

ECONOMIC SECURITY ACT

FRIDAY, FEBRUARY 15, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m. in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. Mr. John C. Gall, representing the National Association of Manufacturers.

STATEMENT OF JOHN C. GALL, ASSOCIATE COUNSEL, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. GALL. I appreciate the pressure upon your time and we will arrange, Mr. Sargent and I, to do as you suggest; in fact, I will put as much of my material as I can into the record without reading or without elaboration, so that Mr. Sargent can have at least half of the time.

Mr. Chairman, I think one way I can facilitate my presentation is to avoid duplication of testimony that has already been given you by other witnesses. I would like to invite the committee's attention to the hearings held last year on the Wagner-Lewis bill before the House Ways and Means Committee and particularly to my testimony beginning at page 313 and ending at page 357 of the House record of hearings on that bill:

I do that because I want to make it clear that I am not duplicating testimony that I gave over there. At that time when the committee had substantially the principle of the unemployment-compensation sections of this bill before it, I discussed the legal phases of the bill and the nature and operation of a pay-roll tax such as is proposed here. Today I want to confine myself to the subject of unemployment insurance and particularly to the British experience with unemployment insurance.

As a background for that discussion, I would like to call your attention to some official statements made by the present Secretary of Labor in connection with the Wagner-Lewis bill last year. This is taken from the hearings before the House Ways and Means Committee, March 21 to 30, 1934.

The Secretary of Labor said:

At; the present time, if you look over the whole history of the English unemployment insurance fund, you will find that they added the war risk to it, and they added the demobilization of industry after the war without contribution to it, and then they added shipping and coal, which are the two terribly depressed industries, where they would have had to bear the burden and cost of maintaining their population by relief anyhow. If they had not added those two industries the fund would have been solvent today.

That of course, gentlemen, constitutes an admission on the part of the Secretary of **Labor** that the British system of unemployment insurance was insolvent at that time.

A little further in the record of the same hearings, in response to a question from Congressman Cochran of Pennsylvania, the **Secretary of Labor** said:

The German fund became insolvent about 5 years ago due to a very prolonged period, as you know, of unemployment and no employment, and therefore constant depletion of the fund. They **translated** it at once into a relief fund.

So **that** the Secretary testified at that time that both the English and the German **systems** had become insolvent. Later, however, at the annual meeting of the American **Federation of Labor**, October 5, 1934, the Secretary of Labor said this:

The significant fact now stands out **that** in no country which has experimented with unemployment insurance has the system broken down, even in the present world depression, and in **no** country has the public treasury been called upon for amounts to relieve distress approximating our expenditures for relief.

Those two statements by the Secretary of Labor about the **operations** and the condition of the English system in particular are diametrically opposed; they **cannot** be reconciled, and because the record so far contains nothing but generalization and opinions about the operation of the foreign systems, I have undertaken to bring to you today a statement of facts as to the operation of the English system.

I think I can best conserve your time if I will **read** a portion of the statement I have prepared covering the English system. I would not read it, but I would insert it in the record in its entirety were it not for the fact that I am quite sure that some members of the committee would like to ask questions about some phases of it, which I could not possibly elaborate on in a brief statement.

However, due to the pressure of time, I **shall not** read the statement but request that it go into my testimony **at** this point as though read, as follows: .

It is constantly urged that the United States should adopt a system of compulsory unemployment "insurance" because, it is alleged, we are the only civilized Nation that does not have such a system. We are further told that European systems have worked successfully; the **Secretary of Labor** a short time since told the American Federation of Labor (an organization which, incidentally, has until very recently opposed compulsory unemployment insurance) that in no country which has adopted such a system had it broken down.

Obviously, adoption of such systems in other countries has little persuasive value for us, except to the extent that political, economical, and social conditions are similar, and then only if it can be shown that they have worked satisfactorily. What are the facts?

It is true that the principal countries of Europe have systems of **unemployment** insurance. In the case of France, the system is not a compulsory one but a voluntary one, under which the government merely makes allotments to trade unions and mutual-aid associations to supplement funds contributed by their members. The government's proportion grew to 50 percent of the total by 1931, and since that time has risen to as high as 90 percent in some classes. In other words, the French system is merely a provision of relief administered through private organizations.

The systems of Belgium, Denmark, the Netherlands, Norway, Sweden, Spain, Poland, and Switzerland are also voluntary.

Russia instituted a compulsory system in 1929, but has since abandoned it. Contributions were by the government only, which means that the system backed every characteristic of unemployment insurance and was nothing more than a scheme of monetary relief **provided** entirely by government.

Italy has a system ; but she also has a dictator and a completely controlled industry. The same is true of Germany. The Italian system was initiated in 1919 by decree, the German not until 1927.

It is obvious that Russia, Germany, and Italy, operating under dictatorships, and with complete state control of industry and labor, offer no precedent either for or against institution of compulsory unemployment insurance in the United States.. Let us turn, then, to the one major European country which has adopted a compulsory system, and whose political institutions and national characteristics are such as to afford a body of experience worthy of careful study.

The basic unemployment insurance act of Great Britain was adopted in 1911. It was the first compulsory scheme adopted by any European country. Prior to its inauguration, there had been an exhaustive investigation by a royal commission on the poor laws, from 1905 to 1909. Contrary to popular belief, the royal commission recommended not a system of compulsory insurance, but a voluntary system similar to the French and Belgium.

However, when the national health insurance bill was put forward by Mr. Lloyd George in 1911, it contained title II, providing a tentative and very limited compulsory unemployment insurance scheme for workers in six industries. Thus, as one authority tells us, compulsory unemployment insurance "crept on to the statute book under the shelter of its more conspicuous twin." (Ronald C. Davison, in *The Unemployed*.)

The industries originally covered were : Building construction, shipbuilding, engineering, construction of vehicles, ironfounding, and sawmilling.

The number of workers covered was 2¼ millions.

Mr. Ronald C. Davison, an authority on the British system, and himself an advocate of compulsory insurance, says of the original scheme, to which there was wide-spread opposition from both labor and employers :

"Seldom has the scientific social reformer had a larger hand in legislative schemes. * * * The most important of all these secondary provisions was that which offered subsidies to unemployment funds set up by voluntary associations, i. e., by trade unions, in any industry. This provision was clearly a sop to those who, like the poor-law commissioners and the trade unions themselves, advocated the continental system of grants in aid of voluntary insurance, but it was never a success, and it was jettisoned in 1918. Similarly, there were clauses * * * holding out the prospect of rebates to those employers who gave regular employment and to those work people who received it. * * *

"All these devices have gone by the board now. * * * Speaking generally, the preventive elements in the scheme were in effective or unworkable."

The new act became operative in July 1912, but no benefits were to be paid for the first 6 months.

In the meantime trade conditions took a sudden upturn and 1913 was a boom year. The percentage of unemployment was the lowest in many years, and 1914 was an even better year. As a consequence, there were almost no claims made on the insurance fund during those 2 years. Such as were made were largely by building-trades workers, and these were due to seasonal factors.

It is important to note that the industries covered by the act were fairly well unionized industries, and therefore had a large percentage of skilled workers. Later studies showed that if the scheme had from the outset covered industries having a low percentage of skilled labor the drain on the fund would have been much greater, for there is a much higher normal unemployment among unskilled than among skilled workers. The scheme, therefore, from the outset covered those most able to help themselves.

Great Britain entered the war in 1914. Within 2 months, unemployment ceased to exist, and we are told that "involuntary idleness among wage earners was practically banished from the land for the duration of the war." Consequently, the insurance fund continued to grow by steady accretions, while few calls were made upon it.

In 1916, while the nation was at war, it became obvious that when peace came provision would have to be made for taking care, at least temporarily, of those called into civilian positions during the war, as well as for the military and naval forces when demobilized. Accordingly, in 1916 the insurance scheme was extended to cover all workers engaged on "munitions", which was held to mean practically all war materials and supplies. This practically doubled the number of people contributing to the fund, bringing it to about 4 million at the close of the war. The extension in 1916 was a

net gain to the insurance fund, since it doubled the number of contributors, but occasioned no claims for benefit. Indeed, immediately after the war few of these civilian war workers made claims on the insurance fund, because the Government provided generously for them, through grants known as "out-of-work donations", having no relation to the insurance scheme. This was in effect a "bonus", and was given not only to all ex-service men, but to every person of the working-class population over 15 years of age. Payments were made weekly to unemployed persons for a period of from 26 to 89 weeks. The principal test of eligibility was possession of a health insurance card.

During the time the out-of-work donations scheme was in effect, even workers who were under the insurance scheme did not make claims for unemployment-insurance benefits for the very simple reason that they were entitled to only 15 shillings a week (\$3.75 at present exchange) while they receive 29 shillings under the other scheme.

Briefly stated, therefore, the unemployed-insurance scheme which had been started in 1912 came down to the beginning of 1921 without ever having had any real demand upon. There had been no real unemployment from 1912 until the end of the war, and when the war did end the unemployed were taken care of by Treasury appropriations amounting to \$300,000,000 in 18 months, during which time the insurance fund was practically untouched. At the end of 1920, the fund amounted to £22,000,000 (about \$110,000,000). And then came one of the many incidents which demonstrate what may happen to a worker's contributions after he had made them. "This saving" says Davison, "was ultimately transferred to the credit of the extended scheme in 1921, and the particular group of insured persons to whom it strictly belonged were compelled to share it with the rest of the 11,000,000 workers brought into the new insurance scheme by the act of 1920."

The new British act became effective November 28, 1920. It extended the 1911 and 1916 schemes to cover nearly all manual workers, and all nonmanual workers earning £250 or less per year. The act excluded approximately 4,000,000 agricultural laborers, domestic servants, government and railroad employees.

Within 5 months the surplus of £22,000,000 had been dissipated. From that time forward the system operated with a continually enlarging deficit until it reached the maximum borrowing limit of £115,000,000. It was never solvent, in any proper sense of the term, after it became a general scheme covering practically all workers as proposed in the report of the President's Economic Security Committee for adoption in this country.

Of course, various explanations have been given, but they do not alter the fact that the insurance system as such contributed practically nothing to the "economic security" of British workers during their long depression beginning in 1921 and which is not yet over.

In 1921 an amendment to the Insurance Act was adopted which had the effect of substantially emasculating it. This amendment provided for payment from the insurance fund of so-called "transitional benefits", chiefly to persons who had exhausted their right and regular benefit and persons who had never been able to qualify because they had not made the required number of contributions.

Since the original act was passed 24 years ago it has been altered 24 times, an average of once each year. The most far-reaching changes have occurred immediately after changes of governments, as in 1924, 1927, and 1931. Benefits have been raised, then lowered; contribution rates changed; the Government's proportion changed; transitional benefits given as a matter of legal right; supplementary benefits provided for dependents; stabilization provisions stricken out; and provisions requiring applicants to prove that they were genuinely seeking work but unable to obtain suitable employment eliminated.

The system, thus abused, and made the football of party politics, finally came to the end of 1931 with a debt of £115,000,000. It became obvious to everyone, even before 1931, that the national finances were in a perilous condition and that the expenditures by way of relief to the unemployed were a large factor in that situation. Accordingly, late in 1930 the Royal Commission on Unemployment Insurance was appointed. The terms of appointment recognized that the system was at the time insolvent because the commission was directed to make recommendations with regard to the scheme "and the means by which it may be made solvent and self-supporting."

It might be thought that with 20 years' experience back of them, the British could easily have perfected their insurance scheme without delay. This, however, was not the case. The commission sat for 2 years, making its final re-

port in November 1932. In the meantime strenuous efforts had been made to balance the British budget, and the heroic measures taken included changes in the insurance scheme which increased the rates of contribution and decreased the rates of benefit.

The commission recommended drastic revision of the basic laws, and in particular recommended restoration of the safe-guards which had been in the original act of 1911, but had been abandoned in later years. Parliament followed substantially all the recommendations of the commission and on June 28, 1934, an entirely new act received the royal assent.

One point worthy of notice is that beginning in 1921 Parliament acted from time to time to relax various requirements of the law in the belief that prosperity was "just around the corner" and that the relaxations would be only temporary. The "transitional benefit" scheme of 1921 was admittedly inaugurated on the theory that those workers who received the benefits were merely receiving a temporary advance from the insurance fund which would be repaid as soon as employment was restored. Unfortunately, this, like many other Parliamentary beliefs, was wholly illusory.

The importance of this point lies in the fact that we have no assurance as to when our own depression will end. It is clear that if the British had the thing to clo over, and could know that their depression was really only beginning instead of being nearly over as they thought, they would not extend their limited system as they did by the 1920 act, but would await the return of business recovery. Yet we in the United States are being urged to institute a general system in the midst of an unprecedented depression, when no one can predict with any degree of certainty when normal employment levels will again be reached.

A year ago Secretary Perkins urged approval of the Wagner-Lewis bill, saying that it would not retard recovery because the tax liability would not begin to accrue until January 1935. Well, that date is here, but real industrial recovery is not.

William Green, president of the American Federation of Labor, stated before your committee on January 28:

"Since no benefits are to be paid under the unemployment-insurance system until 1938, by which time recovery is taken for granted, it would seem that we cannot offer to our wage earners less, in these times of recovery, than England has been able to maintain during depression."

The British took recovery for granted many years before it came. Shall we repeat their mistake? The danger is that we shall enact a system of unemployment benefits, and then, under the mistaken guidance of public officials who think recovery is just ahead, will relax the safeguards and repeat the experience which led to the break-down of the British system.

The National Industrial Conference Board has recently summarized what it conceives to be the chief lessons from British experience:

1. Unemployment insurance is not a remedy for depressional unemployment.
2. Seasonal and casual unemployment tends to become permanent as a result of statutory unemployment relief.

3. Chronic unemployment, clue to permanent loss of trade, must be dealt with by other measures than unemployment insurance.

4. Without an efficient and honest administrative force, unemployment insurance has no chance of success.

5. Any scheme of unemployment insurance must be accompanied by a plan of unemployment relief for the workers who lose their right to insurance benefits or who cannot qualify for the receipt of benefit and for workers in uninsured occupations.

6. If unemployment insurance is not supplemented by a scheme of relief, the temptation to extend statutory benefits to persons who are not qualified under the law is irresistible, making it impossible to avoid political raids on the unemployment fund until the state of national finances becomes so critical as to threaten the solvency of the Nation.

7. If unemployment insurance is uniformly applied to all types of unemployment, it impairs the elasticity of the economic system.

8. If unemployment insurance is not based on an accurate knowledge of the facts of unemployment, it will be abused both by workers and by employers.

In the United States reliable information concerning the extent and nature of unemployment is almost totally lacking. Before any compulsory scheme of unemployment relief is adopted it is necessary, therefore, to establish, under Government auspices, a fact-finding body, composed of representatives of

labor, industry, State and local governments, and the general public. The task of this body would be to make a thorough survey of the facts of unemployment, its nature and extent; to hold hearings and accept testimony from interested groups and persons throughout the United States; to give wider publicity to its findings; and to make recommendations for action by industry and by the legislatures. The results of such a survey would be of inestimable value in acquainting public opinion and the public representatives with the problems that arise in connection with an attempt to provide security against unemployment.

As a result of my observations in England, I can agree wholeheartedly with these conclusions. There is one additional factor which, however, ought to receive serious consideration, namely, whether in the event a system is established it should rest upon contributions by employers only ; by employers, employees, and the Government ; or employers and employees jointly. The British system is founded on equal contributions by all three parties. The British argument is that if there is a three-way plan of contribution and on an equal basis, each of the three parties is practically estopped to agitate for increases in rates of benefit which may have the effect of breaking down the fund. The unions cannot agitate for these increases because to do so is to advocate additional taxation of the employees. Majority political parties being charged with the responsibility of balancing budgets and maintaining the solvency of the insurance fund are much less likely to make inroads upon the fund when they also have the responsibility of levying taxes to meet possible deficits.

While the bill before you apparently permits the several States to establish any type of plan they desire, with respect to contributions, the fact is that the 3-percent Federal pay-roll tax effectively removes any incentive on the part of the State to require employee contributions. None of the plans now pending in the State legislatures contemplates a total levy of over 3 percent. Since under this bill the employer is already taxed 3 percent, his payment under a State law cannot reduce his total burden and there is thus no incentive to a State to require the employee to contribute unless the State law is to make a total levy in excess of 3 percent.

The three-way contribution plan which underlies the British system has recently been defended by Dr. Isador Lubin and Dr. A. C. C. Hill in a volume "The British Attack on Unemployment" published by the Brookings Institute. Dr. Lubin is now United States Commissioner of Labor Statistics ; but the volume in question, although not published until after he became identified with the Department of Labor, was written before his appointment.

"The three-party system" provides a rich and effective source of revenue for funds with which to relieve unemployment. * * *

The three-party system further provides excellent checks and balances. The wage earner 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. The employer, in demanding lower benefits, must face organized labor and Parliament. Finally, Parliament cannot vote higher benefits as a concession to labor votes unless at the same time it increases the burden on industry and on the wage earner himself.

Turning again to the British system : Next to the three-way contribution principle in importance should be placed the absolute necessity for honest and efficient administration, as far as possible removed from partisan politics. The high character of the British civil service is known to all. There is practically no change of personnel from year to year or from one government to another. The government may change but so long as Parliament does not change the rules under which the system is administered, those charged with actual administration have little or no concern with the change of government.

The latter factor, of course, raises one of the important points facing the people of the United States ; that is, whether in the event some system of so-called "unemployment insurance" is adopted, it should be on a Federal or a State basis. England is so small and her population so homogeneous that she has been able to overcome many of the administrative difficulties. On the other hand, every student of the British system with whom I talked expressed grave doubts as to whether the administrative problem in a country as big as the United States would not overwhelm us.

These brief observations are, I believe, adequate to demonstrate the necessity for making haste slowly. This is particularly true in a country like ours where unemployment on a wide scale has been the exception and not the rule throughout our history ; where natural resources abound ; where new indus-

tries, employing hundreds of thousands of people have developed **and will continue** to develop from **year to year**; where the population cannot, by any stretch of the imagination, be called homogeneous; and where many of our most serious social, political, and economic problems arise out of failure to balance the interests of industry **and** agriculture. It must be borne in mind that the agricultural population of Great Britain constitutes only about 8 percent of the total. In his country our agricultural population is nearly one-third of our total. What will the effect be on them if they are left out of any system which may be adopted and yet are called, upon to contribute to its support, both directly through taxation and indirectly through **increased** costs of the goods and services they must buy?

Must we institute a system, change it 25 times in the next 26 years, **and** at the end of that time find it necessary to constitute a commission to salvage the essentials of the system and restore the fund to solvency? Or shall we determine in advance what plan, if any, is best suited to our own people and our own standards?

I think you will find that my statement just inserted covers the essentials of the operations of the British system. In brief it constitutes a story of **how** a limited system covering six **industries** was instituted in 1911, how it has gone along for approximately 25 years. In the course of the 25 years' experience, the British have amended **their** act 24 times since it was enacted. Some of those have been major changes and some not. There has been ups **and** downs. There have been all sorts of changes depending largely on which **government** was in power in England. The most radical changes in the system made immediately following changes in the party in power in England. That is represented particularly in the 1920 amendment, the 1924, the 1927, and finally the new act of 1934.

I have here a thesis on the new unemployment act of 1934 by **Ronald C. Davison**; and he says :

Many readers of this book will be able to recall previous similar swings in the benefit pendulum. Sometimes the scale was put up **and** sometimes down. The process is almost periodic, though it has nearly always been in response to *some new* urge from public opinion. This time the **pendulum** is making a marked upward swing, **and** it is the writer's opinion that neither contributory insurance nor any other scheme can be **expected** to give very much better cover than that outlined above---not, at *any* rate, until **we** succeed in establishing a higher wage level than obtains today. It is not that the new rates look opulent in themselves. Indeed, they will often be too little for family support. Certainly no married **couple** can indulge in riotous luxury on 26 shillings a week. But **don't** forget that where children's allowances at 2 shillings each are added to the parents' **benefit** the total amount drawn as a right by fathers of families will now rise much above the earning of agricultural laborers in full work and sometimes above those of low-paid industrial workers, too.

I point that out to you because as low as benefits are under the English system, you do have a disparity between the benefits **paid** and the actual wages of the agricultural labor, for instance, and some of the low-paid wages in industry. In this country if **that** condition arises it is going to be much more serious than England. England is, of course, highly industrialized. Only 8 percent of her **population** are dependent on agriculture. **We** have, I suppose, 30,000,000 dependent directly or indirectly on agriculture, and if we install a system which produces a disparity, a further disparity between industry and agriculture, as has happened in England, and apply it to a country **such** as ours, it is going to be a very serious, not **only** political but economic, situation that will result.

I want to emphasize, gentlemen, that the English system which has been in existence for approximately 25 years and which was

instituted as an experiment, is still an experiment in England. It is not a proven success. Nobody can say today whether the thing has worked satisfactorily or has not..

At any rate, we do know that in 1934 the British revised their entire system of unemployment insurance. I happened to have been present at the opening of Parliament in November just passed and to have heard Mr. **Ramsay** McDonald, the Prime Minister., make the following statement, which emphasizes the statement which I have just made, that it is still an experiment in England, and it has been a very costly experiment.

Mr. MacDonald said :

The great weakness of all unemployment schemes up to now has been that none of them differentiated enough in the character of the unemployed. We talk about unemployment. I hope that I shall not be misunderstood when I say that there is no such thing; by that I mean there is no uniform problem, with every unemployed man and woman representing precisely the same problem to the state. Unemployment is not a featureless thing. Unemployment as a whole is a mass of a thousand and one problems, sometimes applying to individuals and not to a group of individuals at all.

For the first time the Government are differentiating between unemployed and **unemployed**. The Government are taking specially defined and examined areas. Just as a scientist takes his test tube into his laboratory, works out his results and their reactions, so we are beginning with those areas for the purpose of discovering cures, methods of handling, ways of spending public and private money, and all the approaches of unemployment.

There is more along the same lines, but that is sufficient to demonstrate that after 25 years of experience the British are still on the threshold of an approach to the unemployment insurance problem and recognize, as the Prime Minister said there, that it is still in the experimental stage.

Senator **GUFFEY**. Are you opposed to our making an approach until the English system is perfected? Is that what I understand your argument is ?

Mr. **GALL**. No, sir; even if the English system were perfect, I do not think it would necessarily mean that we should adopt the English system or a system for a country as large as ours where the administrative difficulties are as great as they are. What I am attempting to do, if I may put it this way, Senator, is not to fly a red signal or a **green signal**, but rather to try to put into the record here some facts as to British experience which may serve as a caution as to the type of system which the Congress of the United States endorses if it endorses any as the result of these hearings.

Just one thing, then, I wish to yield to Mr. Sargent. I want to point out that the British did not deliberately embark on unemployment insurance because they thought that was the best way to handle the unemployment problem. Unemployment insurance represents just one of the 19 different post-war methods of dealing with unemployment in England. I would like to insert in the record that list of 19 methods which have been used and most of which are to some extent still being used in conjunction with the unemployment insurance.

(The information referred to is as follows:)

Private charity.
 Poor-law relief (indoor and outdoor).
 Relief works with and without Exchequer grants.
Emigration.
 Trade-union insurance.

Systematic short time.

National unemployment insurance.

Institutional training both of disabled and of fit men.

Training with employers.

Juvenile unemployment centers.

Women's training.

Land settlement.

Afforestation.

Road construction.

Land drainage.

Trade facilities act.

Export credits act.

State subsidy to an industry or part of an industry.

Of these remedies, at least the first '7 had all been tried before the war ; and the first 3, i. e., charity, poor-law relief, and relief works, had all been condemned either as inadequate or actually harmful. But they show no sign of disappearing from the list and are, indeed, freely resorted to in each recurring crisis (Introduction, The Unemployed, by Ronald C. Davison).

They have tried relief work, they have found that it was very costly, and **they** have practically abandoned the whole system of relief work because it ran sometimes five times the cost that **they** could have contracted the work out for, and that is the official findings in England, and not just the matter of opinion.

I want to say also that the whole idea of moving stranded populations such as those in the coal-mining areas in England to other sections of the country has been a total failure for several reasons. In the first place it involved retraining of these men, and the **op-**position of the labor unions throughout England to bringing retrained men to their territory from other territories has been **such** that the Government has made practically no headway. Furthermore, the Government has tried to assist migration and immigration of these people to the Dominions. The resistance on the part of the Dominions has been terrific. They have said, "We have our own problem, we cannot handle yours, and you will have to take care of it."

So, one scheme after another has been tried in England, and as I say they still have in effect a considerable number of supplementary schemes of which the unemployment insurance is only a part, and I might say a minor part, insofar as the actual relief to the unemployment situation is concerned.

I have a great deal of material on this subject, but I am going to suspend except for such questions as you may wish to ask me, so that Mr. Sargent can take **the** time because he is from out of the city.

The **CHAIRMAN**. Put your matter in the record there.

Senator **BARKLEY**. What is your authority for the **statement** that they have 'made no progress in Great Britain in the matter of redistribution of labor ?

Mr. **GALL**. In the matter of redistribution of labor? Mr. MacDonald, the Prime Minister, made a statement which I read while **you** were out of the room, on the floor of Parliament in November of this year, in which he outlined what the Government was **go-**ing to try to do with these populations in the depressed **areas**. This past year 'the Government of England has had a **Royal** commission studying the problem of unemployment in the deeply distressed areas or the **depressed** areas as **they** call it, and they have concluded that

so far practically nothing has been done, and they are in the experimental stage of **trying** to work out additional devices for moving that population from those areas.

The **CHAIRMAN**. Thank you very very much. Now, Mr. Sargent.

STATEMENT OF NOEL **SARGENT**, REPRESENTING THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. SARGENT. I have prepared for the use of the committee sets of five charts and one table which, if you will kindly have the clerk distribute to the members, I think will be helpful.

The **CHAIRMAN**. I wish the clerk would give those to those who are present.

Mr. SARGENT. These are prepared especially for use of the committee.

Mr. Chairman, I may say that we have had a committee studying this problem for some time immediately this bill became public, and our association realizes, of course, that actual distress and indigency must be relieved.

To the extent that the pending bill, S. 1130, seeks to accomplish this objective we are in accord. But our universal deep desire to relieve immediate distress and indigency should not over-influence our judgment in discussing the present bill, which does not purport to be an emergency measure.

It is equally important that we do not accept proposals or methods as actually capable of accomplishing their objectives merely because advocates declare they will do so.

We must beware that we do not thus accept proposals, which may possibly aggravate instead of relieve the evils they are designed to eradicate; that we do not create other serious problems as grave, if not even more so, than those we seek to correct.

We may, in this connection, profit by foreign experience, and be able to avoid their mistakes. We must, for example, use every effort to see that while actually providing sound security for aged indigents, we do not repeat the experiences of foreign old-age pension laws, where the possession of a legal right to pension funds has resulted in a universal tendency for a steadily increasing number and proportion of old persons to turn to the government pensions for support.

Legislation which from its very nature tends to increase dependency and indigency decreases individual energy and efficiency of individuals in attempting to take care of themselves. It would thereby decrease the sum total of national productive effort in the country, and in the long run thereby decrease the aggregate income available for distribution among the body of citizens; and hence inevitably lower the standard of living. Foreign experience and knowledge of economic matters should be sufficient to cause us to examine most seriously and carefully any type of legislation which carried with it any threat of decreasing productive activity with consequent impairment of our standard of living.

We must, likewise, use every possible care to see that in attempts to provide unemployment compensation we avoid, if possible, repeating the experience of foreign countries with unemployment insurance. In those countries the laws have actually tended to increase unemployment, by freezing or stabilizing such economic