these pension systems for many years. One of them goes back to 1717. We have $155,000,000 of assets, of which some $72,000,000 represents endowment funds and the rest are reserve funds. We pay annually to 32,000 beneficiaries more than $9,000,000 in benefits.

We have built up these funds and are operating them on contributory reserve plans supported by contributions from the churches in the form of regular payments that are percentages of the salaries, ranging from 6 to 10½ percent. The reason why we have such large contributions is that our coverage is quite broad. We aim to provide larger pensions than would be provided under the Government plan, and I am referring to the contributory plan. We feel that we must care for these men in their disability. Therefore, we provide disability pensions. We also provide pensions for the widows and minor orphans. That is the reason, sir, why we have to ask for contributions from the churches that range as high as 10½ percent.

We are concerned as to the effect of the Government plan requiring the churches and ministers to contribute to the Government plan, when we have to take care of some of the load, and a measurable part. For example, about 15 percent of our groups on the average receive wages as defined in the bill in excess of $250 a month. Therefore, we would have to make some provision for that group through the denominational pension systems.

As we trace an individual through his ministerial service, the young men do not make $250 a month, therefore they would be in the governmental system. Then when they came to the prime of life they