

salaries of the group, who generally are in the later middle years of life, especially where the individuals in this group change from year to year, as their salary changes would pass them in or out of the group.

On the other hand, it would be difficult to get ministers and local church boards to pay the earnings and employment excise taxes one year, and then skip one or more years, then resume, and at the same time pay in correspondingly fluctuating sums to their denominational pension boards in order to provide the pensions to the higher salaried men, the disability pensions for all the group, the widows pensions, the orphans pensions, and besides, the supplemental pensions which would have been provided in the earlier years of the operation of the Federal System, where the age annuities are limited to 15 percent or only slightly higher percentages of average salaries, limited to \$150 per month.

Furthermore most of these pension boards also make provision for the missionaries of their churches, home and foreign, and the larger part of the foreign missionaries would be excluded from the Federal Plan because of performing the greater part of their duties outside the continental United States.

Without depriving anyone of the right to be cared for under the Federal Plan the amendment we propose will enable the Church Pension Fund, which can demonstrate to the Social Insurance Board, their ability to do so, to make provision for larger age annuities for their beneficiaries than the Federal Plan. For these reasons the members of the Church Pensions Conference respectfully request the attached amendment to the bill.

AMENDMENT SUGGESTED BY CHURCH PENSIONS CONFERENCE TUESDAY, FEBRUARY  
5, 1935

Amend S. 1130, section 307, subsection (5), page 20 of printed bill (Jan. 17, 1935) by striking out the period in line 24 and inserting a comma, and adding the following:

"Excluding every individual from whom a provision is made and maintained through an organization for the purpose, which provision is at least equal to the provision made under this act for such individual, as found from time to time by the Social Insurance Board."

This concludes the program for this morning. The committee will remain for an executive session.

(Whereupon, at 11:30 a. m., the committee went into executive session.)

AFTERNOON SESSION

The recess having expired, the committee reconvened at 2 p. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order. The next witness on our calendar is Miss Mary Van Kleeck, Director of Industrial Studies, Russell Sage Foundation.

Miss Van Kleeck, will you please come forward, state your name and the capacity in which you appear.

**STATEMENT OF MISS MARY VAN KLEECK, DIRECTOR OF INDUSTRIAL STUDIES, RUSSELL SAGE FOUNDATION**

MISS VAN KLEECK. Mr. Chairman and gentlemen:

I am not speaking for the Russell Sage Foundation, which as a scientific organization, does not take a stand on legislation. But I am speaking on behalf of the Inter-Professional Association for Social Insurance, which is an organization composed of members from all of the principal professions. The professional workers are naturally very much affected by unemployment, and therefore concerned over being included in social insurance. The greater number of them would not be included in H. R. 4142.

I might say briefly regarding my experience that I am an economist, as director of industrial studies, Russell Sage Foundation. I was a member of the President's Conference on Unemployment in 1921 and of the Committee on Unemployment and Business Cycles, appointed by the Secretary of Commerce, Herbert Hoover, to carry forward investigations growing out of that conference.

I was collaborator in the report on business cycles and unemployment prepared by the National Bureau of Economic Research for that committee. I was chairman, 1922 to 1933, of the committee on governmental labor statistics of the American Statistical Association, with a good deal of interest therefore in our statistics on labor.

I was a member of Mayor Mitchell's committee on unemployment, New York City, in 1915 to 1916. I was chairman of the program committee of the World Social Economic Congress in Amsterdam, Holland, in 1931, which prepared a report on fluctuations in employment for 20 years from 1910 to 1930, in seven countries of the world, published under the title "International Unemployment."

I state those facts to show that I have been interested for a long time in unemployment, and if I appear therefore to repudiate what to some persons might seem merely first steps, and therefore not to be repudiated, it is because I believe we have come to the time when we must squarely face this problem and deal with it in some more effective way than in the past.

Therefore, in the interest of an adequate program for social insurance, I find myself impelled to appear in opposition to H. R. 4142 on fundamental grounds. These I would summarize as follows:

1. It does not meet the needs of those now unemployed.
2. It sets up no definite standards for State legislation which can be guaranteed to protect those now employed, and indeed opens the way to a compulsion upon them to contribute out of their already insufficient wages toward future unemployment for which they will have no responsibility; and by implication it leaves out of State legislation employees in small establishments and large numbers of workers in the professions, in domestic service, and in agriculture.
- (3) By transferring the initiative to the States instead of setting up a Federal system, it inevitably postpones action, delays the effective operation of unemployment insurance, and opens the way to variations which will constitute serious discrimination between workers in different parts of the country.
- (4) It takes its funds from the wrong source, namely, from a tax on pay rolls, which would lay the burden on consumers and workers rather than upon profits and higher incomes, which should logically be taxed for this purpose.
- (5) Its enactment would block the way to effective action by the Seventy-fourth Congress on this vital problem.

#### THE PRESENT PROBLEM TO BE MET

The most effective criticism of this bill is to be found in a comparison between its provisions and the statement of the problem contained in the report to the President by the Committee on Economic Security, transmitted under date of January 15 to the President and

signed by the Secretary of Labor as chairman and the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator.

The letter of transmittal quotes the President's message to Congress of June 8, 1934, declaring:

Among our objectives I place the security of the men, women, and children of the Nation first.

The opening section of the report, under the title "Need for Security", after analyzing causes of destitution as including not only industrial unemployment but accidents, industrial and nonindustrial, illnesses and insufficient income to provide for old age, declares:

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.

Moreover, it is declared that action should be taken at once:

To delay until it is opportune to set up a complete program will probably mean holding up action until it is too late to act.

Yet in the face of this challenging statement of need, the major recommendation is "the stimulation of private employment and the provision of public employment" (p. 3); and unemployment compensation, which presumably should help to provide "an assured income", is given a secondary place in the declaration:

While we favor unemployment compensation in cash, we believe that it should be provided for limited periods on a contractual basis and without governmental subsidies. Public funds should be devoted to providing work rather than to introduce a relief element into what should be strictly an insurance system.

The CHAIRMAN. Are you still quoting?

Miss VAN KLEECK. Yes. That is a quotation. I am matching those two, the suggested provision matched against the statement of need; which I think is sufficient to demonstrate that the two do not match.

No adequate data exist today as to the number of unemployed. Estimates vary from 10,000,000 to 17,000,000.

It is, by the way, important that there should be a census of the unemployed today. There has been none since 1930, and the Federal Government is without any exact measurement of the number of unemployed. Current statistics showing trends of employment and earnings indicate an index number still far below the 100 which was the average of 1923 to 1925. The latest figures of the Federal Bureau of Labor Statistics show factory employment in December as 78.1, indicating a shrinkage of about 22 percent as compared with 10 years ago, when there should have been an increase. The pay-roll index was still further out of proportion—namely, 63.2, indicating that income has not kept pace even with the slow increase in employment which has undoubtedly occurred in the past 2 years. Indications, however, are that this increase in employment is due to shorter hours and therefore constitutes sharing of work and sharing of income by the workers.

There is no disagreement as to the fact that unemployment is still wide-spread. The important point to make here is that this wide-spread unemployment is being carried in large part by relatives of the unemployed and by their friends who still have jobs, and by small tradesmen who extend credit.

A very important point to note is that unemployment insurance is necessary to lift some of the load from the small tradesmen, from the small businessmen, who have in some instances been forced out of business in large part by the fact that they had to extend credit to the workers who are out of work. This burden of unemployment carried by workers and by small businessmen must continue to be carried by them unless a system of unemployment compensation is put into effect at once.

#### LACK OF SAFEGUARDS FOR STATE LAWS

The Committee on Economic Security expressly stated that, except for the requirement for "high administrative standards", it was desirable to give "wide latitude to the States in other respects." This injunction is carried out in the bill. Clearly, if the intention is to provide security through unemployment compensation, this wide latitude without any basic minimum standards will undoubtedly lead to the setting up of totally inadequate laws. In other words, the Federal Government will collect money through the Nation-wide tax, and employers may get the benefit of remission of the tax in States where the laws fail to transfer any substantial benefit to those who become unemployed.

There are no specifications as to the length of benefit, though it is clearly stated in the report of the Committee on Economic Security that this should be strictly limited; there are no safeguards against discrimination against the foreign born; there are no definite requirements as to the amount of unemployment compensation. And thus serious loopholes are left, even if a large number of States should respond to the "stimulus" which is all that this Federal bill provides.

#### SOURCE OF FUNDS

There are grave questions connected with the choice of the source of funds for social insurance. The fact that this bill has been referred to the Committee on Ways and Means indicates that the source of funds is its determining characteristic. It imposes a tax on pay rolls and expressly permits an arrangement whereby the State unemployment insurance may be raised through contributions from employers and possibly from workers. The first point which is clear is that such a tax on pay rolls can and undoubtedly will be passed on to the consumer in higher prices, thus forcing workers to pay for their insurance in higher cost of living; and also, even if workers do not contribute directly, this kind of tax on pay rolls constitutes a down drag on the wage scale, since it enters into the cost of production.

If the aim be to sustain purchasing power, then clearly this will not be achieved by measures which keep down wages or raise prices. The tax which is least likely to result in such an increase in cost of living is a tax on profits, higher incomes, inheritance, and gifts. This

should be the primary source of funds for social insurance, and it should be made applicable at once in the form of unemployment compensation for the present unemployed.

And may I add there that if one were to undertake to sustain profits, a very wise and economic way of sustaining profits is to assure purchasing power with which to purchase the products, from the sale of which profits come. We may say that profits also are in a bad way today naturally due to the absence of a market for goods.

The report of the Committee on Economic Security discusses the dangers involved in the handling of the proposed reserve funds for insurance, and for that reason holds this power in the hands of the Federal Government. There are indeed many objections to this idea that unemployment compensation should be paid out of funds established in advance, but the most important relates not to the handling of these funds but rather to the fact that their collection is merely a rearrangement of the earnings of those who work.

It merely withholds part of their earnings against the time when unemployment may occur, instead of redistributing income. It is an accepted theory of the economic crisis that a disproportion between money available for investment and money available for purchase of necessities of life is one of the maladjustments which has caused the crisis. This cannot be met merely by readjusting purchasing power for the necessities of life, withholding some of it for future use.

The effect of disproportionate profits upon recovery was well stated by Senator Robert F. Wagner, who has introduced into the Senate the companion bill to H. R. 4142, in an address which he made in Washington, October 9, 1933, before the annual convention of the American Federation of Labor. At that time he gave the following statistics:

In 1929 the value of goods produced in factories in the United States was \$10,000,000,000 more than in 1923. Of this increase, 6 percent went into wages, 8 percent into salaries, 38 percent into raw materials, and 48 percent into profits and other costs. Is it any wonder that during the high day of our vaunted prosperity less than one-tenth of the population received one-third of the national income, while three-fourths of the people lived below the standard of comfort set by the United States Bureau of Labor Statistics?

Wage improvements under the "new deal" should not be simply enough to keep factories going. Wages must be fixed with reference to a social program which intends to insure everyone a comfortable living and to give labor its just share of national wealth. (American Federation of Labor, Report of Proceedings, sixth day, Monday morning session, Oct. 9, 1933, p. 289.)

A bill like H. R. 4142, which lays directly and indirectly a tax upon wages in order to set aside a fund for future reserves, still further complicates this lack of distribution of wealth for the necessities of life. And let me say that it clearly indicates that this bill is a very strong protection of the Federal Treasury and of the Federal taxpayers against any increase in taxes. I may say, as a member of the President's Conference on Unemployment in 1921, that the Conference was opened by an address from the President, who declared that the Federal Treasury must not be drawn upon for the unemployed. That statement was made to the country at large, and I think that the same attitude is shown now in passing onto the States the task of initiating unemployment insurance while nevertheless enacting a

Federal law about it; which would seem to be a Federal program for security but which nevertheless effectively protects the Federal Treasury against any charge for this very important aspect of the general welfare.

The same principle applies to the method of taxation for social insurance. Redistribution of income can be attained by taxing incomes and profits to compensate for unemployment; and by doing this currently a certain readjustment can be brought about which will, at least, tend to turn funds from channels of investment already choked with funds "seeking employment", to quote the New York Times' summary of the Federal Reserve System's annual report, to purchases of the necessities of life.

It is appropriate to suggest before this committee that the first source of funds for social insurance should be to make this a prior obligation ahead of destructive expenditures such as those involved in preparations for war; and to provide for additional taxation in the form of a revision of the income tax and of the tax on inheritance and gifts.

On December 15, 1933, Acting Secretary Morgenthau made a statement before the Subcommittee of the Committee on Ways and Means regarding the methods of preventing the avoidance and evasions of the internal-revenue laws. It is to be assumed that these evasions are not yet completely eliminated and that the Committee on Ways and Means in the Seventy-fourth Congress may well carry forward this task. But in addition, it is pertinent to call attention to the fact that the United States Government does not obtain revenue from these sources as successfully as does Great Britain. I call attention to this very important report of the committee on national debt and taxation of Great Britain, which contains a discussion of the sources of revenue and which reveals the very much higher rates paid under income taxes but which confirms the importance of the income tax as a source of revenue for the needs of government. Comparison between the rates of taxes on incomes and on inheritance and gifts in the two countries would reveal the possibility of securing funds which could be used for the urgently needed unemployment compensation.

It is suggested that the Committee on Ways and Means might well ask the Treasury Department to compare the rates of taxation on incomes and on inheritance and gifts in Great Britain and the United States, and on that basis to estimate the additional revenue which would be received in this country if rates equal to those in Great Britain were imposed here.

We have in our group made some computations, but the superiority of access to figures by the Treasury Department would suggest that it would be like bringing coals to New Castle to present them here.

Mr. COOPER. May I ask, It is not your thought that we have not given study to the British tax system, is it?

Miss VAN KLEECK. No; but I am calling attention to what seemed to me very pertinent information, since, although study undoubtedly has been given, I have as yet seen no proposals on this point. I am very much interested if there are to be some.

Mr. COOPER. It is just a question of whether this country wants to raise taxes as high as the rates in force in Great Britain; that is all. It is a simple question.

Miss VAN KLEECK. I am suggesting that the Committee on Ways and Means might well propose this, in view of the very great public need for additional revenue for such a purpose as unemployment insurance.

#### A RECURRENT PROBLEM

The statistics used by Senator Wagner in his statement quoted above indicate a maladjustment which has continued to exist. The following statement, quoted from the United States Bureau of Labor Statistics (Bulletin No. 541, Handbook of Labor Statistics, 1931 edition, p. 615) is based upon data gathered by the United States Census over a period of 80 years, from 1849 to 1929:

The average yearly earnings in manufacturing industries were 76.2 percent greater in 1899 than they had been 50 years before; the value of the product per wage earner was 130 percent greater; the value added to the raw material as the result of manufacture was 119.8 percent greater; while the percent wages bore to the value of product had decreased 23.2 percent, the percent that wages were of value of product added had decreased 19.8 percent, and wholesale prices had decreased 13.1 percent.

By 1929, or 30 years later, the average yearly earnings had increased over 1849, 431.5 percent, the value of products per wage earner had increased 651.7 percent, the value added by manufacture per wage earner had increased 649.9 percent. The percent that wages were of the value of the product had decreased 29.2 percent, and the percent that wages were of value added had decreased by the same amount, while prices had increased 60.6 percent.

That, looked at in another way, means that the purchasing power, through the income of those who work for a living, had not increased with the value of the product sufficiently to purchase back those necessities. And I might quote still later figures, published on December 10, 1934, by the National Industrial Conference Board, which, as you know, is the representative board of the employers' organizations, when indexes of manufacturing activities were quoted as follows:

Compared with the base of 1923 to 1925 as 100, employment was 78.6 percent; pay rolls, 60.70 percent; output per worker, 92.9 percent; output per man-hour, 129.5 percent.

It indicates that our technological advance shown in increased output per man per hour has been rapid as between 1923-25 and 1934; and that means a likelihood of increase in technological unemployment. And yet the wages are at 60 percent compared with the output at 129. These are serious economic facts.

Mr. LEWIS. When you speak of 60 percent, are you thinking of the gross wages paid, with reference to the value of gross product, or the wages of some particular worker?

Miss VAN KLEECK. This is the index of the National Industrial Conference Board which is based on the monthly reports received by the National Conference Board from a large number of reporting firms in its membership.

Mr. LEWIS. You were speaking a moment ago about the early part of the nineteenth century.

Miss VAN KLEECK. Those were figures based on the census. This is the index of manufacturing, which the National Industrial Conference Board publishes, and with 1923-25 as 100, total pay rolls then being 100, the total pay rolls as of October 1934 were 60; the output being 100 in 1923-25, the total output per man-hour in October 1934 was 129. It is an index number. Is that clear?

Mr. LEWIS. Yes.

Miss VAN KLEECK. If one looks at wages in terms of the purchases which they make possible, these statistics indicate that the purchasing power of the mass of the people has not kept pace with the capacity of industry. That is the reason industry cannot sell its goods. From this point of view, the payment of unemployment compensation to those now unemployed assumes the character of payment of a deferred share in the value of the product, or deferred purchasing power which should have been paid in wages in the period preceding the present economic crisis.

May I add this? In the study by the National Bureau of Economic Research entitled, "Business Annals", in which economists have traced the history of fluctuations in the economic system from 1790 to 1925, they report 32 business cycles averaging 4 years from panic to panic; and in that period we had only 1½ years of prosperity to each year of depression. This report would appear to indicate that we have here not an unusual problem but the recurrence in a more intense, more menacing form than ever before in our economic history, of what has been a very serious recurrent fluctuation in employment in these past 145 years.

If it be true, as is held by many economists, that this crisis is brought on by the failure of purchasing power to equal production, added emphasis is given to the statement of the Committee on Economic Security, that "the one almost all-embracing measure of security is an assured income." An "assured income" is not a "work benefit" at the lowest possible wages. Clearly, therefore, this income during periods of unemployment should be equal to, and not less than, average earnings in the given occupation and locality. A bill which falls short of this, as does H. R. 4142, merely takes care of seasonal unemployment and speedily brings again before the Nation the need for assuring income to those unemployed longer than the period of "actuarial" benefits. And I quote "actuarial" because, in my opinion, the word, "actuarial" does not apply to unemployment. It is an unpredictable menace growing out of these recurring fluctuations, which vary in intensity.

#### PRODUCTIVE CAPACITY AS A SOURCE OF FUNDS

If objection be raised to the staggering proportions of the task of assuring income during periods of unemployment, it must be pointed out that there is no disagreement that the productive capacity of the United States is equal to a comfortable and secure standard of living for all who earn their living by work, and that those arrangements and practices in the industrial and financial system which block the use of productive capacity must be clearly understood and dealt with in the light of the increasingly articulate demand for security of livelihood on the part of the American people.

It is true that to impose higher taxes requires the overcoming of strong resistance on the part of taxpayers. The needs of the people, however, must be paramount. In this connection it is not irrelevant to point out the great importance of maintaining at this time freedom of speech and freedom of assembly and petition, and the rights of labor to organize, since only so can this demand of the American people be made effective in our democracy. These rights are menaced

today as industrial depression increases the conflict which is always present as between the claims of workers and the claims of capital upon the national income. There is added need for safeguarding liberty of expression under these circumstances.

It is necessary, therefore, at this time that, speaking on behalf of the Interprofessional Association for Social Insurance, I should here enter the association's protest against the forcible curtailment of testimony before this committee on February 1, on the occasion of the appearance before the committee of Herbert Benjamin, executive secretary of the National Congress for Unemployment and Social Insurance. The Interprofessional Association for Social Insurance was one of the organizations represented in that national congress, and Mr. Benjamin is also a member of the Interprofessional Association's national executive committee. He should have been given a hearing proportionate to the groups whose unmet needs he was describing in opposition to H. R. 4142.

#### DANGERS IN ENACTMENT OF AN INADEQUATE BILL

The President's Committee on Economic Security has declared that "to delay until it is opportune to set up a complete program will probably mean holding up action until it is too late to act." It must be added here that to set up so completely inadequate a program as that proposed in this bill means the indefinite postponement of the steps toward a sound program.

#### OLD-AGE PENSIONS

This testimony has been confined to the provisions with reference to unemployment compensation. It implies, however, opposition also to the provisions for old-age pensions, in that these are contributory and still further impose burdens upon the current income of workers, thus constituting again a mere rearrangement of workers' income, while nevertheless making the return dependent wholly upon proof of need, postponing payment of part of it until a later date, rather than dealing with the important question involved in the distribution of the income as between profits and workers' earnings.

I thank you, Mr. Chairman.

Mr. LEWIS. Were you present when Mr. Benjamin delivered his testimony?

Miss VAN KLEECK. No; I was in New York.

Mr. COOPER. That might explain your comments.

Mr. LEWIS. May I say, judging by your own demeanor and the character of the contribution that you have tried to make, I do not think you would have criticized the Committee's action if you had been present.

The point of your discussion today really at last involves some action on the part of the Government to prevent these recurring depressions.

I believe I state your conclusion correctly when I say that you think that in order to achieve that end, sufficient purchasing power must go out in the form of wages. Wages will be spent, and the industry budget will be balanced from year to year, if it all went out in the form of wages.

Now, agreeing to the abstract truth of that statement, have you any formula that you can offer to the committee that would achieve that end in our present economic organization of society.

Miss VAN KLEECK. This morning I appeared before the Committee on Labor in support of H. R. 2827, the Workers Unemployment and Social Insurance bill, which embodies the principles I have been putting forward, that in lieu of wages, when unemployment interferes with the receipt of wages or salaries, there should be unemployment compensation equal to average wages in the occupation in the locality for the entire period of unemployment; and that that should be paid out of general taxation and out of the tax on incomes, inheritances, and gifts, and out of withholding war funds; and out of a surrounding program which, instead of restricting production, as do our N. R. A. codes and the program of the Agricultural Adjustment Administration, would be directed toward increasing productivity which, of course, is the only source of wages.

Mr. LEWIS. That is the formula that you think should be applied?

Miss VAN KLEECK. Yes.

Mr. LEWIS. I am not without sympathy for the idea of balancing the industrial budget, a real problem for industrial society in this and in half a dozen other countries; for instance, Germany presents about the same industrial phenomenon as our country, and they have made no greater progress with it there than here. Do you think they have?

Miss VAN KLEECK. Germany has had very much the form of unemployment insurance that this bill proposes.

Mr. HILL. Which bill?

Miss VAN KLEECK. H. R. 4142. I think that the experience in Germany is somewhat of an argument and an added support for opposition to this form of bill, because they have that form of bill in Germany and it has not resulted in any real redistribution of purchasing power for the German workers.

Mr. LEWIS. Has the idea been tried so that it has proved measurably successful in any industrialized country?

Miss VAN KLEECK. Which idea, Mr. Lewis?

Mr. LEWIS. This general idea of yours, as embodied in this workers' bill.

Miss VAN KLEECK. No; it has not been tried in any country of capitalist production. The fact that this need of the workers is world-wide in the countries of capitalist production indicates that we need a new method. The British system and the German system both break down in mass unemployment, for the reason that they are inadequate in the advance funds collected to take care of anything more than seasonal unemployment. Therefore, at the close of that seasonal period, relief has to be added. And while I am speaking, knowing Congressman Lewis' interest in coal mining, may I not raise the point, after all, what this bill would do for the coal miner whose unemployment is so very serious? It would only give him a little drop in the bucket, so to speak. But we would still have the problem of the coal miner immediately thereafter; and I believe therefore that we must face the whole thing through now and not pass a bill which is wholly inadequate.

Mr. LEWIS. You know, of course, that this administrative measure was not proposed as a preventive of depressions?

Miss VAN KLEECK. I know that it was not proposed as a preventive of depressions. Neither am I advocating any form of social insurance as a preventive of depressions. I am advocating it as compensation for loss of income during depressions. It cannot possibly establish genuine security.

Mr. LEWIS. Let me give you just one factor in connection with this discussion. And I apologize to the committee, Mr. Chairman, for using its time.

We impose a corporation income tax of about 12 percent on the net revenues of corporations. The depression comes on. We find that the Government's revenues from that tax shrink away to about one-third or one-fourth. Now you are going to raise the revenues for the purpose of paying these wages continuously, and yet, during the depression, we find that the net revenues of the employers are disappearing, or have almost disappeared. Can you get blood out of them?

Miss VAN KLEECK. Well, there is still some blood in—what shall I say—in this eagle, if you like. There is still the possibility of increasing the amount to be received from the higher income taxes, income taxes on higher incomes of individuals as well as corporations. As I said before, this would not establish basic economic security. That is not possible in a system which is either unplanned or can only plan by further restricting production, which happens to be the present characteristic of our so-called "planning."

But, as one compensates for unemployment, to that extent, of course one expands the market and it is the lack of a market which is a potent reason for the decline in corporation profits, as I think most businessmen would agree. It is not the lack either of equipment or of capital; as money seeking profitable investment appears to be rather a surplus today, like other products. We are told that it is very difficult to get business to accept loans. As a matter of fact, business is staggering under debts.

But certainly we do not remedy that situation by taxing pay rolls, increasing prices, as a result of the tax on pay rolls, and taking money out of the pay envelopes from what is already a meager wage. Certainly, we do not meet the problem by merely inviting the States to pass laws against which there will undoubtedly be a very great inertia as there has been in the past.

The CHAIRMAN. If I understand the trend of your thought it is that unemployment compensation should be adequate, should be sufficient, so that the unemployed, who are unemployed for any cause, would receive full wages and lucrative wages for the full time that they are unemployed. Is that your conclusion?

Miss VAN KLEECK. I did not say full, lucrative wages. I said average wages in the occupation in the locality for the full time that they are unemployed.

The CHAIRMAN. Industry sometimes gets into the same distress, or into a condition that is similar to the distress of labor. Suppose a manufacturer finds that he is losing money continuously, which means shutting down or losing his entire investment. Have you ever thought of levying a tax to be used for the purpose of compensating them for their losses, and allowing them to run their business, so that they may continue these people in employment? You mentioned a system of taxation on profits. Perhaps the Government should sub-

sidize industry when industry finds itself losing money, to enable it to continue to operate, thereby giving people continuous employment, and paying them for work rather than paying them while they are in idleness.

Miss VAN KLEECK. Mr. Chairman, we have been following that practice for the last 3 years in the operations of the Reconstruction Finance Corporation. We have been trying to pump credit into business. Business does not want to take it. Just take, for illustration, the enormous loans that we have made to the railroads and at the moment when we made those loans—

The CHAIRMAN. But that is a loan. I was not talking of a loan.

Miss VAN KLEECK. Of course, a loan is a good way to help industry.

The CHAIRMAN. I was talking about making up losses.

Miss VAN KLEECK. It is almost an unreturnable loan so far as the railroads are concerned, I am afraid.

Supposing that at the moment when we lent money to the railroads, which I think we began in 1932—

The CHAIRMAN. Will you pardon me? You are confusing a loan with a subsidy.

Miss VAN KLEECK. May I answer the question?

The CHAIRMAN. But you do not seem to get my question right. You are confusing a loan with a subsidy.

Miss VAN KLEECK. I think we have tried subsidies.

The CHAIRMAN. If the railroads cannot operate, they would never be able to pay back the loan.

Miss VAN KLEECK. I am pointing out that we have been coming to the rescue of business for 3 years; that if when we gave the railroads loans—if you will pardon my keeping to that for a moment—if at the same time we had required the railroads to keep up wages of railroad men instead of cutting them at that moment, in 1932, the difference in the buying power of railroad workers, who are a considerable group in the Nation, might have almost turned the tide in our downward trend in unemployment at that time. But we followed the policy of lending money in an effort to keep up the profits and interest returns, while we let labor bear the full burden.

Since you raise this question, may I quote from the report entitled "National Income, 1929-32, Letter from the Acting Secretary of Commerce" in response to a Senate resolution, this being published as a Senate document, Seventy-third Congress, Document No. 124. It declared:

Thus, total labor income declined from 1929 to 1932 by 40 percent, total entrepreneurial income by 45 percent, but property incomes have held up in comparison, the decline from 1929 to 1932 having been only 31 percent (p. 14).

I submit, Mr. Chairman, that the immediate way to restore industry is to restore the buying power of the people; and if I were to undertake to restore industry I would try to restore employment rather than beginning, as is usual in the Government, with the giving of money, with the lending of money, if you will, to maintain profits and interest in industry.

The CHAIRMAN. You would restore employment, but—

Miss VAN KLEECK. I would restore purchasing power and that in turn tends to restore employment. However, I am repeatedly saying it is a much longer story than mere compensation for unemployment

to achieve economic security. Therefore, I am claiming only the possibility of relieving now the very, very serious human distress of millions of people.

The CHAIRMAN. As I understand that last phrase, then, you offer it not as a certain means of relief, but as a possibility.

Miss VAN KLEECK. I offer it as an immediate necessity of millions of unemployed in this country.

The CHAIRMAN. If I am not mistaken you said you offer it as a possibility.

Miss VAN KLEECK. No; what I said was that the establishment of economic security, which would eliminate economic crises, requires more than social insurance. It requires some very fundamental dealing with the problems of our economic system. But what I did say was that it is necessary to keep up the income of the workers, because as the President's Committee on Economic Security says, the one "measure of security" is the assurance of income, with which I agree.

The CHAIRMAN. Many intelligent people believe that we have reached the saturation point in taxation, that if we increase rates of income and inheritance taxes much higher we will lose rather than gain. Whether it is susceptible of proof or whether it is a matter of opinion, many people believe that. But suppose we do that, and we find we are unable through the process of taxation on inheritances, incomes, and through other means of taxation, to carry on the plan you suggest to finance all the unemployed on full time and adequate wages. Then what would be your solution of the problem from there on?

Miss VAN KLEECK. The answer would be, of course, that those now in the present administration had evidently failed to find the way to meet the needs of the American people for security. That is the only answer.

Mr. COOPER. In that connection, can you offer any proof of any greater success by the preceding administration?

Miss VAN KLEECK. I had some relation to the President's Conference on Unemployment in the preceding administration. They are alike in their failure.

Mr. COOPER. Yes.

Miss VAN KLEECK. But the interesting thing is that the present administration goes back to the same principles which the prior administration prescribed, namely, turning back relief to local communities and saving the Federal Treasury from any further taxation. That is the principle that we have been working on for many years in this country.

If it fails to promote the general welfare, which is the general obligation of Congress under the Constitution, then all we can say is that the present administration, not the American Nation, has failed.

Mr. HILL. Miss Van Kleeck, the affirmative part of your statement here, I think, is about the same as your presentation this morning to the Committee on Labor on H. R. 2827?

Miss VAN KLEECK. No; I made quite a different statement, because there I was supporting the bill. It will appear in the proceedings.

Mr. HILL. I said the affirmative part of your statement.

Miss VAN KLEECK. The affirmative part; yes.

Mr. HILL. That bill provides for the payment to all workers and farmers above 18 years of age unemployed through no fault of their own a weekly compensation of \$10, plus \$3 for each dependent. In addition to that, it provides for the payment of a like amount for all workers and farmers who are unable to work because of sickness, old age, maternity, industrial injury, or any other disability, and then also compensation for disability because of maternity for a period of 8 weeks prior and 8 weeks subsequent to childbirth. How many people in the United States at this time do you estimate would come within the classes here described?

Miss VAN KLEECK. We in the Interprofessional Association for Social Insurance are working out for the House Committee on Labor a careful estimate on that point. Part of the statement was put into the record of the proceedings of that committee yesterday by Dr. Gillman, of New York, an economist. Those figures are available.

Mr. HILL. Can you tell this committee that?

Miss VAN KLEECK. No; because I did not make that estimate and I would not care to quote their material.

Mr. HILL. Have you any information as to what the estimate is?

Miss VAN KLEECK. As I say, I prefer to refer to the records of the committee.

Mr. HILL. We are asking for a record here.

Miss VAN KLEECK. But it is a careful estimate of the total unemployed and the total who suffer from—

Mr. HILL. I am asking if you can give me any information about it.

Miss VAN KLEECK. Being an economist, with a respect for facts, I would rather you would get the exact information from the records.

Mr. HILL. I am not asking for the facts, I am asking you for your information as to the estimate others have made relative to the number of people coming within these classes described in the bill to which I have referred.

Miss VAN KLEECK. I am very sorry. I will give you the material for the record in table form, but I do not care to quote it at this moment because I do not have it before me. It depends first of all upon the total number of unemployed.

Mr. HILL. I do not care about that.

Miss VAN KLEECK. I have stated in my paper here that the estimates of the unemployed range anywhere from 10 to 17 million.

Mr. HILL. That is getting better. At a weekly wage of \$10 for each of these persons, with allowances made for the additional \$3 for each dependent, about how much money per week would be necessary to finance the provisions of H. R. 2827?

Miss VAN KLEECK. Obviously, 10 times 10,000,000 people, Mr. Hill, would be the answer if 10,000,000 are unemployed.

Mr. HILL. You have to add, of course—

Miss VAN KLEECK. Then one adds for the number of dependents.

Mr. HILL. About how many dependents on the average would there be?

Miss VAN KLEECK. I think the census shows two and some percentage of dependents per family.

Mr. HILL. That would be an additional \$6 per week at a minimum for the dependents. It would be about \$16 a week, and that multiplied by 10 would be about the figure.

Miss VAN KLEECK. Yes. I think that should be a higher figure than that, because the average earnings are probably higher. Probably \$20 a week would be a safer estimate there for average earnings, which would give you a total of perhaps \$200,000,000 a week. All we are doing here is to measure the present loss of earnings of the American workers.

Mr. HILL. Yes. I inadvertently omitted one additional class of workers, workers willing and able to do full-time work but unable to obtain full-time employment, shall be entitled to receive the difference between their earnings and the average local wages for full-time employment. Then, of course, it is provided in that bill that these payments may be adjusted from time to time according to the variance in the cost of living. You estimate probably 200 million dollars a week?

Miss VAN KLEECK. It might be 200 million dollars a week.

Mr. HILL. Fifty-two weeks to the year.

Miss VAN KLEECK. You are anticipating a continuance of this amount of unemployment, apparently.

Mr. HILL. We have not seen the end of it.

Mr. LEWIS. I have just made a computation on the basis of 10 million unemployed. This does not take into account the families. Ten dollars a week would be about \$500 a year. That comes to 5 billions of dollars a year.

Miss VAN KLEECK. And we are ready to appropriate just now \$4,000,000,000 for public works, which, however, would not all get into the hands of the unemployed.

Mr. HILL. If you take it on the basis of 52 weeks at \$20 per week, you would have \$10,400,000,000 for the year, to pay these unemployed and disabled people. You say that it is provided in the Lundeen bill; that is the one you are referring to, H. R. 2827?

Miss VAN KLEECK. Yes.

Mr. HILL. That all the moneys for these payments shall be provided through taxes on inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over. What rate of tax would you have to levy in addition to the taxes already on estates, gifts, and individual and corporation incomes, to raise this \$10,400,000,000?

Miss VAN KLEECK. I have not figured that, because obviously the Treasury Department has all the figures, and they are accessible to this committee.

Mr. HILL. You say you are an economist?

Miss VAN KLEECK. Yes.

Mr. HILL. You cannot side-step the question like that.

Miss VAN KLEECK. I am not side-stepping the question. If the Committee on Ways and Means will provide the data—to which the American people are, of course, entitled—for us, we will estimate exactly what that might be.

Mr. HILL. If you do not know what the data are, you perhaps are simply angling in the dark here.

Miss VAN KLEECK. We have indicated the sources of funds. First of all, funds for war preparation. Twenty-five percent of the total revenue through taxation in this country, Federal, State, and municipal, goes to wars past and future. Twenty-one percent goes to education. We have an enormous amount of taxation revenue there which can be saved.

Mr. HILL. How much could you get out of all that? You are talking about it very glibly. How much can you get from each one of these tax sources?

Miss VAN KLEECK. I am not talking about this glibly. What we are talking about is the other side. These are the losses of the American working class. We can tell you what those losses are, and we can suggest the sources of funds. But the point is that these figures on taxation rates can easily be figured by any accountant. It is not necessary that we should attempt the process here when we have not the basic data before us.

Mr. COOPER. I might just suggest the statistics of the Treasury Department are certainly available to every citizen.

Miss VAN KLEECK. Yes, certainly.

Mr. COOPER. All one has to do is ask for them.

Miss VAN KLEECK. But I am merely indicating that it is in the Treasury Department that these computations can best be made. It is a vital matter, of course, for the Committee on Ways and Means to search out those sources of funds.

Mr. HILL. We have now on individual incomes a maximum rate, including normal taxes and surtaxes, of 63 percent. We have on estate taxes I think 60 percent. How much higher would you go on these?

Miss VAN KLEECK. I will give you the figures for the United States compared with Great Britain.

Mr. HILL. Wait a minute; will you answer my question?

Mr. COOPER. We are familiar with that.

Miss VAN KLEECK. You are entirely familiar with that? Then it is unnecessary for me to answer.

Mr. HILL. I want you to answer my question.

Miss VAN KLEECK. You ask me how much higher we could go? All right, I say we could go as high as Great Britain. We could, therefore, go this high. Instead of 2 percent on \$5,000 we could go to 14.22 percent.

Instead of 4.8 percent on \$10,000 incomes we could go to 18.62 percent.

Instead of 6.8 percent on \$15,000 a year, we could go to 22.95 percent.

Instead of 10.08 percent on \$25,000, we could go to 29.47 percent.

Instead of 17.2 percent on \$50,000 incomes, we could go to 39.3 percent.

Instead of 30.01 percent on \$100,000 a year, we could go to 48.1 percent.

Instead of 52.72 percent on half a million dollars a year, we could go to 61.58 percent.

Instead of 57.11 percent on \$1,000,000 incomes per year, we could go to 63.91 percent.

That is an answer from another country which has been frequently referred to in the United States as getting along rather well at the present moment compared with some other countries.

Mr. HILL. They have not taken care of their distress over there, have they?

Miss VAN KLEECK. Much more adequately than we have, of course, because they have had unemployment insurance since 1911, plus relief, which is necessary to supplement their system.

Mr. LEWIS. May I intervene to say that they balance their budget every year?

Miss VAN KLEECK. With these higher income taxes, of course, which are necessary to balance the budget.

Mr. HILL. How much additional money would you raise by the increased rates you have indicated there?

Miss VAN KLEECK. I would be glad to put all of these statistics into the record.

Mr. HILL. Does it show that? Does it give the answer to my question?

Miss VAN KLEECK. I am sorry that I have not worked out these figures, but I will be delighted later to put it in the record.

Mr. HILL. It would not be of any use to us if you cannot get it. You are an economist.

Miss VAN KLEECK. I have it here, this material on the income tax, and would be glad to put it in the record.

Mr. HILL. You recognize the fact that \$10,000,000,000 is quite a sum of money?

Miss VAN KLEECK. It is a very large sum of money, when you think of it as the loss of income for the working people, which is the fact; and I set over against that the production capacity of this country, which, as we know, is very, very large. Those are the only two facts you need to consider.

Mr. HILL. You have no idea from your own studies and computations just how much of this ten billions you can get through these sources of revenue you have indicated?

Miss VAN KLEECK. You can get it all. You can get the whole of this necessary amount from all these sources that have been indicated.

Mr. HILL. Under the rates that you have indicated?

Miss VAN KLEECK. Yes.

Mr. HILL. Have you made the compilation?

Miss VAN KLEECK. A large part of the calculation I have already told you was put into the record yesterday of the Committee on Labor, that is, through the organization with which I am connected.

Mr. HILL. On the basis of these rates that you have given?

Miss VAN KLEECK. Yes. This material is in the records of the Committee on Labor. I think the reading of those proceedings would be very useful to the Committee on Ways and Means.

Mr. HILL. Just what is the organization with which you are connected?

Miss VAN KLEECK. The organization which has made this computation is the Interprofessional Association for Social Insurance, of which I am chairman. The organization with which I am connected in my work is the Russell Sage Foundation.

Mr. HILL. You divide your time between the two?

Miss VAN KLEECK. No. My work in the Interprofessional Association is a wholly voluntary position.

Mr. HILL. Of course it takes some time. You could not start that in tomorrow even if we pass this bill today, could you?

Miss VAN KLEECK. Yes; I think one could begin at once.

Mr. HILL. Where would you get the money?

Miss VAN KLEECK. As soon as the income tax took effect.

Mr. HILL. It takes about a year.

Miss VAN KLEECK. Not only the income tax; but there is available money in the Treasury at the moment.

Mr. HILL. It takes about a year to get revenue from a new income tax. It takes longer than that from the estate taxes.

Miss VAN KLEECK. Yes; but there is money in the United States Treasury, even so, at the present moment.

Mr. HILL. You are not very deeply concerned about where the money is coming from. You just say, "Pay it."

Miss VAN KLEECK. I am very much concerned. I want it to come out of an increasingly productive industry. That is the reason I am very much concerned over the present restrictions on production. I want to see us release productivity from those restrictions, and then we shall be simultaneously helping to lift ourselves out of the crisis by the only sound method.

Mr. HILL. As a student of economics you have come to that conclusion, that this bill, H. R. 2827, would do the work?

Miss VAN KLEECK. It would compensate in a very limited, minimum way, for present loss of income from unemployment. I have repeatedly said it would not establish a planned and secure economy in the United States.

Mr. HILL. Why do you not have a plan that will do it? You seem to be very facile here with figures in your scheme. I do not see why you do not complete the job.

Miss VAN KLEECK. If you ask me to testify before the committee on a bill which will do it, then I shall be glad to appear and testify.

Mr. HILL. You have not presented any bill that will do it. You might offer some constructive suggestions here.

Miss VAN KLEECK. I am not a Member of Congress, Mr. Congressman.

Mr. HILL. That is not a very good alibi. That is all.

The CHAIRMAN. Have you studied the Townsend old-age pension plan?

Miss VAN KLEECK. I have heard about it; certainly.

The CHAIRMAN. How does it fit in with your scheme?

Miss VAN KLEECK. I believe you have had it under consideration.

The CHAIRMAN. You recommend your plan as a partial solution of the problem. He is as enthusiastic about his plan as you are about yours. How are we going to differentiate between the plans of two intelligent, enthusiastic people?

Miss VAN KLEECK. You will have to differentiate on the basis of the material. I know of no other way.

The CHAIRMAN. Have you studied his scheme?

Miss VAN KLEECK. To some extent.

The CHAIRMAN. You do not approve of it?

Miss VAN KLEECK. I do not think that that is a possible promise to hold out to the aged of the United States at the present moment, no. His plan offers \$200 a month, does it not? I think that is the amount. I do not believe that is possible in an old-age scheme just at the present moment by any proposal which he brings forward. But then, I think he was before this committee yesterday. I was not here. So I would leave that to the committee.

The CHAIRMAN. We thank you, Miss Van Kleeck, for your appearance and for the information you have given this committee.

The committee will take a recess until tomorrow morning at 10 o'clock.

(Whereupon at 3:05 p. m., a recess was taken until 10 a. m., Tuesday, Feb. 5, 1935.)