

STATEMENT OF DR. WILLIAM N. LEISERSON, CHAIRMAN OF THE NATIONAL MEDIATION BOARD

The CHAIRMAN. You are chairman of the National Mediation Board, Dr. Leiserson?

Mr. LEISERSON. Yes, sir.

The CHAIRMAN. What is the other background you have, so that we can have it in the record?

Mr. LEISERSON. I was a member of this technical board which compiled the data on this Social Security bill, but particularly on the unemployment insurance provisions. I worked particularly on the unemployment insurance provision. Prior to that I had been chairman of the Ohio Commission on Unemployment Insurance that prepared the so-called "Ohio plan" of unemployment insurance as distinguished from the Wisconsin plan of unemployment insurance.

The CHAIRMAN. Did you help to draft the Ohio plan?

Mr. LEISERSON. Yes, sir.

The CHAIRMAN. What is that plan in substance?

Mr. LEISERSON. In substance it is that unemployment should be handled on an insurance basis with a pooled insurance fund as distinguished from the Wisconsin idea which is that unemployment should be handled merely by individual employers, laying aside a certain amount of money and using that money to remunerate or compensate any people that they may happen to lay off.

The CHAIRMAN. What is the tax imposed?

Mr. LEISERSON. Under the Wisconsin plan?

The CHAIRMAN. Under the Ohio plan.

Mr. LEISERSON. It is 3 percent, 2 percent' paid by the employer and 1 percent' by the employee.

The CHAIRMAN. When was it passed?

Mr. LEISERSON. It was not passed; it was reported in 1932 to the legislature, passed one house but was not reported out by the committee in the other house.

The CHAIRMAN. So you have not the law yet?

Mr. LEISERSON. No, sir.

The CHAIRMAN. All right; proceed.

Mr. LEISERSON. The idea of the unemployment insurance provisions of this bill is that it is desirable as a security measure to use the principle of insurance for as many of the unemployed as it is possible to apply the principle of insurance to; that is to say, it is not possible to use the principle of insurance for all of the unemployed. It is possible to use the principle of insurance for the majority of the wage earners of the country, but not for all of those who are unemployed, and I will explain that presently.

If we are to use the principle of insurance, it is very plain that this principle cannot be used for the people who are now out of work, because the people who are now out of work are in the sense like people who have had their house burned down but carried no fire insurance. If they carried no fire insurance, you cannot make payments to them and then call it insurance. Whatever payments you do make are a relief in one form or another.

This bill provides that for those people who either are now at work or who are going to work from now on, those unemployed who get back to jobs, that as soon as they get back to work and have a

job, that they shall be insured against the future recurrence of unemployment. You cannot insure a person until he has a job and payments have been made, premiums paid, either by himself or in his behalf to take care of the emergency that will come later, through temporary unemployment for a shorter period, like seasonal unemployment or for a longer period.

So this clearly looks toward the security or providing a measure of security for those who are at work and who spend most of their time working. If, for example, a person is a casual wage earner, that either on his own account because he has some lack of quality or physical ability he cannot hold a steady job, insurance would not apply to him because he is not working steadily enough to pay the premiums or to have the payments of premiums paid in his behalf by the employer. And similarly if the employer's work is of a character to be casual, you cannot handle casual labor on the principle of insurance. But for the vast majority of wage earners that ordinarily support themselves by labor and their jobs, and ordinarily do not appear on the charity rolls of the community for those people I regard the principle of insurance as most important. That will not take in all those who suffer unemployment, but the majority of them.

Senator COUZENS. Do you mind an interruption there?

Mr. LEISERSON. Not at all.

Senator COUZENS. You spoke of the casual worker. I understand the employer has to pay the 3 percent on the casual worker's pay roll just the same.

Mr. LEISERSON. I think that would be true under this act. On the other hand, if the individual employee worked casually for one employer after another and appeared on enough pay rolls, he would be insurable in that way too, because it is provided that in general the proportion--he can draw one premium to four payments, so that if there have been four payments in his behalf, it would be possible for him to draw payments in that way, but where ordinarily he is a casual laborer in the sense of a person who just come to take a load of lumber and help to unload a load of lumber for half a day or so, he would be excluded from the act.

Senator COUZENS. Yes; but the employer would still have to pay on the pay roll.

Mr. LEISERSON. I think not.

Senator COUZENS. I do not find any deductions, presumably, under the bill for that.

The CHAIRMAN. Would that not apply, if in the aggregate there were 13 weeks of employment for four persons, and of course you would take that into consideration if he worked half a day in reckoning whether there was 13 weeks of employment there. Isn't that true?

Mr. LEISERSON. That is true.

Senator COUZENS. The 13 weeks of employment does not apply to the individual.

The CHAIRMAN. No, but it applies to the tax, doesn't it, Doctor, that he has to pay?

Senator COUZENS. No, if he has 4 or more employees for 13 weeks during the year, then he has to pay his 3 percent on the pay roll. I do not find any exemptions from the assessment of 3 percent of the pay roll in this bill.

Mr. LEISELSON. In the definition of "employer" under the act it states—

The CHAIRMAN (interrupting). What page is that on?

Mr. LEISELSON. At page 43, beginning with line 23 [reading]:

In determining whether an employer employs enough persons to be an "employer" subject hereto, and in determining for what tax he is liable hereunder, he shall whenever he contracts with any subcontractor—

That is only dealing with the problem where he contracts out.

Senator COUZENS. This refers to the subcontractors. That does not cover the point I had in mind.

Mr. LEISELSON. That is true. Before that, on line 17, if he has employed these persons "within each of 13 or more calendar weeks in the taxable year."

The CHAIRMAN. That is where?

Mr. LEISELSON. On page 43, line 17. If he has employed [reading]--

within each of 13 or more calendar weeks in the taxable year, at least four persons in employment subject to this title.

Under "employment" I think as it is written here, Senator, it is correct that he would pay in behalf of the casual employee.

Senator COUZENS. As I understand it, he pays 3 percent on his total pay roll, no matter how he pays it out?

Mr. LEISELSON. That is correct. I may say though, in the State bills that have been introduced, whether under the Ohio plan or under the Wisconsin plan, the usual proposal has been that casual labor is defined, and unless a person has had at least 4 weeks of work steadily or he has had a day or two regularly each week for a longer period, he is considered a casual laborer and exempted from the act. That is the way the problem of casual labor has been approached in these bills that have appeared in the States.

Senator HASTINGS. Doctor, has your committee or anybody representing the administration drawn the kind of a bill which they think the legislatures of the various States ought to adopt?

Mr. LEISELSON. Our committee has worked on a form of State bill—it has alternative forms rather than any one—that might be adopted by various States under the general provisions of this act.

Senator HASTINGS. Is it a very lengthy thing?

Mr. LEISELSON. This is as much of it as I have had [indicating]. I do not know that it has been finally approved by the committee, but this is what we have been working on, and it has several alternative proposals.

Senator HASTINGS. Mr. Chairman, I think it would be very helpful if the committee had before it the kind of a bill that the administration proposes to recommend to the various States. A great deal of the testimony given here is based upon the legislatures doing certain things. This bill does not require them to do any particular thing except to enact an insurance law for the workmen's insurance, a workmen's insurance law of some kind. I think if either now or at some time when that recommendation is perfected, that it would be a good thing to have it in our record.

The CHAIRMAN. Doctor, is that the draft of the one that will be suggested to the States?

Mr. LEISELSON. That is right.

The CHAIRMAN. Has that been approved by the committee?

Mr. LEISELSON. Not yet, It was sent to me to go over and send in suggestions .

The CHAIRMAN. Who got that up?

Mr. LEISELSON. The staff of the committee, with the assistance of the subcommittee on Unemployment Insurance.

The CHAIRMAN. Have you approved that yet?

Mr. LEISELSON. I have said that I think this is all right on the whole.

The CHAIRMAN. But the committee has not yet approved it?

Mr. LEISELSON. So far as I know, no, because I have not been informed as to the final way in which it would be recommended.

The CHAIRMAN. Senator Hastings, do you want this in the record for what it may be worth? It would seem to me that it would be better if we had one that had received the approval of the committee.

Mr. LEISELSON. I shall be glad to tell the committee to send over the final one that is approved and put it in the record.

The CHAIRMAN. I should think that would be better, don't you, Senator?

Senator HASTINGS. I agree with you.

Senator BLACK. May I ask you when you think it will be approved?

Mr. LEISELSON. It ought to be ready very soon now, because this came to me a week or so ago, and each of us was sending in our suggestions on it.

Senator BLACK. The reason I ask is that I have a letter from a State senator in Vermont who is very anxious to get a bill offered immediately and says that it is necessary that one be offered at once by reason of their legislative situation. Could it be possible for me to send him even the tentative proposals which you have?

Mr. LEISELSON. I think so. There are alternatives in here. What this is based on is partly the Ohio bill and partly the insurance bill recently introduced in New York State, and partly the Wisconsin act.

Senator BLACK. Have you an extra copy of that which is available?

Mr. LEISELSON. Yes, I can give you one.

The CHAIRMAN. Doctor Leiserson, will you communicate with Miss Perkins as Chairman of the Board, the wish of the committee that we might be furnished one that has received the approval of the Committee?

Mr. LEISELSON. Yes, sir; and I will have it done quickly.

The CHAIRMAN. And to get it to us as soon as possible?

Mr. LEISELSON. I will.

If we start with the premise that we want to use the principle of insurance, then in dealing with that part of the problem that is capable of being handled by insurance, there are certain things that follow that are important to bear in mind. First, how much premium shall you pay for the insurance? This bill provides that there shall be a 3 percent tax which really is the premium.

Why is it 3 percent? Insurance is not magic; you can buy only the amount of insurance that you can afford to pay for, and you will find in the Committee's report, the report of the Committee on Economic Security to the President, which I suppose has been mentioned to you before, you will find a table in that report on page 13, in which it lists roughly how much insurance you can buy for 3 percent of pay rolls, for 4 percent, or 5 percent of pay rolls.

In the report of the Ohio Commission on Unemployment Insurance, we prepared a more detailed table on the same question, that is, assuming that you use 2 percent of the pay roll—

The CHAIRMAN (interrupting). Does that report just apply to Ohio or does it apply to the country?

Mr. LEISERSON. Ohio only. Of course, it considers the problem of unemployment the country over, but it is purely a report of a committee appointed by the Legislature of Ohio to the Governor, in pursuance of a resolution of the legislature.

Senator KING. Did you participate in that?

Mr. LEISERSON. Yes, sir. There we figured out that if you had 2½ percent of pay rolls, as the premium, that could purchase insurance for a period of something like 15 weeks if the insurance were 50 percent of normal earnings, with a maximum of \$15—that is, assuming a person who earned more than \$30 a week, he would get only \$15, and if that were after a waiting period of 4 weeks before he could begin to draw insurance. Similarly we went down to 2¼ percent, 3 percent, 3¼ percent, and so on, showing the different amounts of insurance that can be bought by these premiums.

The CHAIRMAN. Will you put that part of the Ohio report in the record?

Mr. LEISERSON. I shall be glad to do so.

(The partial report referred to above is as follows:)

REPRINTED FROM THE REPORT OF THE OHIO COMMISSION ON UNEMPLOYMENT INSURANCE, NOVEMBER 1932

The commission has calculated the various amounts of unemployment insurance that can be bought for various premiums ranging from 2½ percent of the annual wages paid to the insured employee up to 5 percent. In doing this, it has considered the changes in cost of insurance, as the waiting periods and maximum limitation on amount and duration of benefits vary. Following is a summary of these calculations:

TABLE V.—Percent of pay roll required to purchase various amounts of unemployment insurance

Percent of pay roll *	Will buy benefit of 50 percent of wages-		
	For a period of—	With a maximum weekly benefit of—	After a waiting period of—
	Weeks		Weeks
2.55.....	13	\$15.00	4
2.75.....	13	15.00	3
2.94.....	13	15.00	2
2.94.....	13	17.50	3
1.13.....	13	17.50	2
3.26.....	16	15.00	3
3.45.....	16	15.00	3
3.49.....	16	17.50	2
3.87.....	20	15.00	3
4.10.....	20	15.00	2
4.36.....	26	15.00	2
4.40.....	20	17.50	3
4.67.....	26	17.50	2
5.03.....	26	17.50	3

After a very careful consideration of these combinations and of many others, the commission has reached the conclusion that a reasonable amount of protection can be purchased for approximately 3 percent of the pay roll, a price, which, when shared by employers and employees, will be easily borne and not represent an unreasonable charge upon industry. This percentage will buy the following amount of insurance:

A benefit of 50 percent of the normal weekly wage of the insured, beginning after a waiting period of 3 weeks, and payable for a period of 16 weeks, the maximum benefit in no case exceeding \$15 per week.

Senator COUZENS. Did that report contemplate the employee contributing also?

Mr. LEISERSON. Yes, sir. That report, I may say, recommended that the employer shall pay 2 percent and the employee 1 percent, but it did all of this calculation on the basis of the 3 percent, that is, regardless of where the contribution was coming from. I will discuss presently this question of contribution.

The CHAIRMAN. In your Ohio proposal, did you apply it on agriculture the same as on industry?

Mr. LEISERSON. No, sir.

The CHAIRMAN. You excluded agriculture?

Mr. LEISERSON. It excluded agriculture.

Senator HASTINGS. Doctor, you are talking about how much insurance 3 percent will buy. Does that not depend entirely upon the labor conditions, that is, if there are a great many people out of employment, 3 percent would not be enough and if there was nobody out, 3 percent would be too much?

Mr. LEISERSON. That is just what I want to explain. When you have accident insurance or life insurance, how much a \$25 premium will buy will depend upon how many accidents you will have and how many people are insured. Similarly, in the State of Ohio, fortunately, every employer with three or more employees, under the compensation act, has to report to the State compensation fund the pay roll every month, because there is an exclusive State compensation fund. We, therefore, had the data of fluctuations of employment from 1914 on to 1931, and on the basis—we employed an actuary to make the study—and on the basis of the Ohio figures, we could figure out as a matter of fact over those years.

The actuary used a very liberal estimate, the good years and the bad years, he used an average estimate of 13 percent unemployment, whereas usually over a period of years statisticians have said that over the good and bad years the average unemployment is about 10 or 11 percent. Our figures indicated that about 13 percent was closer, and so taking all those things into consideration we arrived at how much a certain amount of premium will buy. Whether that premium is adequate or not is a question that has to be decided in each particular case when you are going to pay the premium. We cannot start with the idea that we have got to have adequate insurance.

Every insurance agent tells me that I do not carry enough insurance to properly cover the needs of my family, and I think they are right, but why don't I? Simply because I cannot afford it. I purchase just the amount, of insurance that I can afford. Similarly, most working men do not have enough insurance to protect their families. Even the industrial insurance and the group insurance is inadequate and therefore most of our States have so-called mothers' "allowance laws and mothers aid laws", or "mothers' pensions" to take care of the

families because the insurance was inadequate or there was no insurance.

Here, the question is the same. The committee discussed it and found that at the present time it was mere judgment and opinion on their part, that at the present time or in 1936, 3 percent would be an amount that industry could afford to pay for this if business revived enough to be up say to 95 percent of the average production figure during the years 1923 to 1925. The Federal Reserve Board keeps those figures. If industry does not revive that far, if it revives only to 84 to 95 percent, then the committee thought industry could afford only 2 percent, and if the revival is less than 84 percent of that index, then they thought industry could afford only 1 percent.

Senator COUZENS. At that point may I ask you what yardstick you used to determine whether industry could afford a certain percentage?

Mr. LEISERSON. It did not take any one industry; it took the picture as a whole, and so far as a scientifically accurate yardstick, I may say it used none of that. It is a mere judgment on the basis of conditions as they are and the need that people have for security in the future, and in that was considered also as to what industry generally would think they can afford, what laborers think they can afford, what legislatures have shown that they thought they could afford; but there is no scientific or accurate basis for that at all. It is a judgment pretty much as most people will do with any insurance they carry. As one member of the committee I should say that if in your judgment industry can afford more, you ought to make it more.

Senator COUZENS. When you say "afford" I do not get you at all. How do you determine whether an industry can afford 3 or 2 or 1 percent; what factor do you use in determining it? What is your judgment, because you say it is judgment?

Mr. LEISERSON. In my own judgment, it is this. I start with the need of the wage earner for protection against irregularity of employment. I start with the idea of what that man earns; he dedicates his skill and ability and his life to that industry, and that there are certain costs involved in his labor similar to the overhead costs that the industry has.

For example, take these electric lights. During the daytime a large part of the plant is idle. We consider that the investor is entitled to a return on the idle investment as well as on the other part of the investment. We do not pay them only for the time they were operating. Similarly with the wage earner. No industry works regularly. There is always fluctuation in employment, and the wage earner has a claim. In my judgment, it is a part of the cost of production, that when he is temporarily laid off for a period, that some part of his expenses at least, at least enough to maintain him during that waiting period, shall be a charge on the industry.

Starting with that, the question arises as to whether the industry can afford it or not. If we are in a period when industry is moving downward, more and more people are being laid off, I should say at that time is not the time to begin to provide for this insurance fund, but when industry is starting upward, if it is moving upward, then is the time to begin to provide for these charges. When you ask me "How much", all I can say in answer to that is this: I personally believe that this charge will not make an additional cost to the industry;

it will actually result in a reduction in cost. The only question involved about affording is if the industry is in the red and going down; at that time you cannot put additional burdens on it, but as soon as it is moving upward and is getting out of the red, at that time it seems to me is the time to begin to put this charge on.

My personal opinion is that any industry that is moving upward and each month putting more and more employees on, the moment it is out of the red it can afford at least 3 percent for this purpose. If you will ask me why still further, I will say this: When the employee is not protected against irregularity of employment, he tries to protect himself by stretching out the job. I happen to have made a study of that question in very many plants. It was published as a book called "Restriction of Output in Unorganized Industry", which showed that the main cause for loafing, soldiering on the job, was fear of lay-offs with no protection. That is why I think that an industry can afford to put 3 percent on and it will save more than 3 percent, because the men will work and not soldier on the job in order to protect themselves as against a lay-off.

Senator COUZENS. As a matter of fact, the more they soldier on the job the more job there is for the unemployed, isn't there?

Mr. LEISERSON. No; I do not think so.

Senator COUZENS. You do not think so?

Mr. LEISERSON. No; the more they soldier on the job, the higher the cost is and the higher the prices have to be, and they make fewer jobs for themselves in the end.

Senator HASTINGS. Doctor, before you leave that, the examination that the actuaries made in Ohio covered a period of 16 years?

Mr. LEISERSON. From 1914 on to 1931.

Senator HASTINGS. Sixteen or seventeen years?

Mr. LEISERSON. I may say we have the complete actuarial calculation in volume 2 of this report. It is merely summarized in volume 1.

The CHAIRMAN. I wonder if you could not furnish to each member of the committee, a copy of those reports?

Mr. LEISERSON. I shall be glad to do so.

Senator HASTINGS. I want to inquire whether that 3 percent would have taken care of 13 percent of the unemployed?

Mr. LEISERSON. Oh, yes. I can tell you just how that worked out. We made a tabulation in which we calculated that suppose after the depression of 1921 we had started an unemployment insurance fund, say January 1923, when we were on the upward movement, how would that have worked out? It would have worked out something like this:

During every year down to and including 1929, it would have paid to all of those who were covered by the insurance, and when they suffered unemployment it would have paid them 50 percent of their normal earnings, their normal weekly earnings, with a maximum of \$15 a week, no more than that, for a period of 16 weeks, which they could have gotten; but of course you must know that most of the unemployed are out of work less than 16 weeks; but it was possible, that those who were out of work 16 or more would have gotten 16 weeks after the waiting period of 3 weeks. That is, the first 3 weeks they get nothing. That would have happened. And at the end of 1929 when the depression had to be faced, there would have been \$104,200,000 in a reserve fund to face the depression with.

Senator KING. That was in Ohio alone?

Mr. LEISERSON. In Ohio alone. The first year of the depression, 1930, we would have been able to take care of all of these people who were insured. on that same basis after the period of 3 weeks, for 16 weeks, and we would have paid out \$69,000,000 in benefits that year.

Senator HASTINGS. What year was that?

Mr. LEISERSON. 1930; the first year of the depression. And at the end of that year, we would have had \$84,000,000 left, because the premiums coming in, and \$69,000,000 paid out, \$84,000,000 would have been left in the reserve fund.

Senator HASTINGS. You would have taken \$20,000,000 from your reserve fund?

Mr. LEISERSON. That is right. Now, the second year of the depression, 1931, which was much worse, we would have paid out \$109,600,000 in unemployment benefits, but we would have had to take most of them from reserve and only \$11,200,000 would have been left at the end of 1931. But remember that the first 2 years of the depression, none of these people would have had to go on relief. They would have been protected.

The third year of the depression, 1932, we figured that the fund would probably have run out about in June, perhaps a little earlier—it would have been exhausted. In other words, 3 percent of the pay rolls would not buy any more than that amount of protection if we have a depression that lasts as long as the present one has lasted, and then we considered what might be done under those circumstances.

There were several things we thought of. If these people go on relief, on the whole they would have gotten less than one-half of what they get on relief, or at least what they did get in Ohio at that time, 75 cents per person per family per week. They would have gotten very much less than these benefits and, too, the emergency, having come, our bill in Ohio authorized the fund in an emergency like that to spread the benefits in the same way we spread work, where we say, "Let the people spread the work." That is to say, to reduce the benefits from say one-half of the normal earnings to say 40 percent or some other figure that would carry it through another year. It also authorized the fund to borrow either from private sources if it could get it, and after all this is an insurance company and there is no better security than the pay rolls of the State of Ohio, there is no better security than that; or they might borrow from the government, either from the State Government or from the Federal Government.

Another thing to bear in mind is that in all of this period the States would not have contributed a penny, not even for administration expenses. All of these calculations are entirely on the basis of a self-supporting fund, and rather, after say 2 years of depression and the depression lasts 2 more years—rather than tell these people to go on relief, it would be much more sensible in my judgment for the States to lend money to this fund for another year or two, as long as the depression lasts, so that these men, who never before were on a charity roll, it keeps them off the charity rolls with the loss of self-respect that that involves. It is up to the State when the depression comes, to lend that amount of money, it seems to me, even if they should never get it back.

Senator HASTINGS. But, Doctor, I understood, however, that the worker was limited in his benefit to 16 weeks under this bill?

Mr. LEISERSON. Yes, sir.

Senator HASTINGS. After 16 weeks, what happens to him if he has not got a job?

Mr. LEISERSON. That is true. If, for instance, during this period, any person was out of work for more than 16 weeks, steadily, at that time he would have to go back on his own resources and if however he had some work for another period, he could appear on the fund again the following year? but if he had no resources at the end of the 16 weeks, he would be just like most working people are—he would have to go on relief or relief work or charity. We figured further, if we could have made this fund 4½ percent in 1923, it would have carried them right through the year 1934.

Senator HASTINGS. But in none of your figures do you contemplate taking care of the worker longer than 16 weeks?

Mr. LEISERSON. Not on a 3-percent fund. If we had a 4½-percent fund, we could carry him for 20 or 26 weeks.

Senator HASTINGS. And then what happens to him?

Mr. LEISERSON. Then again if industry is in such a state that it cannot employ people for a year or two years, the insurance cannot cover it all. No insurance fund can. Therefore they get into the ranks of the permanently unemployed, and you cannot insure people who are permanently unemployed. You have got to do something else for them.

Senator HASTINGS. I think I understand it. This 16 weeks does not mean 16 weeks in every year. It means 16 weeks a year until he gets himself back on a job of some kind—and then how long does he have to work before he is again entitled to participate in the fund?

Mr. LEISERSON. He cannot draw more than 16 weeks in any 1 calendar year. That is what it does mean.

Senator HASTINGS. Does it give him, for instance, if he is on for 1933 for 16 weeks and beginning January 1934 he has not yet got a job, does he go on?

Mr. LEISERSON. He does not go on unless he in the meanwhile has gotten work again after his 16 weeks and payments have been made in his behalf.

Senator HASTINGS. How long would he have to be on again before he would be entitled to his 16 weeks?

Mr. LEISERSON. After that he could draw 1 week's benefit for 4 weeks payment.

The CHAIRMAN. Let me ask you, Doctor. Did you say this bill passed the house but did not pass the senate in Ohio?

Mr. LEISERSON. Yes, sir.

The CHAIRMAN. It was agitated for quite a long while, wasn't it?

Mr. LEISERSON. Agitation began early in 1931. A bill was introduced, it was not passed, and a commission was appointed as a result of that.

The CHAIRMAN. Was there very great opposition to it in the State which caused its defeat?

Mr. LEISERSON. There was opposition to it.

The CHAIRMAN. From what sources?

Mr. LEISERSON. The employers of the State objected to it, most of them. I may say in that connection that most of the support came

from the wage earners and from the professional classes and social workers.

The **CHAIRMAN**. They were perfectly willing to pay their part?

Mr. **LEISERSON**. The State Federation of Labor, the Ohio State Federation of Labor, went on record in favor of the employees' contribution. I may say, while we are on the question, that this Federal bill of course puts the entire premium on the employer and makes it a tax. But the intent of this bill is to have a cooperative scheme between the States and the Federal Government but which essentially this tax or payment will be levied by the States and the money used for the unemployed of the States! that the States will pass their own bills. As soon as a State passes its own bill and makes the premium 3 percent, that equals the Federal tax and then that cancels the liability to pay the Federal tax.

The **CHAIRMAN**. Let me ask you this question in that connection. This bill carries with it a 3-percent tax unless conditions should change, and then on the index of prices and improvement it might be shifted. Suppose Ohio should come in and put the 3-percent tax on, but 1 percent of which should be paid by the employee and 2 percent by the employer. Then the employer could not claim a deduction or a credit, could he, the 90 percent share in the bill?

Mr. **LEISERSON**. I do not know what the phraseology finally reads, but under the language that was approved by the committee, it was understood the employer could if a State enacted a bill with the employees' contribution for say 1 percent, that he could use all of that as against the tax.

The **CHAIRMAN**. Will you investigate the bill and let us know as an expert, whether or not that is carried in the proposition?

Senator **HASTINGS**. It is perfectly clear that the tax is laid upon the employer and he is entitled to deduct whatever he has paid to the State for a similar purpose out of the tax.

The **CHAIRMAN**. Up to 90 percent.

Senator **HASTINGS**. Up to 90 percent. So that if he had paid to his State, 2 percent instead of 3 percent, he could only take off two-thirds of it instead of three-thirds.

Mr. **LEISERSON**. But he could not take off the employees' contributions.

Senator **HASTINGS**. No; not at all. That is very certain.

The **CHAIRMAN**. What I am curious about is the statement! that the committee agreed upon another proposition.

Mr. **LEISERSON**. I will tell you what we agreed upon when we discussed it. We wanted to leave this matter of the insurance to be held by the States, and whatever our own opinion may be with respect to employees contributions or to other matters—waiting periods, or 3 percent, or 5 percent or whatever it was—we did not want to have the Federal Government impose its ideas on that of the States. The States were to be free to adopt a pooled insurance fund like Ohio or the Wisconsin plan, not pooled with separate accounts if they wanted to, they could have contributions or not. That was what we agreed upon. We wanted to leave the States free to have a contributory scheme if they so desired, or not to have it if they so desired. But my understanding was that if a State had it, the employer could deduct also for the 1 percent, but the question did arise as to whether it would be legal for him to deduct 1 percent contribution that the

employee made from the tax. That, I do not know. But our understanding was that we wanted the States free to have either plan if they so desired.

On inquiry I find that the bill clearly would permit employers to deduct only 2 percent if that is all they paid to a State fund and the employees paid the other 1 percent. That is to say the **employers** would have 2 percent remitted from the Federal tax and would have to pay 1 percent to the Federal Government.

The **CHAIRMAN**. Let me ask you this question under this tax. Of course we have set up some agencies that are in competition with some private institutions, such as the T. V. A., and such as the Mississippi Barge Lines, and so forth. Are those exempted from this tax, or is the tax imposed?

Mr. **LEISELSON**. Governmental authorities are exempted, you will find, in the definition of "employer."

The **CHAIRMAN**. You would construe then that the Mississippi Barge Line, which stock is owned by the Government but which runs in competition perhaps with other barge lines—

Senator **KING** (interposing). And with the railroads.

The **CHAIRMAN**. And with the railroads—that they would be exempt from the 3 percent: Is that your construction?

Mr. **LEISELSON**. Under the language as it is worded, I think they would be exempted, but I do not see any particular reason why they should be exempted.

Senator **CAPPER**. Doctor, isn't it probably true that when this system of unemployment-insurance gets started and gets going that this charge or tax that we are discussing, whether it is 1 percent or 3 percent, will be passed on by the industry, by the employer, to the consumer and to the public?

Mr. **LEISELSON**. It will if the entire matter is a cost, but if as a result of it the employee stops soldiering on the job to lengthen his job, even though he pays the 3 percent he will gain that much and perhaps more, so that it won't need to be passed on. That is just a question of fact. Every private employer that has done something to guarantee employment has found that the employees do produce more work. They save inefficiency and reduced costs when the fear of the employee of being laid off is taken away or at least partly taken away by a measure of this kind.

Senator **KING**. Doctor, referring to the question just propounded by Senator Harrison, what justification is there for the Government, to set up instrumentalities to engage in what might be denominated as private business, barge lines, electric-light plants, and what not—what justification is there to add further to the disadvantages of private industries in competition with the Government, that the Government and its employees so employed should not bear the burdens that are imposed upon private industries and private employers?

Mr. **LEISELSON**. If an industry or a project like the T. V. A. is primarily a Government business and the Government is running it, and the Government is the employer, I do not see any reason why those folks who work for the Government in that capacity should not be covered by the same measure. If, however, these governmental projects are designed to give work to the unemployed, and they are temporary, emergency measures of that kind, they are part of a

public-works project for relieving unemployment, then you have got another picture in the situation.

Senator KING. That may not be said of a barge line, though, which has been operating for years and seems to have all of the immortality that comes with Federal bureaus.

Mr. LEISERSON. I do not see any reason why they should not, except that in the Government service generally, where people have civil-service protection, sick leave, and other things of that kind, they are not laid off by the hour or by the week, and there is a different problem there that you might want to handle in a different way, but ordinarily I think everybody, whether Government employee or any other, ought to be covered by a measure of this kind.

The CHAIRMAN. Of course we have a Federal law that Federal employees may come in and contribute, and so forth. It may be that under these institutions that they might come in the other way, but I can see some unfairness in not imposing a tax on such projects which compete with private business.

Senator HASTINGS. Take the navy yard and the Public Printing Office, those people are laid off when the work is slack, and they are just as badly off as anybody else.

The CHAIRMAN. The Government Printing Office employees take this other insurance.

Senator COUZENS. Not the navy yard workers?

The CHAIRMAN. I do not know about the navy yard workers.

Senator HASTINGS. Unemployment insurance?

The CHAIRMAN. Yes.

Senator KING. Doctor, this will not interfere with your line of thought. Obviously, in the study of this question, you have looked into the system of unemployment insurance as it operates in other countries. Taking into account as you obviously would, the differences in the economic and perhaps the political and social conditions prevailing there and in the United States, what would you say as to the result of the system? Has it been satisfactory or reasonably so, and if so in which country has it been most satisfactory and under what system have the most satisfactory results been secured?

Mr. LEISERSON. Of course, there are different forms of unemployment insurance and unemployment relief in the different countries. Also the situations in the different countries are altogether different. On the whole, in my judgment, the British scheme has more than proved its value, and all groups of people in England, employers, employees, public men, all agree to that. But you must understand that when we say it proves itself, if you think of unemployment insurance as the remedy for the whole problem of unemployment, it is not, and no person who is sane will think that unemployment insurance is a remedy for unemployment. If you have fire insurance, it is not a remedy for fires, it is just to help people who suffer to avoid some of the suffering. Similarly with life insurance.

The preventive side of the picture is an altogether different thing. For unemployment you have to have very many remedies. It is not only one problem. As a matter of fact, some people are unemployed because of industrial accidents. If you look over the industrial accident laws, the workmen's compensation laws, they are not compensation for accidents, they are compensation for unemployment due to accidents. If I work at a machine and the machine

chops off my toe, I do not get insurance for the value of my toe. If on account, of that accident, I have lost 20 weeks of work, the law in Ohio provides for example—most of the laws are the same—first I get medical treatment and then I get 60 percent, in some States two-thirds, of the wages I lost during the 20 weeks because I could not work. That is unemployment insurance due to accidents.

Senator COUZENS. But at the same time, it has had the effect of reducing accidents, has it not?

Mr. LEISERSON. At the same time, one effect of it, in varying the premium—when after some experience and the premium was varied so that the people who had more accidents paid higher rates than those who had fewer accidents—then it had the effect in a good many industries of reducing accidents. But when you look over the figures over a long period of time, it is questionable as to how much in the way of reduction in accidents has really been accomplished, because the accidents move up and down too, but there is no question about it that when you have a merit rating scheme under an accident law, that employers get busy and introduce safety departments for the purpose of reducing accidents, and many industries have made really marvelous accomplishments in the way of reducing accidents.

Senator COUZENS. So that they are really not inseparable are they?

Mr. LEISERSON. Beg pardon?

Senator COUZENS. Insurance and the prevention of accidents are not inseparable?

Mr. LEISERSON. Exactly.

Senator COUZENS. You tried to demonstrate a while ago, that insurance and the prevention of accidents were two separate things, but they are not entirely separable?

Mr. LEISERSON. No. I think not. In our Ohio bill, we provided that after a period of 3 years, during which the 3 percent should be collected, an investigation should be made with the idea of classifying industries and groups of industries and a merit rating scheme worked out.

Senator HASTINGS. I was going to ask you about that.

Mr. LEISERSON. On the basis of which those who have a higher unemployment rate will pay a higher rate and the other a lower. We discussed varying the rates at that time from a minimum of 1 percent, to a maximum of 3½ or 4 percent, but that was only to come after we had enough experience. The same thing was true with the workmen's compensation. I happen to have worked for the first workmen's compensation commission in New York State in 1909, the so-called "Wainwright Commission", that introduced the first bill, which was later declared unconstitutional, and the argument, against it was exactly as many employers claim now, that it is not insurable—you do not have enough data on it—all of which was true, because until we began to insure we had no accurate data, because nobody was accurately reporting accidents.

After a few years of reporting accidents, under the insurance scheme, we were able to work out all sorts of classified rates on a merit rating basis, and I should say any unemployment-insurance scheme that is not worked out on the basis to stimulate prevention of unemployment is bad, and we have to work out a scheme and we think our Ohio plan, and so do the people in Wisconsin think, that their plan is designed to stimulate attention to the problem of prevention.

Nevertheless, we have to bear in mind that the problem of prevention of unemployment is not the individual employer's problem in the main. He can prevent unnecessary unemployment that comes from the fact that materials are not ready when they ought to be there, or from irregular buying seasons or things like that, or bad management in one way or another, and when he has to pay something more, he will give more attention to that; but he cannot prevent unemployment that is due to financial or international causes or anything of that kind. That would have to be dealt with by industries as a whole and by the Nation as a whole.

Senator COUZENS. When you studied that problem, Doctor, did you give any consideration to a guaranteeing of a minimum annual wage?

Mr. LEISERSON. Yes, sir.

Senator COUZENS. Is not that a great step toward the stabilization of employment?

Mr. LEISERSON. Very much so, sir. In fact, I worked on one of the first of those that was used. In the ladies' garment industry in Cleveland, which is a very seasonal industry, along about, 1919 an agreement was made between all of the employers in that industry in the city and the organization of employees by which a guaranty of 40 weeks was given, and it had a good deal to do with stimulating steady work there, but of course when this depression came along that whole thing disappeared.

We do provide in this bill that States may, in the bills that they pass, provide for guaranteed employment plans as one method of dealing with that or for individual reserve funds as a means of centering the employer's attention on his own employment, and we wanted to leave the States free to experiment with such things if they desired to.

The CHAIRMAN. In this bill, so far as the unemployment insurance features are concerned, there is no suggestion of coercion upon the part of the States, they are left perfectly free to do with it as they please.

Mr. LEISERSON. Exactly.

The CHAIRMAN. We do impose this tax, though, from the Federal standpoint and they get the credit?

Mr. LEISERSON. May I say a word on that? Some criticism before the House Ways and Means Committee where I appeared has been directed against this bill because it does not provide for a national insurance scheme, or because it does not provide for a so-called "national subsidy plan." The reason it does not provide that is for the reason that you have mentioned, Senator. It was the judgment of the committee that at this time it is not desirable for the National Government to lay down standards of unemployment insurance for all the States. You take the 3 percent—if we in Ohio found that 3 percent would work out, as this report showed it would work out, 3 percent in the State of Kansas won't work out that way at all, because you have got different risks—you have got different numbers of employees, different experience with unemployment, and at this time it is not possible to say that one rate will bring in all of the industries in the country. Therefore, the purpose of the national 3-percent tax is really to meet only one situation. The National Government is called upon to pay out great sums of money in doles.

There is no way of avoiding it if you make no other provision for unemployment. The National Government therefore wants to stimulate the States to provide for their own people, in their own way, and one way is unemployment insurance, and it is not the only way. The National Government may want to stimulate them to have public works for the unemployed, it may want to stimulate them to do various things that are remedies for unemployment in addition to insurance. It has already stimulated them to establish public employment bureaus. That is another remedy for unemployment.

The main reason that we have not been able to get more State laws enacted than the one in Wisconsin is that the employers, and properly, say, "If you put this tax on us in the State of Ohio and the same industries over in Kentucky do not have it, we will be at a disadvantage in competing with them." Personally I do not think that that is a sound economic argument. It has some merit, but——

The **CHAIRMAN** (interposing). It has a good deal of force.

Mr. **LEISERSON**. Yes, there is a good deal of force in it.

The **CHAIRMAN**. Do you think that if the Federal Government should lay this 3 percent generally over the country, that that would take a good deal of that argument away?

Mr. **LEISERSON**. It will take all of the argument away, and we can say then to the employers, "Now, your argument before"—that was one of their main objections—we can say, "Your main objection before was the disadvantage that you would be put to in competition. That is taken away." And in addition to that, many of these employers have said, "We would like to do it but we cannot because of the disadvantageous position we would be in." Therefore when we show them that they will have to pay the tax anyway, and competitors will, that objection will be removed and they will go along with State laws which many of them have said they would like to have if they could.

The **CHAIRMAN**. Let me ask you, Doctor. Of course in certain industries—I think you pointed it out previously—they employed more people than they do in another industry. For instance, in the textile industries they employ perhaps more than they would in the steel industry in proportion to the amount of profits and the capital invested. Have you given much thought to that proposition as to whether or not the 3 percent might be too heavy on some and not too heavy on others?

Senator **HASTINGS**. Before you answer that, let me make this suggestion. There are a great many industries where the pay roll is the largest part of the cost of the thing, too.

The **CHAIRMAN**. That was what the idea was that I was trying to convey.

Mr. **LEISERSON**. We have given thought to that. My own judgment is that 3 percent, when industry gets back somewhere near normal, when it gets to say 95 percent or somewhere around 90 percent of the 1926 level, that 3 percent is a minimum that all industries ought to afford, that beyond that, other industries may be able to afford more, but I would not put it on the basis of being able to afford from a profit point of view. I would put it on the basis merely that if one industry has a large amount of unemployment, that it ought to pay more because it is part of its cost. Another one that reduces unemployment, it ought to pay less. The moment you con-

sider the income or paying capacity of an industry, you are getting away from the principle of insurance.

If you want to deal with the problem of unemployment by taxing profitable industries or by putting heavy income taxes or anything like that upon them, that is one method that some people believe is a proper way of dealing with the problem, but it is not insurance. Just the same as many people believe in public works for the unemployed. The moment you are thinking of insurance, you have got to have your premium paid at the point where the risk is, and the risk is right there in the industry on the job. Personally, I think that is the only sound basis, the theoretical point of view is to have the employer pay the entire cost. Economically you cannot justify an expense for waiting to go back to work that way, by putting the burden on the employee. Not that way.

The argument for contribution is put on the basis that administratively it is desirable to have the employee have some interest, however small, that he has contributed to the fund. In the first place you then know by his own contribution that this fellow is entitled to insurance. That is in the first place. In the second place when they are distributing the benefits, if the employees think that it is the employers' money that is being distributed, they do not care what happens to it, but if it is some of their own money, then they will be very "hard-boiled" with fellow workers who try to take advantage of the fund in any way.

The third reason is this, in administering unemployment insurance funds, you have to have local administration. Around the employment office the whole thing has to center. The employee when he is out of work goes and registers at an employment office. He does not count as unemployed until he does register at the employment office. If a man is laid off and goes off on vacation for any reason and does not register as unemployed at the employment office, his unemployment does not begin until that day. At that employment office there is a waiting period of 2 or 3 or 4 weeks—whatever the States will make it, no standard is set in the Federal law—during which the employment office tries to find him a job and he tries to find a job. At the end of that period, the director of the employment office must certify that this fellow really cannot get another job, that the employment office has tried every way and he has tried. Then he is unemployed and he is entitled to benefits, but he may have a difference of opinion with the director, and so in Ohio the bill—and most of the bills have been framed in the same way—you have a joint committee of employers' representatives and employees' representatives to pass on those disputed questions as to whether a person is entitled or not entitled to benefits.

I think it is important that the employees should be represented in their own right on such committees. Therefore if they put a little money in it, it is in their own right and they will have a little more right to sit there. I do not think that is necessarily a complete argument, because the employee does contribute in suffering and the loss of employment himself anyway, and there is a good deal to be said on that side. Theoretically the industry should bear the cost for that kind of unemployment, and if it cannot be absorbed in the ordinary cost, be passed on to the consumer. For administrative and practical reasons, a small contribution by the employee might

be desirable, but we say let us not pass judgment on that once and for all, let us leave that to the States to work out whichever seems to be best in their judgment, and the State legislators can decide that for themselves.

Senator KING. In your Ohio bill, you provide for employees' contribution?

Mr. LEISELSON. Of 1 percent.

Senator KING. And that was endorsed by the American Federation of Labor?

Mr. LEISELSON. Yes, sir.

Senator KING. There is a sort of a moral reason as I gather your argument.

Mr. LEISELSON. Mainly moral and administrative.

Senator KING. It gives them an interest in the fund and they will be more careful in its disposition.

Mr. LEISELSON. Well, there was one other reason. At the time we framed this bill in 1931 and 1932, employers generally who favored these things said that 2 percent was all that they could afford and 2 percent would not bring enough in the way of benefits, and we thought) an additional 1 percent would help, although it probably would not be possible to get more than 2 percent from the employer.

Senator BLACK. Doctor, may I ask you a question or two on that? I understood you to say that eventually of course it was passed on to the consumers as a part of the cost. That is correct, isn't it?

Mr. LEISELSON. All costs of an industry, of course, must be passed on to and paid by the consumer.

Senator BLACK. Of course, if the contribution should be made entirely by the employee of the particular industry, that cost would be spread out on the employees of that particular industry only and no one else would contribute. That is correct, isn't it?

Mr. LEISELSON. If it were entirely by the employees, yes.

Senator BLACK. But when you simply make it an employers' payroll tax or sales tax, which is what it is, then it is spread out beyond the employees of the particular industry, all of the farmers, to all of the people in the Nation who buy the goods, and it is spread out on a broader base, isn't it?

Mr. LEISELSON. Oh, no; if you made the tax on the employees only of any industry, and if those employees worked making farm tractors, the farmers would pay the cost of that even though the employees made the contribution.

Senator BLACK. Let us see just a moment about that. If the employees of the tractor manufacturing company had a fund of their own, paid for out of their wages, which was not placed as a tax on the companies, that would be an employees fund and not enter into the costs of the company, would it?

Mr. LEISELSON. It would only if one employer or one group of employees of an employer set that up on a voluntary basis. If however it was compulsory on all employees, say in the tractor industry themselves to contribute 1 percent, within a very short time the wages of that industry will have to go up to include that 1 percent, and that would be passed on to the consumer.

Senator BLACK. That might or might not be true. Theoretically that is the position you assume.

Mr. LEISELSON. I will tell you when it would be and we will both be right. On the upward movement of the business cycle it would be

passed on, on the downward movement they would take that out of the employees, and some more.

Senator BLACK. What I am getting at is this: According to the theory then, that you have, at least a part of the time., which ever method is adopted, of the employer or of the employee, it eventually is spread out on all of those who buy consumable goods in the Nation. That is correct, is it not?

Mr. LEISERSON. Yes.

Senator BLACK. That being true, let us go back for a moment to the suggestion you made and the answer you made to the argument for a national subsidy. A national subsidy you said, one argument against it was—I jotted it down and I think I have it correctly—was because it was not deemed wise to impose national standards. Of course it is not absolutely essential that we adopt national standards in a broad sense in order to have a national subsidy, is it?

Mr. LEISERSON. Not necessarily, no; but the people who argue for the national subsidy, for instance Mr. Green said the reason he wants the national subsidy is because he wants to make sure that the waiting period shall not be more than 10 days or 2 weeks, that it must be a pooled insurance fund and it cannot be like the Wisconsin plan, that there must be no contribution whatever by the employee and he gave a list of the other standards that he wanted in, which he said you could impose when you had this subsidy.

Senator BLACK. We could impose it under this bill if we wanted to, couldn't we? There would be no trouble in imposing those standards in this bill, would there?

Mr. LEISERSON. Yes; you could impose those standards but if you did you would not have the States adopting the law. You would defeat your own purpose. For instance, if the State of Massachusetts which has a strong feeling—they had a commission like ours in Ohio—they thought we in Ohio were wrong, that we ought to have a scheme like the Wisconsin law. If you impose the standard which you mention on Massachusetts, Massachusetts would pass no law.

Senator BLACK. You think then they would lose their 3-percent tax rather than do it?

Mr. LEISERSON. I think so.

Senator BLACK. That would be a pretty big loss to the State of Massachusetts, wouldn't it?

Mr. LEISERSON. It depends on what you are going to do with the 3 percent tax.

Senator BLACK. You propose to turn it over to the Federal Government, do you not?

Mr. LEISERSON. Yes.

Senator BLACK. And that is a power or a force which you hold over the head of the people of the State of Massachusetts and would be a very substantial money loss to them if they did not pass the law.

Mr. LEISERSON. That is correct.

Senator BLACK. So that that in itself would be a sufficiently strong argument to at least be very persuasive that they had better adopt the standard suggested.

Mr. LEISERSON. It might overcome their objection to it.

Senator BLACK. The point I am getting at is that the argument that you suggest, that about national standards, is certainly no reason not to have a national subsidy system, is it?

Mr. LEISELSON. I would say that it is not the only argument. You can have even with the first plan-1 think you are entirely right-even with the present plan you could put the standard in or not put the standard in. You could have a national subsidy scheme with no standard, just as you say, but I would not agree that it is not an argument because you could not turn over the money——

Senator BLACK (interposing). It is not the only argument?

Mr. LEISELSON. No.

Senator BLACK. Then let us go just a step further. Then as a matter of fact there is not any question in your mind but that this employers' tax will be borne by the buyers of consumable goods?

Mr. LEISELSON. In the end.

Senator BLACK. The buyers of consumable goods in the main, in volume of money spent and the number of people buying the goods, is the greatest proportion of the people of this country of small incomes.

Mr. LEISELSON. That is right.

Senator BLACK. Therefore it means this tax will be in the main placed on the people with small incomes, does it not? There is no escape from that, is there?

Mr. LEISELSON. The greatest amount of the money will come from the people of the smaller incomes because that is where most of the purchasing power is. That is true.

Senator BLACK. Certainly. If we had a national subsidy system with the method of raising" taxes that the Federal Government can have on excess profits, on excess incomes and excess inheritances, we could shift a part of that burden to the larger incomes and thereby actually increase the aggregate purchasing power of the people with the small incomes, couldn't we?

Mr. LEISELSON. Well, I would not agree that we could, but I will agree this much, that it may be desirable, Senator, to have taxes on large incomes, inheritances, and so on. When you put your tax burden there, you do shift the burdens of government from the great mass of purchasers to the fewer that have more of the wealth. You are helping to redistribute wealth.

Senator BLACK. Income.

Mr. LEISELSON. And income; both. All right ; I agree with that, but when you are doing that, if that is what you want to do, do it, but do not pretend that we have anything like insurance when we are doing it.

Senator BLACK. I heard that argument a moment ago. Let us get back to that. Theoretically you say that you cannot have insurance unless it is paid exactly by the method you suggest. Insurance companies do not always require the insurance premiums to be paid by the man who dies, do they?

Mr. LEISELSON. No.

Senator BLACK. Does it cease to be insurance because somebody else pays the premium?

Mr. LEISELSON. In this case, for instance, we do not have the workman himself, he may not pay the insurance, but the employers pay the percentage according to the rate and the pay roll.

Senator BLACK. Would it cease to be insurance because if for instance you took 50 percent of that premium and took it from higher income taxpayers and excess profits, instead of from the small incomes

of the Nation? Would that prevent it being insurance if they paid a part of it?

Mr. LEISERSON. I think it would, Senator; because it would be taking money from a place where the risk is not located and paying it over to people who are unemployed so that you would have no reason for distinguishing the different kinds of unemployed people when you gave them money that way.

Senator BLACK. Why is the risk not, located in the large-income taxpayers and the excess-profits people. What happens to their business if you reduce the purchasing power of their consumers? Don't they have a risk and aren't they greatly interested, as vitally interested as anybody in the Nation, in that purchasing power?

Mr. LEISERSON. Everybody has an interest, but unless---

Senator BLACK (interposing). Don't they have an interest?

Mr. LEISERSON. They have an interest along with everybody.

Senator BLACK. Then if we collected some of this from them and let them make a part of the contribution, it would be collecting from somebody who has a very vital interest in those people.

Mr. LEISERSON. Yes. You can collect all of it from them, but I say it won't be insurance, for this reason. If you collect all of it from income or inheritance taxes, and I do not want to argue with you on that because I believe we ought to have for general government purposes heavier taxes on incomes and so on-on that principle I do not disagree with you, but I disagree with you only that as soon as you take your money from that source---

Senator BLACK (interposing). A part of it you mean..

Mr. LEISERSON. Any part of it-you are violating the principle of insurance, for this reason. Here is a man out of work, he is a casual laborer and he has been out of work 3 or 4 or 5 years, or he is a laborer—like in the railroad industry where I am engaged now. Some men have been out of work for 4 years. Insurance cannot handle their problem because they are not working and premiums cannot be paid in their behalf. I think they need to be taken care of. For such people it is perfectly all right to get your money in the way you say, but to mix such people up, and casual laborers, and people who for some reason, either mental or physical or moral, cannot hold a job steadily enough to make enough payments or to have enough payments on their behalf to insure themselves—to mix all of them into one group that gets unemployment money, it becomes what they have discovered in Europe to be an important distinction which they have to make—it becomes unemployment assistance or relief act and not an insurance act.

Senator BLACK. I understand there is quite a difference between those two.

The CHAIRMAN. Doctor, and Senator, one question. Professor Brown, of Princeton University, is here. I really wanted him to get back, because I do not want to keep him here from Princeton and his work. Would you mind desisting now and let us take Professor Brown and get through with him?

Mr. LEISERSON. I will be very glad to get a little rest myself.

The CHAIRMAN. Tomorrow we have Mr. Graham, president of the University of North Carolina, and who was chairman of the advisory council. We should like to take his statement at 10 o'clock in the morning.

Senator KING. When will the present witness resume?

The CHAIRMAN. Monday morning, Doctor Leiserson?

Mr. LEISERSON. I will be glad to come whenever the committee wishes.

The CHAIRMAN. You have made a very splendid statement, Doctor. It has been very helpful.

Mr. LEISERSON. Thank you, sir.

Senator HASTINGS. Somebody said there had been a brief prepared as to the constitutionality of this act. Are you familiar with it?

Mr. LEISERSON. No; I am not.

Senator KING. Do you know who prepared it? That is, if any was prepared?

Mr. LEISERSON. The representative of the Attorney General that was on the technical board was Mr. Holtzoff. He would be the one who would be handling that question.

I should like to say before closing that one of the reasons that I personally am for this State law rather than one Federal law is that I am interested in getting the principle of the thing established as soon as possible. No matter what act is passed, it will have to be tested in the courts, and you get opinions on all sides as to constitutionality. If however you adopt the plan which will enable some of those 44 legislatures that are now meeting, to enact laws in their own behalf, standing on their own feet, even though this Federal tax should be declared unconstitutional, if New York, Ohio, Pennsylvania, and some other States passed their own State laws, the Federal tax unconstitutionality would not affect their action, because taken on their own sovereignty rights. We may have half a dozen or more States enact such laws now, and that in my judgment would be much greater progress toward getting something in the way of security for unemployment than we would even if we adopted a national scheme right away. It will take 10 years to work it out.

Senator BLACK. I want to ask just one question on that. The quickest way to get the States to do it, and the way that has been held constitutional in connection with Federal aid, the quickest way to do it is to offer them an inducement to do it by a Federal subsidy. There is no question about that, is there?

Mr. LEISERSON. I am not prepared to say that a Federal subsidy would make it any quicker than a 3-percent tax. I am not prepared to say that that would happen.

Senator BLACK. I thought you would, because a while ago you said that you were afraid that they would not take this plan if we imposed standards?

Mr. LEISERSON. I am not sure. Of course, subsidies do help them to accept money; there is no question of that.

Senator BLACK. That has been upheld by the Supreme Court, hasn't it?

Mr. LEISERSON. That is true.

The CHAIRMAN. Dr. Leiserson, we will want you here when we get ready to go over these various paragraphs on unemployment insurance, so that you can explain each one as we go along.

Mr. LEISERSON. I will be at your service.

The CHAIRMAN. If there is any further addition to your statement, I wish you would furnish it, so we can carry it right along in that.