

# UNEMPLOYMENT COMPENSATION

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## HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE

EIGHTY-SECOND CONGRESS  
SECOND SESSION

ON

### S. 2504

A BILL TO PROVIDE SUPPLEMENTARY COMPENSATION BENEFITS  
IN CERTAIN CASES TO WORKERS UNEMPLOYED DURING  
THE NATIONAL EMERGENCY, AND FOR  
OTHER PURPOSES

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FEBRUARY 19, 20, 21, AND 22, 1952

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# UNEMPLOYMENT COMPENSATION

TUESDAY, FEBRUARY 19, 1952

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

The committee met, pursuant to notice, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Johnson of Colorado, Kerr, Frear, Taft, Butler of Nebraska, and Martin.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

This hearing is on S. 2504, a bill to provide supplementary unemployment compensation benefits in certain cases to workers unemployed during the national emergency, and for other purposes.

Mr. Reporter, please enter into the record at this point a copy of the bill and a brief analysis of the principle provisions of the measure.

(The bill referred to, S. 2504, and the analysis, follow:)

[S. 2504, 83d Cong., 2d sess.]

A BILL To provide supplementary unemployment compensation benefits in certain cases to workers unemployed during the national emergency, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Defense Unemployment Compensation Act of 1952".*

## FINDINGS AND DECLARATION OF POLICY

SEC. 2. (a) The Congress hereby finds that mobilization of the Nation's productive resources for the defense of the United States, and dislocations in the economy during the national emergency, have caused, directly and indirectly, large numbers of persons in certain areas to become unemployed. The Congress further finds that a large amount of such unemployment is among workers whose skills are and will be essential to the defense efforts of the Nation and its security; that the present benefits provided under State unemployment compensation laws are both inadequate and unfair to workers suffering such unemployment; and that alleviation thereof is essential to defense mobilization and must be considered to be part of the cost of the defense program.

(b) It is hereby declared to be the policy of this Act, through the exercise by the Congress of its power to promote the general welfare, during the national emergency, to provide unemployed workers in those States where such unemployment has become substantial, with supplementary payments in addition to the benefit payments to which unemployed workers are entitled under the unemployment compensation laws of such States, in such amounts as to prevent the imposition upon such workers of an inequitable share of the burden of the defense program.

## DEFINITIONS

SEC. 3. When used in this Act—

(a) The term "weekly wages" means, with respect to an individual (1) "average weekly wage" as defined in the unemployment compensation law of any State if the period used under such law for determining compensation for a week of total

unemployment includes specified weeks of employment; or (2) one-thirteenth of the high-quarter wages, if the period used in the unemployment compensation law of any State for determining compensation for a week of total employment is the quarter of highest wages in the base period: *Provided*, That if it is impracticable for any State to apply either definition (1) or (2), the Secretary may approve such other definition for such State as he shall find to be fair and reasonably consistent with the purposes of definitions (1) and (2) and with the procedures for determining benefit amounts in such State.

(b) For purposes of this Act, the term "national emergency" means the period beginning ten days after the enactment of this Act and ending with the last day of the calendar quarter in which the President proclaims the emergency declared by Proclamation Numbered 2914, December 16, 1950 (3 CFR, 1950 Supp. p. 71), to have terminated or in which the Defense Production Act of 1950, as amended, is terminated, whichever date is later.

(c) The term "State" includes the District of Columbia, Alaska and Hawaii.

(d) The term "Governor" means the chief executive of any State including the Commissioners of the District of Columbia.

(e) The term "Secretary" means the Secretary of Labor.

#### AGREEMENTS WITH THE STATES

**Sec. 4.** (a) Whenever the Governor of any State certifies, and the Secretary finds, that within his State, or within one or more labor market areas of his State, there exists substantial unemployment among workers covered by the unemployment compensation law of the State with no prospect of immediate reemployment in the labor market area, the Secretary shall on behalf of the United States enter into an agreement with such State, or with the agency administering the unemployment compensation law of such State, under which the State agency (1) will make as agent of the United States, supplementary payments of compensation to all unemployed individuals in the State on the basis provided in subsection (b) of this section during the national emergency and (2) will otherwise cooperate with the Secretary and with other State agencies in making payments of compensation under this Act.

(b) Any such agreement shall provide that—

(1) the term of such agreement shall be for twelve months from the date of the Governor's certification unless (a) the Governor of the State withdraws his certification as provided in section 6 of this Act, in which event the agreement shall terminate. At the end of such period, the Governor of such State may recertify that there still exists within his State or within one or more labor market areas of his State, substantial unemployment among workers covered by the unemployment compensation law of the State, with no prospect of immediate reemployment in the labor market areas. If the Secretary also finds, the agreement may be extended for additional periods of twelve months;

(2) Federal supplementary payments of compensation under this Act shall be payable to an individual in a State with respect to his unemployment occurring after the date of the certification by the Governor of such State;

(3) the amount of the Federal supplementary payment of unemployment compensation to an individual for a week of total unemployment shall be an amount equal to 50 per centum of the amount payable to such an individual under the provisions of the unemployment compensation law of such State (exclusive of any payments made with respect to his dependents) for such week so long as the aggregate amount paid to the individual under the provisions of this Act and under the unemployment compensation law of the State does not exceed 65 per centum of the individual's weekly wages; where the State unemployment compensation law provides additional benefits for individuals with dependents, the amount of the Federal supplementary payments to individuals with dependents shall be increased by an amount equal to that allowed by the State law for such dependents. In no case, however, shall the aggregate amount paid to an individual under the provisions of this Act and under the unemployment compensation law of the State exceed 67½ per centum of weekly wages in the case of an individual with one dependent, 70 per centum of weekly wages in the case of an individual with two dependents, 72½ per centum of weekly wages in the case of an individual with three dependents, and 75 per centum of weekly wages in the case of an individual with four or more dependents;

(4) the amount of the Federal supplementary payment of unemployment compensation to an individual for a week of partial unemployment shall be the amount necessary to provide such individual with a weekly benefit equal to the aggregate he would have received under paragraph (3) of this subsection for a week of total unemployment, less his earnings for such week in excess of the partial earnings allowance, if any, permitted by the unemployment compensation law of the State;

(5) any Federal supplementary payment under this Act shall be rounded to the nearest dollar; and

(6) any determination by a State agency with respect to Federal supplementary payments under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation laws, and only in such manner and to such extent.

(c) Any agreement under this Act shall provide that compensation otherwise payable to any individual under the State's unemployment compensation law will not be denied or reduced for any week by reason of any payment made pursuant to such agreement. No agreement under this Act for payment of compensation by a State agency shall be valid if compensation payable to any individual under the law of such State is less than it would have been under such law as it existed on January 1, 1952.

#### WITHDRAWAL OF CERTIFICATION

SEC. 5. Whenever a Governor who has made a certification under this Act determines that there no longer exists within his State or within one or more labor market areas of his State substantial unemployment among workers covered by the unemployment compensation law of such State, he shall withdraw his certification to the Secretary, after which no payments under this Act shall be made to individuals in that State with respect to weeks of unemployment occurring after the date on which the Governor withdraws his certification.

#### PAYMENTS TO STATES

SEC. 6. (a) Each State shall be entitled to be paid by the United States an amount equal to the additional cost to the State of payments of compensation made under and in accordance with an agreement under this Act which would not have been incurred by the State but for the agreement.

(b) In making payments pursuant to subsection (a) of this section, there shall be paid to the State, either in advance or by way of reimbursement, as may be determined by the Secretary, such sums as the Secretary estimates the State will be entitled to receive under this Act for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made upon the basis of such statistical sampling, or other method, as may be agreed upon by the Secretary and the State agency.

(c) The Secretary shall from time to time certify to the Secretary of the Treasury for payments to each State sums payable to such State under this section. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, from the funds for carrying out the purposes of this Act.

(d) All money paid a State under this Act shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned, at the time specified in the agreement under this Act, to the Treasury, and credited to current applicable appropriations, funds, or accounts from which payments to States under this Act may be made.

(e) An agreement under this Act may require any officer or employee of the State certifying payments or disbursing funds pursuant to the agreement, or otherwise participating in its performance to give a surety bond to the United States in such amount as the Secretary may deem necessary, and may provide for the payment of the cost of such bond from funds for carrying out the purposes of this Act.

(f) No person designated by the Secretary, or designated pursuant to an agreement under this Act, as a certifying officer shall in the absence of gross negligence or intent to defraud the United States, be liable with respect to the payment of any compensation certified by him under this Act.

(g) No disbursing officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under

this Act if it was based upon a voucher signed by a certifying officer designated as provided in subsection (f) of this section.

(h) For the purpose of payments made to a State under title III of the Social Security Act, as amended, administration by the State agency of such State pursuant to an agreement under this Act shall be deemed to be a part of the administration of the State unemployment compensation law.

#### INFORMATION

Sec. 7. The agency administering the unemployment compensation law of any State shall furnish to the Secretary such information as the Secretary may find necessary or appropriate in carrying out the provisions of this Act, and such information shall be deemed reports required by the Secretary for the purposes of paragraph (6) of subsection (a) of section 303 of the Social Security Act, as amended.

#### PENALTIES

Sec. 8. Whoever makes a false statement or representation of a material fact knowing it to be false, or knowingly fails to disclose a material fact, to obtain or increase for himself or for any other individual any payment authorized to be paid under this Act or under an agreement thereunder shall be fined not more than \$1,000, or imprisoned for not more than one year, or both.

#### REGULATIONS

Sec. 9. The Secretary is hereby authorized to make such rules and regulations as may be necessary to carry out the provisions of this Act. The Secretary shall insofar as practicable consult with representatives of the State unemployment compensation agencies before prescribing any rules or regulations which may affect the performance by such agencies of functions pursuant to agreement under this Act.

#### APPROPRIATIONS

Sec. 10. There are hereby authorized to be appropriated, out of any moneys not otherwise appropriated, such sums as are necessary to carry out the provisions of this Act, the amount of any such payment to be entered in the budget of the Department of Defense as an item in the cost of defense mobilization.

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#### PRINCIPAL PROVISIONS OF S. 2504

The title and the section on "Findings and declaration of policy" justify the Federal supplementation of State unemployment compensation benefits on the ground that the mobilization of the Nation's productive resources for the defense of the United States and the dislocations in the economy during the national emergency have caused, directly and indirectly, large numbers of persons in certain areas to become unemployed. The bill provides for Federal supplementary benefits to individuals entitled to benefits under a State unemployment compensation law whenever the Governor of the State has certified, and the Secretary of Labor has found, that within the State or a labor-market area in the State, there is a substantial unemployment among covered workers with no prospect of immediate re-employment in the labor-market area. Upon such certification and finding, the Secretary is directed to enter into an agreement with the State under which the State unemployment compensation agency will, during the national emergency, make the supplementary benefit payments, as agent for the United States, and will be reimbursed by the United States for any additional costs of such payments.

The Federal supplementary benefits are payable to workers in the State with respect to weeks of unemployment occurring after the date of the Governor's certification and for 12 months thereafter, unless the certification is sooner withdrawn or at the end of such period the Governor recertifies. The worker's rights to benefits are determined under the State unemployment compensation law, and only if he is entitled to benefits thereunder does he get the Federal supplementation. However, no agreement may be entered into unless unemployment compensation otherwise payable to a worker under the State law will not be denied or reduced for any week by reason of a Federal supplementary payment. Nor is an agreement valid if State benefits are less than they would have been under the State law as it existed on January 1, 1952.

The amount of the Federal supplementation is 50 percent of the worker's State benefit, but his aggregate benefit (Federal and State) may not exceed 65 percent of his weekly wages. However, where a State law provides dependents' allowances, the Federal supplementation to individuals with dependents is increased by an amount equal to the dependents' allowances provided by the State law, but the worker's aggregate benefit (Federal and State) may not exceed 67½ percent of weekly wages in the case of an individual with one dependent, 70 percent of weekly wages in the case of an individual with two dependents, 72½ percent of weekly wages in the case of an individual with three dependents, and 75 percent of weekly wages in the case of an individual with four or more dependents.

Appropriations to carry out the purposes of this bill are authorized, the amount of any such payment to be entered in the budget of the Department of Defense as an item in the cost of defense mobilization.

The CHAIRMAN. We will also insert in the record some other documents here. First is a résumé of the recommendations on unemployment insurance of the Advisory Council on Social Security to the Senate Committee on Finance in 1949. The advisory council was set up by this committee, of course, and it made an exhaustive study of the whole subject.

(The document referred to follows:)

**RÉSUMÉ OF RECOMMENDATIONS ON UNEMPLOYMENT INSURANCE OF THE ADVISORY COUNCIL ON SOCIAL SECURITY TO THE SENATE COMMITTEE ON FINANCE, 1948-49.**

The majority of the council agreed that 10 years of experience with the State-Federal system of unemployment insurance had demonstrated that the State is the proper unit to determine benefit provisions which meet varying conditions in different parts of the country. Five members dissented in favor of a single national system. The recommendations of the council were prefaced by a discussion of five major deficiencies of the existing system.

**FIVE MAJOR DEFICIENCIES**

1. Inadequate coverage (7 out of 10 employees covered).
2. Benefit financing which allows States to compete for low contribution rates thus acting as a barrier to liberalization of benefits.
3. A contribution rate which fluctuates inversely with the volume of employment, declining with full employment when the fund should increase, and increasing with unemployment when funds are scarce.
4. Administrative methods requiring improvement, especially with regard to financing of costs, handling of interstate claims, prompt payment of valid claims, and greater care to prevent payment of invalid cases.
5. Lack of adequate employee and citizen participation in the program.

**RECOMMENDATIONS FOR IMPROVEMENT**

*Coverage.*—Extend coverage to include employees of small firms, nonprofit organizations, Federal civilian employees, members of the Armed Forces, borderline agricultural workers, and to include tips in definition of wages. Although the goal is universal coverage, administrative difficulties preclude coverage of other groups—notably domestic and farm workers—at this time.

*Contributions.*—The tax should be paid by employees as well as employers at a minimum contribution rate of 0.75 percent each, with an 80 percent (rather than 90 percent) offset, thus setting a minimum combined rate of 1.2 percent (0.6 percent each by employer and employee). The rate should always be based on cost estimates for at least 10 years in advance.

*Maximum wage base.*—Maximum for taxable wages should be increased from \$3,000 to \$4,200.

*Loan fund.*—The Federal Government should provide a loan fund for the use of States in danger of exhausting their reserves, such loans to be for a 5-year period and to carry interest at the average rate for all interest-bearing obligations of the Federal Government.

In the case of States experiencing temporary exhaustion of funds but with a contribution rate sufficient to support the system over the cycle, the loans will be

self-liquidating in time as contributions yield sufficient revenue for their repayment. If a State's contribution rate is too low to meet costs of a 10-year period, that State should increase its unemployment contribution rate after the volume of unemployment has declined, or use other revenue sources.

No loan should be greater than the estimated requirements for the next 12 months, but no limit should be set on the total amount a State may borrow.

If a State increased its contribution rate before covered unemployment has dropped below a given percentage (10-12 percent) further loans should be denied.

To provide for prompt repayment of loans, Federal law should require that taxes in excess of those required for benefit payments for the next quarter be applied against the loan.

The loans should be negotiated by the Federal Security Administrator on application of the State agency—the Administrator to approve loans for payment by the Treasury.

One-half of any surplus over expenses incurred in the collection of the tax and the administration of the system should be appropriated and credited to the loan fund (the other half for administration as below). The amount authorized for such purposes by the War Mobilization and Reconversion Act of 1944, but not appropriated, should stand to the credit of the new loan fund. Additional sums as needed should be appropriated from general Federal revenues.

*Administration.*—Income from the Federal Unemployment Insurance Tax Act should be dedicated to unemployment insurance purposes: half of any surplus over expenses incurred in collecting the tax and administering the service should be proportionately assigned to the States for administration or benefit purposes (the other half to the loan fund as above) instead of depending upon the general revenues of the Government for administrative expenses as in the existing law. Because the programs are peculiarly sensitive to changing economic conditions a contingency item should be added to the regular congressional appropriation for costs of administration.

Funds allotted to States for administration should be earmarked, each State getting the proportion that taxable wages in that State bear to all taxable wages in the United States. The right to use such excess funds should be limited to 3 years after their receipt in order to encourage the use of such funds for better administration or for more liberal benefits.

*Experience rating.*—The Federal act should require that a State plan provide: (1) a minimum employer contribution rate of 0.6 percent; (2) an employee rate no higher than the lowest rate payable by an employer; and (3) a rate for newly covered and newly formed firms for the first 3 years under the program which does not exceed the average rate for all employers in the State. Such a contribution rate would also promote better relationship between the tax and cyclical movements of business.

*Interstate claims.*—The Social Security Administration should be empowered to establish standard procedures for combining wage credits earned in more than one State.

*Federal standards.*—Because the present law does not specify methods to prevent improper payment of claims, it should be amended to describe Federal concern to prevent such payments, as well as with full payments of benefits when due.

A Federal standard of disqualifications should be described, prohibiting States from (1) reducing or canceling benefit rights as a result of disqualification except for fraud or misrepresentation, (2) disqualifying persons discharged because of inability to do the work, and (3) postponing benefits for more than 6 weeks as a result of a disqualification except for fraud or misrepresentation.

*Study of supplementary plans.*—Congress should direct the Federal Security Agency to study the comparative methods of unemployment assistance, work relief, extended unemployment insurance benefits, or other income maintenance devices (including public works) to determine their comparative merits in times of severe unemployment.

The CHAIRMAN. There will be inserted a chart compiled by the Department of Labor showing the significant provisions of the State unemployment laws as of October 1, 1951.

(The document referred to follows:)

Significant provisions of State unemployment insurance laws, Oct. 1, 1951

[Prepared by the Division of Legislation and Reference for ready reference and comparative purposes. Because of the impossibility of giving qualifications and alternatives in brief summary form, the State law and State employment security agency should be consulted for authoritative information. In general, the State laws cover employment in most types of business and industry, except employment for railroads which is covered by a separate Federal law.]

State	Size of firm (minimum number of employees and/or size of payroll in a calendar year)	Wage or employment qualification (number times weekly benefit amount <sup>1</sup> unless otherwise indicated)	Initial waiting period (weeks)		Computation of weekly benefit amount <sup>1</sup> (fraction of high-quarter wages <sup>2</sup> unless otherwise indicated)	Weekly benefit amount <sup>1</sup> for total unemployment		Weekly benefit amount for partial unemployment <sup>4</sup> (weekly benefit less wages in excess of specified earnings allowance)	Duration in 52-week period		
			Total unemployment	Partial unemployment		Minimum <sup>3</sup>	Maximum <sup>3</sup>		Proportion of wages in base period (unless otherwise indicated)	Weeks of benefits for total unemployment	
										Minimum	Maximum
Alabama.....	8 in 20 weeks..	35; and \$112.01 in 1 quarter.	1	2	1/2.....	\$6.00	\$22.00	\$2.....	1/2.....	11+	20
Alaska.....	1 at any time	\$150.....	1	1	1/2, plus 20 percent weekly benefit amount for each dependent up to 3.	8.00-10.00	30.00-48.00	\$5.....	1/2.....	* 8	25
Arizona.....	3 in 20 weeks..	30; and wages in 2 quarters.	1	1	1/2, plus \$2 for each dependent up to \$6.	5.00- 7.00	20.00-26.00	\$5.....	Uniform.....	12	12
Arkansas.....	1 in 10 days..	30	1	1	1/2 to 1/2.....	7.00	22.00	\$3.....	1/2.....	10	16
California.....	1 at any time and \$100 in same quarter.	30 times weekly benefit amount or 1 1/2 times high-quarter wages whichever is less, but not less than \$300.	1	1	1/2 to 1/2.....	10.00	25.00	\$3.....	1/2.....	* 15	25
Colorado.....	8 in 20 weeks..	30	2	2	1/2.....	7.00- 9.00	* 22.75-28.50	\$3.....	1/2.....	* 10-25	* 20-25
Connecticut.....	4 in 13 weeks..	\$240 and wages in 2 quarters.	1	1	1/2, plus \$3 for each dependent up to 1/2 weekly benefit amount.	8.00-11.00	24.00-36.00	\$3.....	1/2.....	* 8+	25
Delaware.....	1 in 20 weeks..	30	1	1	1/2.....	7.00	25.00	\$2.....	1/2.....	* 11	25
District of Columbia.	1 at any time.	25 up to \$250.....	1	1	1/2, plus \$1 for each dependent up to \$3.	6.00- 7.00	* 20.00	3/4 of weekly benefit amount.	1/2.....	* 12+	20
Florida.....	8 in 20 weeks..	30; and wages in 2 quarters.	1	1	1/2 to 1/2.....	5.00	20.00	\$5.....	1/2.....	7+	16
Georgia.....	do.....	35 to 42+ and \$100 in 1 quarter and wages in 2 quarters.	1	1	1/2.....	5.00	20.00	\$5.....	Uniform.....	20	20

See footnotes at end of table, p. 12.

Significant provisions of State unemployment insurance laws, Oct. 1, 1951—Continued

State	Size of firm (minimum number of employees and/or size of payroll in a calendar year)	Wage or employment qualification (number times weekly benefit amount <sup>1</sup> unless otherwise indicated)	Initial waiting period (weeks)		Computation of weekly benefit amount <sup>1</sup> (fraction of high-quarter wages <sup>2</sup> unless otherwise indicated)	Weekly benefit amount <sup>1</sup> for total unemployment		Weekly benefit amount for partial unemployment <sup>3</sup> (weekly benefit less wages in excess of specified earnings allowance)	Duration in 53-week period		
			Total unemployment	Partial unemployment		Minimum <sup>4</sup>	Maximum <sup>4</sup>		Proportion of wages in base period (unless otherwise indicated)	Weeks of benefits for total unemployment	
										Minimum	Maximum
Hawaii.....	1 at any time..	30.....	1	1	1/8.....	\$3.00	\$25.00	\$2.....	do.....	20	20
Idaho.....	1 at any time and \$75 in any quarter.	25 to 28; and \$150 in 1 quarter and wages in 2 quarters.	1	1	1/8 to 1/8.....	10.00	25.00	1/2 of weekly benefit amount.	Weighted schedule 40 percent to 29 percent.	10	26
Illinois.....	6 in 20 weeks..	\$300 (effective benefit year beginning Apr. 1, 1952, \$400).	1	1	1/8.....	10.00	\$25.00		Weighted schedule 47 percent to 33 percent (effective benefit year beginning Apr. 1, 1952, 46 percent to 32 percent.	10	26
Indiana.....	8 in 20 weeks..	\$250 and \$150 in last 2 quarters.	1	1	1/8.....	5.00	27.00	\$3 from other than regular employer.	1/4.....	12+	20
Iowa.....	8 in 15 weeks..	20.....	1	2	1/8.....	5.00	26.00	\$3.....	1/4.....	6+	20
Kansas.....	8 in 20 weeks or 25 in 1 week.	\$100 in 2 quarters or \$300 in 1 quarter.	1	1	1/8 up to 50 percent of State average weekly wage, but not more than \$28.	5.00	26.00	\$2.....	1/4.....	6+	20
Kentucky.....	4 in 3 quarters of preceding year each with wages of \$50 in each quarter, or 8 in 20 weeks.	\$300.....	1	1	Annual wage formula; weighted schedule 2.7 percent to 1.0 percent.	8.00	24.00	1/2 of wages.....	Uniform.....	24	24
Louisiana.....	4 in 20 weeks..	30.....	1	1	1/8.....	5.00	25.00	\$3.....	1/4.....	10	20
Maine.....	8 in 20 weeks..	\$300.....	1	1	Annual wage formula; weighted schedule 2.3 percent to 0.85 percent.	7.00	25.00	\$3.....	Uniform.....	20	20



Maryland.....	1 at any time..	\$0; and \$156 in 1 quarter.	0	0	1/2, plus \$2 for each dependent up to \$8.	6.00-8.00	25.00-33.00	\$2.....	1/4.....	7+	26
Massachusetts.....	1 in 13 weeks	\$500.....	1	1	1/2, plus \$2 for each dependent, total not to exceed average weekly wage.	7.00-8.00		None.....	1/2.....	*2+	23
Michigan.....	8 in 20 weeks..	14 weeks of employment at more than \$8.	1	1	67 percent to 53 percent of average weekly wage plus \$1 or \$2 per dependent, by schedule \$1 to \$4.	6.00-7.00	27.00-35.00	Weekly benefit amount, if wages less than 1/2 basic weekly benefit amount; 1/2 weekly benefit amount if wages are at least 1/2 basic weekly benefit amount.*	1/2 weeks of employment.	9+	20
Minnesota.....	1 in 20 weeks or 8 in 20 weeks.*	\$300.....	1	1	Annual wage formula; weighted schedule 3.3 to 0.91 percent.	10.00	25.00	\$3.....	Weighted schedule 47 to 23 percent.	14	25
Mississippi.....	8 in 20 weeks..	30.....	1	1	1/2.....	3.00	20.00	\$2.....	Uniform.....	16	16
Missouri.....	do	Wages in 2 quarters*.	1	1	1/2.....	1.50	25.00	\$4.....	1/2.....	(?)	24
Montana.....	1 in 20 weeks or \$500 in a year.	30.....	2	(10)	1/2.....	7.00	20.00	(10).....	Uniform.....	18	18
Nebraska.....	8 in 20 weeks or \$10,000 in any quarter.	\$300.....	1	1	1/2 to 1/2.....	8.00	24.00	Weekly benefit amount, if wages less than 1/2 weekly benefit amount; 1/2 weekly benefit amount, if wages are at least 1/2 of weekly benefit amount.	1/2.....	*12	20
Nevada.....	1 at any time and \$225 in same quarter.	30.....	0	0	1/2, plus \$3 for each dependent up to 6 percent high-quarter wages.	8.00-11.00	25.00-37.00	\$3.....	1/2.....	10	26
New Hampshire....	4 in 20 weeks...	\$200.....	1	2	Annual wage formula; weighted schedule 2.3 to 1.27 percent.	7.00	28.00	\$3.....	Uniform.....	26	26

See footnotes at end of table, p. 12.

Significant provisions of State unemployment insurance laws, Oct. 1, 1951—Continued

State	Size of firm (minimum number of employees and/or size of payroll in a calendar year)	Wage or employment qualification (number times weekly benefit amount unless otherwise indicated)	Initial waiting period (weeks)		Computation of weekly benefit amount (fraction of high-quarter wages unless otherwise indicated)	Weekly benefit amount <sup>1</sup> for total unemployment		Weekly benefit amount for partial unemployment <sup>2</sup> (weekly benefit less wages in excess of specified earnings allowance)	Duration in 52-week period		
			Total unemployment	Partial unemployment		Minimum <sup>3</sup>	Maximum <sup>3</sup>		Proportion of wages in base period (unless otherwise indicated)	Weeks of benefits for total unemployment	
										Minimum	Maximum
New Jersey.....	4 in 20 weeks	25	1	1	1/2	\$10.00	\$26.00	\$3	1/2	10	26
New Mexico.....	1 at any time and \$450 in same quarter or 2 in 12 weeks	30; and \$156 in 1 quarter.	1	1	2/3	10.00	21.00	3	2/3	12	24
New York.....	4 in 15 days	30; and \$100 in 1 quarter (effective benefit years beginning Dec. 31, 1951, 20 weeks of employment at average of \$15).	1	2-4	1/2 (effective benefit years beginning Dec. 31, 1951, 67 percent to 52 percent of average weekly wage).	10.00	26.00	"	Uniform	26	26
North Carolina.....	8 in 20 weeks	\$250	0	0	Annual wage formula; weighted schedule 2.8 percent to 1.0 percent.	7.00	30.00	\$2	do	26	26
North Dakota.....	do	30; and wages in 2 quarters.	1	1	1/4, plus \$1 or \$2 per dependent, by schedule \$2 to \$6.	7.00-9.00	25.00-31.00	\$3	do	20	20
Ohio.....	3 at any time	14 (effective benefit years beginning Jan. 1, 1952, 20) calendar weeks of employment; \$240 and \$80 in 1 quarter.	1	1	1/2 to 1/4, plus \$2.50 for each dependent up to \$5.	10.00-12.50	25.00-30.00	\$2	1/2 (effective benefit years beginning Jan. 1, 1952, 1/2).	16	26
Oklahoma.....	8 in 20 weeks	20	1	1	1/2	6.00	22.00	\$2	1/2	6+	22
Oregon.....	4 in 6 weeks and \$500 in same quarter.	\$400	1	1	Annual wage formula; weighted schedule 3.75 percent to 1.37 percent.	15.00	25.00	\$2	1/2	8+	26

Pennsylvania	1 at any time	\$30	1	1	1/2	10.00	30.00	\$5	Weighted schedule 43 percent to 35 percent.	13	26
Rhode Island	4 in 20 weeks	\$300	1	1	1/2	10.00	25.00	\$5	Weighted schedule 35 percent to 27 percent.	5+	26
South Carolina	8 in 20 weeks	\$0; and \$100 in 1 quarter.	1	1	1/2	5.00	20.00	\$1	Uniform	18	18
South Dakota	do	\$225 and \$150 in 1 quarter and 1 1/2 times high-quarter wages.	1	1	1/2-1/2	8.00	22.00	\$3	Weighted schedule 36 percent to 22 percent.	10	20
Tennessee	do	\$0; 25 if weekly benefit amount is \$5 and \$30 in 1 quarter.	1	1	1/2-1/2	5.00	22.00	\$5	Uniform	22	22
Texas	do	\$200 and wages in 2 quarters.	1	1	1/2	7.00	20.00	\$3	1/4	5+	24
Utah	1 at any time and \$150 in same quarter.	19 weeks of employment and \$308 base-period wages.	1	1	1/2	10.00	27.50	\$6	Weighted schedule in percentage of average State wage (43 percent to 31 percent).	16	26
Vermont	8 in 20 weeks	\$0; and \$50 in 1 quarter.	1	1	1/2 to 1/2	6.00	25.00	\$3	Uniform	20	20
Virginia	do	\$0; 20 if weekly benefit allowance is \$5.	1	1	1/2	5.00	20.00	\$2	1/4	6	16
Washington	1 at any time	\$600	1	1	Annual wage formula; weighted schedule 1.7 percent to 1.2 percent.	10.00	30.00	\$8	Weighted schedule 25 percent to 31 percent.	15	26
West Virginia	8 in 20 weeks	\$300	1	0	Annual wage formula; weighted schedule 2.7 percent to 1.0 percent.	8.00	26.00	\$6	Uniform	23	23
Wisconsin	6 in 18 weeks or \$10,000 in any quarter.	14 weeks of employment at \$12 or more.	1	1	68 percent to 51 percent of average weekly wage.	9.00	30.00	Weekly benefit allowance if wages less than 1/2 weekly benefit allowance; 1/2 weekly benefit allowance, if wages are at least 1/2 of weekly benefit allowance.	1/2 weeks of employment.	10	26+

See footnotes at end of table, p. 12.

Significant provisions of State unemployment insurance laws, Oct. 1, 1951—Continued

State	Size of firm (minimum number of employees and/or size of payroll in a calendar year)	Wage or employment qualification (number times weekly benefit amount <sup>1</sup> unless otherwise indicated)	Initial waiting period (weeks)		Computation of weekly benefit amount <sup>1</sup> (fraction of high-quarter wages <sup>2</sup> unless otherwise indicated)	Weekly benefit amount <sup>1</sup> for total unemployment		Weekly benefit amount for partial unemployment <sup>3</sup> (weekly benefit less wages in excess of specified earnings allowance)	Duration in 53-week period		
			Total unemployment	Partial unemployment		Minimum <sup>4</sup>	Maximum <sup>5</sup>		Proportion of wages in base period (unless otherwise indicated)	Weeks of benefits for total unemployment	
										Minimum	Maximum
Wyoming-----	1 at any time and \$500 in any year.	25; and \$70 in 1 quarter.	1	1	½ plus \$3 for each dependent up to 8 percent high-quarter wages.	\$7.00-\$70.00	\$25.00-\$31.00	\$3-----	¼-----	6	20

<sup>1</sup> Weekly benefit amount abbreviated in columns as weekly benefit allowance.

<sup>2</sup> The fraction of high-quarter wages applies between the minimum and maximum amounts. When State uses a weighted table, approximate fractions are figured at midpoint of brackets between minimum and maximum. When dependents' allowances are provided, the fraction applies to the basic benefit amount. With annual wage formula, fraction is minimum and maximum percentage used in any wage bracket. With average weekly wage formula, percentage is figured at midpoint of the highest and lowest closed wage brackets.

<sup>3</sup> When 2 amounts are given, higher includes dependents' allowances except in Colorado where higher amount includes 26 percent additional for claimants employed in Colorado by covered employers for 5 consecutive years with wages in excess of \$1,000 per year and no benefits received; weeks of duration for such claimants increased to 26 weeks. In the District of Columbia same maximum with or without dependents. Maximum augmented payment to individuals with dependents not shown for Massachusetts since any figure presented would be based on an assumed maximum number of dependents (highest paid \$51).

<sup>4</sup> In all States with dependents' allowances, except Michigan, a claimant receives full allowance for weeks of partial unemployment; in Michigan, claimant eligible for ½ weekly benefit allowance gets ½ dependents' allowances.

<sup>5</sup> If qualifying wages are concentrated largely or wholly in the high quarter, weekly benefit for claimants with minimum qualifying wages may be higher than the minimum

shown and consequently weeks of benefits are less than minimum weeks of benefits shown. In Alaska, Delaware, Illinois, and New Jersey, statutory minimum; in Utah, statutory minimum of 15 weeks not applicable at minimum weekly benefit amount.

<sup>6</sup> (Effective benefit year beginning Apr. 1, 1952, \$27).

<sup>7</sup> Maximum potential benefits limited to \$400 for claimants with benefit years beginning prior to Apr. 1, 1951; hence maximum weeks of benefits are reduced for claimants with redetermined weekly benefit amounts of \$21 to 27.

<sup>8</sup> Employers of less than 8 (not subject to the Federal Unemployment Tax Act) outside the corporate limits of a city, village or borough of 10,000 population or more are not liable for contributions.

<sup>9</sup> If the benefit is less than \$5, benefits are paid at the rate of \$5 a week; no qualifying wages and no minimum specified.

<sup>10</sup> No partial benefits paid, but earnings not exceeding the greater of \$7 or 1 day's work of 8 hours are disregarded for total unemployment.

<sup>11</sup> Waiting period is 4 "effective days" accumulated in 1 to 4 weeks. Partial benefits are ¼ of weekly benefit amount for 1 to 3 effective days. "Effective day" is defined as the fourth and every subsequent day of total unemployment in a week for which not more than \$30 is paid.

<sup>12</sup> Effective benefit years beginning Dec. 31, 1951, \$30.

<sup>13</sup> Effective benefit years beginning Jan. 1, 1952, \$28 to \$33.

<sup>14</sup> Effective benefit years beginning Jan. 1, 1952, \$12.

Source: Department of Labor, Bureau of Employment Security.

The CHAIRMAN. There will be inserted a letter from Senator James E. Murray, a coauthor of the bill, favoring passage of the legislation.

(The document referred to follows:)

UNITED STATES SENATE,  
COMMITTEE ON LABOR AND PUBLIC WELFARE,  
February 18, 1952.

HON. WALTER F. GEORGE,  
Chairman, Committee on Finance,  
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: I am writing to you to express my approval of S. 2501 and to urge the Senate Committee on Finance to report this bill out at the earliest possible moment.

If you recall, in 1945 I sponsored, with a number of other Senators, a bill to provide Federal aid to supplement the State unemployment compensation benefit programs in order to take care of unemployment during the postwar reconversion period.

The bill which I introduced with a number of other Senators was considered by the Senate Finance Committee and reported out with a number of amendments. Fortunately, however, because the unemployment situation during the postwar period was much less than anticipated, little or no recourse was had to the provisions of the law which were approved by Congress.

Today because of the change over from a normal economy to defense production and the corresponding shortage of many materials customarily used for the production of consumers' goods, many areas throughout the country, notably in New England and the Middle West, have large numbers of unemployed persons. Although some efforts are now being made to channel Government contracts to industrial firms in these areas, nevertheless something must be done to provide monetary benefits for eligible unemployed persons which are consonant with the present high cost of living and other unusual economic factors.

I am sure that the Senate Committee on Finance and the Congress will agree that the welfare of human beings must be taken care of at all times, particularly in a crisis which we are now undergoing.

I believe, therefore, that S. 2501 is probably the most expedient measure which could be adopted by the Congress to take care of the situation.

With best wishes, I am

Sincerely yours,

JAMES E. MURRAY.

The CHAIRMAN. There will be inserted in the record a report from the Treasury Department expressing no comment inasmuch as the bill relates primarily to matters within the jurisdiction of other governmental agencies and not within the special province of the Department of the Treasury.

(The document referred to follows:)

TREASURY DEPARTMENT,  
Washington, February 18, 1952.

HON. WALTER F. GEORGE,  
Chairman, Committee on Finance,  
United States Senate, Washington 25, D. C.

MY DEAR MR. CHAIRMAN: Further reference is made to your letter of January 25, 1952, requesting the views of this Department on S. 2504 (82d Cong., 2d sess.), entitled "A bill to provide supplementary unemployment compensation benefits in certain cases to workers unemployed during the national emergency and for other purposes."

The bill would provide for supplementary Federal unemployment compensation benefits during the national emergency in any State in which the governor certifies, and the Secretary of Labor finds, that there is substantial unemployment within his State or within one or more labor market areas of his State, among workers covered by the unemployment compensation law of the State, with no prospect of immediate reemployment in the labor market. The benefit to a particular individual would be in an amount equal to 50 percent of the benefit payable under the State unemployment compensation law, subject to certain maximum limitations. Such benefits would be payable by the State employ-

ment compensation agency pursuant to an agreement between the Secretary of Labor, on behalf of the United States and the State or the unemployment compensation agency of the State. To finance the program, the bill authorizes to be appropriated, out of moneys not otherwise appropriated, such sums as are necessary to carry out the provisions of the act, the amount of such payment to be entered in the budget of the Department of Defense as an item in the cost of defense mobilization.

The bill relates primarily to matters within the jurisdiction of other governmental agencies and not within the special province of this Department. Accordingly, the Department makes no comment with respect thereto.

Sincerely yours,

JOHN W. SNYDER,  
*Secretary of the Treasury.*

The CHAIRMAN. There will be inserted in the record a favorable report from the United States Department of Labor.

(The letter referred to follows:)

DEPARTMENT OF LABOR,  
*February 16, 1952.*

HON. WALTER F. GEORGE,  
*Chairman, Committee on Finance,  
United States Senate, Washington, D. C.*

DEAR SENATOR GEORGE: This is with further reference to your request for a report on S. 2501, a bill to provide supplementary unemployment compensation benefits in certain cases to workers unemployed during the national emergency, and for other purposes.

S. 2501 would provide for the payment of Federal supplementary benefits to individuals entitled to benefits under a State unemployment compensation law whenever the Governor of such State certifies, and the Secretary of Labor finds, that there is substantial unemployment within the State among covered workers with no prospect of immediate reemployment. Upon such certification and finding, the Secretary would be directed to enter into an agreement with the State under which the State unemployment compensation agency, as agent of the United States, would make the Federal supplementary benefit payments. The State would be reimbursed by the United States for any additional costs incurred by reason of such agreement.

The Federal supplementary payments would be payable to workers in the State with respect to weeks of unemployment occurring after the date of the Governor's certification and for 12 months thereafter, unless the certification is sooner withdrawn or the Governor recertifies at the end of such period. The worker's right to such benefits would be determined under the State unemployment compensation law. Only if he is entitled to benefits thereunder would he receive the Federal supplementary payments. However, no agreement could be entered into unless unemployment compensation, otherwise payable to a worker under the State law, would not be denied or reduced for any week by reason of the Federal supplementation. Nor would an agreement be valid if the State benefits are less than they would have been under the State law as it existed on January 1, 1952.

The amount of the Federal supplementary payment would be 50 percent of the worker's State benefit so long as his aggregate unemployment benefit from both State and Federal sources does not exceed 65 percent of his weekly wages. However, where the State law provides allowances for dependents, the Federal supplementation to individuals with dependents would be increased by an amount equal to the dependents' allowances provided by the State law so long as the worker's aggregate unemployment benefit from both State and Federal sources does not exceed 67½ percent of weekly wages in the case of an individual with one dependent, 70 percent of weekly wages in the case of an individual with two dependents, 72½ percent of weekly wages in the case of an individual with three dependents, and 75 percent of weekly wages in the case of an individual with four or more dependents.

The term "weekly wages" would mean "average weekly wage" as defined in the State law if the period used for determining benefits for total unemployment includes specified weeks of employment, or one-thirteenth of the high-quarter wages if the period used is the quarter of highest wages in the base period. If it is impracticable for any State to apply either of these definitions, the Secretary may approve another definition if he finds it to be fair and reasonably consistent

with the purposes of the other two definitions and fits in with the procedures for determining benefit amounts in the two States.

The basic objective of S. 2504 is to correct the inadequacy of the unemployment benefits now paid by the States. With this objective, I am wholeheartedly in accord. Unemployment benefits today replace a smaller proportion of the wages of the average unemployed workers than was the case when the unemployment compensation system was started 15 years ago. Although the States have increased their benefits from time to time, the increases in wages and living costs have more than kept pace with these increases in benefits. The average weekly payment for total unemployment under the State laws during the October-December 1951 quarter was \$21.86. This is only about one-third of the average wage of covered workers during the April-June 1951 quarter, which is the latest quarter for which these wage figures are available. In the July-September 1939 quarter, the average weekly benefits were 42 percent of the average wages. Furthermore, although all States have increased the limitations on their maximum benefits since 1939, the maximum limitations on benefit payments in most States today are unrealistic. In many States, the result has been that the majority of covered workers are entitled to receive the maximum unemployment benefit provided by the States' laws.

As you know, the President and the Department of Labor have been calling attention to this inadequacy for the past several years and have recommended Federal minimum standards as the long-range solution to this and other shortcomings of the unemployment insurance program. One of these recommendations was that the States be required to provide for minimum weekly benefits substantially equal to at least 50 percent of the claimants' weekly wages up to at least \$30 a week for individuals without dependents, 60 percent of weekly wages up to at least \$36 a week for individuals with one dependent, 65 percent of weekly wages up to at least \$39 a week for individuals with two dependents, and 70 percent of weekly wages up to at least \$42 for individuals with three or more dependents. In view of the increases in wages and living costs which have occurred subsequent to this recommendation, it is now my opinion that these amounts should be further increased. This long range solution, however, is of no immediate value to the more than 1 million workers who are now unemployed and receiving benefits. Even if these Federal minimum standards were enacted immediately, it would require at least 2 years for all the States to amend their laws to meet such standards. Therefore, if it is desired to bring the level of benefit payments up to a more realistic level now, some Federal action is necessary. S. 2504 provides a method of attacking the inadequacies of the benefit provisions of the State laws on an interim basis.

Employment reached a new peak during the year 1951 and unemployment for the Nation as a whole was low and of relatively short duration. However, in many labor market areas, the unemployment problem was especially serious. Among the States, there was a great variation in the percentage of insured unemployment. For example, although the average percentage of insured unemployment for 1951 was less than 1 percent in three States, it ranged between 5 and 6 percent in another three States and reached 7.5 percent in Rhode Island. These variations resulted from the differing impact of the over-all economic forces on the economy of the individual States. Thus, there were local pools of serious unemployment within nationally high employment because the factors affecting the national economy bore more heavily on some industries than on others. Among those industries most seriously affected were the automobile industry, the textile industry, the jewelry industry, and the coal-mining industry. Because of the direct and indirect effects of the national emergency, the Federal Government has a specific responsibility for much of this unemployment and, therefore, a special obligation to take some action with respect to the workers affected by such unemployment. It would appear to be only fair for the Government to recognize its similar obligation to the unemployed workers displaced as a result of such conversion and other effects of the national emergency.

I therefore favor the objectives and principles of S. 2504.

It should be pointed out, however, that there are strong considerations for granting supplementary benefits in all States without any test of "substantial unemployment." Unemployed workers need adequate unemployment benefits regardless of the amount of unemployment existing in their States. S. 2504 properly provides that no distinction will be made within a State that applies for supplementary benefits between areas where unemployment is substantial and areas where it is not, or between workers unemployed as a result of the na-

tional emergency and workers unemployed as a result of other forces. Such distinctions would be complicated and administratively impracticable to enforce.

Moreover, it is difficult to justify providing Federal supplementary benefits in some States and not in others. Our economy is so interlocked that any national policy or condition affects every corner of the country and every industry and locality. It is impossible to unravel all the influences that result in the unemployment of an individual worker. In my opinion, it would be more equitable to provide Federal supplementary payments to all States, rather than just to those which may meet the vague test of "substantial unemployment."

Because unusual national conditions have caused, directly or indirectly, much of the present unemployment, the costs of any temporary remedial action should be a Federal responsibility. However, the costs of the supplementary benefits cannot and should not be borne by the Federal Government indefinitely. The States have accumulated billions of dollars in their unemployment trust funds which should be used to pay benefits in accordance with their laws buttressed by Federal minimum standards. The major shortcomings in the present laws of the States can be met by the establishment of such minimum standards, with supplementary benefits during the interim period until such standards can become effective.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Yours very truly,

MAURICE J. TOBIN,  
*Secretary of Labor.*

The CHAIRMAN. There will be inserted in the record an analysis of the measure by the Federal Security Agency.

(The document referred to follows:)

FEDERAL SECURITY AGENCY,  
*Washington, February 18, 1952.*

HON. WALTER F. GEORGE,  
*Chairman, Committee on Finance,  
United States Senate, Washington 25, D. C.*

Dear Mr. CHAIRMAN: This letter is in response to your request of January 25, 1952, for a report on S. 2501, a bill to provide supplementary unemployment compensation benefits in certain cases to workers unemployed during the national emergency, and for other purposes.

S. 2501 provides for Federal supplementation of State unemployment benefits during the defense emergency through the administrative machinery of State unemployment compensation agencies, pursuant to agreements, made or renewed for 12-month periods, between the Secretary of Labor and the States. Such an agreement would be made or renewed only when the Governor certifies and the Secretary finds that substantial unemployment within the State, or within one or more labor market areas within the State, exists among workers covered by the State's unemployment compensation law with no prospect of immediate reemployment in the labor market area. The worker's rights to benefits would be determined under the State's unemployment insurance law, and only if he is entitled to benefits thereunder would he get the Federal supplementation. However, agreements entered into under the act would have to provide that unemployment benefits otherwise payable to a worker under the State law would not be denied or reduced for any week by reason of a Federal supplementary payment. Nor would an agreement be valid if State benefits are less than they would have been under the State law as it existed on January 1, 1952.

In cases in which no dependents' allowance is payable pursuant to State law, the amount of the Federal supplementation would be 50 percent of the worker's State benefit, but his aggregate benefit (Federal and State) could not exceed 65 percent of his weekly wages. However, where a State law provides dependents' allowances, the Federal supplementation to individuals with dependents would be increased by an amount equal to such dependents' allowances, but in such cases the worker's aggregate benefit (Federal and State) could not exceed 67½ percent of the worker's weekly wages in the case of one dependent, 70 percent in the case of two dependents, 72½ percent in the case of three dependents, and 75 percent in the case of four or more dependents.

The administration of the Federal aspects of the unemployment insurance program having been transferred in 1949 from this Agency to the Department of Labor, we are primarily concerned, not with the technical details of the measure,



but rather with its basic soundness in relation to the objectives of the social-insurance program as a whole and in relation to the objectives of family security and the reduction of dependency and relief.

The theory of the bill is that mobilization of the Nation's productive resources for the defense of the United States, and resulting dislocations in the economy during the national emergency, have directly and indirectly caused widespread unemployment in certain areas, especially among workers whose skills are essential to the defense effort and who should be kept available for instant use as soon as they are needed; that the present benefits provided under State unemployment compensation laws "are both inadequate and unfair to workers suffering such unemployment;" that the Federal supplementation of unemployment benefits proposed by this bill is necessary to prevent the imposition upon such workers of an inequitable share of the burden of the defense program; and that this supplementation is essential to defense mobilization and justifiable as a part of the cost of the defense program.

No doubt, the Office of Defense Mobilization and the Secretary of Labor will be ready to supply your committee with the detailed factual data bearing on these propositions. It is, however, a matter of common knowledge, we believe, that the conversion from production for civilian use to production for defense and the operation of the essential materials control program in the interest of defense have caused and are likely to continue to cause unemployment and, because of the inadequacy of unemployment benefits, serious hardship in certain areas.

The idea of the assumption of a Federal responsibility as an emergency measure for the relief of unemployment caused by the impact of defense activities, or by the conversion from defense to other activities, is not new. Thus, in 1946 the Congress provided, on an interim basis pending amendment of State laws, for assuming the cost of paying unemployment benefits to seamen who were not then generally covered by State laws and who became unemployed by reason of the termination of the vast shipping operations of the war. Even more closely in point is the President's proposal of May 28, 1945, that Congress, among other things, take emergency action to increase the amount and duration of benefits, at least for the duration of the emergency period for reconversion, through supplementary Federal emergency benefit payments. In response to the President's message, the Senate at that time passed S. 1274 (79th Cong.) for supplementing the duration of unemployment benefits payable under State unemployment compensation laws up to a maximum of 26 weeks. The provision of S. 1274 providing for Federal supplementation of the weekly benefit amount payable to unemployed workers under State law was dropped from the bill. As explained in the Committee report (S. Rept. No. 565, 79th Cong., p. 9), however, the deletion of this provision was based on the fear (which then and now we consider unfounded) that in some States the Federal payment might disqualify workers for benefits under the State law.

In making the proposal for Federal supplementation, the President recognized that the basic solution must be found in amendments to the Federal Act designed "to induce State laws to provide more adequately for anyone who is unemployed." The Federal supplementation payments were conceived of as an emergency measure the occasion for which would be eliminated, or substantially reduced, when the needed changes in State laws became effective.

Various studies which have been made from time to time indicate that existing unemployment insurance benefits are inadequate. The 1948 report of the Advisory Council on Social Security to the Senate Committee on Finance pointed out the inadequacies (pp. 145, 193). Despite the improvements which have been made by the State legislatures in recent years, the average benefit today is less than one-third of average wage. Since the original purpose of unemployment insurance was to compensate approximately one-half of wage loss (within certain minimum and maximum amounts), it can be seen that the present benefits fall far short of the desired goal.

The maximum duration of benefits in most States still falls far short of the 26 weeks accepted as the desired objective of unemployment insurance.

These and other shortcomings in our unemployment insurance system have been discussed for the past 10 years. While there is not complete agreement on all details, there is a general agreement on the need for improvements. The major policy question has been to what extent should the changes be effectuated through Federal as well as State legislation or through State legislation solely. In this connection, I should like to point out that the enactment of the unemployment compensation provisions of the Social Security Act in 1935 was based on the

concern by the Congress for meeting more adequately the problem of unemployment. The standards written into the Federal law were designed to assure that State laws were bona fide unemployment compensation laws and that there would be reasonable provisions for assuring the financial stability of the State programs and the financial integrity of the system by requiring investment of all State funds in United States bonds through the Secretary of the Treasury. Moreover, the enactment of the uniform tax and offset provisions of the Federal law was, according to the report of the Committee on Finance, designed so that "employers in all States will be put in an equal competitive position." As said by your committee, "No State can gain any advantage through failing to establish an unemployment compensation system. This provision will equalize competitive conditions and thus enable States to enact unemployment compensation laws without handicapping their industries" (S. Rept. No. 628, 74th Cong., p. 13).

In our opinion, it seems evident that the original objectives of the Congress will be largely frustrated unless there is some Federal action designed to eliminate the competitive disadvantages among the several States which now exist with respect to both contributions and benefits. We have long felt, therefore, that benefits should be improved by the establishment of Federal minimum-benefit standards in the Federal Law. At the same time, we have recommended the strengthening of State systems by earmarking of the Federal unemployment tax for paying the cost of State and Federal administration of the employment-security program and for reinsurance to be available to any States which encounter an undue strain on their unemployment funds. These recommendations have also been made by the President from time to time. (See, e. g., his message of April 6, 1930, and his economic report to the present Congress.)

When the unemployment insurance program was established in 1935, a standard State contribution rate of 2.7 percent was set and it was expected that, as experience warranted, benefits would be established which, on the average, would require an employer contribution rate of 2.7 percent. Due to the operation of "experience rating" the average contribution rate of employers for the Nation as a whole was 1.7 percent in 1951. During the 13 years 1939-51, employers saved a total of \$7.8 billion in contributions as a result of reductions due to experience rating. For this reason, we feel that, as a minimum, the Congress might consider requiring in the Federal law, as a condition for experience rating below 2.7 percent that a State meet certain minimum benefit standards. This principle was embodied in H. R. 6635 which passed the House of Representatives in 1939. In this connection, it may be pointed out that the Advisory Council in 1948 reported that one of the five major deficiencies of the present Federal State unemployment insurance system was that the "present arrangements permit States to compete in establishing low contribution rates for employers and therefore discourages the adoption of more adequate benefit provisions" (p. 139).

Returning to the specific proposals of S. 2504, we should like to reiterate our endorsement of Federal supplementation of unemployment benefits as an emergency measure, to be terminated entirely, or at least greatly modified and curtailed, as soon as Federal minimum benefit standards can be established and made effective. Any such supplementation should be addressed to not only the amount of weekly unemployment benefits but also, and perhaps more importantly, to the number of weeks for which benefits will be paid to unemployed workers. In 1951, 20.4 percent of those receiving unemployment benefits exhausted their benefits under State law. We believe that it is particularly important to assure a duration of benefits for 26 weeks and that S. 2504 should be amended to incorporate this feature.

As already stated, the principle of supplementation of the maximum duration of benefits to 26 weeks was embodied in S. 1274, as reported out by the Committee on Finance and as passed by the Senate in 1945. The principle is no less sound now than it was then.

Since the Federal Government already has collected over \$1 billion from Federal unemployment taxes in excess of administrative costs (and this figure is increasing about \$50 million annually), the amount paid out in supplementary benefits pending establishment of Federal benefit standards could be chargeable to the "excess" and upon earmarking of the taxes, as recommended above, the balance of such earmarked taxes above the cost of administering the employment security system would be available for reinsurance purposes. It would be possible in this way to finance, out of funds already morally committed to employment security purposes, the supplementary program now and, for the foreseeable future, the long-run program. At the same time benefits would be increased

substantially for the Nation as a whole and States with high costs would be in a better financial condition than they are today.

We note that S. 2501 provides for supplementation of the amount of benefits for dependents on a more liberal basis than for individuals without dependents. We heartily concur in the principle that encouragement should be given to the States to add dependents' benefits. If unemployment insurance is to make its maximum contribution to the preservation of family security, we believe adequate recognition must be given to the size of family in the benefit structure. Failure to establish high enough payments for the larger families means that many of such families must seek supplementary relief payments.

If there is any additional information your committee desires, we shall be glad to try and furnish it.

Time has not permitted us to obtain advice from the Bureau of the Budget as to the relationship of this bill to the program of the President.

Sincerely yours,

OSCAR R. EWING,  
*Administrator.*

The CHAIRMAN. There will be inserted in the record a report from the Bureau of the Budget.  
(The document referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington 25, D. C., February 19, 1952.

Hon. WALTER F. GEORGE,  
*Chairman, Committee on Finance,  
United States Senate, Washington 25, D. C.*

MY DEAR MR. CHAIRMAN: In response to the request of the committee clerk, I wish to submit the following statement on behalf of the Bureau of the Budget with respect to S. 2501, a bill "To provide supplementary unemployment compensation benefits in certain cases to workers unemployed during the national emergency, and for other purposes." It is my understanding that the committee plans to hold hearings on this bill beginning on February 19, 1952, and I should like to ask that this letter be incorporated in the hearings.

The situation respecting current and prospective unemployment in the United States has been carefully examined by the agencies concerned with our national defense and other programs. It is the consensus that there is no cause for grave concern and that under foreseeable conditions employment will remain high. In spite of this generally favorable situation, there are certain areas and some industries in which unemployment has been increasing sharply. S. 2501 recognizes this fact and presents a basis upon which the Federal Government could help to alleviate the hardship caused by such unemployment through the payment of supplemental unemployment compensation benefits.

I am authorized to advise you that the President believes the device of Federal supplementation of State unemployment compensation benefits is practicable as a short-run measure until the States themselves can act. If such Federal supplementation is authorized, it should not be considered as a substitute for the improvements in the unemployment compensation system which the President has recommended.

The Bureau has consulted with the Department of Labor as to the potential costs of S. 2501. It appears reasonable to estimate that the degree of Federal supplementation provided for by the bill, in its present form, would equal about one-third of present State benefits, or approximately \$250 million a year at present levels of unemployment.

Sincerely yours,

F. J. LAWTON, *Director.*

(The following report of the Department of the Air Force was subsequently submitted:)

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
Washington, February 25, 1952.

Hon. WALTER F. GEORGE,  
*Chairman, Committee on Finance, United States Senate.*

DEAR MR. CHAIRMAN: I refer to your request for the views of the Department of Defense with respect to S. 2504, a bill to provide supplementary unemployment

compensation benefits in certain cases to workers unemployed during the national emergency, and for other purposes. The Secretary of Defense has assigned to the Department of the Air Force responsibility for providing your committee with a report on this legislation on behalf of the Department of Defense.

The purpose of S. 2504 is first declared in section 2 (b) "to provide unemployed workers in those States where such unemployment has become substantial, with supplementary payments in addition to the benefit payments to which unemployed workers are entitled under the unemployment compensation laws of such States, in such amounts as to prevent the imposition upon such workers of an inequitable share of the burden of the defense program." It is noted, however, that section 4 (a) would grant supplementary payments of compensation to all unemployed individuals in a State where substantial unemployment exists among workers covered by unemployment compensation laws of the State with no prospect of immediate reemployment in the labor market area. As no mention is made of any inequitable share of the burden of the defense program in the latter section, it would appear that the provisions of the bill would apply to all workers rather than to those having particular skills essential to the defense program.

If it is determined that the present benefits provided under State unemployment compensation laws are inadequate and unfair and there is need for additional relief, it is the view of the Department of Defense that a more direct approach to the problem would be to amend the existing laws.

Further, the Department of Defense strongly opposes the provisions of section 10 whereby the amount of payments made would be entered in the budget of the Department of Defense as an item in the cost of defense mobilization. It is believed that the provision for compensation to all unemployed individuals is completely alienated from the first declared purpose of providing benefits to workers unemployed due to defense mobilization. There appears to be no justification for burdening this Department with the budgeting for payments of such unemployment compensation. Section 10 would add an unnecessary administrative level that would further complicate operation of the contemplated program.

As the bill would supplement the existing systems of State unemployment compensation in accordance with the other programs to be approved by the Secretary of Labor, the Department of Defense recommends that the budgeting for such program should be the responsibility of the Department of Labor or such other Federal agency as is charged with the supervisory control of the State programs.

The Department of Defense is unable at this time to make any accurate appraisal of the probable fiscal effects of this bill in the event of its enactment.

This report has been coordinated among the departments and boards of the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Bureau of the Budget has advised that there is no objection to the submission of this report.

Sincerely yours,

E. V. HUGGINS,  
*Assistant Secretary of the Air Force.*

The CHAIRMAN. There will be inserted letters of opposition from the following chambers of commerce: West Virginia, Jacksonville, Fla.; Amsterdam, N. Y.; Kansas State, Missouri State.

(The documents referred to follow:)

WEST VIRGINIA CHAMBER OF COMMERCE,  
*Charleston, W. Va., February 9, 1952.*

Senator WALTER F. GEORGE,  
*Senate Committee on Finance,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR GEORGE: By means of constant and genuinely cooperative efforts for a dozen years, the West Virginia Department of Employment Security and representatives of the State's labor and business interests have erected a stable unemployment-compensation system in West Virginia which is functioning to the satisfaction of beneficiaries and subscribers alike, but if Senator Moody's bill No. 2504 is enacted, the system will ultimately be destroyed.

In Michigan where Moody's bill is ostensibly designed to deal with a purely local and temporary situation, the reserve fund for unemployment compensation is adequate for all foreseeable benefit needs, and if it does not suffice, the ample

George fund, as you know, was created for just such contingencies. There is little excuse and no reason for enacting the Moody bill.

Desiring to conserve the time of members of your committee, the West Virginia chamber will not seek to be heard in opposition to the Moody bill, except perhaps through a joint statement presented on behalf of the Council of State Chambers, but our members believe without exception that the Moody bill is in fact a Trojan horse deliberately designed to destroy the established State systems of unemployment compensation, and we therefore request that this letter be presented to your committee as a form of protest against enactment of the bill.

Respectfully yours,

H. A. STANSBURY,  
*Managing Director.*

JACKSONVILLE CHAMBER OF COMMERCE,  
*Jacksonville 2, Fla., February 13, 1952.*

Senator WALTER F. GEORGE,  
*Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR GEORGE: The national affairs committee of the Jacksonville Chamber of Commerce, which represents some 3,000 businessmen of the city of Jacksonville and of Duval County, Fla., has carefully considered the contents of Senate bill 2504 (Defense Unemployment Compensation Act of 1952) as introduced by Senator Moody, of Michigan.

The Jacksonville Chamber of Commerce is unalterably opposed to the provisions of this act, and we respectfully suggest that the Senate Finance Committee kill this bill on the grounds that it is a further invasion of the rights of the respective people of the States to govern themselves.

We respectfully request that this statement of position of the Jacksonville Chamber of Commerce be read into the proceedings of your committee when it holds hearings on the above bill.

Sincerely yours,

JAMES B. WATERS, *President.*

CHAMBER OF COMMERCE,  
*Amsterdam, N. Y., February 13, 1952.*

Hon. WALTER F. GEORGE,  
*Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.*

MY DEAR SENATOR: We understand that your committee will hold hearings on bill S. 2504 introduced by Senator Moody, of Michigan, and we wish to record our opposition to the passage of this proposed legislation. We believe that this bill is an invitation to the States to conduct a raid on the Federal Treasury. This, at a time when we are facing inflation induced by deficit spending.

The Federal aid, thus extended, could not help but result in the nationalization of State unemployment compensation. Ultimately, benefit rates would go so high that experience rating would be completely discarded. Mobility of our labor force would be lost.

We would request that you present our views to your committee for their consideration.

Sincerely yours,

CHARLES H. SCHENCK,  
*Executive Secretary.*

KANSAS STATE CHAMBER OF COMMERCE POLICY CONCERNING PRINCIPLES OF  
THE MOODY-DINGELL BILLS

The Kansas State Chamber of Commerce vigorously opposes the principles embodied in current proposals to supplement State unemployment compensation benefit payments with Federal funds in areas where there is "substantial unemployment" which is attributed either directly or indirectly to national defense activities.

The Kansas State chamber feels that these current proposals, as exemplified in S. 2504 and H. R. 6174 (commonly referred to as the Moody-Dingell bills),

now before Congress, are especially undesirable and unnecessary for the following reasons:

1. If the Detroit unemployment situation is the basis for these proposals, as it appears to be, Michigan can and should act upon it as a State problem as it did in 1942, 1944, and 1945, when the State was similarly put forward as a pre-text for Federal supplementations.

2. The situation which now exists in Michigan and a number of other States because of the transition to defense work is the exact reason for which State unemployment compensation funds were established. The Michigan reserve fund of \$356,000,000 would appear to be ample to pay legitimate unemployment compensation claims at the benefit level determined by the State legislature to be adequate. It should be remembered that this substantial reserve fund in Michigan has been built up during periods of high employment to meet just such a situation as now exists. There is no reason to consider the present situation abnormal to the extent that the State plan developed over the past 15 years must be declared obsolete the first time it is really put to its intended use.

3. The Federal supplementation proposal runs directly counter to established defense production policies and would tend to freeze labor against defense needs. If benefit payments by reason of such supplementation actually approach weekly take-home pay, labor will have little incentive to move to new labor markets in accordance with defense needs.

4. The state of emergency requiring Federal supplementation will never end, since unemployment is always an emergency to the persons affected, and unemployment in some degree will never end under any economic conditions.

5. Once the necessity for Federal supplementation is accepted, it will thereafter be used to discredit the adequacy and effectiveness of State systems to the end that State administration of unemployment compensation will either cease to exist entirely, or exist in name only under complete Federal control. This would be just one more example of the "foot in the door" technique to obtain undesirable and unwarranted Federal control.

6. The Kansas State Chamber of Commerce reiterates its support for continued State operation and voluntary improvement of State unemployment compensation programs which permit each State to adapt its own program to its particular economic conditions.

Adopted by Social Security Council, January 26, 1952.

Adopted by board of directors, January 30, 1952.

#### STATEMENT OF THE MISSOURI STATE CHAMBER OF COMMERCE TO THE SENATE FINANCE COMMITTEE ON THE DEFENSE UNEMPLOYMENT COMPENSATION ACT OF 1952 (S. 2504)

The Missouri State Chamber of Commerce is opposed to Senate bill 2504 because of four major reasons: (1) It would lead to Federal control of State unemployment compensation systems. (2) It would increase Federal costs at a time when the Federal Government can least afford it. (3) It is not needed by the States. (4) It is not in the long-run interest of national defense.

##### I. FEDERAL CONTROL OF UNEMPLOYMENT COMPENSATION

Few governors will be able to resist the pressure to ask for Federal funds to supplement all their State's unemployment compensation payments as provided in Senate bill 2504. Getting all Federal funds possible is the "easy" method of avoiding State responsibilities. Unemployment compensation is a State responsibility and should remain as such.

Federal funds certainly would soon be followed by Federal control. This would be undesirable for several major reasons:

1. The economies of the various States vary greatly. The peculiar problems of each State require a specialized on-the-spot knowledge which is not and cannot be made available in Washington.

2. The advocates of Federal control traditionally have demanded abolition of the State systems of experience rating whereby businessmen who follow good employment practices earn lower tax rates. This would lessen greatly employers' interest in cooperating with administrators in properly carrying out the unemployment compensation laws. Missouri Employment Security Director Charles A. Rieker in reporting on recovery of funds from "chiselers" recently said that "most of the fraudulent cases were discovered through cooperation of employers."

## II. INCREASED FEDERAL COSTS

No attempt to estimate what the total costs of Senate bill 2504 as applied to Missouri in the future has been made. However, in 1951, total Missouri unemployment benefits amounted to \$12,131,721. A 50-percent Federal supplementation of this as provided in Senate bill 2504 would have cost the taxpayers \$6,065,860.50 for this 1 year alone. In 1950, the additional Federal cost for Missouri alone would have been \$9,949,451, while in 1949 it would have been \$11,281,569. Total benefits paid in Missouri from 1939 through 1951 were \$146,107,183. A 50-percent Federal supplementation as provided in S. 2504 during this 13-year period would have meant an additional Federal cost for Missouri alone of \$73,053,591.50.

It should be stressed that figuring what S. 2504 would have cost if it had been in effect in the past gives very minimum figures in estimating future costs for several reasons. In the first place, Missouri like many other States, raised its maximum benefits during the last year. In July 1951, the maximum weekly benefit in Missouri was raised from \$20 for 20 weeks to \$25 for 24 weeks. Thus 50 percent Federal supplementation would now raise the maximum individual benefits to \$37.50 per week for 24 weeks. Therefore, the basic cost in the future would be increased greatly even with the same amount of unemployment as in the past and greater unemployment would multiply the costs.

## III. IT IS NOT NEEDED

Federal control and increased costs are enough in themselves to decide against S. 2504, but these objections are climaxed when it is discovered that the States do not need this Federal assistance.

Michigan, which is used to justify this bill, has more than \$325,000,000 in reserve. Missouri's reserve fund as of January was at an all-time high of over \$217,000,000.

The attached chart shows the trend of average weekly unemployment benefits in Missouri from 1943 through 1951, as compared to the cost of living in Kansas City and St. Louis. It indicates that the trend of average weekly benefits in Missouri fell while the cost of living was rising in 1948, but the increase in average benefits has kept ahead of the increase in the cost of living ever since.

## IV. NOT IN INTEREST OF NATIONAL DEFENSE

The very title of S. 2504 and its declaration of policy claim that it is in the interest of national defense. This is just as fallacious as the need argument.

The real requirements of national defense include location of major defense facilities where they will be least vulnerable to bomber attack (i. e. over the North Pole) and the movement of labor to the market areas where there is the greatest need for labor to man defense industries. Obviously S. 2504 is directly contrary to both of these basic national defense requirements.

## SUMMARY

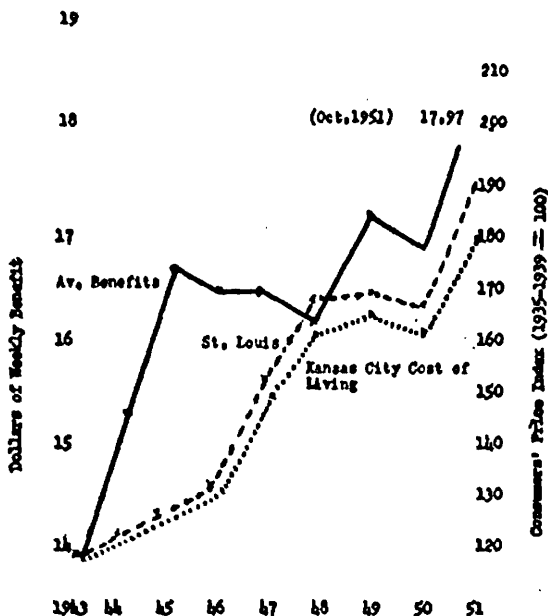
In summary—S. 2504 would lead to Federal control of unemployment compensation which would fail to recognize the peculiar economic problems of each State and abolish experience rating tax systems that give employers the incentive to cooperate with administrators in effectively carrying out unemployment compensation laws. Federal costs would be increased at a time when the Federal Government can least afford it. Federal supplementation is not needed by the States. Finally, the interests of national defense require location of defense facilities where they will be least vulnerable to bomber attack, while S. 2504 would have the opposite effect.

## UNEMPLOYMENT COMPENSATION

MISSOURI STATE CHAMBER OF COMMERCE  
Missouri Hotel, Jefferson City, Missouri

TREND OF AVERAGE WEEKLY UNEMPLOYMENT BENEFITS  
VERSUS THE COST OF LIVING IN MISSOURI 1943 - 1951

MISSOURI UNEMPLOYMENT COMPENSATION BENEFITS  
HAVE KEPT PACE WITH COST OF LIVING



\* Average benefits for total unemployment are taken from the 14th Annual Report of the Missouri Employment Security Division and the Division Statistics section. The cost of living trend is based on the Consumers Price Index (old series) as compiled by the U. S. Bureau of Labor Statistics. The January Index was used for every year until 1948 when March figures were used for St. Louis because from 1948 on January indexes were not published for St. Louis. Likewise in 1951, December figures were used for St. Louis and October for Kansas City.



The CHAIRMAN. There will also be inserted in the record letters of opposition from the Manufacturers Association of Connecticut, the International Paper Co., the American Optical Co., the Fairmont Aluminum Co., the Bristol Co., the Marquette National Bank, the Hudson Coal Co., the Medart Co., the Duff-Norton Manufacturing Co., the Bastian-Blessing Co., the New England Confectionery Co., Mr. L. C. Ringle, the U. O. Colson Co., the W. J. Cochran Construction Co.

(The documents referred to follow:)

THE MANUFACTURERS ASSOCIATION OF CONNECTICUT, INC.,  
Hartford, February 14, 1932.

The Honorable W. F. GEORGE,  
Chairman, Senate Finance Committee,  
Washington 25, D. C.

DEAR SENATOR GEORGE: We are writing on behalf of the many manufacturing members of this association to express our opposition to S. 2504, which would provide the supplementary unemployment compensation benefits from Federal funds to unemployed workers in certain cases. We understand that your committee will begin hearings on this bill in the near future.

Although the immediate occasion for the introduction of this bill is stated to be the relief of workers in the Detroit area who are temporarily unemployed because of the industrial dislocation caused by the transition from civilian to defense production, we feel very strongly that in fact this legislation, like similar proposals in recent years, is a direct and dangerous attack upon the integrity of the unemployment systems set up and thus far successfully financed by the States. The basic principle of this kind of legislation is that the States are no longer able to maintain these systems without the financial aid of the Federal Government. Congress has refused to adopt this dangerous belief in the past and we sincerely hope that they will reject it again on this occasion.

Proposals of this nature always spring up at times of real or pretended emergencies of one kind or another. They always assume the guise of temporary relief measures which will be abandoned when the emergency disappears. We all know, however, that once the Federal Government moves into a new field of welfare legislation, it can be counted upon to stay there and eventually to assume the central role.

The test of State welfare systems always comes at a time of emergency. Most of them are intended primarily to meet emergency conditions. If we really believe in our Federal system of government, it is our duty to let them stand on their own feet in meeting all tests that may come, and not to smother them needlessly in the moment of trial by extending the Federal paternalistic arm.

Our State unemployment systems have thus far survived all hazards, including the giant employment dislocations resulting from our conversion to World War II mobilization and the subsequent return to peacetime activities. We seriously question that this could have been accomplished if a law similar to the Moody bill had been available to take the weight of the burden. A helping hand at the wrong time can be a disastrous disservice.

For these reasons and other reasons which we will not elaborate here because we know that they will either occur to your committee or will be advanced by witnesses appearing at the hearing, we urge that your committee should refuse to favorably consider this bill.

We have been requested by Mr. William B. Calky, executive vice president of the Connecticut Chamber of Commerce, to advise you that that organization endorses the views expressed in this letter and joins in this request.

Very truly yours,

CHARLES H. SCHREYER.

INTERNATIONAL PAPER CO.,  
Mobile, Ala., February 11, 1952.

The Honorable WALTER F. GEORGE,  
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: I was very happy to have heard personally your expressions, as well as those of some of your colleagues on the committee, that determined efforts will be made to reduce the unnecessary expense of Government. I am attaching hereto analysis of H. R. 6174 and Senate bill 2504, the effect of which will be further Federal spending of tax money.

I am sure that you gentlemen have to give your ear to so many pressure groups that it is difficult for the individual citizen to ever be heard. However, I feel that the attached gives a fairly brief summary of the situation, and I urge that you study carefully the attached which have been previously prepared by industry associations in the South, but certainly represent my own thinking.

Very truly yours,

INTERNATIONAL PAPER CO.,  
SOUTHERN KRAFT DIVISION,  
H. S. GALLOWAY,  
Assistant Secretary and Assistant Treasurer.

FEBRUARY 8, 1952.

Subject: Moody-Dingell Bill, Federal Supplementation of Unemployment Compensation.

For your information, companion bills have been introduced into the House (H. R. 6174, Congressman John Dingell), and the Senate (S. 2504, Senator Blair Moody), seeking to provide that the Federal Government may supplement State unemployment benefits.

Hearings before the Senate Finance Committee are scheduled for February 12 and 13 (proponents of the bill), and February 19 and 20 (opponents).

I urge that you study carefully the attached comments, which have been previously prepared by industry associations in the South, and to immediately communicate with your Senators and Representatives as to your feelings in this matter.

VERNON D. KNIGHT,  
Chairman, First Congressional District,  
Public Affairs Committee, AIA.

#### COMMENTS ON MOODY-DINGELL BILL, H. R. 6174 (S. 2504)

Advance information on the draft of the bill, subject to possible last-minute refinements, changes, etc., shows the salient features to be as follows:

1. The governor of any State may certify to the Secretary of Labor that within one or more labor market areas of his State there exists substantial unemployment among workers covered by the unemployment compensation law of the State with no prospect of immediate reemployment in the labor market area.

2. If the Secretary of Labor finds that the certified situation exists, arrangements with the unemployment compensation agency of the State are to be made under which the State will, as agent of the United States, supplement each and every unemployment compensation benefit check paid under the State law.

3. State benefits payments will be increased by 50 percent in any event and dependency benefits will be increased by a full 100 percent. Partial benefits would be computed on the basis of the new maximum weekly amounts which would be established by the Federal supplementation.

4. To prevent benefits to the person who is unemployed from exceeding wages he earned while working, it is provided that benefits without dependency allowances attached shall not exceed 65 percent of weekly earnings as computed under the State formula and that benefits with dependency allowances attached shall not exceed take-home pay, as determined by the Secretary of Labor.

5. It is provided that all benefit determinations involving Federal supplementation are to be made as provided under State laws.

6. The Federal Government would make periodic reimbursements to a State for the amount of the Federal supplementation involved in benefit payments.

7. The program is to continue until the President proclaims the end of the present emergency or until the termination of the Defense Production Act, whichever date is later.

It will be urged that Federal funds will be made available only when and if any State feels that Federal assistance is necessary. One governor will start it and others will stampede behind him. Labor groups will bring pressure, and since it would be "costless" to employers, who would there be to say "Nay."

Fattened benefits will be provided so that unemployed workers in affected areas will be able to "stand by" for reemployment that cannot occur under our defense production policy. They would "stand by" rather than be shifted to areas where manpower is needed.

Regarding the two-thirds' of weekly wage benefits, remember that an overwhelming majority of our State use high-quarter earnings for computing weekly earnings on which benefits are based, and this formula exaggerates weekly earnings—to the extent that benefits are already from 60 to 80 percent of actual weekly earnings. Thus, the proposed limitation to 65 percent, in accordance with these exaggerating formulas would in fact bring the supplemental benefits close to actual weekly earnings.

The provision for terminating the program by Presidential proclamation or the Defense Production Act would make it appear that there is an intent that at some time the Federal benefits will end. Perhaps there are some individuals that believe this. These individuals should be reminded that we are still operating under many emergency powers granted at the outbreak of the last war. Some executive emergency powers even antedate this.

You could safely predict that once these Federal benefits began they would continue ad infinitum. State legislatures would immediately lose any incentive for taking care of their local problems. Pressure would be concentrated on Washington to provide the increased benefits that the State legislatures would not be interested in. Soon the Federal Government would have such a stake in State funds it would specify how, when, and in what amounts benefits were to be paid.

Remember that the passage of such a proposal as this would ring down the curtain on State unemployment systems.

Remember passage of the Moody-Dingell bill means federalization of unemployment compensation. Federalization means an end to experience rating and a flat uniform tax rate. Federalization means converting unemployment compensation into a give-away program with liberalized benefits, lower eligibility requirements, and few disqualifications.

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AMERICAN OPTICAL CO.,  
Southbridge, Mass., February 8, 1952.

HON. WALTER F. GEORGE,  
*Chairman, Senate Committee on Finance,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR GEORGE: I am writing you concerning the Moody bill (S. 2504), hearings on which I understand are to commence shortly. This bill, the details of which I will not go into since you are familiar with them, appears sweet on the surface but contains ever so many pitfalls.

(1) After the maximum period of payment of State benefits in a State, the Federal Government would pay the whole amount.

(2) With this intervention and probable eventuality of taking over unemployment payments, this would be the end of State operated unemployment compensation activity and it would disappear into the Federal Government. All local autonomy would be completely lost.

(3) No governor could fairly be criticized for requesting Federal aid in this case, whether there exists an actual emergency or not. Pressure would force him to do it, and it only has to happen once. Only one man has to give way and one more phase of local government has gone to Washington.

(4) There can be no doubt that this bill will encourage malingering and failure to seek gainful employment.

As one whose record shows that he is opposed to the Government absorbing and paying for State functions, I feel sure that you cannot favor this legislation. I sincerely hope that your committee will report unfavorably on this bill.

Sincerely yours,

JOHN O. MARTIN,  
*Assistant to the President.*

FAIRMONT ALUMINUM CO.,  
Fairmont, W. Va., February 14, 1952.

HON. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SIR: We understand that there have been introduced in the Senate the Moody bill (S. 2504) and the Dingell bill (H. R. 6174) which would provide for a Federal supplement of 50 percent in payments to unemployed and where dependency allowances are given a supplement of 100 percent above unemployment allowance in the State. Before payments could be made the governor of the State would be required to certify as to substantial unemployment and that there were no immediate prospects for reemployment.

We understand, further, that the Moody bill (S. 2504) is scheduled for hearings before the Senate Finance Committee on February 19 and 20. We write to tell you that we are opposed to the proposals in these bills and respectfully ask, if you find it consistent to do so, that you oppose these bills.

In our opinion very few governors would refuse to make the required certification if, for instance, an adjoining State had made the certification and the citizens of the State (voters) were enjoying this "Federal aid." This aid, if the bill passed, would be available to all unemployed and would not be limited to particular areas where there was substantial unemployment. The program would be under the direction of the Secretary of Labor who would make such rules and regulations as he thought necessary to carry out its provisions.

The Secretary of Labor and his Department have favored many proposals to federalize many State functions, including this one, and if the Moody-Dingell proposals are adopted we would shortly be operating, as to unemployment insurance, under his direction. The enactment of this program, in our opinion, would mean the end of State control and of experience rating, so far as unemployment insurance is concerned. It would mean a considerable increase in the tax rate now applicable and if the National Labor Department gets control, benefits will undoubtedly be increased and more and more money will be required. It is another attempt to transfer functions, and proper functions, of the State government to the National Government.

We hope that you will find it possible to oppose these bills.

Very truly yours,

L. M. BRILE, *President.*

THE BRISTOL CO.,  
Waterbury 20, Conn., February 13, 1952.

HON. WALTER F. GEORGE,  
Senate Office Building, Washington, D. C.

DEAR SIR: It is our understanding that there are two bills before the Congress, one in the Senate known as the Moody bill (S. 2504) and the other in the House designated as H. R. 6174 which have as their purpose the supplementing of State unemployment compensation for the payment of further benefits to unemployed from the Federal Treasury.

The Bristol Co. wishes to go on record as being unalterably opposed to any bill which has the effect of federalizing benefits to be paid as unemployment compensation. Since the inception of unemployment compensation as a Government program in this country, the individual States have administered this program in their own right and in our opinion have done a very commendable job both in good times and bad.

As you are no doubt fully aware, the unemployment compensation program is entirely supported by taxation on employers solely throughout the Nation. Our company as one of those employers is paying taxes in 19 different States at rates varying from 0 to 2.7 percent of taxable earnings depending on the merit rating status in the various States. In addition we are of course obliged to pay 3 percent Federal unemployment compensation tax. These taxes for the calendar year 1951 cost this company \$53,215.68 on an average enrollment of 1,026 employees or a cost of \$51.87 per employee. This is expensive insurance and to further liberalize the benefits through Federal channels will certainly have to mean additional taxes.

It is our considered opinion that the amount of unemployment compensation paid in the form of benefits to individual workers should be left entirely with the States as it is their problem depending on the degree of industrialization, type of program being administered, and the amount of funds available for benefits.

We understand that one of the reasons for the present interest in federalizing this program is the temporary unemployment situation in the Detroit area. From what is being published in newspapers and periodicals, it would appear that this situation is entirely due to improper allocation of materials, especially copper, to the automotive industry. We can see no reason why such an important long-range program as unemployment compensation which has weathered the storm for the past 15 years should be altered to accommodate a relatively minor local situation, especially if the blame lies at the feet of the Federal Government itself.

In cases of extreme hardship where an individual State may be called upon to underwrite unusually high benefits it would seem to us that a measure of relief could be worked out whereby that State could borrow necessary funds from the Federal fund to which all employers presently contribute. Such a system would eliminate any necessity for the Federal Government to get involved in the administrative details of the complex unemployment compensation systems that have been worked out by all of the individual States.

Yours very truly,

THE BRISTOL CO.,  
By E. G. GABRIELSON,  
Assistant Treasurer.

MARQUETTE NATIONAL BANK,  
Chicago 38, February 18, 1958.

HON. WALTER F. GEORGE,  
United States Senator,  
United States Senate Office Building, Washington, D. C.

DEAR SIR: Our attention has been called to the introduction of the Moody-Dingell bill, designated as H. R. 6174 and S. 2504.

In our opinion this proposed legislation should be defeated for a number of very clear and specific reasons.

The bill proposes largesse at the expense of taxpayers when tax levies are already the highest in peacetime history.

The bill is proposed at a time when employment is at its highest level for many years.

The bill would defeat the desired mobility of labor needed in connection with defense production. Most assuredly "John Doe" would rather be on very liberal unemployment compensation living in "Hometown" rather than in "Metropolis."

Is a temporary employment dislocation in one area (Detroit for example) sufficient to create a national emergency and a costly change of the entire unemployment compensation structure? We believe not.

This proposed legislation would act as another step toward additional Federal intervention in State programs, centralized controls, directions and dictations. All too frequently legislation, presumed to cover only a short emergency period, has become permanent.

Of late we have heard much of "guaranteed annual wages" for labor. Who is to guarantee and absorb employers losses? Certainly the two must go hand in hand, unless a sucker can be found to assume the second named ingredient to such a utopian scheme. Is the entire group of American taxpayers to be made the guinea pig for a test run of socialism which applies in benefits to only one segment of the population?

Hundreds of thousands of taxpayers want Government economy—not bigger hand-outs through expanded Federal bureaus that are in their height of glory when posing as a misty-eyed philanthropist.

If there is any element of vote getting in this matter, it is just possible that sponsorship or support of this bill will result in a net loss.

Yours very truly,

G. W. BAUGH,  
Vice President and Cashier.

THE HUDSON COAL CO.,  
Scranton 1, Pa., February 11, 1952.

S. 2504.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: The above bill has been introduced in Congress under the title "Defense Unemployment Compensation Act of 1952."

While this bill is considered as a temporary measure to alleviate unemployment conditions in certain areas, this legislation, if enacted, would seriously affect State control of unemployment compensation standards and cause excessive expenditures by the Federal Treasury.

The bill proposes that the Governor of any State could certify to the Secretary of Labor that within one or more labor market areas of his State there exists substantial unemployment, with no prospect of immediate reemployment.

After verification of the facts, the Federal Government would then supplement, by grants to the State, all unemployment compensation payments made under the State law whether claimants lived in or outside the distressed areas, as follows:

(a) 50 percent increase in the basic unemployment compensation amount.

(b) 100 percent increase in dependency allowances, if any. Pennsylvania does not provide dependency allowances. The total amount of benefits would be subject to proposed limitations, including a provision that benefits, with dependency allowances, shall not exceed take-home pay.

(c) The program would continue until the President proclaims the end of the present emergency or until termination of the Defense Production Act, whichever date is later.

This legislation could have very serious effect on State unemployment costs. Furthermore, beneficiaries, such as in Pennsylvania, who now receive \$30 weekly maximum, would object very seriously to a reduction in unemployment compensation if they once received a maximum of \$45 weekly under the bill as proposed.

No unemployment emergency exists in Pennsylvania and the unemployment compensation trust fund, which is now over \$600,000,000, is sufficiently ample to meet any contemplated demands.

No unemployment exists in the anthracite field; in fact, a recent survey of the industry shows that jobs are available for approximately 3,500 additional employees in underground work.

The Hudson Coal Co. is a large employer of labor and is now paying its proportionate share of unemployment compensation costs. While this bill may not have any immediate effect on direct unemployment charges to an employer, it could have a most serious effect if unemployment taxes were increased, which would most likely occur in the event that at some later date it would be necessary for the State to assume an unemployment cost of \$15 per week per person in the event the Federal Government later decided to discontinue the 50 percent increase and that increase had to be continued by the State. Furthermore, irrespective of whether the proposed increase of \$15 per week is paid by the Federal Government, this increase can only come from taxes assessed against individuals and companies.

Your earnest support in opposing passage of this legislation will be greatly appreciated.

Yours very truly,

G. B. FILLMORE.

THE MEDART CO.,  
St. Louis 18, Mo., January 26, 1952.

Hon. JAMES P. KEM,  
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: I have just read about the bill that has been offered by Senator Moody, of Michigan, proposing to add 50 percent to the basic payment by the State for payment to the State jobless pay in so-called critical areas. The article that I read indicates that the national average of compensation payments is \$21 so that the Federal addition would be \$10.50, meaning that a workman, who is not working, would receive \$31.50 each week.

I have talked to a number of businessmen about this and we all agree that nothing could be more unsound and absolutely discriminatory against those American citizens who are required, at this time, to serve in the Armed Forces.

I know that you read the Kansas City papers or, at least, you may find time to glance through them. If you do have the opportunity to see the St. Louis papers, I suggest that you also glance through them. We have a terrible shortage of willing workers in St. Louis. If you will look at the newspapers in all other areas, outside of perhaps Detroit, you will find the identical situation. The unemployment program was set up originally for the purpose of furnishing relief during a time that would enable the workman to relocate in an area where his services are desired and needed or, to give him an opportunity to wait for business to get better in his own location. Since when is it the objective of this unemployment compensation program to absolutely freeze the workers into a given area. Why should not these Detroit workers take an overnight train for St. Louis, Chicago, Cleveland or, any one of a dozen cities and look for a job there. They would be at work in 24 hours if they really wanted to work.

What sort of hardship is this compared to what the military service law passed by the Senate and the House requires of those who are unfortunate enough to be drafted? What about the serviceman whose compensation is reduced by an average of 50 percent when he is inducted into the Armed Forces? By now, I think you understand why I say this law would be one of the most unfair laws that was ever passed.

If this law should pass, is there any reason why, just before the next election Congress should not pass another law which would authorize this 50 percent additional compensation whenever a workman would be required to go more than 5 miles to look for a new job? Then, what would be illogical about revising it just before the next election after that, so that the Federal 50 percent additional should be applicable if the workman simply doesn't have work in the shop where he has been on the payroll for say, more than 30 days? When are you people in Washington going to take the viewpoint that the American citizen should earn his living when work is available within the United States.

Yours very truly,

WALTER SIEGERIST.

THE DUFF-NORTON MANUFACTURING Co.,  
Pittsburgh 30, Pa., February 11, 1952.

HON. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
The United States Senate, Washington, D. C.

DEAR SIR: I have recently learned that the Moody-Dingell bill (S. 2501 and H. R. 6174) has just been introduced in Congress under the title, "Defense Unemployment Compensation Act of 1952." Proponents of this bill have represented their proposal as inexpensive—costing just a few million dollars in a defense program that amounts to many billions. Ignored was the prospect that on a Nation-wide basis the cost could easily run to over a billion dollars in the next year.

The plan also opens the door to Federal domination of the State-operated unemployment-compensation programs, which is distinctly contrary to the best interests of those concerned. Whereas our own State, Pennsylvania, has no defense-caused employment dislocations, there are several regions with chronic unemployment that could be used as the excuse for requesting Federal funds.

I am firmly opposed to the creation of any additional welfare measures that destroy the individual's desire for thrift and economy in his own personal living. We have already gone too far toward depending on our Government for our future welfare and security. Apparently, it is no longer popular to save for that inevitable "rainy day." This was formerly one of the prime incentives for hard work and good earnings.

I wish to go on record here as being firmly opposed to the Moody-Dingell bill just introduced, and which is scheduled for hearings before the Senate Finance Committee on February 19 and 20. I trust you will give this measure your thorough consideration and will concur with me in my thinking.

Very truly yours,

THE DUFF-NORTON MANUFACTURING Co.,  
W. I. FLOYD, President.

THE BASTIAN-BLESSING Co.,  
Chicago 30, Ill., February 12, 1952.

Subject: N. Y. Dingell bills S. 2504 and H. R. 6174.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SIR: May I express my opinion regarding the subject bills which have been introduced and will probably be considered in the near future from a legislative viewpoint. I feel that the bills are wholly unnecessary at this time. Figures indicate that the unemployment at present is at a low level, and it is much better for each State to handle unemployment from their own funds rather than to have them supplemented by Federal funds. The situation in the Detroit area is not unusual as it corresponds to the normal seasonal trend for this time of the year.

As these bills are presented, in some cases we would find individuals who would prefer to be idle rather than to work, and there are some people who can easily find ways and means of doing just that. Many would like this kind of tax-free compensation in the substantial amounts suggested in preference to working. Because of these conditions, it would cost the States a great deal more to administer the fund and to carefully analyze each case in making payments.

It is true that the bills specifically mention that this should be applied only in critical defense areas where unemployment might arise, but there is no doubt that those areas would spring up like mushrooms once such legislation was enacted. What State would not specify some critical areas if they could get additional Federal funds? There is no reason why every State in the Union would not get in under these benefits sooner or later, and the cost would again tend to increase taxes.

Once a State received such supplementation, employees would hesitate to move from an area where they are receiving these fattened benefit checks to other defense production areas where they would have to work for a living. Thus, the program would be contrary to the principles of our defense program which is to keep the labor force mobile.

Once such legislation is enacted, it could probably never be discontinued. All of the States have worked with the unemployment problem long enough so that they have systems set up and working to the satisfaction of the employers and the populace of the States. If this supplement should go through, it would not be long before State control of unemployment benefits would be eliminated and it would be a Federal function which, in my opinion, is not right. Administration of unemployment insurance definitely should be a State function.

These bills would tend to have States set up or increase dependents' benefits. I cannot see that dependents' benefits is a part of the unemployment insurance program. Such benefits are more in line with a welfare program. One of our serious problems of today is that too many people are expecting the Government to take care of them and because of that, they are inclined to spend every dollar they make without putting some away for the rainy days.

We are losing a lot of good initiative in our young people and coming generations because of continuous and additional benefits being dreamed up. Individuals can provide their own security if given the chance but every added piece of legislation of this nature takes that necessity from the people and there is no reason for them to do so.

I am definitely against these bills and would like you to consider my opinion in your voting.

Very truly yours,

H. G. SHELLHAMER.

NEW ENGLAND CONFECTIONERY Co.,  
Cambridge 39, Mass., February 14, 1952.

Hon. WALTER F. GEORGE,  
Senate Office Building, Washington, D. C.

SIR: I am writing you, the chairman of the Senate Finance Committee, to register protest against favorable action by your committee on the unwelcome proposal in the bill introduced by Senator Moody, of Michigan, S. 2504. This bill opens the door to nationalization of State unemployment benefits which is probably the most abused feature of all welfare legislation. It puts a premium on idleness and invites the lazy worker to become a kept citizen at the taxpayer's expense, with his benefits free from tax obligations.



Take the case of an unmarried employe who earns \$60 per 40-hour week. Under this bill he would receive a tax-free weekly benefit of \$40 (two-thirds of his gross wages) while unemployed. This employe's take-home pay for working will be no more than \$46 after deducting a withholding tax of \$9.60, a social-security tax of 90 cents and about \$3.50 as a modest estimate of the other costs of work, such as transportation, lunches, and union dues. Thus, his cash incentive to work is only \$8, or 15 cents an hour to a man or woman who has no family obligations. Since the benefits for employes with dependent children are almost equal to their working take home pay, such employes would have no incentive to work at all.

This whole dole concept is repugnant to our American tradition of self reliance and is breeding a line of thinking among our people that they are entitled to a guaranteed existence. This is contrary to the spirit that built up our country and unless stopped will eventually lead to trading our freedom for beneficence and our dignity for a hand-out.

I am not writing the other members of your committee in the hope that you will submit this letter in evidence as a cross section of the way most businessmen feel about S. 2504.

Respectfully yours,

H. R. CHAPMAN.

ROCKFORD, ILL., February 13, 1952.

Senator WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SENATOR: This letter is to protest against the enactment of Senate bill 2504 and House bill 6174, pertaining to Federal participation in the unemployment compensation program of the various States.

I am a white-collar person working for a salary. I am not an economic royalist in any sense of the word, but I do keep a keen interest in legislation and I believe it is time these matters should be considered from the welfare of the country rather than from the viewpoint of any pressure group.

When unemployment compensation was first conceived, it was considered more or less of an emergency matter to keep a man and his family off the bread line, when they were out of a job. Throughout the years it has become liberalized and liberalized until some parties tend to become of the mind that a man should maintain his regular standards of living when he is unemployed.

Most of the States have an adequate set-up to keep a man and his family supplied with the bare essentials, or more when he is faced with unemployment. I believe it is a serious mistake for the Federal Government to become involved in this program. Experience has shown that once the Federal Government has become entangled in any program, even on a temporary basis, it is here for all time to come. For example, witness the AAA program that was conceived in 1933 as a temporary measure for the farmers. Anyone is simply naive to not recognize that whenever the Federal Government becomes involved in any welfare program, politics takes over and common sense and business administration go out the window.

We are confronted with a huge Government deficit and a huge Federal budget. We have been talking about pruning out all nonessentials. Certainly to add anywhere from \$200,000,000 to a \$1,000,000,000 of additional burden upon the taxpayers, which is where the Federal money will have to come from, on a program of this nature is not a "must" item in any sense of the word.

Such provisions, for example, in the bill that if in any locality in a State it is found that there is substantial unemployment, then all benefit checks under the State are increased 50 percent to the unemployed party and 100 percent to dependents simply is nothing but a raid on the Federal Treasury. Why all benefit checks should be increased just because there is a situation developed in one locality in the State, doesn't make sense.

If this Federal involvement becomes law, then the matter will increase and increase and will become looser and looser in its administration until it too, will become a political football at the expense of the general public.

It is unnecessary, it is uneconomic, and it will be a bad thing in the long run for the American people, and it will be almost impossible to ever shelve it. I won't go into the various details of the program, nearly all of which are repugnant, because you all know what they are.

I believe that for the good of America, these bills should be promptly squelched and killed in committee if possible.

Yours very truly,

L. C. RINGLE.

U. O. COLSON Co.,  
Paris, Ill., February 14, 1952.

Re Moody-Dingell bill, S. 2504 and H. R. 6174, Defense Unemployment Compensation Act of 1952.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR MR. GEORGE: This letter is to voice my vigorous protest against the Moody-Dingell bill introduced in the Senate and the House of Representatives on January 23. In my opinion and that of a large number of businessmen in this area to whom I have talked, this bill represents another step in the program of creeping socialism which is already strangling the economy of our country. It is another example of the insidious machinations of some Senators and Congressmen who are willing to sell this country down the river for a purchased vote.

These bills violate fundamental unemployment compensation principles—

(a) Because they inject the Federal Government into the State programs and will lead to Federal control and federalization of State unemployment compensation programs;

(b) Because the granting of dependency allowances converts the insurance program into a welfare or needs program;

(c) The bills are discriminatory of the unemployed workers in one State as against another.

The fact that the Governor of any State may certify to the United States Secretary of Labor that there is substantial unemployment with no prospect for reemployment in one or more labor areas in his State means simply that as soon as this bill is taken advantage of in one State, the Governor of every other State will be pressured to the same by his constituency even though the facts do not warrant such a state of emergency. Further, these bills will put an individual premium on unemployment, in many cases making it more profitable for a man to become unemployed in certain areas. It is a program designed to further demoralize the working class of this country.

My business associates and I respectfully request your positive aid in defeating not only this but all other socialistically inclined legislation.

Respectfully yours,

U. GORDON COLSON, *President.*

W. J. COCHRAN CONSTRUCTION Co.,  
Booneville, Mo., February 13, 1952.

Re Senate bill 2504, unemployment insurance.

Hon. WALTER F. GEORGE,  
Washington, D. C.

HONORABLE SIR: When the unemployment compensation bill was first talked of and then passed I thought one of our business problems had been solved, but I find it has not proved so. For years my father had made it the rule to see that the regular men in his organization had employment during the slack season. This often meant digging deep into reserves to do so. When my brother and I took over the business we were trying to continue this policy. Many times if the slack season was long it used up our surplus funds and worked a hardship on the business and so we felt the unemployment insurance was the solution. To my disappointment I find instead of a solution it has doubled our burden, for now if our season is slack we must still carry these keymen and also pay insurance. If we lay them off so they may seek the insurance, then they must also seek and accept other employment and this ruins our organization. If we do happen to pick up work for a short time our men are not available. When we have trained these men for our work it is hard to see them picked up by another who perhaps at the time is fortunate enough to have a carry-over job. It also means when work does open up you must begin at the bottom to build a new organization. We were better off and our men as well taken care of under our old system.

Very definitely this law has failed to help small-town contractors who are big enough to come under the law but small enough that their volume of business does not allow overhead costs to cover this condition.

We in Missouri who are caught in this position are glad to work under a State unemployment system which gives us some relief through the experience rating and we very definitely do not want to be swallowed by Federal control such as the Moody-Dingell bill will bring. It would seem we would be paying the relief bill for sections of the country where more unemployment relief is required.

We feel it unfair for our rural section to carry the load for the highly industrialized section, or for a commercialized rural section with very definite reasonable work.

I have watched with interest the results of unemployment claims made on our firm and in 8 cases out of 10 the men who asked for compensation are the least efficient type of workmen. They are those who are shiftless, slipshod, inefficient, and otherwise worrisome. They are the ones we lay off as quickly as we feel we can operate without their help. There are times when we must fill in with this type of worker when others are not available.

I trust I have not been burdensome to you in expressing my opinion, but after all I have no business agent, or lawyer who is paid to do it for me and I must depend on getting my viewpoint to you in this manner.

Our firm certainly will appreciate your consideration. We feel we are entitled to it as well as the organized group. After all, our firm originated about 1870, when our grandfather started in business on his return from the Civil War; our father continued the business, and now we have hopes that my nephew, who is working for us, will be the fourth generation to carry on. We believe we have given the community acceptable service or we would not still be here. We would like to stay, however, if the squeeze is continued on such size firms as ours by both organized labor and big business, we are doomed.

Your consideration of our opinion is solicited.

Yours very truly,

JESSIE COCHRAN.

The CHAIRMAN. I would like for the record to also show that letters in opposition were received from the following chambers of commerce, which communications have been placed in the committee file: Bay City, Tex.; Hopkinsville, Ky.; Oskaloosa, Iowa; Wayne, Mich.; Somerset, Pa.; Litchfield, Ill.; Columbus, Ind.; Creighton, Nebr.; South Carolina State Chamber of Commerce, Columbia, S. C.; Powell, Wyo.; Salt Lake City, Utah; Hammond, La.; St. Louis County, Clayton 5, Mo.; Cambridge, Ohio; Canton, Ohio; Logansport, Ind.; Belmont, Iowa; South Bend, Ind.; Evanston, Ill.; Royal Oak, Mich.; Corning, N. Y.; Crookston, Minn.; Anthony, Kans.; Clinton, S. C.; Johnson City, Tenn.; Hattiesburg, Miss.; Manitowoc, Wis.; Mount Vernon, Ind.; Seaside, Oreg.; Sioux Falls, S. Dak.; Chelsea, Mass.; and Canton, Miss.

Senator Moody, you, as the principal proponent of this measure, may proceed. The committee will be very glad to hear you.

**STATEMENT OF HON. BLAIR MOODY, MEMBER OF THE UNITED STATES SENATE FROM THE STATE OF MICHIGAN; ACCOMPANIED BY TOM DOWNS, MEMBER AND FORMER CHAIRMAN, MICHIGAN UNEMPLOYMENT SECURITY COMMISSION, AND GUY A. TRACY, FORMERLY ACTING DIRECTOR OF PLANNING AND RESEARCH DIVISION, MICHIGAN UNEMPLOYMENT SECURITY COMMISSION**

Senator Moody. Thank you, Mr. Chairman, very much.

This is a bill basically to pay part of the cost of the national defense mobilization, and to meet an acute human need in the highest traditions of our American Government and our Congress.

It is sponsored by 15 Members of the Senate, several of whom have asked me to present statements in their behalf. Senator Douglas and Senator Kefauver and others have asked me to express the fact that I was speaking for them, too, although Senator Douglas may have one or two perfecting amendments he wants to offer and, as you know, Mr. Chairman, I have provided one perfecting amendment myself this morning which I will explain a little later.

I am very grateful to the committee, and especially to the distinguished chairman, Senator George, for his consideration and for your prompt hearings.

I might say that this is not an administration bill. It was drafted by myself, with the advice of a number of experts on this subject. It went through 9, and if you would call this amendment another one, 10 drafts. I am glad to be able to report that I wrote the President about this, about 2 weeks ago, and a few days ago I received from him a letter which expresses his support in principle of the bill. He said that he had not had time to study the measure in detail, but that I was on the right track.

I would like, if I may, to present for the record—I will have the original in just a moment—a copy of this letter from the President to me.

The CHAIRMAN. You may put it in the record, enter it into the record.

Senator MOODY. Thank you.

(The letters referred to are as follows:)

FEBRUARY 5, 1952.

The PRESIDENT,  
The White House,  
Washington, D. C.

MY DEAR MR. PRESIDENT: As you know, the national need for increasing our military strength, as an indispensable factor in averting general war, has resulted in a severe cut-back in the amount of metal that can be used by industry for civilian production.

Perhaps the hardest hit of all communities by this situation is Industrial Michigan; therefore I have devoted my efforts to a solution. But there are other communities in the same unfortunate position; a condition of substantial unemployment at a time when the Nation generally is producing at a high rate and more than 61,000,000 people are employed in our Nation.

With Governor Williams, I have called this situation to the special attention of Mobilizer Wilson and Administrator Fleishmann and together they have given us vigorous cooperation.

The ceiling on the number of automobiles to be produced in the second quarter of 1952 has been lifted from 800,000 to 930,000 cars and I am urging additional metal allocations to achieve at least that figure or exceed it. A new manpower directive, No. 4, has established the policy of placing defense contracts in surplus labor areas on a negotiated basis. A special task force has been set up to channel defense work into Detroit and other areas where there is a disproportionate amount of "defense unemployment." And other actions are being taken, all to create more jobs where they are most needed and to use our productive facilities to the maximum degree.

However, in a period of semimobilization such as this, certain dislocations in the industrial structure are inevitable. Despite the best we can do, there will be substantial unemployment in some areas for some months to come. Particularly at present prices, the State systems of unemployment compensation are entirely inadequate. The national average payment is \$21 a week. In these days, no one ready and able to work, now deprived of his job because of national need, should be forced to eke out an existence for his family on \$21 a week, as I am sure you will agree.

I have therefore introduced in the Senate, in company with 14 other Senators, and Representative Dingell has introduced in the House, a bill known as S. 2504, which would provide a temporary Federal augmentation of State payments during the emergency period.

This measure in no wise attempts to change or review the unemployment compensation system on a permanent basis. It is an emergency measure, designed to prevent injustice and avert suffering, during the mobilization period.

I am enclosing a copy of S. 2504. I would appreciate your reading it, making any suggestions you may have to perfect it (it has already been through nine drafts), and letting me have your opinion regarding it.

Should you be able to lend this measure your support, I believe you would be acting to provide equity for families heavily hit by the conversion, and to assist in stabilization of the entire economy.

With best wishes,  
Respectfully yours,

BLAIR MOODY,  
United States Senator.

THE WHITE HOUSE,  
Washington, February 18, 1952.

Hon. BLAIR MOODY,  
United States Senate.

MY DEAR BLAIR: I have your letter concerning S. 2504, the bill providing supplementary Federal benefits to raise unemployment compensation benefits in those States having areas with substantial amounts of unemployment.

I have looked over the bill with a great deal of interest, and have talked with the Secretary of Labor about it, although I have not been able to study it in enough detail to express views on all its specific provisions. But generally speaking, it seems to me that you are on the right track.

We are facing a paradoxical situation right now. Across the country, generally, production is booming and employment is very high. Yet in some industries, affecting particular localities more than others, unemployment has been increasing sharply. The national mobilization effort is undoubtedly a factor in both situations.

The defense program has not been the only factor leading to fewer jobs in some localities, but it certainly has contributed to that result. There is no more dramatic illustration than the situation out in Michigan today. You are quite right to be worried about it. We are all worried about it. Naturally, our main effort has to be to find useful and productive jobs for all the unemployed who need and want work. But I agree that the Federal Government should help make sure that the people who are losing jobs right now are not penalized by the inadequacy of State unemployment benefits.

S. 2504 proposes to correct that inadequacy on an emergency basis, by using Federal funds to supplement State unemployment benefits. This approach seems reasonable to me, as a short-run solution, until the States can act to increase the benefits paid out of their own insurance trust funds. Most State benefits are plainly inadequate. They should be raised—emergency or no emergency. But I am afraid there is no practicable way to raise them quickly to meet the present situation, except through the device of Federal supplementation. We have had plenty of experience to demonstrate that the States themselves simply cannot or will not act fast enough.

Of course, this kind of stopgap, emergency action is not a substitute—and I am sure you do not regard it as a substitute—for the general basic improvements in unemployment insurance which I have been urging on the Congress for several years. If those improvements had been in effect today, there would be far less need for emergency Federal action. In the long run, the present State systems of unemployment insurance will have to be substantially improved and expanded to give us an up-to-date, effective program. And in the long run, the primary responsibility of the Federal Government should be to make sure this gets done.

I hope these comments will be helpful to you. I believe very strongly that this Government has a positive obligation to combat unemployment everywhere and all the time. And we have a duty to give our workers and their families a decent measure of protection against the loss of earnings that unemployment brings.

Sincerely yours,

HARRY S. TRUMAN.

Senator MOODY. In regard to the amendment that I have submitted to the committee, Mr. Chairman, it bears on extending the duration of the bill.

As you know, we have discussed this bill and when we discussed it initially I did not see how the duration of State benefits could be extended by the Federal Government without, in a sense, federalizing the system.

To federalize the system is not the purpose of this bill, and, therefore, in the initial drafts I did not see how it would be possible to extend the duration of the payments as set up by the States. However, I do believe we have the method now by which this can be done. It is the same principle that I have embodied in the other features of the bill regarding the amount of payments, namely, a percentage of the State standard, and I will discuss this amendment in a few minutes.

I am particularly glad to have an opportunity to explain this to the committee because the provisions of this bill, Mr. Chairman, have been rather widely misconstrued in some cases, and if the people who have been commenting on it understand it, they have been misrepresented.

I hope to answer some of these statements today, and at the conclusion of your hearings I would appreciate an opportunity briefly to comment on statements that are made in opposition to the bill.

At the outset, therefore, because of statements that have been made regarding the bill, I would like to tell you what the bill does not do. It would not federalize unemployment compensation, nor is that its purpose.

It would not, of course, pay anyone more for not working than for working. That statement has been made a number of times in a number of places, and it is a highly inaccurate and indefensible statement for anybody to make who has read the bill. It certainly would not pay anybody \$84 a week in the State of Michigan; that is certainly not in the bill, and when you see it you will see that it is not in the bill.

It would not cost a billion dollars a year. That is another statement that is not true, of course.

It is presented by 15 Members of the Senate, Mr. Chairman, as an emergency measure, to meet what we consider to be a very serious situation that is developing in a number of localities in the country. It does not propose any permanent change in the unemployment compensation system whatever. It is strictly a temporary measure to meet an emergency situation.

Now, as you know, Mr. Chairman, there are about a billion dollars that have been collected from employers through the unemployment compensation tax which have not been used. That billion dollars is a part of the money reserved by the Federal Government theoretically, for administration purposes.

For the record, I think it might be said here that the payroll tax is collected by the Federal Government, but most of it is refunded to the States. A small portion of it is reserved by the Federal Government for administration purposes and you will recall, I am sure, Mr. Chairman, that in 1945 when you had a similar problem before your committee you set up what was known as the George insurance fund to take care of a similar situation, and you did authorize the use of that particular money for the purpose of taking care of possible emergency contingencies in this field.

These billion dollars, I might point out, are morally committed to unemployment compensation so that, I believe, they can well be used in this emergency.

Now, the objectives of this bill, Mr. Chairman, are to carry out what I conceive to be the policy that Congress has already expressed in a number of different instances. For example, that policy is that no segment of our economic community should be forced to shoulder

an unfair or inequitable share of the inevitable burdens which come from a mobilization effort such as the country is now going through.

The purpose of the bill is to play square with workmen who have been deprived of their means of livelihood temporarily because of a national need. We all know that we dare not trust our future to the good intentions, if any, of the men in the Kremlin; we know we have to strengthen our country, and it would be wasting the committee's time to go into the general reasons why we must arm the country or the general reasons why it is necessary to allocate materials for the national defense.

The Senate and the Congress and the committee are very familiar, of course, with that situation.

I would like to point out to the committee, however, that it has been the policy of Congress, frequently expressed, that no unfairness be done to any group. In some cases, perhaps, the Congress may have leaned over backward, and perhaps gone a little too far in that direction in some respects.

If you take group by group you will see that in the matter of setting price ceilings the Senate wrote an amendment to the National Production Act which requires the Price Administrator to include all costs of every description in the setting of a ceiling. That is so that there cannot be any possible penalty on the manufacturer because of the economic situation behind the mobilization effort; and the same thing, of course, is true in the amendment to the National Production Act which provides for the historic percentage mark-up for wholesalers, retailers, and other dealers.

When a manufacturer, Mr. Chairman, buys machine tools to fulfill a war contract or a defense production contract, that manufacturer, of course, includes in the cost of his contract the equipment which he buys to fulfill the contract. The Government pays for it. He is not expected to do so and, of course, when new plants are built, those plants are allowed accelerated amortization.

I am not criticizing these policies at the moment, but I am merely pointing out that the policy of the Congress has been to see to it that no segment of the economy, no group of people should be asked to shoulder a disproportionate share of the burden of a situation which has arisen from a national need, from the necessity of arming the country.

You all know, of course, that the Congress has assumed responsibility for the building of defense housing in various defense areas, the building of schools, because it is a national problem.

Just a few days ago, before the Banking and Currency Committee, we were having a hearing, Mr. Chairman, on the mortgage situation, and we were asked by a representative of the Chase National Bank to extend the coverage of the mortgages on projects in defense areas.

This gentleman pointed out that there might be a change in Government policy, there might be a shut-down of production in some areas where they were building houses, and taking mortgages on the large development in those areas. At the present time the FHA does have authority to buy mortgages on individual homes, but my understanding is, and the point the gentleman was making was, that the individual mortgagor does not have the right to discount with the FHA a mortgage on a large development, a multiple-unit development, in an area of that sort.

He said that he felt that at the option of the mortgagor who had put his money into this sort of area, and might lose it because of a change of Government policy if the mortgage should become less valuable, that the Government ought to assume the risk.

I said to him, "You mean that because of the fact that this is a national need, because we must arm, because we have to have this production and have to have houses in those areas, that the risk basically should be a risk of the Government?" and the gentleman said that was right.

I would like to point out to you that, if that applies in that sort of a case, if it applies to the other instances I have been speaking about, I think, as a general thing, it is a sound policy of the Congress I do not think we, as a nation, have to permit any single group of people to assume a disproportionate share, and I am sure no member of the committee would want it to. It certainly applies to people who, in effect, have been taken out of their jobs by the Government.

Now, I do not say that in criticism of the Government, because I think we all agree that the Government must strengthen our country, and I think that while there may be criticisms of the way it is done, in general, the policy and the principle of what we are doing is accepted. Yet we have a situation in some industries where the Government says to the manufacturer, "You cannot have the metal that you ordinarily have to make your product; we need that metal for national defense," and the manufacturer then is forced to say to his employees, "Well, we cannot employ you now because we do not have the work, because we cannot get the metal."

It is traced directly back to the Government, and in some other industries a more indirect effect has taken place because of the mobilization.

After Korea there was a wave of scare buying, as the committee knows, and in certain industries there was a rush upward not only of prices but of accumulation of inventories, and that undoubtedly would not have happened had it not been for the fact that we went into the matter of defending freedom in Korea. As a result of that, as a result of the economic impact of the Korean situation, these inventories have made it necessary to lay people off and they also are casualties of a national economic situation.

So the first purpose of this measure, Mr. Chairman, is to play square with the unemployed worker in the same way that Congress has endeavored to play square with all of the other segments of the economy.

The second purpose of this measure is a national purpose, and that is to preserve our productive arsenals.

Now, some of the areas of the country that have been the hardest hit are the areas which did the most in producing during the Second World War, to defend our country. One of those areas is, of course, my home town of Detroit, and all of industrial Michigan, but it is not the only one.

The mayor of Detroit said a few days ago that the time would come before this mobilization thing was over when there would be a shortage of workers in Detroit. This is a temporary situation but, nevertheless, these men and those workers are going to have to be there because it is there—and I am speaking not alone for that community, I am speaking for others similarly, but it is a good example—it



is there where the weapons must be produced if they are to be produced, where the management know-how is, where the machining is, and where the skilled labor is.

Now, if because of a period of prolonged unemployment it becomes economically necessary for the heads of families to scatter away from those arsenals of production, then when the time comes that the plants are tooled up and ready to produce these weapons, the men who have had to go away to protect their families will not be there, and it will be a very serious blow, in my judgment, to our country's ability to protect itself. So, I would not want anyone to believe that the only purpose of this bill was merely to pay adequate unemployment compensation benefits. A collateral purpose of this bill is to protect our structure of military production and to preserve the power of this country to turn out arms which is, in my judgment, one of the greatest bulwarks in the world to peace.

Now, there is a third purpose. One reason that I have been a little surprised at some of the opposition to this bill is the fact that the effect of it will be to stabilize the business community. All during the period when unemployment compensation was first being considered, it was pointed out that it was a stabilizing factor in the business community.

By the way, I would like to say for the record, that I have with me advising me this morning, Mr. Tom Downs, who is a member and former chairman of the Michigan Unemployment Security Commission, and Mr. Guy A. Tracy, who was acting director of planning and research division of the Michigan Unemployment Security Commission. Mr. Tracy has furnished me with some figures which point out that the payroll losses in Michigan in January 1952 are due almost entirely to the orders of the Government taking metal away from civilian plants.

Those payroll losses were \$13,072,000 a week in the State, and \$8,132,000 in the Detroit metropolitan area alone.

Now, the compensable claims in the week of January 1952, in the unemployment system of the State totaled 80,077, and at an average weekly rate of \$25.68, was approximately \$2,000,000.

Now, that leaves a loss of more than \$11,000,000 a week to the economy of this State, and the corresponding loss to the economy of Detroit alone is about \$7,000,000 a week. Again, I am citing this as an instance. There are other communities in other parts of the country which are in a similar situation.

Mr. Chairman, we are now in a period of nearly full employment nationally. There are 61,000,000 people working, or more. There might be one or two soft spots in the economy, of course, but I do not believe it is at all likely, in view of the situation that exists nationally, that there would be such heavy pockets of unemployment without this mobilization program. These pockets of unemployment have been caused by the fact that the Government has had to take action to protect our country.

The bill to take care of this situation, Mr. Chairman, provides for a 50-percent augmentation, within limits, of the amount set for unemployment compensation by the States. In addition, it provides an incentive for family life. It provides that where States provide an additional increment for dependents that the Federal Government match that dollar for dollar. That is a system already in vogue in

some States, including my State. There are a number of other States that do not have special dependency allowances.

Senator TAFT. Mr. Moody, let me ask you, is this an accurate chart? The table with respect to Michigan gives 6 to 7 percent, and 27 to 35 percent average weekly wage.

Senator MOODY. Senator, I do not know what table you have, sir.

Senator TAFT. A fellow who already had 67 percent would get 50 percent more, and he would get the full wage.

Senator MOODY. I do not know where you got the table, but that has nothing to do with this bill.

Senator TAFT. This is the table from the Department of Labor purporting to give the Michigan law. The computation insofar as the weekly benefit amount is said to be 67—53 percent of average weekly wage plus \$1 or \$2 per dependent; weekly benefit amount for total unemployment \$6 to \$7 minimum, and \$27 to \$35 maximum.

Senator MOODY. \$6??

Senator TAFT. \$6 to \$7 minimum; \$27 to \$35 maximum.

Senator MOODY. That is right.

Senator TAFT. And you would add 50 percent to that?

Senator MOODY. Yes. On the maximum figure for a single man, Senator, which is \$27 a week in the State of Michigan—as you know, it varies in various States of the country—this bill would add 50 percent.

Senator TAFT. Michigan seems to be already the highest, except Nevada, and one or two other States; is that correct?

Senator MOODY. Well, Michigan does have a rather high level of unemployment compensation compared to some other States, Senator, but I do not think that it can be well contended that at present-day prices, regardless of what the levels of unemployment compensation are in other States, that \$27 a week is an adequate payment for a man who is laid off from his job.

As I understand them, the State systems are not intended to assume a Federal responsibility. This is not an ordinary economic shift from job to job the way the situation is now.

Here is the situation where the men would be working if the Government had not stepped in, and, I think, Senator, that the Government should recognize—

Senator TAFT. While the Government is doing this thing, should they not see that there is full employment, is that not the Government's job first? I mean, is it not better to provide a job than to pay somebody for not working?

Senator MOODY. It is. As I think you know, I am not, of course, Senator, advancing unemployment compensation as a solution to the problem. Our effort still must be directed toward obtaining more defense contracts and the better channeling of materials. We should have more efficient programing, and as much metal as possible that can be given to the civilian production as is possible, in line with the military needs of the country.

Senator TAFT. You say this is Government-created unemployment, and I question whether it is not a fact that the Government should create employment instead of paying people after they create unemployment. Is there not some way in which that could be done instead of doing it this way?

Senator MOODY. Senator, as you may have noticed, the Governor of Michigan and myself have been doing our utmost to see to it that into this and other areas where there is a labor surplus, and where there is a great power to produce, military contracts be channeled just as rapidly as they can. I think you may be cognizant of the fact that Mr. Charles Wilson, the Mobilization Director—

Senator TAFT. They are getting it at the rate of a billion dollars a week. Is that not fast enough to send them where they ought to go?

Senator MOODY. Frankly, I think that the program should be moving faster. Certainly it could be moving faster into the State of Michigan, and that is the very point that we have been trying to make, and I thoroughly agree with what I understand to be your point, sir, that we ought to create employment just as fast as we can, and we should not cut down civilian production to any extent more than is absolutely necessary for the prosecution of our defense economy.

But the fact is that despite the best we can do there are going to be heavy pockets of unemployment around the country. And I feel that if you or I were in a war plant, or in a civilian plant, and had the responsibility for raising a family, we would deserve consideration from the Government, if the Government—and this is not a criticism of the Government, because the Government must strengthen our ability to defend ourselves in this world situation—if the Government came in and said, "Your employer cannot have the metal that you work on every day, and therefore we are going to have to take it away from them, and you are going to be out of a job," then I think that is a little different, Senator, from an ordinary situation of unemployment compensation.

Senator TAFT. I am not saying that. I am just suggesting that the Government ought to take care of it somehow when they have such tremendous contracts to give, and when you have got full employment in the country, and it seems to me the Government ought not to create unemployment, that is all I am suggesting.

You say you are not criticizing the Government. Why not criticize it? That is the question I am asking.

Senator MOODY. I said a few minutes ago that I thought the thing ought to move faster, but I am not criticizing the Government for arming the country to defend itself. I do not think you would, either.

Senator TAFT. No, I am not. I was only saying why are you not criticizing the Government for creating unemployment? There is a tremendous amount of money going out and the contracts made.

Senator MOODY. Sure, but there never has yet been a conversion which did not take lead time. I am sure you are familiar enough with the production problems to know that you cannot stop making automobiles one day and start making guns the next day. It takes some conversion period.

Senator TAFT. As I recollect it, we had the same appeal at the time when we made over the whole industrial plant for war purposes, but nothing was ever done by Congress. The men seemed to have gotten on very well, and gotten on without it; they got them back to work in a hurry.

Senator MOODY. Well, I am sure you will agree to this: That these economic problems are difficult at best, in preparing for war, but they

are much less difficult in an all-out mobilization than they are in a period of semimobilization such as we have at the present time.

Senator TARR. I do not see why offhand. It does not seem to me to make sense. It would be more difficult if we changed all over. It takes everybody out for a pretty good period. It takes quite a while to make tanks instead of—

Senator MOODY. Let me give you some examples, Senator.

Senator TARR (continuing). Instead of making automobiles.

Senator MOODY. The General Motors plant, the Oldsmobile plant, in Lansing, is making both civilian and military goods. They were running three shifts a day on one contract and employing a lot of people that had been laid off from other plants in the area on this military work.

Now, because the mobilization is a partial one and because the need for that particular type of military item is not as great today as it would be if it was an all-out mobilization for immediate fighting—and I am sure neither you nor I would want the Government to spend any more money than it must spend for military purposes—you have a situation where they have to cut back military production.

Now, that is not only true in that plant, it is true in the Willow Run plant near Detroit, which is operated by Kaiser-Frazer; they have a tremendous capacity there to produce airplanes, but the contracts have not been stepped up rapidly enough. But in a period of semimobilization, instead of an all-out drive to get just as much as you can just as fast as you can, there is the question of whether or not to freeze a model at a certain point; there is the question of just how much is needed, and there is continually, of course, the pressure to cut down what is actually needed, because, heaven knows, the military budget is costing us a great deal as it is.

The tooling in some of these plants is divided. There is, of course, the fact that you cannot shut down half of an automobile line and make half as many cars; but nevertheless the fact is that the efforts and the general tooling of these plants are not now devoted to defense work completely.

They are devoted partially to civilian work, and in some plants partially to war work.

I would like to say in connection with this bill, as the chairman knows, I have made every effort not to federalize the system. I realize that there are those who feel the system should be federalized, and they have strong arguments on their side. There are very strong arguments against federalization of the system. I thought it would be a disservice to this bill to have any flavor in it of an attempt to federalize our unemployment system. Therefore, if you will read the measure, as I am sure you will, you will see that the entire thing is based on a continuance of the State-administered system on State standards set by the State, with a percentage of increase by the Government because of this national situation.

I have not only proposed an addition to the compensation paid, but, of course, I put ceilings on them.

Now, there have been all sorts of statements made, Mr. Chairman, about how people would make \$84 a week, how they would get more for not working than for working, and so forth. Some people have taken a bill introduced in the legislature—on which there has been no action taken—and hung it onto the end of the other bill and made

all sorts of calculations, which, even if both measures should pass, would be inaccurate because in this measure I have put limits, so that no single man can draw from both the State and the Federal Government more than 66½ percent of his wage; and if he has up to four dependents in a State that grants special payments for dependents, under no conditions could he get more than 75 percent.

The CHAIRMAN. Mr. Moody, are you prepared to give us the figures—I suppose we will get them from official sources—of the sums now to the credit of each of the several States for unemployment compensation?

Senator MOODY. I do not have them for all States, sir.

The CHAIRMAN. A tabulation for all States?

Senator JOHNSON. Do you have it for Michigan?

Senator MOODY. Yes, I do.

The CHAIRMAN. What is that?

Senator MOODY. The Senator from Ohio a moment ago read into the record something from a table. I am not sure what table he had there.

The CHAIRMAN. This is a table from the Department of Labor.

Senator JOHNSON. This is from the Department of Labor.

Senator MOODY. May I see it?

The CHAIRMAN. It was furnished by the Department of Labor.

Senator MOODY. I have a number of tables here I would like to mention briefly.

Senator TAFT. How much is there in the Michigan unemployment compensation fund today, in the trust fund?

Senator MOODY. \$353,616,777.

Senator TAFT. \$353,000,000 in the Michigan compensation fund now?

Senator MOODY. Yes; that is right.

Senator TAFT. The State fund?

Senator MOODY. That is the State fund which gets money back from the Federal Government.

Senator MARTIN. How rapidly is that fund being depleted?

The CHAIRMAN. What are the weekly payments out of it? Senator Martin asked how rapidly it was being depleted.

Senator MOODY. Pardon me, Senator Martin.

Senator MARTIN. We have the same idea.

The CHAIRMAN. What about the weekly payments out of the fund?

Senator MOODY. Mr. Tracy will give me that figure in just a minute, Mr. Chairman.

Senator MARTIN. What I am getting at, Mr. Chairman, is how rapidly is this being depleted.

Senator MOODY. Incidentally, Senator Martin, while I have naturally been giving Michigan figures, because I am more familiar with them, and I am familiar with the condition in my State, this is not an entirely localized matter at all. It does exist in a number of communities around the country. It is natural for me to present this based on the conditions as I know them in the automobile industry and the related industries.

Senator MARTIN. I think that is perfectly all right. We have some serious unemployment in Pennsylvania.

Senator MOODY. That is right; also in New England, particularly, there is a serious situation.

Senator MARTIN. But the last information I have of our own funds they are in a sound condition.

What I am getting at are the payments taking care of—are the receipts taking care of the payments.

Senator MOODY. You see, Senator, my point on that is this: That there is not existing here an ordinary situation with regard to unemployment compensation. Those funds are built up actuarially, and they ought to be in sound condition.

Senator MARTIN. They must be.

Senator MOODY. If you take an emergency situation and deplete the funds, then you are taking a step to weaken the entire structure of unemployment compensation, which I do not believe this committee would want to do. My point is that there has been paid into the Federal Government over a period of years under the operation of this unemployment compensation law more than a billion dollars—

Senator MARTIN. Yes.

Senator MOODY (continuing). Which were set up by this committee as the so-called George insurance fund in 1945.

Now, that money is morally committed to unemployment compensation.

Senator FREAR. How do you mean morally committed, may I ask?

Senator MOODY. I mean, Senator, this: That the express purpose in the law of the payroll tax, the reason that employers are taxed on their payrolls, is to pay unemployment compensation.

Now, the law as it stands provides for the Federal Government's withholding a fraction of 1 percent of—0.3, I believe it is.

Senator FREAR. That is right. That is the unemployment excise tax of 10 percent of 3 percent.

Senator MOODY. Yes, that is right. That is for administrative purposes, so that the State funds have been built up with the other 2.7 of the 3 percent, but the Government has been retaining 3 percent.

Now, in 1945, when it looked as if there might be a problem here and the Senate passed a bill, somewhat different from this one, but I might say recognizing in a general way the principle of this bill, the committee elected to use this fund as the basis for financing it. So I say that it is morally committed to unemployment compensation because that is the purpose for which the tax was collected.

Senator FREAR. Yes, I think I follow you on that. The tax from the employer, from the State, was based—was a tax supposedly for unemployment.

Senator MOODY. That is right.

Senator FREAR. But this 10 percent of the 3 percent that comes into the Federal Treasury was specifically put in for administrative purposes, was it not?

Senator MOODY. Yes, but was not the—

Senator FREAR. Then the surplus could be committed to such purpose as you have designated here; is that by statute, or is that what you mean by the moral commitment on it?

Senator TAFT. It is practically all paid back to the States to run the show; is it not?

Senator MOODY. I believe not.

The CHAIRMAN. It was contemplated that this was to be an administrative fund.

Senator TAFT. It was an administrative fund.

The CHAIRMAN. And it would cost the Federal Government more than was actually needed.

Senator MOODY. That is right.

I said, Senator, this was a moral commitment because the tax was levied on the employers for this purpose. It was a specific tax, as I would interpret it.

Senator FREAR. Yes. That is what I thought was what you meant.

Senator MOODY. As the chairman has pointed out, for once the Government has not used up all it could.

Senator FREAR. That is right.

Senator MOODY. For administration and, therefore, we have a billion dollars that the Government has made by not using up as much for administrative purposes as the Congress estimated would be necessary.

Senator FREAR. At least morally it is earmarked for that purpose.

Senator MOODY. All right, I will accept that.

Senator TAFT. It is in the Treasury, is it not, forgotten like everything else?

Senator MOODY. I have not forgotten it.

Senator TAFT. It is not earmarked or anything else. It is not a moral obligation, either.

Senator MOODY. Why not?

Senator TAFT. Why not? Because they collected the tax and had the cost of that much in running the department. It is a tax—

Senator MOODY. No, it is a tax for unemployment compensation, is it not?

Senator TAFT. There is no obligation to use the gasoline tax surplus for roads; they use it for everything else. It goes right into the General Treasury. I do not see any moral obligation.

Senator MOODY. Well, I will accept the statement of the Senator from Delaware that it was earmarked.

Senator TAFT. It was not earmarked, that is what I mean to say.

Senator MOODY. Morally earmarked. I do not believe, Senator, this tax would have been levied with any idea of raising the general revenue of the Government; it was passed for the purpose of increasing—

Senator TAFT. Whatever your ideas are, it is a tax.

Senator MOODY. It is a tax, all right.

Senator TAFT. And the money comes in and goes into the General Treasury.

Senator MARTIN. And it is being used for the general purposes of the Government.

The CHAIRMAN. I would not say, Senator Moody, that there never was any general idea that the whole social security system, including unemployment insurance, was not intended to create a vast reservoir out of which Federal Government expenses could be paid—out of which the Federal Government could finance itself.

Senator MOODY. Did you say that you would not say that?

The CHAIRMAN. I would not say that that was not in somebody's mind. In fact, if we had not pulled down their formulas, as they were first presented here—your distinguished predecessor in the Senate had much to do with that—

Senator MOODY. I remember that very well, sir; I was here and listened to some of it.

The CHAIRMAN (continuing). They might have been raising immense sums of money. They still have a considerable sum of money to their credit theoretically, at least, it is on the books.

Senator MOODY. That is right.

The CHAIRMAN. And in this unemployment insurance there are about a billion dollars or something more that have been reserved by the Federal Government to cover administrative costs which have not been used. I do not remember the exact amount. I presume that the Department of Labor will give us that exact amount.

Senator FREAR. That is, of course, not only dedicated to the administrative functions at the Federal level, but also at the State level.

The CHAIRMAN. Yes, in part; and, of course, it is a fund that is available not merely to those States that have unusual unemployment, but it is available to all the States in the Union—

Senator MOODY. Of course.

The CHAIRMAN (continuing). Who have made contributions to this fund.

Senator MOODY. Of course, that is true, Senator. I might point out to you that this entire case that I am presenting this morning falls unless it is agreed that the National Government, acting in defense of the country, has had to do certain things which have caused unemployment.

The CHAIRMAN. I understand your point here, yes.

Senator MOODY. And, therefore, that it is a national responsibility, in my judgment, in the same way as it is the national responsibility not to make it necessary—well, not to make it necessary for a businessman to lose money by setting a price ceiling lower than his costs.

Now, you could argue that it would be a good economic idea to hold prices and let people lose money, and in that way make it unnecessary to raise wages and stabilize the economy, but in some cases people would be losing money. But the Congress has said repeatedly that should not be the policy of the country, and, of course, it should not be the policy of the country to force people into losing money in business. But in the same way, sir, it should not be the policy of the country to force people out of jobs in a national situation without taking judicial notice of it.

The CHAIRMAN. I understand, Senator, your premise.

To what extent has there been a concentration of the workers at points where large Government operations were anticipated?

Senator MOODY. Well, you see, you do have, of course, in our economic structure—

The CHAIRMAN. That is unavoidable, you have it all the time. There is no such thing as mobilization of manpower or your industrial power without some hardship. To make a very simple case of it, take the case of the farmer with but one boy who knows a thing on earth about operating the machinery on his farm; yet he is drafted, and the farmer cannot supply that labor to fill that boy's place.

Senator MOODY. Well, as a matter of fact, Senator, I thoroughly agree with you, but is it not a fact that that one boy would be indispensable to the farmer, and does not the draft law provide proper exemptions in a case like that? It is a good point, because they do provide—

The CHAIRMAN. They do not always exempt them.



Senator MOODY. But they have authority to do so, and they very often do, and in this bill it would not force anybody, force any governor of any State, to come in under it, but it would merely be an expression of policy by the Congress, and give the local board—

The CHAIRMAN. I understand.

Senator MOODY (continuing). It would give the local board an opportunity to do this, the same as the local draft board has an opportunity if it thinks the case is just to exempt the farmer's helper.

The CHAIRMAN. This bill we are studying now provides that where the governor calls on the Treasury and makes a proper showing, based upon the certification of the Department of Labor, that there are areas in which unemployment is unusual, that then there may be supplemental payments out of the Treasury directly. Those payments are never charged back to the State in any way that gets the benefits from it?

Senator MOODY. No, sir; that is based on the theory of—

The CHAIRMAN. Those payments would necessarily, I presume under your scheme of the bill, as I read it, go to all unemployed people in the State, notwithstanding the limitation of the area in which unemployment was unusually heavy.

Senator MOODY. That is the point.

The CHAIRMAN. You could not say to one unemployed worker in some other areas in the State that because there is no unemployment in his line of business, "We will not supplement your compensation."

Senator MOODY. That is a very difficult thing, as I think you know, because I did discuss that very briefly with you.

The CHAIRMAN. Yes; it is a very difficult thing.

Senator MOODY. There are two points that I thought the committee itself might address itself to, and one is the question of whether or not there should be some more specific standard than the certification of the governor and the acceptance of the Secretary of Labor.

I have a draft amendment which I will make available to you, sir, if you would like it. I believe that should be left open, if possible, but if the committee feels that a standard should be written in, why, I certainly have no pride of authorship in any of this.

As you know, I have been trying to make it as simple as possible—there are here a number of very difficult and complex economic factors that do press in on this problem.

This matter of area is another one. Frankly, my original conception of this was that the augmentation should be made on the basis of men who are specifically laid off because they had been deprived of the metal to work on by the Government, but as soon as you start to examine that you see that that is very difficult to sustain, because, say, there is a certain plant working in an area, and people live around there, and the people are laid off.

Well, when the people who are laid off start buying less, the clerk down at the corner grocery store loses his job. Question: Is the clerk unemployed by the defense effort. It would be very difficult there, you see, to draw the line and say that he was not.

The CHAIRMAN. I grant that. I do not think there is any doubt about that. We would all agree to that, and you could not draw the line. You have drawn the line at the borders of the State in which the unemployment area exists. I believe the Secretary of Labor has said

there are are some 16 or 18—I have forgotten which, some 16—major areas of unemployment now due to the defense program.

Senator MOODY. That is right.

The CHAIRMAN. And there is a number, a certain number of minor areas.

Senator MOODY. I believe it is 23. I think it is 18 and 5—I think 18 major and 5 minor.

The CHAIRMAN. There are 16 or 18, I have forgotten which. I presume the Secretary of Labor will furnish us those facts. That makes it State-wide within the State where the area is located, almost of necessity, in order to avoid inequities.

Senator MOODY. Well, it certainly makes it area-wide, and in this bill, you will notice—and that was another point that was very difficult to write—I made it a State or an area of a State, and that would be in the discretion of the governor. I suppose, as a practical matter, it would be very difficult for a governor to declare one area and not another area.

The CHAIRMAN. I do not see how he can, and, Senator Moody, the thing that bothers me greatly is how one governor is going to find an area of unemployment in his State, and another governor in another State does not find some similar condition in his.

Senator MOODY. Well, you see, that is one reason why it might be well for the committee to consider writing into the bill—

The CHAIRMAN. You mean standards?

Senator MOODY. Standards.

The CHAIRMAN. Additional standards.

Senator MOODY. Of course, the Secretary of Labor—

The CHAIRMAN. That is a very difficult thing to do.

Senator MOODY. It is difficult. The Secretary of Labor would in each case have to certify that there was a substantial unemployment in the State.

Now, in some States you can make the case very easily, and in other States I should think it would be very difficult to do so, and this should not be just a Christmas tree for anyone to come along and pick off; this ought to be a situation, as I see it, where people have actually been deprived of their jobs because of an economic situation developing from the war and from the mobilization.

I think, for example, that it can be well established, Mr. Chairman, that in the textile industry it was the fact that you had a sudden rush to buy, which was a psychological impact of the Korean situation. You had a building up of inventories and a resultant cutting of production.

Well, now, that is not quite such an easily established case, perhaps, as the case of the man whose metal is just taken away from him by the Government, but nevertheless, I think it is a very tenable position to feel that the people who were laid off in that situation would be working today if the normal high level production of the country had been permitted to go ahead and had not been interrupted by this conflict, and the fact that the rest of the country is operating on a very high level—I am not saying that there are not some soft spots—of course there are—but, in general, this is a very high level economy. Where there is heavy unemployment directly attributable to this mobilization situation, I feel that it is a Federal responsibility—not to do the whole thing, but to see to it that these people get a living

compensation, because if they do not, they are going to be forced in some cases to go away and let this arsenal of management know-how and skills deteriorate, and I do not think that would be a good thing for the country.

Senator JOHNSON. Senator, your testimony with respect to the billion dollars has me somewhat confused.

Senator MOODY. Yes, Senator?

Senator JOHNSON. It has nothing whatever to do with this bill, has it?

Senator MOODY. That would not be quite right. I assume that if the committee, in its wisdom, decides to recommend this bill, and if the Congress should pass it, that the money has to come from somewhere.

Senator JOHNSON. Well, it must come out of the Treasury.

Senator MOODY. I discussed with the chairman, for example, the possibility of, perhaps, imposing some special levy on defense contracts to take care of it; but you see, more than a billion dollars, Senator, have been raised for unemployment compensation purposes.

Senator JOHNSON. Yes; I understand that.

Senator MOODY. That is a billion dollars more than has been spent entirely aside from the State trust funds.

Senator JOHNSON. I understand that.

Senator MOODY. And the money, as Senator Taft points out, has gone into the Federal Treasury. Nevertheless the money was raised for this purpose, and along with all other moneys in the Federal Treasury, I think, it is there, for example.

Senator TAFT. It is not there. It has been spent, so far as that is concerned. You might as well figure on that.

Senator MOODY. Well, you cannot ever put an earmarking on any single dollar bill, as you know, in the Treasury.

Senator TAFT. May I read the report which, I think, to get the facts clear, I should read.

Senator JOHNSON. First, may I clear up my question first, and then you can go ahead, if the chairman is willing.

The CHAIRMAN. Yes; go ahead, Senator.

Senator JOHNSON. My understanding of the bill is that you are not appropriating earmarked funds or any specific funds. The funds that are to be appropriated by the Congress come directly from the Treasury, is that not correct?

Senator MOODY. That is right. I am not appropriating any funds; I am not appropriating anything.

Senator JOHNSON. Well, the bill does. You say you do not, but the bill provides for—it is an authorization.

Senator MOODY. That is right.

Senator JOHNSON. What this bill is is an authorization—

Senator MOODY. Yes, sir.

Senator JOHNSON (continuing). For the expenditure of Federal funds from the Federal Treasury.

Senator MOODY. That is right; and, as Senator Taft has pointed out, this billion dollars that was in the George insurance fund was earmarked for the George insurance fund and is in the Federal Treasury, and that is the place where most people go when they appropriate money, and that is the place where these people will get the money from.

The CHAIRMAN. What Senator Moody means to say is that he thinks he has found a sleeper of a billion dollars.

Senator MOODY. Well, Senator, let me say this, you found it before I did in 1945, and you used it to very good stabilization purposes at that time.

The CHAIRMAN. We did, and we renewed it in substantially the same provision which was carried in the amendments to the Social Security Act of 1950.

Senator MOODY. That is right.

The CHAIRMAN. It was expended, and had just expired at the beginning of this year—

Senator MOODY. That is right.

The CHAIRMAN (continuing). But that theory there was to simply reimburse the States or to advance the States funds when they were exhausting their own trust funds.

Senator MOODY. I understand that the purpose of the George insurance fund was not the same as this purpose, but nevertheless—

The CHAIRMAN. No.

Senator MOODY (continuing). It was to be used for a similar purpose.

The CHAIRMAN. Oh, yes.

Senator MOODY. And whether the fund is there or not—

The CHAIRMAN. We thought while the fund was there we ought to whittle it down.

Senator MOODY. It certainly exists on the books as a credit to unemployment insurance, and I believe—

Senator TAFT. It is not on the books; forget that.

The CHAIRMAN. Senator Johnson?

Senator JOHNSON. The point I still want to make clear is that this bill does not tie into any discovered sleeper or any particular fund or any money that is in the Treasury. It comes right out of the Treasury just like any other money comes out of the Treasury. How the money got into the Treasury is an entirely separate matter.

Senator MOODY. That is right.

Senator JOHNSON. Your bill does not in any way tie into that one billion dollars. As a matter of fact, I would object to it if you took the part of that billion dollars that Colorado paid in and turned it over to Michigan. I would seriously object to that.

Senator MOODY. Let me say this, Senator: I think Michigan pays some of Colorado's expenses sometimes, too. It is a pretty heavy taxpaying State.

Senator JOHNSON. Well, I would not object to that.

Senator MOODY. I just wanted to point that out.

Senator JOHNSON. There may be an obligation—the Federal Government may have an obligation for the case that you make.

Senator MOODY. Yes.

Senator JOHNSON. Without any question they have taken away employment by denying materials.

Senator MOODY. That is right, sir.

Senator JOHNSON. And they have done it arbitrarily, and it was part of the mobilization. If that be so, and I think maybe it is so, then why should not the Defense Department have to pay this money, and why do you tie it into our very complicated and difficult plan of unemployment insurance? It ought to be handled directly by the

Government of the United States through its Defense Department, if there is such an obligation, and it ought not be made a part of our very complicated unemployment compensation plan that we have worked out in this country for general unemployment.

Senator MOODY. Well, Senator, I certainly would have no objection to an approach such as you mention.

The reason we decided not to put it in as a direct proposition was the desire to avoid any tendency to disturb the general States' rights nature of our unemployment compensation system. You see, this is temporary; it has a time limit on it.

Senator JOHNSON. Yes, but that is the very thing you do by this approach.

Senator MOODY. I am just trying to play fair with these people.

Senator JOHNSON. You are writing the bill, and I am trying to understand it.

Senator MOODY. You have every authority to rewrite it, though.

Senator JOHNSON. I am trying to understand the bill.

Senator MOODY. One other thing, on the second point I was going to make on what you said, and that is regarding the Department of Defense: If you will look on page 11 of the bill, on the very last line of the bill, section 10, line 15, it says:

The amount of any such payment to be entered in the budget of the Department of Defense as an item in the cost of defense mobilization.

Senator JOHNSON. Yes, that is fine.

Senator MOODY. That is just the point you made.

Senator JOHNSON. That is where it ought to be.

Senator MOODY. I think it should, too, and that is the reason I put it in.

Senator JOHNSON. That is where I am confused with your talk about that billion dollars. Certainly that never came from the Department of Defense; and the second point on that is that if that be so, if it is a Department of Defense doing that has caused this trouble, and I am sure that it is, then the Department of Defense ought to pay the bill, and it ought not to pay the bill through any proclamation or decision made by the Governor of Michigan or any other State. It ought to make the payment on its own decision, and on its own judgment, without working through the governor of some State who may or may not decide that this money that is put up by the national defense should be paid to a certain community or a certain person, and denied to another community or to another person.

Senator MOODY. Well, Senator, if you want to embody that in a rewrite of this bill, I would be delighted to support it. As I have told the chairman two or three times personally, I am interested in the result. I think that something ought to be done about this situation. I think that this draft that I am presenting to you this morning is the best formula that I have been able to work out in meeting a great many of the objections that have been made.

I would like to renew my point, Senator, that there is a great deal of opposition among the States to federalization of anything with regard to unemployment compensation. If you want to say this is a part of the cost of the defense, that it has nothing to do with unemployment compensation and we will make these payments, then, of course, you have got to set up standards on which you make them,

but if you want to set up those standards I think that would take care of the situation very well.

I thought that this was an approach to the problem which would perhaps be the soundest approach, but I am really looking for results here and equity, and to preserve the productive power of these industrial arsenals, and to preserve the business ability of the communities involved rather, than for any particular approach to unemployment compensation through the Department of Defense or anything else.

Senator JOHNSON. I do not want you to think that I am being critical of you.

Senator MOODY. I have not thought that.

Senator JOHNSON. I think you should be commended for trying to solve this. I think it is a very difficult and very serious problem.

Senator MOODY. Thank you.

Senator JOHNSON. I am trying to understand the bill and understand the reasoning back of it and understand its effect upon the whole unemployment compensation program which, after all, is a State program.

Senator MOODY. That is right.

Senator JOHNSON. And I realize many of the difficulties that you have encountered in trying to do this—I am not surprised at the difficulties—I think that perhaps you have taken the hard way to solve this problem, but that is only a horse-back opinion; you have given it a great deal of study and you have explored the whole thing, backward and forward, I know, and I should not come in here in just 1 minute and tell you where you are wrong and that the whole thing is in error, after you have given as much study to it as you have. I am not trying to do that.

All I am trying to do is to find out what the bill does and why it does it, what the thinking is in back of it, what its effect may be not only on solving the problem that you are trying to solve, but whether it does not create in itself much greater problems than the problem that you are trying to solve.

Senator MOODY. I appreciate that statement very much. I assure you I have studied the question. I assure you that the more I studied it the more difficult some aspects of it became.

One organization that came to me said, for example, that because of the fact that these people are deprived of their work by Government action, that they ought to be given full pay for not working. I did not subscribe to that and did not incorporate it in the bill.

There are a number of different approaches to this thing. I think that it might well be that if you feel—that is, if the committee feels there is any danger or damage being done to the unemployment compensation system, and you want to set up a different vehicle for making these payments on an adequate or decent minimum basis, I certainly would not object in any way to an approach of that sort.

I did not want to be in the position of having the Federal Government come into the unemployment situation in such a way as to destroy the essential State nature of it. I did not think, in the first place, that would have any chance of approval. You gentlemen know more about that than I do.

But I feel that a step ought to be taken, if ever taken, after great study, and this is a question that is very immediate. People have

exhausted their benefits under the State law now. They are living on inadequate amounts now. And if the Congress is to act on this thing I would urge prompt action.

Therefore, as I say, I have set this thing up, Senator, in what I consider to be the best way it could be, but I would like to point out to you that it was only day before yesterday, in trying to meet the suggestion made by a number of people, including newspapers in my State, that I came to the conclusion that it would be possible to write a provision extending the duration of State payments without interfering with the principle of the State system here. It was a rather simple way to do it when we finally thought of it. And that was to impose on the question of duration of payments the same principle that we had suggested for the amount of payments, namely, a proportion of the State's legal period. You see, in the State of Michigan, for example, the period is 20 weeks.

There have been thousands and thousands of families that have exhausted that payment. So far the legislature has done nothing about it. I do not know what their reason is. I am not in Lansing. But it might be stated that it might be argued there that after all, as you said a few minutes ago, this is something that the Federal Government created, not because it wanted to, but because we had to strengthen the country, and, therefore, that this is a Federal responsibility.

I think certainly in part it is a Federal responsibility.

Senator TAFT. Every time a Federal policy happens to create unemployment you cannot change the whole unemployment system.

Senator MOODY. I am not trying to change it.

Senator TAFT. The unemployment compensation system in Michigan is intended to take care of exactly this kind of emergency, as much as any other kind of emergency, is it not? Why not? I mean, there are all sorts of Federal policies, price fixing, anything which may affect that. There may be reasons for unemployment. Just poor government may be a reason for unemployment by the Federal Government.

In other words, what you are trying to do, it seems to me, is to say that Michigan unemployment system is not adequate.

Senator MOODY. I certainly say that.

Senator TAFT. The answer to that is that the State of Michigan ought to improve their unemployment compensation.

Senator MOODY. I hope the State does, but at the same time, I do not think that we can escape the fact that this particular impact—

Senator TAFT. Look, the depression of 1932-33 was blamed on the Federal Government. You have been blaming it on Hoover for the last 20 years, and yet you do not ask that the Federal Government pay the unemployment.

Senator MOODY. The Federal Government did go in. That is what the New Deal was all about. They went in.

Senator TAFT. Not under unemployment compensation.

Senator MOODY. Not under unemployment compensation, no.

Senator TAFT. I am only trying to make the point that this is only the same kind of unemployment crisis that may occur any time, in any State, anywhere.

Is it not true, also, that your agreement does not say anything about this particular kind of unemployment, as I read it? All the

governor has to do is to find that there is unemployment that is not immediately remedial and then he gets this advantage. It is not a general law. It is not confined to the present emergency.

Senator MOODY. In time it is.

Senator TAFT. Twelve months.

Senator MOODY. In time it is.

Senator TAFT. Well, and it further states that the Secretary, also, finds that, and by agreement it may extend for an additional period of 12 months—12 months, 12 months, forever. I do not see why you are not proposing a permanent change in the unemployment compensation law from which you can never withdraw once you are in it.

Senator MOODY. There are other closing dates, the expiration of the emergency.

Senator TAFT. World War II emergency has not been called off. They never call off emergencies. That is no determination.

Senator MOODY. On the point that it does not limit it to people directly disemployed by Government action, you are right. I am sure you heard a moment ago when Senator George brought the point out that it would be very, very difficult to draw a line within a State and to say that this man is disemployed directly by the Government and this man is not.

Senator TAFT. I understand that, but that is not the point. The point is that here you are creating a permanent change in the Unemployment Compensation Act.

Senator MOODY. I really am not.

Senator TAFT. I do not see why not.

Senator MOODY. Well because it is definitely set up for a temporary purpose, for a temporary period.

Senator TAFT. But that is not so. It is any time, whenever the Government—any time—of any State certifies and the Secretary finds that there is existing substantial unemployment with no prospect of immediate reemployment in the labor market area, the Secretary shall enter into an agreement, and then that may be extended for additional periods of 12 months. Well, that is forever unless the so-called emergency is called off. And I say that no emergency declared since 1932 has ever been called off, so far as I know. They go on forever.

Senator MOODY. They will be called off as soon as we can call off the Russians, and then the emergency will be over.

Senator TAFT. That will be long after you and I have disappeared from the scene.

Senator MOODY. I hope not.

Senator TAFT. I do not see how you can deny that this is a permanent change in the Unemployment Compensation Act from which we never will be able to withdraw under any circumstance.

Senator MOODY. Let me assure you that it was not so intended. If you feel that the wording is too broad, I think it might be very proper for you to write it in such a way that it would not be a permanent change. It certainly was not intended as such. And it is not such, in my opinion.

Senator TAFT. You have found it very difficult to do that yourself. I do not know how you will do it.

Senator MOODY. You have been working at this longer than I have. Maybe you can find the way to do it.



The CHAIRMAN. Let me suggest, Senator Moody, that one of the very great difficulties here, in following out the formula in your bill is this: You will find on careful examination of many of the State unemployment compensation acts that any sum of money paid by the Federal Government directly must be deducted from the total payments made by the State to its unemployed. And there would have to be amendments, as I recollect it—this is offhand—in studying this question over the years—to the laws of some thirty-odd States before that would result. Now all of those States might not have unemployment. But assuming that they did fall in the class of having unusual, extraordinary unemployment due to the defense program in certain areas within the State before they could accept this money, they would have to amend their acts.

Senator MOODY. Well, does not that, Senator, emphasize the point I have been making about the State right nature of this bill?

The CHAIRMAN. I know, but then you would exclude those States that did not amend their acts.

Senator MOODY. Well, I was just going to say that any State whose own law prohibited it—

The CHAIRMAN. They do not prohibit it, except they take whatever the Federal Government pays and credit it against the total amount that they are paying to their unemployed.

Senator MOODY. Yes, that de facto would prohibit it.

The CHAIRMAN. They would have to change their laws. That is, in order to benefit under this provision of the bill.

Senator MOODY. I know that. I have wrestled with that one for some hours. I would like to point out to you that any State that has a serious situation—and this is intended to apply only to States that have serious situations—

The CHAIRMAN. I understand that. You would have to assume that it would become applicable to any State because it might.

Senator JOHNSON. Is not unemployment serious any time it happens?

Senator MOODY. It is serious to the individual if he is the only one in that town that is not employed.

Senator JOHNSON. That is the fellow we are concerned about.

Senator MOODY. That is right.

Senator JOHNSON. That is the fellow that it hurts.

Senator MOODY. That is right.

Senator JOHNSON. Unemployment is a serious matter regardless of what its cause may be.

Senator MOODY. Of course, it is, and when this committee comes to take it up I think that it might be well to review the standards, because it is serious.

We have a chart on that.

You see, the statement has been made that benefit rates have gone up faster. Will you explain that, Mr. Downs?

Mr. DOWNS. Mr. Chairman and gentlemen, I am Tom Downs, a member of the Michigan Unemployment Compensation Commission. And when I am speaking I am speaking as an individual member.

This chart shows what has happened to the primary benefit rate in Michigan as far as actual purchasing power goes.

Back in 1939 when benefits, maximum, were \$16 a week. There have been adjustments since then. The actual purchasing power

of the person getting the maximum primary rate of \$27 a week is less than his purchasing power was when he got \$16 in 1939.

This chart shows it in another way. This red line shows the increased cost of living. This black line and the jog shows the increase that was passed by the legislature in various years. It shows that for the maximum primary rate it has not kept up with the increased cost in living.

I think, Mr. Chairman, that shows clearly that there is a need simply from the fact that our system has not even kept up with the cost of living. And as you know, when the acts were originally passed there was this tendency.

The CHAIRMAN. All you are showing now is the purchasing power of the dollar which has gone down.

Senator MARTIN. That is true.

Senator JOHNSON. The inflation.

Senator TAFT. You are only showing that they are not using the 27. Just as the cost of living has gone up, so this tax has steadily increased, and the fund in Michigan has steadily increased and will be increased. Why does not Michigan use it? That is the point.

So far as the increase in the cost of living is concerned, it is paralleled by the increase in taxes that you collect.

Senator MOODY. I thoroughly agree that the legislature in Michigan should take action in this thing, but I think that the Congress cannot avoid the very clear fact, it seems to me, that a good deal of this unemployment has been created by direct action of the country. I mean when I say that, I am not talking about—

Senator TAFT. A lot of emergencies are created by the Federal Government, but you do not pin it to that.

Your agreement is that whenever the governor of the State certifies it shall be done.

Senator MOODY. That there is substantial unemployment—

Senator TAFT. Wait a minute—within one or more labor market areas of the State. The total unemployment compensation in his State may not be any more than the rest of the country, but if he finds one place where there is such, then he makes an agreement with the Federal Government and everybody in the whole State, not only that labor market but all over the State, gets this increase, which the State of Michigan should have been giving them and not the Federal Government.

Senator MOODY. Do you not see—

Senator TAFT. I mean that most of them, in fact, even assuming that these particular labor market areas come from the Federal Government—most of it is just normal unemployment all over the State.

Senator MOODY. No, no, it is not.

Senator TAFT. You have a standard amount of unemployment compensation going on all of the time, even in the most prosperous days. There is always a great deal of it. You are increasing them just the same. They are being increased out of the Federal Treasury, although the Federal Government had nothing to do with them.

Senator MOODY. May I read you some figures?

Senator TAFT. The Federal Government, on your own statement, only has to do with the particular labor market area which the governor finds to be an emergency, in other words, your bill is a general bill, it federalizes unemployment compensation.

Senator MOODY. No, it does not.

Senator TAFT. Yes, it does. Without any question it puts the Federal Government into a position of raising all of the Federal compensation rates of the United States.

Senator MOODY. Senator, if you can write a limitation into this bill that I have been unable to write, I would be delighted to have one.

Senator TAFT. One was suggested by Senator Johnson, that is, to let the Defense Department look after the things that it has specifically caused, where it has taken away the copper from some places. Let them go in and pay the workmen in that particular plant. Something of that kind might be reasonable, but——

Senator MOODY. Do you think that would be reasonable? I would like to urge that on you.

Senator TAFT. I think it would be much more reasonable, because it seems to me it is part of the defense and part of the defense contract and has nothing to do with thousands and many million other unemployed workers who have nothing to do with it.

Senator MOODY. That point you have just brought up troubled me, too. I readily admit that. But as the chairman has pointed out, it is very difficult to draw a line exactly where this disemployment by defense starts and where it does not begin. If you want to pass a bill that says that the Defense Department should pay as part of the cost of defense these people laid off, I think you would be doing a very fine act for the country. And I hope you do.

Senator TAFT. What you are doing here is changing the whole unemployment compensation law of the United States for good. It never will go back.

In effect, you are federalizing it. In effect, you are putting the Federal Government into a position of guaranteeing one-third of the total. And it seems to me that you have got to go about it in another way.

Senator MOODY. May I give you a couple of statistics that bear on this point?

The decline in employment in the State of Michigan from October 1950 to December 1951 in the automobile industry and the metal fabricating industry was 124,500. Those are the industries, of course, that have been cut back. That is true for the State.

In Detroit up to December 1951 that decline, not the total, but the decline in employment was 89,000.

Senator TAFT. How about all over the State of Michigan—how about that?

Senator MOODY. All over the State of Michigan it was 172,000. And the decline in those industries was 124,000. And if you had those industries operating the general economic climate of the State would be so much better that I am sure there would be a lesser unemployment.

Senator TAFT. You can find out that figure by going back and finding how much unemployment there was before this started. How much was there? It would be easier than guessing.

Senator MOODY. The unemployment in October of 1950 was 55,000, according to Mr. Tracy.

Senator TAFT. Fifty-five thousand?

Senator MOODY. Yes. Now it is 172,000.

Senator TAFT. So that roughly speaking a third of the unemployment may be said to be normal unemployment today. Of course, they would all be increased just as much, of the Federal Treasury, although the Federal Government is not in any way responsible for that 55,000.

Is that not the effect of your bill? Do not ask me a question. Is that not the effect of your bill?

Senator MOODY. The effect of my bill is to assume that, since the rest of the country is operating on nearly a full employment basis, you would have a fully operating economy, if it were not for this Government thing.

I readily admit there will be people, as you pointed out, a small minority, I believe, who have nothing whatsoever to do with the defense program that would benefit by this amount and perhaps you could justify that on the grounds—

Senator TAFT. It would be one-third of them. We just got the figures.

Can we get the figures on the Michigan fund?

Senator MOODY. I gave them to you. It is \$353 million.

Senator TAFT. I mean, is it going up or down?

Senator MOODY. It is about holding its own.

Senator TAFT. It is about holding its own.

Senator JOHNSON. Can you give us two dates on that?

Senator TAFT. What was it 2 years ago?

Senator MOODY. Do you have that, Mr. Tracy?

Mr. TRACY. I will have to get it.

(The information to be furnished appears at p. 82.)

Senator TAFT. What are the weekly payments compared to the taxes? What are you collecting per year and paying out per year?

Senator JOHNSON. The \$353 million is as of now?

Senator MOODY. That is right.

Senator JOHNSON. What was it 6 months ago, or the first of the year, that is, the first of the fiscal year?

Senator MOODY. Have you those figures, the trust fund balance?

In July it was \$338,042,000.

Senator MARTIN. That was July when?

Senator MOODY. 1951. It has increased.

Senator TAFT. It increased \$15 million in spite of all of this unemployment.

Why does not Michigan raise its own standards and handle it?

Senator MOODY. I think they should.

Senator TAFT. Why do we have it here?

Senator MOODY. Look, you are talking about permanent standards and certainly Michigan ought to raise its rates.

Part of the reason for the increase in the fund, Senator, is because of the decrease in the value of the dollar which has brought a greater intake in dollars into the fund. The legislature has not acted as promptly in increasing the permanent State benefit rates as, in my judgment, it should act. But that does not get around the point, however, that in this situation you have a sudden mass of unemployment imposed by national need. I think it is a Federal responsibility there.

Senator TAFT. The unemployment compensation fund is intended to take care of national emergencies, like every other emergency. It is ample to do so. You admit that.

Senator MOODY. It is not ample.

Senator TAFT. Not only ample, it is increasing under present rates. So it is able to pay a higher rate.

Senator MOODY. I think they should increase the rates, of course.

Senator TAFT. Why come here? Why do not the people in Michigan do it?

Senator MOODY. I wish you would talk to them.

Senator TAFT. In other words, if we agree at all on this being a State system, we cannot assume responsibility for the defaults of the State legislatures. They have got to do it themselves. That is the whole theory of the State system.

Senator MOODY. That is right. That is right. But I do not think either that we can expect the legislature of the State to accept a Federal responsibility.

Senator TAFT. It is not a Federal responsibility.

Senator MOODY. It is a Federal responsibility.

Senator TAFT. No, no.

Senator MOODY. You mean when the Government goes into a plant and says that you cannot have the copper to make a car, that that is not a Federal action?

Senator TAFT. It is an emergency, just exactly the kind of emergency that the Michigan fund was set up to take care of. That is one way you get unemployment. You get it in many other ways, too.

As I say, Federal policies may bring unemployment. You may not lend money to people in Michigan. You can lend it somewhere else instead. There are all sorts of reasons why, if the Federal Government could be blamed for different types of unemployment, but I cannot see that the primary obligation is not on the fund particularly as the fund is amply able to take care of it.

Senator MOODY. You are making an excellent case for action by the Michigan Legislature.

Senator TAFT. It ought to go up with the tax increase and the standard of living.

Senator MOODY. It certainly should.

Senator TAFT. Let me suggest one thing that would help you a little. I think it will clear up the facts on this 3 percent. This is from the "Recommendations" by the Advisory Council on Social Security.

At present the 0.3 percent of covered payroll which the Federal Government derives from the Federal unemployment tax goes into the Treasury of the United States without earmarking. The hearings and committee reports at the time the tax was imposed, however, clearly indicate that this revenue was intended to finance the administrative costs of the program. Actually the income from this tax has greatly exceeded administrative costs over the period since it was first imposed.

Under footnote 16 it states:

Grants for administration under title III of the Social Security Act and the costs of collecting the tax have fallen some \$970 million short of the amount collected by the Federal Government. When the total expenses of the Employment Service as well as administrative costs of unemployment compensation are subtracted from the Federal income from this tax, the balance is somewhat less than half a billion dollars.

And that latter refers to the Federal Employment Service.

The Council believes that this Federal "profit" is unjustified and that the proceeds of the Federal tax should be earmarked for the use of the employment security programs. One-half of any surplus over expenses incurred in the collection of the tax and the administration of unemployment insurance and the employment service should be appropriated to the Federal loan fund and one-half of the surplus should be assigned to the States—each State getting the proportion that taxable wages in that State bear to all taxable wages in the United States. The amounts so credited could be used on the States' initiative for either administration or benefits. The Council believes that the right to use excess funds for administration should be limited to 3 years after receipt of the funds. Thereafter any excess funds which had not been used for administration would be available only for the payment of benefits.

Under their recommendation, under this theory, we would appropriate some more money back to the Michigan fund to help it make it somewhat larger, and from that they could increase the benefits still further, it seems to me. In other words, the approach here is that this 3 percent is not a fund for the emergency. It is a fund that never ought to have been there and really ought to be given back to the States as it is earned.

A law of that sort I certainly would be in favor of passing myself.

Senator MOODY. Would you be in favor of including in such a law—

Senator TAFT. I might say that is from page 173 of the reports of the Advisory Council on Social Security, Senate Document 208, of the Eightieth Congress, second session.

Senator MOODY. Would you be willing to combine that suggestion with a somewhat different suggestion which might not dovetail with that of Senator Johnson that the Department of Defense is responsible for some of this chaos, and that the Government should—

Senator TAFT. Not so much the Department of Defense, as it seems to me, Mr. Wilson's allocations. I mean that this thing results from that.

Senator MOODY. The general defense effort—

Senator TAFT. Of the use of the allocation powers contained in the Defense Production Act.

Senator MOODY. Did you say misuse of it?

Senator TAFT. I said their use of those powers.

Senator MOODY. You see, what I am trying to do here, if you should take this billion dollars and reallocate it to the States—

Senator TAFT. Incidentally, they think they only have half a billion. They have to pay for the employment officers as well as the employment.

Senator MOODY. I might say that would provide to the States more than twice as much as the best estimates we can get on this bill would cost, so that if you did that you would be taking care of this situation, provided you made it clear. Of course, you are proposing to just send it back there and let them do whatever they want with it.

As Senator Johnson has pointed out, this can and should be called a part of the cost of defense, whether we do this through unemployment channels or whether you have got to do something directly by the Government. The legislatures are not acting on the thing as they should act, and as you say they should act. I agree that they should act, but if they do not act, that does not let us out of

our responsibility that we ought to do something with the situation that has been created by a national need.

Senator TAFT. Let me ask you one question. You limited the total here to 67.5 percent of the weekly wages in any case combined total.

Senator MOODY. That is right.

Senator TAFT. Under some circumstances the Michigan beneficiary seems already to get that; does he not?

Senator MOODY. Yes, he does. That is right.

Senator TAFT. He would not get any more, that is, those people?

Senator MOODY. Will you explain this chart, Mr. Downs?

Mr. DOWNS. I believe this chart will give you a very good picture of how the act would actually apply. I will cover up this part.

This tall column, the combined yellow, red, and gray, shows the total wages that a person receives. We scaled this for \$30, \$40, \$50, and on up to \$90 a week.

In Michigan if a single worker is getting \$30 a week and is out of work he gets two-thirds of that or \$20.

Under Senator Moody's bill there is automatically a limitation, so that no single worker can get more than 65 percent of what his average weekly wages are. So in this case of this particular individual he would get no supplementation under Senator Moody's bill.

When we go over here we find that in Michigan the worker, for example, getting \$50 a week, can only receive \$27 a week benefits.

He would then get a supplementation equal to the red line which would be chopped off at 65 percent of the \$50, and so on over.

You will notice that there is a definite ceiling. The red line shows what these Federal supplementations consist of.

Senator TAFT. That ceiling on the red line is produced by the provision that it shall not be more than 50 percent of what Michigan gives.

Mr. DOWNS. There is a double ceiling.

Senator TAFT. Is that why it does not go up?

Mr. DOWNS. One provision is that he cannot get more than 50 percent of what the State provides. So in this case the person earning \$30 a week, who gets \$20 a week from the State, while the law says he would get 50 percent more or \$10 more, the second ceiling comes into effect which says that in no case can he get more than 65 percent of his average weekly wages. So that there are two ceilings in effect. One is the 50 percent of the State fund and the second is that the aggregate or the total of the State and Federal cannot equal more than 65 percent for the single worker. And that goes on over.

I think this shows it very clearly.

So that in Michigan the maximum that could be received would be approximately \$40, regardless of the wages.

This next chart, I think, is even more significant. This is the situation of the married man with a wife and two dependent children.

Under the Michigan law, because of the dependency requirement, if he has \$30 average weekly income, you will notice that instead of getting \$20 he gets this additional dependency allowance which is \$2 a child or \$4. And then that increases in this case. But he cannot in this case get any Federal supplementation because of the fact that the ceiling now becomes not 65 percent but 70 percent of his average weekly earnings.

So in the case of the man who is earning \$40 a week, 70 percent of that is \$28 a week. He gets that under the State system, so that he cannot get the Federal supplementation. However, with the man earning \$50 a week, the supplementation comes in. You see the red line showing what the Federal supplementation would amount to. And that increases as the wages increase except that, again, the ceiling is applied which is 50 percent of the primary benefit rate plus the matching.

In all cases, there is a ceiling. I believe that is approximately \$48, regardless of wages.

I would also like to point out that in each case this yellow shows the worker's loss in wages, even after he has had both the State and the Federal supplementation.

This line is taken from the Department of Labor figures and has been adjusted by Mr. Tracy and brought up to date, which shows what it costs a man, wife, and two children to live. I believe that was in Detroit. Those figures, of course, are available for other cities.

It shows that it costs approximately \$70. So that even the worker with a wife and two children who has his State benefit plus his Federal benefit still is under what is called a minimum standard of decency.

I think that is an extremely significant picture, particularly when we try to get the human element into this.

Gentlemen, I wish we could take more time in thinking from the viewpoint of these individuals who are out of work through no fault of their own.

This next chart, I believe, is significant because of what Senator Taft brought out. It shows what happens under the Michigan system to the man with four dependents.

You will notice that if he is getting \$30 a week, he gets pretty near that in compensation. What is the percentage, Mr. Tracy?

Mr. TRACY. It is about 90 percent.

Mr. DOWNS. Mr. Tracy has the exact figures. He will get approximately 90 percent of the \$30 in benefit rates.

I think from that has come a certain amount of misinformation about people getting more not to work than to work.

Assuming that the fellow who gets \$30 a week spends for lunch money \$3 or \$4 a week, and for carfare and incidental expenses. They claim that under the State system he is better off not working than working. We could get into a discussion on that. I would not like to take up the time of the committee with it, however.

However, I would like to emphasize this point, that if that is so, that has been created by the State and not by this bill. The isolated situation has been created by the State. Frankly, I think that anybody who is earning \$30 a week and has four children is one that I do not begrudge getting pretty close to \$30 a week in unemployment compensation.

I happen to have two children myself. Once I told my wife that I was going to give her \$4 a week to feed the children. And she hit the ceiling and said, "What are you doing that for?"

I said, "Well, the Michigan Legislature says that it only takes \$2 apiece to keep a dependent. Let us see you get along on \$4 for the two children."

Senator MOODY. There are a good many States, of course, that do not provide anything for dependents.



Also, in line with the point that Senator Taft made earlier, I would like to point out that the Michigan system on a Nation-wide basis is comparatively favorable, although it certainly does not come up to what I would consider to be a proper system.

I agree with you, Senator, that the legislature ought to act. I want to make a statement on that point in a minute.

Mr. Downs. I think that the other charts are comparable.

The black or gray-shaded shows what the unemployment worker with four dependent children gets under the State system. The red is the supplementation, that is, what he would get under this bill. And the yellow is his wage loss.

I would say, again, that these figures very definitely show that there is a tie-in between the Federal and the State system.

One thing that is not shown on this chart is that if the individual gets nothing from the State system, if he is disqualified under the State law, if he works at some occupation which means he is not protected, then he gets no Federal supplementation. In other words, the Federal law's administration ties in directly with the State. And the computation is made after the State has made its own decision.

I know that at later hearings you gentlemen will probably discuss the pros and cons of that problem, but I wish to emphasize again that here is an immediate problem. People are out of work. They are going hungry. The exhaustions are increasing in Michigan. And it is no fault of these individuals. This provides a kind of barnyard equity, a quick, easy system of remedying and providing the immediate assistance to these individuals.

Senator Moody. Thank you, Mr. Downs.

Mr. Chairman, I would like to point out, also, that this map shows the surplus areas in the country. It shows that it is not a local problem.

(The charts referred to appear on the following pages.)

Senator Moody. I have here this morning, for very brief testimony before the committee, if you would not mind hearing him, an unemployed worker from Indiana who is living with this situation, and whom I would like to ask you to hear in a few minutes.

The CHAIRMAN. We will have to get to the floor to see what is going on over there.

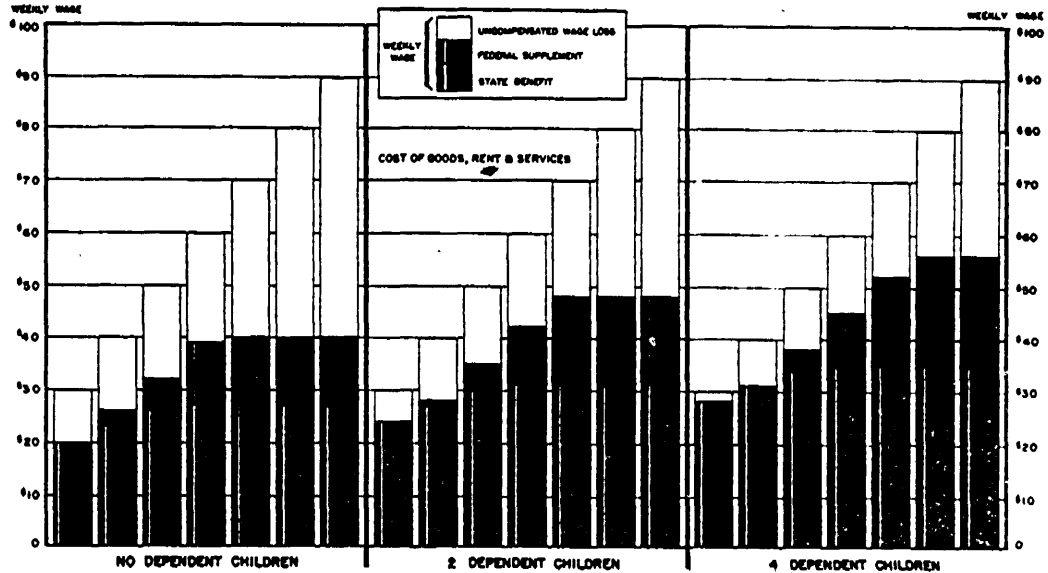
Senator Moody. I would like to say one thing on the point, also, that Senator Taft made a few minutes ago.

I would like to make the point that the Federal Government has not hesitated to act when there has been a substantial impact on other segments of the economy. I want to emphasize that this is not an attempt to federalize the system at all.

I think the chairman is conscious of the fact that we did try to write the bill in such a way that it would not. And if there are other safeguards, Senator Taft, that you or any of your colleagues can write into this bill that will prevent a federalization of the system, it would be proper to do so, because it is certainly not the purpose of this bill to federalize.

I realize that in some of the literature that has been put out on this bill by various people, the statement has been made—and, of course, this has nothing to do with you, sir—that it would federalize it. And at one point one pamphlet that I read last night said that the sponsors of the bill were committed to federalization of the system.

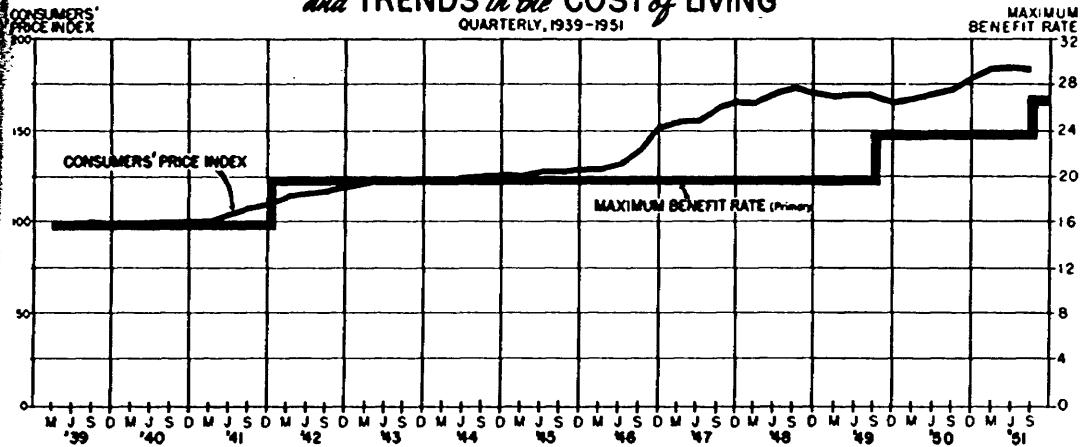
# BENEFITS PAYABLE UNDER M.E.S. ACT AND AMOUNT OF SUPPLEMENTATION UNDER MOODY BILL



UNEMPLOYMENT COMPENSATION ACT OF 1932, AS AMENDED

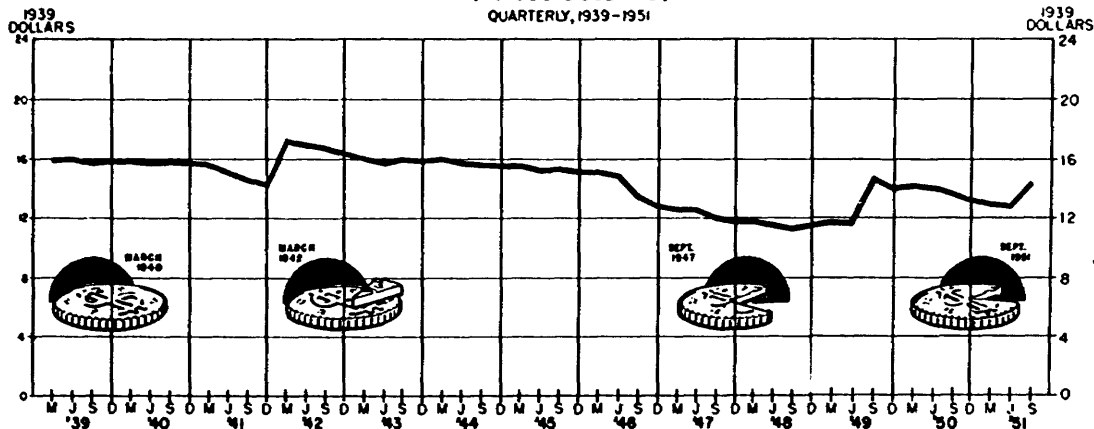


## COMPARISON of the MAXIMUM WEEKLY BENEFIT RATE (PRIMARY\*) and TRENDS in the COST of LIVING



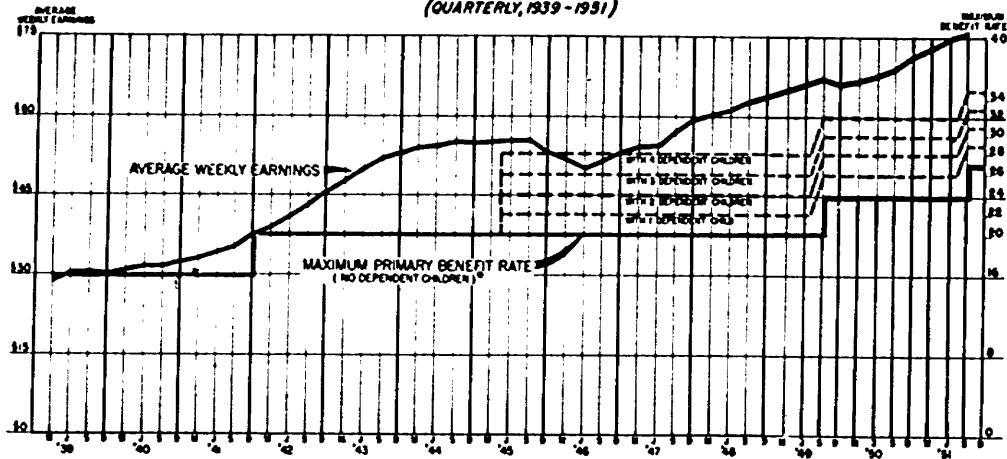
## REAL PURCHASING POWER of the MAXIMUM WEEKLY BENEFIT RATE ( PRIMARY\*)

(IN 1939 DOLLARS)

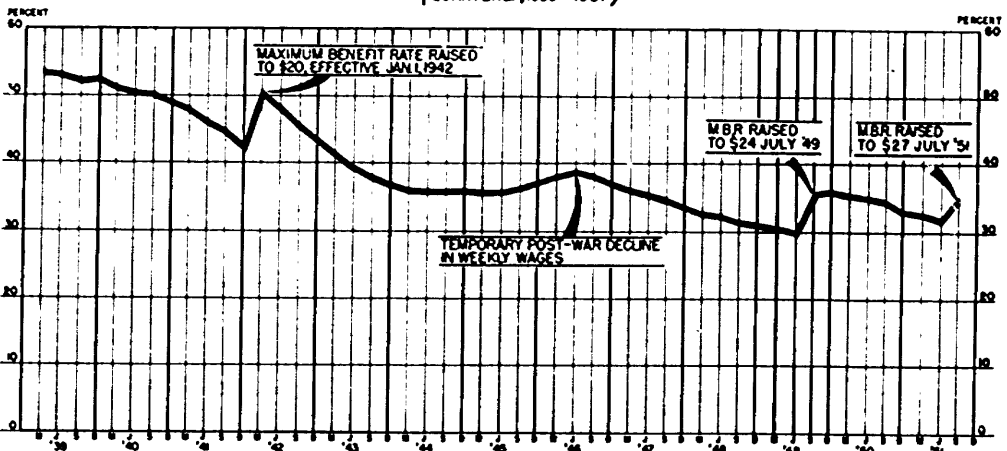


\* APPROXIMATELY TWO-THIRDS OF ALL BENEFICIARIES RECEIVE NO DEPENDENCY ALLOWANCES.

**COMPARISON of the MAXIMUM WEEKLY BENEFIT RATE and  
AVERAGE WEEKLY EARNINGS in COVERED EMPLOYMENT**  
(QUARTERLY, 1939 - 1951)

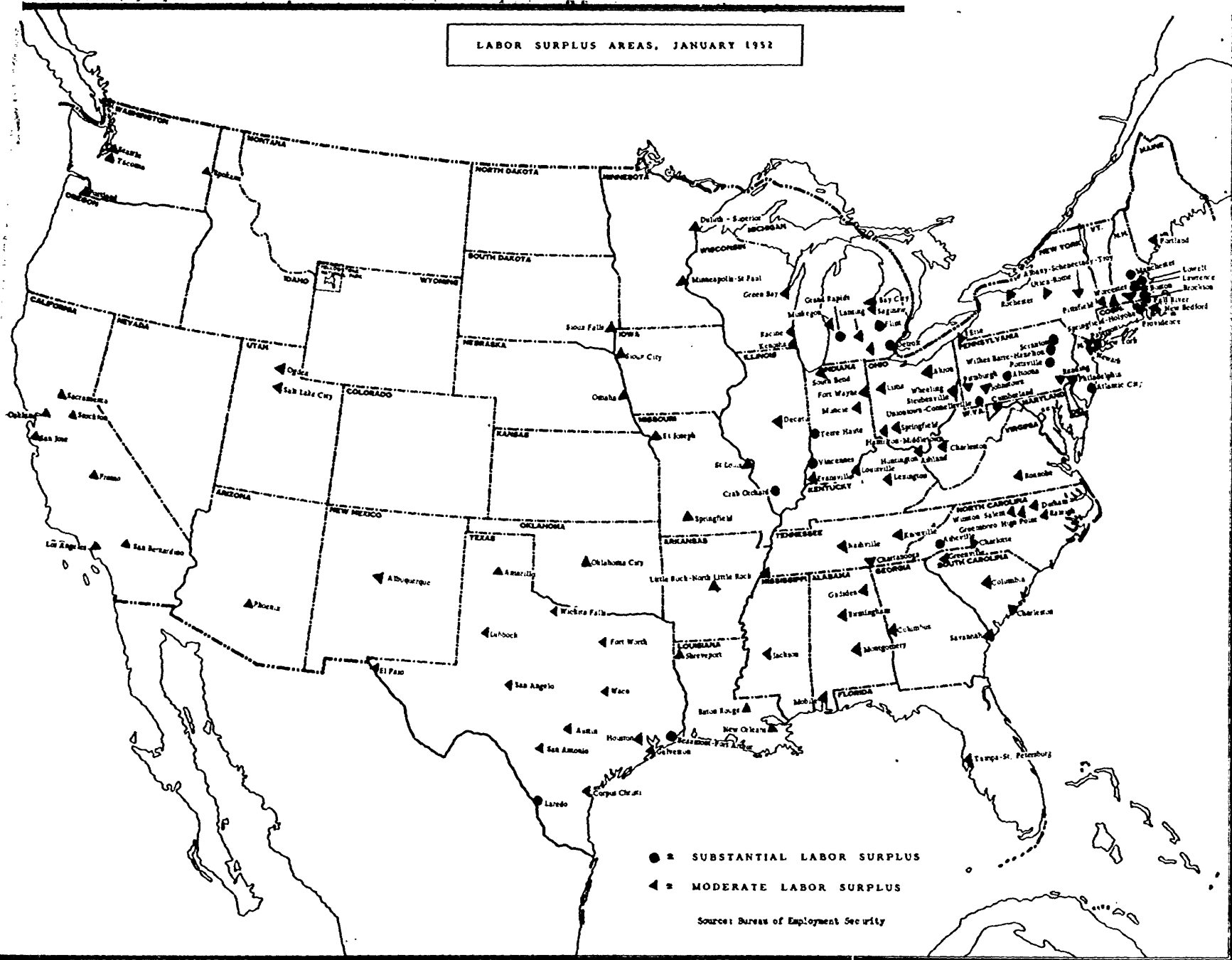


**MAXIMUM WEEKLY BENEFIT RATE (PRIMARY)\* AS PERCENT  
of AVERAGE WEEKLY EARNINGS in COVERED EMPLOYMENT**  
(QUARTERLY, 1939 - 1951)



\* APPROXIMATELY 2/3 OF ALL BENEFICIARIES RECEIVE NO DEPENDENCY ALLOWANCES

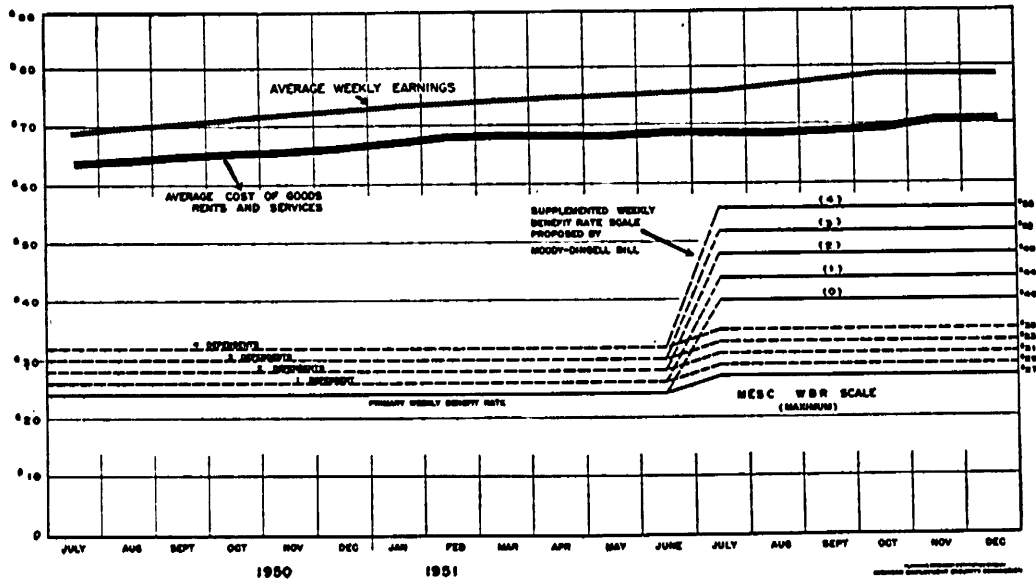
LABOR SURPLUS AREAS, JANUARY 1952





# AVERAGE WEEKLY EARNINGS, BUDGET FOR MODERATE INCOME FAMILIES, & MAXIMUM WEEKLY BENEFIT RATES

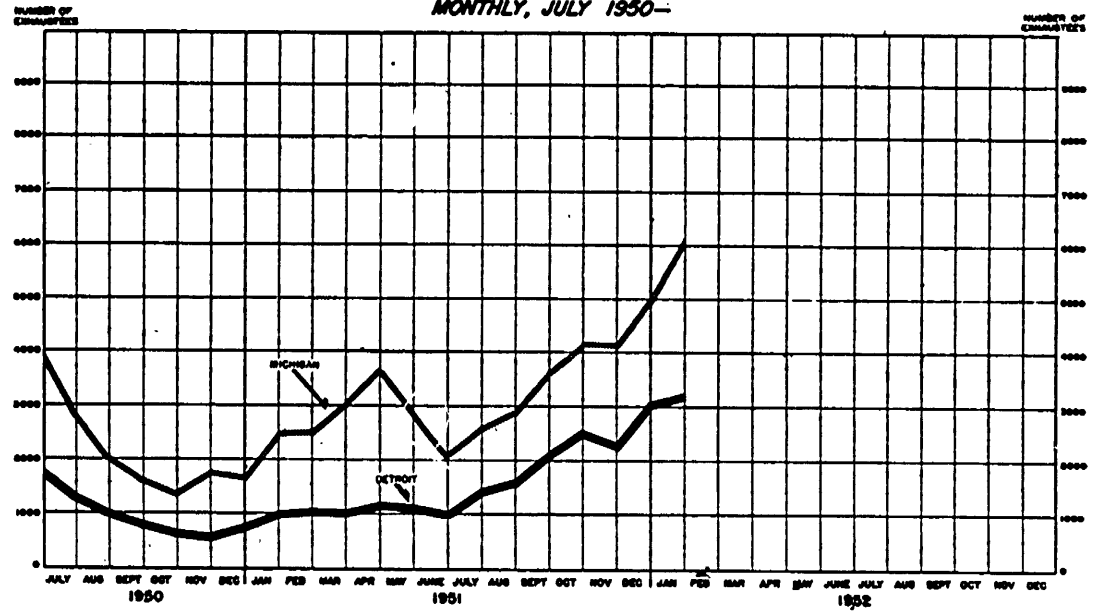
JULY 1950—DECEMBER 1951





# NUMBER OF CLAIMANTS EXHAUSTING BENEFITS IN MICHIGAN AND IN THE DETROIT AREA

MONTHLY, JULY 1950—



Well, now, nothing could be further from the truth. I cannot speak for all of the other 14 sponsors of this bill, but it certainly does not apply to me. As a matter of fact—

Senator TAFT. The Social Security Administration and the Department of Labor, I notice, are going to come in here.

Senator MOODY. While I have had assistance from the Department of Labor and from the Social Security Administration in advising me on features of this bill, I did not know until I heard from them whether they would be for it or not. This is not their bill.

Senator TAFT. I just see that they have two witnesses here.

Senator MOODY. When they finally saw it was a good bill, I was delighted to have them come in and to ask them to testify. But they did not draft it. This has been everybody's bill.

It has been called a union bill. It has been called a Labor Department bill, and everything else.

There are Senators on the bill who do not believe in the federalization of it. And one Senator, Senator Pastore, of Rhode Island, whom I invited to join as a sponsor, refused to join because it did not federalize the system.

Another point is this: On the situation where other segments of the economy have been hit by this mobilization impact there has been no hesitancy in the Senate or in the Congress—no hesitancy at all—to say, "Well, this is the Government's responsibility for this thing and, obviously, a man should not be put out of business—he should not be forced to sell below cost."

We have written into the National Production Act—

Senator TAFT. Wait a moment now, Senator Moody. The company does not get copper for its domestic needs, and it is not compensated for its loss, not a cent. That is exactly the same situation.

The companies that employ these men may have their business cut in half and the profits wiped out, and there is no compensation.

Senator MOODY. There is an attempt, however, in the Smaller Defense Plants Administration to do so, which we wrote into the National Production Authority Act last year.

Senator TAFT. That does not give anybody any profits. It helps them with a loan, maybe, over some crisis. It is really in order to handle big contracts that they get it. Was that not the main purpose?

Senator MOODY. That was not the main purpose.

Senator TAFT. I thought so.

Senator MOODY. It was just to help them. I think you would agree that the effort of the Senate has been to avoid an unfair impact. I would be surprised to have anybody say that had not been the policy. It has been the policy.

Senator TAFT. I do not think it has. I do not think we have compensated anybody for results or losses resulting from the war or the emergency.

Senator MOODY. Have we not tried in every case to see to it that no injustice was done, say, by price ceilings or such?

Senator TAFT. We have not done a thing that I know of.

Senator MOODY. You voted for the NPA Act.

Senator TAFT. People have their profits cut by prices being fixed. They have their profits cut by taking away copper. Their profits are cut in all sorts of ways. There is no compensation for that that I know of.

Senator MOODY. Of course, there are all sorts of provisions in the law to prevent an impact like this from hitting people.

Senator TAFT. I do not think that has anything to do with it. I do not see that it has.

Senator MOODY. All of these things are for the purpose of preventing unfairness.

Senator TAFT. I would not dispute you on the broad purpose.

Senator MOODY. I did not think you would.

Senator TAFT. But I do not believe the Federal Treasury is compensating anybody because of incidental losses occurring from war rules or regulations, and so forth.

Senator MOODY. Just a minute ago you said that it might be proper, that you might be willing to support a situation like that.

Senator TAFT. That is the approach that I would undertake, I think.

Senator MOODY. If you want to undertake that approach, I would be glad to support it. I think these people ought to be saved. I think that the Senate should take some action in equity here. That is my main point. And I have worked out the system that I feel would be the most equitable.

Senator TAFT. I would say so if the State of Michigan was not perfectly able. They have plenty of money. It is there. It is to use. It was collected for that purpose. It ought to be used for that purpose.

Senator MOODY. Can I solicit your aid with the Republican legislature on this point?

Senator TAFT. That is the main point. That is the only thing I care about. The whole theory of the unemployment compensation is that unemployment compensation is to be taken care of by the States. I do not like to depart from that theory. That is my only point.

Senator MOODY. I will tell you what I would like to do with you, and I say this in good nature and, perhaps, a little humorously, but I would like to go to Lansing with you and see if you and I could put across a good bill up there. They have not done anything so far on it.

Senator TAFT. Lansing is in the State of Michigan. I would be butting in, if I undertook any such journey.

Senator MOODY. But the fact is, Senator, that does not answer the fact that the Government has done this to these people. I do not say that critically. I think we have had to strengthen ourselves and to take this metal.

Mr. Chairman, there is a man here from Indiana that I thought you might want to question, someone who has been hit by this thing. That is a part of my testimony.

The CHAIRMAN. I think we will have to recess now until 2:30.

Senator FREAR. May I ask one question?

The CHAIRMAN. The Secretary of Labor is coming up at 2:30.

Senator MOODY. This chap has come down here at my request because I thought you might like to have some grass roots feeling about that bill.

The CHAIRMAN. Yes, sir. All right.

Senator FEAR. I am sorry that I was out for just a few minutes, Senator Moody, but have you stated what you thought it would cost Michigan by your proposed bill per year?

Senator MOODY. What I thought my bill would cost Michigan?

Senator FEAR. Yes.

Senator MOODY. This bill is not charged to Michigan. This bill would be a Federal augmentation.

Senator FEAR. What it would cost the Federal Government for unemployment in Michigan as created by your bill?

Senator MOODY. I believe the figure is 27 million.

Senator FEAR. About 27 million? That is in addition to the regular?

Senator MOODY. I am getting the exact figure from Mr. Tracy. I believe that would be the Federal contribution.

Senator FEAR. Do you know what the benefits were that were paid in Michigan for 1951?

Senator MOODY. I think we have the figures here. We have a lot of figures. We did not know which ones we were going to be asked for, so we brought them all.

Mr. DOWNS. We will get them for you.

(See p. 80.)

Senator MOODY. While they are looking for those, Mr. Chairman, I should like to mention this.

The CHAIRMAN. You can supply those figures that Senator FEAR is asking for as to the total unemployment compensation paid by the State of Michigan, say, for the year 1951?

Senator FEAR. Right.

Mr. TRACY. Yes.

The CHAIRMAN. And how much it would be increased under this bill, which, of course, would be paid out of the Federal Treasury?

Senator FEAR. That is right.

The CHAIRMAN. If you will supply those figures, that will be all right.

Senator MOODY. I would like to make the point that this is not a local bill, of course.

The CHAIRMAN. We understand that. It is very well to illustrate it by local conditions, however.

Senator MOODY. Yes, indeed.

I would like, if possible, Mr. Chairman, to introduce into the record of the committee a series of articles by Mr. James Y. Newton, of the Washington Star, who went to Detroit, as one of the centers of this problem, and wrote what I consider to be a very illuminating and accurate series of articles. I think they might be of benefit to the committee, if it wants to go that far in studying local conditions. I would like to emphasize that these conditions do exist in a number of other communities, too.

The CHAIRMAN. Yes; we understand that. You may put them in the record.

Senator MOODY. Thank you very much, sir.

(The articles by James Y. Newton are as follows:)

## JAMES NEWTON SERIES

## THE DETROIT STORY: HARDSHIP CAUSED BY LAY-OFFS IN AUTOMOBILE PLANTS AND STRINGENT RELIEF LAW

[Extension of remarks of Hon. Blair Moody of Michigan in the Senate of the United States Thursday, February 7, 1952]

Mr. Moody. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record an unusually fine article entitled "The Detroit Story: Lay-Offs in Auto Plant Cut Backs Bringing Families to Real Want," by James Y. Newton, published in the Washington Evening Star of February 6, 1952. The article relates to the unemployment situation in Detroit and other cities, and relates directly to Senate bill 2501, the defense unemployment bill of 1952, which has been scheduled for hearings before the Finance Committee on February 10.

I also ask unanimous consent to have printed in the Appendix of the Record the second of a series of articles by Mr. Newton on the same subject, the latter article being entitled "Stringent Relief Law Balks Jobless in Quest for Relief."

There being no objection, the articles were ordered to be printed in the Record, as follows:

[From the Washington Evening Star of February 6, 1952]

## THE DETROIT STORY—LAY-OFFS IN AUTO PLANT CUT-BACKS BRINGING FAMILIES TO REAL WANT

(By James Y. Newton)

*Detroit, February 6.*—The pretty and serious young housewife of a Detroit suburb seemed to have difficulty holding back a tear when she discussed their family problems.

Her husband, Sam, is one of the 105,000 currently listed as unemployed in the Detroit area. Like so many of the others, Sam, being young and with little seniority at the plant, was just getting started well when the lay-off came.

"They told him," she said, "they just didn't have enough stuff to make enough cars to keep everybody on. We bought so many things we needed for the kids and ourselves, and we haven't finished paying for any of it."

The kids are a boy, 3½, and a girl, 2, whose shyness at the start of the interview wore off rapidly as Mrs. Sam told her story.

Her husband, 27, had served the Navy in the Pacific during the war. He was from Illinois; she is a native of the area in which they live. They met and were married after he got a job in an automobile plant.

## FIFTY-FIVE DOLLARS TAKE-HOME PAY

Sam's last job was on a Chrysler assembly line, and he had worked there 3 years when laid off 2 months ago. His take-home pay at the last was \$55 a week. It had been more earlier, before he was bumped down to make way for workers of more seniority.

Sam and the Mrs., meanwhile, had taken on some obligations, aside from the two kids, between marriage and lay-off. They had bought a small, nondescript home, in a nondescript GI development, for which they are paying \$51 a month. They bought furniture and other things for which they are still paying. They are paying \$50 a month on a small 1951 car. Mrs. Sam said her husband needs it in his work. And from where he lives, he certainly needs it, if ever he is going to find work.

"I don't know how many places Sam has been looking for a job," said his wife. "He has been to a half dozen the last 2 days—the gas company, the telephone company, the tank arsenal. It's discouraging, because so many won't even take applications."

## - THIRTY-ONE DOLLARS COMPENSATION

The family is getting by on \$31 a week unemployment compensation, and it has 11 more weeks to run. After that, what happens? Mrs. Sam didn't know. She did know their \$400 in bonds has dwindled to less than \$40 and that Sam's father, 73, had met the last car payment, something he can't do next month.

"I have kept up with the bills fairly well," she said. "But now we are right down to the last thing."

There is hardship in Detroit, in Flint, and other centers because the materials that normally make automobiles have been diverted to military production. And

the orders for defense goods have not come in sufficient quantities to come close to taking up the slack in employment.

Hundreds of families—an accelerating number—each week are running out of savings, unemployment compensation and other economic "cushions" which had separated them from real want.

Aside from this human problem, there is something else of importance involved in the Detroit situation. It is preservation of the Nation's capacity to make things. And 25 percent of that manufacturing capacity—for peace or war—is right in the Detroit area or not far away. It is wasting away, as its all-important ingredient, manpower, drifts away seeking employment.

#### WHAT ABOUT TOMORROW

But the real seriousness of the work problem of Detroit and other automotive centers is not today's situation, but what it might be tomorrow, a few weeks or months from now.

Present estimates put the number of unemployed in the Detroit area at 105,000, or 7.2 percent of the total work force. The total of jobless in December was 121,000, when many auto workers were laid off because of model changes. Officials said this decline in unemployment has no significance in that it reflects the normal fluctuation of employment as new model cars begin to flow from assembly lines in volume.

The number of unemployed in all of Michigan is placed at 170,000. Walter P. Reuther, president of the CIO United Automobile Workers, said there are 200,000 out of work in the whole auto industry, both in and out of Michigan. The Detroit and Michigan figures reflect total unemployment, but a vast majority are auto workers.

These figures would not show the total number of auto industry lay-offs. Workers of little or no seniority were laid off in the early parts of last year. Some have found work in other area industries; many others have left in search of a living elsewhere.

#### FORTY-SIX PERCENT PRODUCTION CUT

In the present quarter-year (January through March) the industry will produce about 1,000,000 cars and 250,000 trucks, a reduction of 46 percent under first-half 1950 levels.

For the April-through-June quarter, the Government has allotted the industry enough copper and aluminum, the two scarcest metals, to build only 800,000 cars and 200,000 trucks. However, the industry was told it would be permitted to make 930,000 cars in the quarter-year if it can do so by stretching inventories and using substitutes for copper and aluminum.

C. E. Wilson, president of General Motors, likens this situation to the Biblical story of the children of Israel, who were ordered by the Egyptians to make bricks without straw.

"It caused trouble 3,000 years ago," he said bitterly, "and it is causing trouble now."

It seems certain that additional quantities of aluminum will be given the auto industry, along with other civilian industries, as a result of reduced aircraft production schedules in the next year. But the auto maker still would face a bricks-without-straw situation on copper.

#### FIFTY-SIX THOUSAND ESTIMATE FOR MARCH

Max Horton, of the Michigan Employment Security Commission, says that if car production is reduced to 800,000 per quarter it will raise long-term unemployment in the Detroit area to about 156,000 by March. In addition, further short-term lay-offs may be expected, adding as many as 50,000 to the unemployed totals for periods of 1 to 3 weeks.

A total of 103,000 persons in Michigan, 68,000 in the Detroit area—about double the figures of a year ago—are now receiving unemployment compensation. New claims are coming in at a rate of about 16,000 a week. In December, Michigan paid out \$6,266,000 to the unemployed.

In December and January more than 11,000 persons exhausted their 20-week compensation payments, and the rate of exhausts is increasing weekly.

[From the Washington Evening Star of February 7, 1932]

## THE DETROIT STORY—STRINGENT RELIEF LAW BALKS JOBLESS IN QUEST FOR RELIEF

(By James Y. Newton)

DETROIT, February 7.—For the jobless resident of Detroit it is a long, hard step from the end of his unemployment compensation to the public relief rolls.

The restrictions are so great that few try to qualify for relief benefits, and only a handful of those make it. This explains the anomaly of an actual decrease in the number of relief cases the past year, although unemployment has doubled to more than 100,000.

Despite the heavy unemployment, only 100 of the 4,473 persons on the relief rolls were listed as employables, or fit for full-time work.

Applications were coming in at a rate of 150 a day, and 1,700 cases were pending investigation. Yet, other records showed that more than 11,000 persons had exhausted unemployment compensation in December and January, and it was unlikely many of those had found work. Some undoubtedly were being cared for by church and other charities.

### DANGEROUS SITUATION

To Daniel J. Ryan, superintendent of Detroit's welfare department, the situation is filled with danger. He said the danger signals increase as the employment problem becomes more acute.

The first test of eligibility is that the applicant must be without compensation of any form, money, bonds, or other instruments convertible to cash, and he must have liquidated any life-insurance policies he may have possessed.

After that, the investigation turns to the ability of any legally responsible relative of the applicant to support him. The "legally responsible" group includes grandparents, parents, wife or husband, children or grandchildren.

If the relative is found to have income in excess of what is considered enough to provide him a "basic standard of living," he must turn it over to the applicant. If the relative refuses, he can be prosecuted.

### THREATS BRING PAYMENT

In nearly all instances, the reluctant relative comes through after threat of court action by the county attorney. A few are on the stubborn side, including a wife with a \$600 monthly income, whose husband is down and out. They are having marital difficulties but are still legally married. It looks as if she will be separated from some of her dough.

Walter P. Reuther, president of the CIO United Automobile Workers, says "unemployment in 1932 creates more hardship than unemployment in 1932."

He points out that the general depression of prices helped the victim of the early 1930's. Whereas in 1932 the unemployed not only suffers from depressed income, but he must pay inflated prices for the things he needs.

That statement probably is correct in cases where unemployment payments have run out, or in extreme cases of large dependency. But it wouldn't seem to hold true of the average person still receiving compensation.

Among the unemployed interviewed in Detroit, there is the case of the young couple both of whom lost their jobs in auto plants—she in October and he in November. They have four children, ages 11, 9, 8, and 7. The two of them received a total of \$62 a week compensation.

### DOWN FROM \$130

The family standard of living was built around the \$130-a-week take-home pay they received when both were working. They were paying, per month, \$36 rent, \$20 (in January) heating oil, \$4 for gas, \$26 on the furniture, and \$70 on their car. The weekly food bill for the six was taking about half the income.

"You have got to feed them (the children) good or pay doctors' bills," the wife said. "Lots of mothers send their children to school without breakfast, but so far I haven't."

The couple is behind on payments for furniture and the automobile, but so far their creditors have been satisfied with a little each month.

The wife said her \$27-a-month compensation will expire in 4 weeks.

"Boy, when that runs out, I don't know what we will do."

A 27-year-old veteran of the war in Europe is faring better. His compensation is about to expire, but his wife of 15 months is making \$3,800 a year teaching school. They have no children. They are paying, among other things, \$101 on their house and \$64 on furniture each month. He has toured the auto plants looking for work and finally has taken an examination for a post-office job.

#### YOUTH IS DRAFT BAIT

A 21-year-old youth, who had worked since he was 16, lost his job in December and couldn't get another one "because I am draft bait." He said he had joined the National Guard and won't be called this year, but that it didn't help him.

The family has had all sorts of complications, including a sick father and brother. Two other brothers on part-time work are paying the way for the family, with the help of the youth's unemployment pay.

A large proportion of the unemployed are young people, many of them born in the area.

The big three of the automobile industry—General Motors, Ford, and Chrysler—are, of course, the largest employers about Detroit, but there are thousands of other shops, most of which feed the auto industry. Ford and Chrysler have more operations in the area than does GM, whose many more plants are more widely dispersed over Michigan and the entire country.

Chrysler's employment in the Detroit area has dropped from 97,000 a year ago to 80,000; Ford's, from 95,000 to 86,000. The General Motors' Detroit area payroll, including 42,000 persons, has shown a net decline of only 1,700 since last October.

But these figures, including both salaried and hourly rated employees, do not indicate the full extent of lay-offs among production-line workers.

#### SALARIED STAFFS INCREASE

All three companies actually added to their salaried staffs in the past year, Ford by more than 1,500. This is explained as part of the build-up for defense work, including the employment of engineers for new plants. A Ford spokesman said "the number of hourly rated workers will catch up when we get going" on military contracts.

For GM, the city of Flint is a larger center of production than is Detroit. In Flint, the number of hourly rated workers declined from 46,500 a year ago to 41,500.

H. W. Anderson, GM vice president, said his company has held lay-offs to a minimum because, in the boom days of 1950 and before, GM made it a policy to work employees overtime rather than hire new ones.

Hours of work have been cut greatly throughout the industry, so the number of persons unemployed is not a true measure of size of the depression that has hit Detroit.

#### THE UNEMPLOYMENT CRISIS IN DETROIT

(Extension of remarks of Hon. Blair Moody of Michigan in the Senate of the United States, Monday, February 11, 1952)

Mr. MOODY. Mr. President, I ask unanimous consent to have printed in the Appendix of the Record two additional articles by Mr. James Y. Newton, regarding the crisis of unemployment in my home city of Detroit.

There being no objection, the articles were ordered to be printed in the Record, as follows:

[From the Washington Star of February 8, 1952]

#### THE DETROIT STORY—AUTO LABOR CAUGHT IN ODD PINCH OF OUTPUT FOR WAR AND PEACE

(By James Y. Newton)

DETROIT, February 8.—Industry leaders like C. E. Wilson, president of General Motors Corp., attribute the automobile industry's unemployment problem to Washington bungling and Government mismanagement of metals allotments.

Walter P. Reuther, president of the CIO United Automobile Workers and a powerful voice in the matter, places the blame largely on the manufacturers. He says they were too much concerned with business as usual and too little concerned



with getting defense orders to absorb unemployment, which he warned them was coming 18 months ago.

Most Government officials are inclined to regard the jobless situation as just one of the things that cannot be avoided, in some degree, in the shift from peacetime to military production. Nevertheless, they are attempting to do something about it, several months too late, in the opinion of Mr. Wilson.

Regardless of the merits of these arguments, the problem of Detroit and the automobile industry are the result of the Truman administration's decision to build a powerful military machine while maintaining a high-level civilian economy.

#### MIXTURE FORMULATED

In other words, short of all-out war, the country would mix production of weapons with "business as usual." Military might would be built up gradually to a point believed sufficient to protect the free world from Russian aggression. Purely civilian production would be continued at the highest possible level short of interfering with the defense build-up.

This decision was accepted by most of the country, and today there is virtually no opposition to it. The alternative after the Korean attack was to go all-out for defense. On that basis, since the decision of war or peace was theirs, the Russians could simply wait, while the United States bled itself white economically, maintaining an all-out war machine.

Aside from the risk of quick Russian attack, the administration's policy posed great problems in expanding basic materials output, copper, aluminum, and so forth—and productive facilities so the country could shoulder two big programs at one time. We are right in the middle of this vast expansion program now, and it is "chewing up" a large part of the metals that, when it is completed, will be available for weapons and civilian goods.

The objective of the administration was, and is, to produce the equipment for an armed force of say 3,500,000, but to have available facilities to produce quickly for a 12,000,000-man force, should world war III come.

#### DISLOCATIONS INEVITABLE

All of this has called for a dovetailing of civilian and military effort that seems virtually impossible to carry out without dislocations and unemployment. It is the cause of Detroit's present troubles. And Detroit's troubles are expected to continue a year or more, until the expansion program is largely completed, and materials now going into new plants can be diverted to making goods for consumption by the military and civilians.

If the decision after Korea had been for all-out defense, unemployment would have been far more intense, but would have been for a shorter duration.

Most of the billions spent so far for defense have gone for new plants and equipment. Auto workers do not build plants.

#### NOT FOR FULL OPERATION

Even when these new facilities are finished, they will be operated at only a fraction of capacity under the present program of preparedness, and short of war.

"The military is not so much interested in production," said H. W. Anderson, General Motors vice president, "as being geared for production."

The machine tool bottleneck, the shortage of tools needed to make military products, is delaying operation of many new plants that are otherwise ready to run.

Radical and sudden changes of design of weapons, particularly of airplanes and aircraft engines, are necessary causes of operation delays at other new plants. These changes reflect the incredibly swift progress of engineers and scientists in making the airplane more efficient and a deadlier weapon.

#### TETHERED GIANT

These are limitations to production that will not be solved soon. The auto industry would like nothing better than a "freeze" of weapons' designs. Then its genius for mass production could be brought into play.

The industry is like a thwarted giant, so tethered that he can only go so far in any direction. It has enormous capacity to produce. It is not allowed to use it fully to make automobiles, because the materials are needed for defense. Yet there is not the defense work available to fill the gap.

Manly Fleischmann, Defense Production Administrator, recently appointed a task force to see what can be done toward solving the auto industry's problem in the way of giving it more defense work. The group, headed by R. E. Gillmor, of the Sperry Corp., has just returned from a survey of the Detroit area.

The Star's survey was made independently of, but concurrently with, the Government investigation. Sessions Mr. Gillmor's group held with the automobile manufacturers, the United Auto Workers, and others were open to reporters.

[From the Washington Star of February 10, 1952]

### MORE METALS HELD ONLY CURE FOR DETROIT'S UNEMPLOYMENT

(By James Y. Newton)

A substantial increase in allotments of materials for manufacturing of new cars and trucks is the only effective method at hand immediately for treating the unemployment ills of Detroit and other automotive centers.

And it is as good as certain the industry will get more of scarce aluminum and scarcer copper—enough to make well over the 800,000 cars and 200,000 trucks which have been prescribed as the "diet" of the mammoth industry in the April-May-June quarter year.

There is virtually no chance, however, the industry will be allowed to make enough civilian vehicles to effect a cure of its economic troubles. That would take more materials than could safely be spared by the defense program. About the best Detroit can hope for is that it will be given enough of the stuff to make cars to check the rising unemployment, not enough to turn it back.

### ONE HUNDRED THOUSAND OUT OF WORK

The only other way of providing jobs for the more than 100,000 Detroiters who are out of work would be to bring defense contracts to the half-idle factories.

The Government sent a special task force to the distressed areas to see just what can be done along the defense-contracts line. Their report has not been completed. But actually there is very little that can be done on that score in the way of short-term help.

Headed by R. E. Gillmor, an industrialist with a record of public service, the group gathered pounds of facts, figures, and opinions in a dozen lengthy sessions with all sides concerned with the problems.

There are available acres of unused plant space. But the defense contracts which could be channeled in for quick effect in providing jobs are few and of a type that would use little manpower.

### NO IMMEDIATE HELP

And the big contracts, the "elephants" of the defense program, which may be placed in the distressed areas, the ones requiring large numbers of workers, offer little help for months to come. It takes more than a year to tool up for the big jobs, to produce things like tanks or airplanes.

The automobile industry already has a sizable slice of the defense program. Its unfilled weapons orders are in excess of \$5,000,000,000, more than \$3,000,000,000 to be filled in the Detroit area. But most of the plants to produce these goods will not be in operation full-tilt until late this year or in 1953, because of time required to tool up and delays in getting equipment. Only 76,000 of the Detroit area's 619,000 manufacturing workers now are engaged in defense work.

Contracts for over \$200,000,000 worth of munitions were let the past month to Michigan manufacturers. Many more elephants are needed to provide jobs in 1953 and 1954 and probably will be landed by the industry.

### QUICK RELIEF NEEDED

But that doesn't offer cheer to the family man whose unemployment compensation is running out now. The really serious, pressing problem is to find ways of creating jobs the next 9 months or so before the big defense plants start hiring workers.

The quickie defense contracts, the ones which could be fitted into auto plants with a minimum of retooling, would use very little of the surplus manpower. Some of those might call for production of helmets, jetisonable gas tanks for aircraft, or military trucks.

An official of the Studebaker Co. said that the 300 men turning out \$25,000,000 in civilian trucks on the assembly line in South Bend, Ind., probably could hand an order for \$225,000,000 in military trucks with little extra effort. The big reason would be much greater cost of the military vehicle because of requirements for extra equipment.

#### COULD FILL REQUIREMENTS

The mass-producing auto industry could fill all requirements for such simple things to make as helmets and gas tanks in short order.

In any event, Mr. Gillmor, leader of the task force, told the manufacturers that not much could be done in the field of quickie contracts before July 1, because defense funds for this fiscal year are largely committed.

He said that from the standpoint of getting quick defense jobs to absorb the unemployment, the solution rested largely with the manufacturers themselves. He suggested they:

1. Draw back into Detroit and other distressed areas all contracts which had been placed outside, in areas of labor shortage.
2. Seek subcontracts from the aircraft and instrument industries which are heavily loaded with work.

#### STUDY JOB CREATIONS

The Gillmor group is solely concerned with seeing what can be done about creating jobs through the placement of both long- and short-term defense contracts. The matter of increasing materials allotments for automobile manufacture is not in their province.

In the present quarter-year, January through March, the industry will produce an estimated 1,000,000 cars, about 46 percent under the all-time peak reached in 1950. For the 3 months starting March 1, the National Production Authority has allotted the industry aluminum and copper sufficient to make only 800,000 cars. However, NPA said they may produce up to 930,000 in the quarter if they can do it by using inventories and substitutes for the scarce metals.

Even at the present million-car per quarter rate, Michigan State authorities forecast the present number of unemployed in the Detroit area will be increased 14,000 to 119,000 by March. So, unemployment will continue to be heavy even if NPA comes through with enough copper and aluminum to build another 200,000 cars in the March-June quarter. The number of jobless will soar to 156,000 if production is pegged at the 800,000 level.

#### INDUSTRY NOT OPTIMISTIC

The industry is not optimistic over the possibilities of increasing automobile output by the use of substitutes for aluminum and copper. The average car now requires 13 pounds of aluminum considered an irreducible minimum, and 55 pounds of copper. The radiator takes most of the copper. Experiments with copper-lined steel radiators reportedly have not worked out well.

Auto industry prospects of getting increased allotments are much better for aluminum than for copper. Lowering of military aircraft production schedules to levels that can be reached, has released upward of 20,000,000 pounds of aluminum for other uses. But the supply of copper, a large part of which is imported, remains very short.

Walter P. Reuther, president of the CIO United Automobile Workers, said there are two possibilities of increasing substantially importations of copper. One is that other Atlantic Treaty Nations may be able to spare some. The other is that imports from Chile, one of the world's largest producers, may be increased. This might be done, he said, by purchasing copper Chile sells on the open market, outside the treaty arrangement.

#### ABOVE MARKET PRICE

Chilean producers have been selling open-market copper at considerably more than the world market price. But even at the highly inflated price an auto manufacturer said an overcelling investment of \$30,000 would bring in enough copper to save Detroit more than \$300,000 in unemployment payments.

Mr. Reuther and the automobile manufacturers agree on some points and differ widely on others as to the cause and cure of the industry's ills.

Harold Vance, president of Studebaker, C. F. Wilson, president of General Motors, and other manufacturers blamed Government handling of materials allocations for most of their troubles.

Mr. Vance said that last fall the National Production Authority, which apportions materials, proclaimed a great shortage of a type of stainless steel used in cars.

## DENIES MATERIALS ARE SCARCE

"NPA now has decontrolled it," he said. "Nothing has happened since November so far as supply and demand are concerned to change the situation. There never had been a shortage.

"I am quite sure the same situation exists in aluminum."

Mr. Wilson said that military contractors are getting more materials than they can fabricate and that inventories "are increasing all over the country."

"When the facts are known there not only will be a quantity of aluminum but a quantity of copper, too, coming back," he added.

Both Mr. Wilson and L. L. Colbert, president of Chrysler, predicted a great shortage of new cars this spring unless production quotas are raised.

Mr. Wilson said the industry needs materials to produce 1,100,000 cars and 275,000 trucks each quarter to correct the job situation.

"That would clean it up," he said.

## STILL HAS UNEMPLOYMENT

Mr. Reuther differed on that point. He said that number of vehicles was produced in the last 3 months of 1951 and "we had nearly 100,000 unemployed in Detroit then."

Mr. Reuther said the industry, in solving the unemployment problem, "needs all the help we can get on both fronts"—in the way of increased auto quotas and in new defense contracts.

He agreed increased automobile production offered the best means of quick treatment of unemployment, but he said the "dovetailing of a large volume of defense work into the automobile plants is the only long-term solution to the problem."

Mr. Reuther also agreed with the manufacturers that the industry had been discriminated against in the matter of materials allotments in that automobiles are classified as non-essential goods along with household equipment, costume jewelry, and gadgets.

"They [Government officials] treated automobiles and trucks just as though they are gadgets," he said. "They couldn't make these defense items if they didn't have them to haul people to work. Trucks are just as important as railroad cars."

## PLANTS IN FAR-OFF PLACES

Mr. Reuther charged that the manufacturers have located many of their defense plants in far-off places like New Orleans, Texas, Delaware, so there would be no interference with civilian production.

"They get serious about defense work only when the situation gets real tough," he said.

Mr. Reuther said that Chrysler, for example, was teaching shrimp fishermen in New Orleans to make tank engines while Detroit tank-engine men are walking the streets.

This work carried by the auto manufacturers to other sections should be pulled back and the manufacturers compensated by the Government for work done on the projects, he said.

The new Government policy of letting contracts to other than low bidders in order to get work to areas of surplus manpower, interests the small plants, of which there are thousands in the Detroit area, but not the big ones.

"We have never lost a contract we deserved to get," said Mr. Wilson, of GM. "We don't want any of that help. It would only come back on us later."

Senator MOODY. Mr. Ray Batcher, of South Bend, Ind., has come here. I would like permission for you to hear him now, or at 2:30 or later this afternoon.

The CHAIRMAN. We could hear him at 2:30, or he can make a statement now.

It could go into the record, if he wishes to make a statement now. We will be glad to have him.

Senator MOODY. I think that if there are going to be other Senators here at 2:30 it might be better to have them hear it.

The CHAIRMAN. The Secretary of Labor will be here at 2:30. Mr. Cohen's statement has been put in the record, that is, the statement of the Federal Security Agency. Did you wish to add anything to that statement?

Mr. COHEN. No, sir; except to answer any questions that you have.

The CHAIRMAN. I understand. If you could be on hand this afternoon at 2:30 o'clock, that will be satisfactory.

Senator MOODY. I should like to put in the record, Mr. Chairman, a few statistics that I think bear on this occasion.

The total of 51 States, that is counting Alaska, Hawaii, and the District of Columbia as States for this instance, although I am not sure that the Senate will make them States—

The CHAIRMAN. They have unemployment compensation acts.

Senator MOODY. That is right. The average weekly wage in covered jobs from April to June in 1951, nationally, is \$64.73.

The average weekly payment of unemployment compensation is \$21.86 nationally.

You see that nationally, speaking very roughly, this would provide an increase of about \$10 a week to anyone who would qualify under this bill in any area, any person.

The ratio of unemployment compensation to wages, nationally, is now 33.8 percent.

The amounts paid under this bill, if it were worked out on this basis, would be \$28.77 a week which would raise the ratio of the weekly wage to 44.4 percent.

You see, Mr. Chairman, that is a far cry from some of the statements that have been made about this bill. For some reason there has been a report going around that someone was trying to undermine the States in this thing. You remember we talked about that and I said that I wanted to avoid that because I knew it would be fatal. Nevertheless, there has been that report going around that we are trying to pay people more for not working than for working, and nothing could be more ridiculous. That is just not true.

I feel very strongly that it is inequitable and unfair to people whose bread and butter is dependent on the extension period of this bill. Of course, it is unfortunate to have these misstatements made. I am sure that you as chairman will see that the committee gets the facts.

The CHAIRMAN. We will try to get the facts, of course.

I think that what disturbs the State administrators is that this is in its ultimate effect an undermining and weakening of the State systems, the structures of the State systems.

All of the American people have become very familiar with the old story of the camel just getting his nose under the tent. And it is right difficult to have the Federal Government step in because of the inadequacies, maybe, of the States, so far as that goes, without the Federal Government finally being compelled to step in and take over altogether. That is what disturbs them.

Senator MOODY. I am conscious that it disturbs some people. Of course, there are also people fighting the thing who thought that the Government was going in if there was any system of social security. I am sure you have had experience with that general approach, too.

The CHAIRMAN. What we did was done very largely through this committee—

Senator MOODY. That is right.

The CHAIRMAN (continuing): originally was to set up a system of unemployment compensation and asked the States to conform to very general and very liberal standards, because we wished to leave the States as far as possible free to judge the very definitely local problem of unemployment and what benefits should be paid so as to interfere as little with that general economy as possible. It was never the thought, of course, at any time that any State would undertake to pay full wages in the case of unemployment, but this committee has always been guided by the general philosophy that the payments ought not to be so near the wage as to destroy the incentive of the worker to find employment.

Senator MOODY. I agree with that.

The CHAIRMAN. And that is a sound principle, of course.

Unemployment, of course, is really a terrifically horrible thing to contemplate when any large number of the population becomes unemployed.

Senator MOODY. Yes, Senator. I certainly agree. And I hope that you agree with me that in this situation where men would be working today if it were not for the fact that we have a threat from Russia, that we have to arm for, ought to be given a little unusual treatment. We have heard Senator Johnson this morning suggest a different sort of treatment for it.

I simply feel that we as Congress cannot sit back and say merely that we are going to leave it to the legislatures of the States to take proper action in a situation where we can argue all day and all night about the technicalities of whether or not this does or does not federalize. I do not think it does in the slightest. I have certainly endeavored to make it not federalize the thing. But in the last analysis, the fellow who has lost his job because of a shortage of metal, and is going to be expected to be there 3 months, or 6 months, or 9 months—he has a home, he cannot move away. Some, of course, are moving, and there is now a movement of labor between these areas. But it would be a communistic system to expect people to do so, to take them out of one area and put them in another area because of economic conditions—it would destroy what we really stand for in America.

I think, therefore, that it is unfair not to take judicial notice of the fact that this springs from a national condition.

The CHAIRMAN. I get your premise.

Senator MOODY. May I say one other thing?

The CHAIRMAN. Yes, sir.

Senator MOODY. I understand there is going to be considerable testimony on both sides of this bill. I wonder whether I might be privileged to appear very briefly at the end if there are any points that have been made that ought to be cleared up for the benefit of the committee.

The CHAIRMAN. Some day in the hearings; yes.

Senator MOODY. At your convenience.

The CHAIRMAN. Wednesday or Thursday, perhaps. We will run until Thursday.

Senator MOODY. You will run until Thursday?

The CHAIRMAN. Yes, I think so.

We will recess now until 2:30 o'clock this afternoon.

Senator MOODY. Thank you very, very much, sir.

The CHAIRMAN. Thank you, sir. We are recessed.

(Whereupon, at 12:20 p. m., the committee recessed, to reconvene at 2:30 p. m. this same day.)

#### AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Senator Moody, is there some data that you wish to put into the record at this time?

Senator MOODY. Yes, Mr. Chairman.

In answer to the question you raised this morning about what the benefit payments were in the State of Michigan, for the calendar year of 1951 they were \$46,648,871. The maximum rate in the State had been increased from \$24 to \$27 on a day in July of 1951, so that the average payment in 1951 to each unemployed person was \$25.68, and the average payment for 1952, the expected average, is \$27.08.

The CHAIRMAN. That is for 1952?

Senator MOODY. That is for 1952.

The CHAIRMAN. That is an estimated average?

Senator MOODY. That is right, sir. The estimated payments for the calendar year of 1952 in the budget, the official budget, of the State, as it stands, would total \$65,498,396.

Mr. Chairman, as I said this morning, I thought you might like to have a little bit of the grass-roots testimony. This man does not want to talk too long. I know the Secretary of Labor is here.

The CHAIRMAN. If the Secretary of Labor does not mind his preceding him, that is all right.

Secretary TOBIN. I would be delighted to do that.

The CHAIRMAN. Thank you, Mr. Secretary.

Senator MOODY. This is Mr. Ray Badger of South Bend, Ind.

The CHAIRMAN. You can just be seated so that the stenographer can hear you, right there, maybe, where you are.

Senator MOODY. May I ask a couple of questions to get him started?

The CHAIRMAN. Yes. Identify him for the record.

Give your name to the reporter.

Senator MOODY. Give your name, please.

#### STATEMENT OF RAYMOND BADGER

Mr. BADGER. My name is Raymond Badger.

Senator MOODY. Will you tell the committee where you live?

Mr. BADGER. I live in Mishawaka which is a town bordering South Bend.

Senator MOODY. That is in Indiana?

Mr. BADGER. Mishawaka, Ind.

Senator MOODY. What do you do for a living?

Mr. BADGER. I worked at the plant of the Studebaker Corp., at South Bend.

Senator MOODY. What sort of work did you do there?

Mr. BADGER. I was a motor assembler.

Senator MOODY. Motor assembler? How long have you worked for Studebaker?

Mr. BADGER. Almost 2 years, a year and 10 months.

Senator MOODY. I see. Were you laid off recently?

Mr. BADGER. The 1st of February.

Senator MOODY. Now you are drawing unemployment compensation from the State, are you not?

Mr. BADGER. That is right; yes, sir.

Senator MOODY. How much?

Mr. BADGER. The maximum that you can draw in Indiana is \$27 a week for 20 weeks.

Senator MOODY. That is the same as the law in Michigan.

How much are you drawing?

Mr. BADGER. Well, I would qualify for the maximum of \$27.

Senator MOODY. You are not drawing it yet, as I understand it?

Mr. BADGER. No; I have not. There is a process you go through of signing up, and you have a waiting period. I have not actually been drawing a check.

Senator MOODY. You have not actually drawn a check yet?

Mr. BADGER. No.

Senator MOODY. Why did you lose your job?

Mr. BADGER. Well, we were told by the company, through the union, that a lay-off was necessary on account of the shortage of materials, mainly steel.

Senator MOODY. Mainly steel?

Mr. BADGER. Yes.

Senator MOODY. Do you also know that there is a shortage of copper and aluminum that goes into automobiles?

Mr. BADGER. Yes; that enters into it, too.

Senator MOODY. As a matter of fact, for your information, you can probably make more cars if steel were the only shortage.

Now, you will draw about \$27 a week?

Mr. BADGER. Right.

Senator MOODY. How much does it cost you to live?

Mr. BADGER. Well, I have three children and I also take care of my wife's mother, and that makes six in the family. The best that I can make out it will take a minimum of \$50 a week to just keep even with the expenses.

Senator MOODY. How old are your children, Mr. BADGER?

Mr. BADGER. I have one boy who is 12, another boy who is 8, and a girl of 5.

Senator MOODY. A girl of five?

Mr. BADGER. Yes, sir; that is right.

Senator MOODY. And yourself and your wife and your—

Mr. BADGER. My wife's mother.

Senator MOODY. And your wife's mother, which makes six people that you have to take care of?

Mr. BADGER. That is my family.

Senator MOODY. How much were you earning with Studebaker?

Mr. BADGER. I would say an average of \$80 a week.

Senator MOODY. So you were earning \$80 a week, and because the Government has come, necessarily, and has taken away from Studebaker the metals on which you were working, you are now reduced to



an income of what you expect to be \$27 a week in unemployment compensation?

Mr. BADGER. That is right.

Senator MOODY. What will you do after that 20-week period has expired?

Mr. BADGER. Well, that is a thing a person can only hope about. He can hope that he will be working before the 20 weeks are up, and as far as trying to plan beyond that, it is pretty hard to make any plans because you know that after 20 weeks are up you would not be drawing compensation any more, and if you were not working you would be in pretty bad shape.

Senator MOODY. That is right.

How well are you going to fare on your \$27 a week, assuming you get it?

Mr. BADGER. I would unavoidably fall behind in every way. I would say that my grocery bill would average \$30 a week.

Senator MOODY. Thirty dollars a week?

Mr. BADGER. That is being real careful.

Senator MOODY. That is not eating—

Mr. BADGER. No luxury, no strawberries out of season.

Senator MOODY. That is not eating T-bone steaks, is it?

Mr. BADGER. No. You might say that a nickel's worth of soup meat costs almost a dollar and you do not buy steak, so there is the grocery bill alone—

Senator MOODY. You say your grocery bill has been about \$30 a week?

Mr. BADGER. Has run about \$30 a week.

Senator MOODY. I see. So at the rate of \$27 a week you would unavoidably fall behind, and not to mention house rent and the utility bills, or insurance, and other—how much insurance to you carry?

Mr. BADGER. I pay about \$12 a month in insurance premiums.

Senator MOODY. That is approximately—

Mr. BADGER. That is on the whole family.

Senator MOODY (continuing). \$3 a week for insurance, roughly.

Mr. BADGER. Yes. I really believe it might be a little more than that.

Senator MOODY. So that if you drew \$27 a week from the State, why, you would be running behind on your food bill alone, is that correct?

Mr. BADGER. Absolutely. The way I have managed that so far—

Senator MOODY. How have you managed it so far?

Mr. BADGER. Well, I have traded at the same store for about 2 years and have good credit there, so I merely buy things on credit and pay on the bill what I can, because you have to keep up your utility bills and insurance; and as far as house rent, I am pretty lucky there. I only pay \$25 a month and it is a relative of mine who owns the house, so if I do not pay him, why, I keep on staying there anyway.

Senator MOODY. So you happen to be lucky in the place where you live.

Mr. BADGER. That is right.

Senator MOODY. There might be other workers who might not be so lucky.

Mr. BADGER. Others would not be in that good a position so far as the house is concerned.

Senator MOODY. Do you have any additional allowance for dependency in Indiana?

Mr. BADGER. No, there is no allowance like that. It is a single man who draws the same as a man with children.

Senator MOODY. How many people were laid off from Studebaker?

Mr. BADGER. Between 2,500 and 3,000—that is, we cannot get the exact figures.

Senator MOODY. A great many people are inclined to say sometimes when a person is laid off he just goes somewhere else to get a job down the street if he really wants to work that he can get a job. Are there any jobs down at South Bend that you can get? Have you been trying to get jobs?

Mr. BADGER. I have been trying, and I imagine most of the fellows laid off have, too, but the Studebaker lay-off and some other lay-offs there—the employment office there estimates there are about 5,000 out of work in South Bend.

Senator MOODY. That is pretty heavy unemployment.

Mr. BADGER. It is pretty hard to find a job.

Senator MOODY. There are 5,000 out of work in the city of South Bend and most of those are out of work because of the necessity of the Government having to take the metal away from the plant, is that right?

Mr. BADGER. Yes; almost all of them.

Senator MOODY. Your unemployment compensation which you are having to draw because of this federally caused unemployment is less than enough to take care of your grocery bill for a family of six, is that your point?

Mr. BADGER. That is the point.

Senator MOODY. I think that is the case, Mr. Chairman.

The CHAIRMAN. What was your weekly wage, Mr. Badger?

Mr. BADGER. I beg pardon?

The CHAIRMAN. What was your weekly pay?

Mr. BADGER. Oh, at Studebaker that would vary. I can only say that it would average \$80 a week.

The CHAIRMAN. About \$80?

Mr. BADGER. Some weeks less and some weeks you might work a couple of hours overtime, and it would be a little more.

The CHAIRMAN. The maximum payment in Indiana under the employment insurance compensation program is \$27?

Mr. BADGER. \$27 a week; yes.

The CHAIRMAN. In your case?

Mr. BADGER. Yes.

Senator KERR. In any case.

Mr. BADGER. Well, in some cases—I could not say how they figured that, but that is the maximum. It depends on what you had earned for the previous 6 months.

The CHAIRMAN. I see. That is the maximum, but if you were earning less than \$80 a week—

Mr. BADGER. You might easily draw less if you had not earned very high wages.

The CHAIRMAN. Has there been any effort, any movement, in Indiana by the State to increase benefit payments?

Mr. BADGER. Well, this \$27 figure was raised from \$20 only recently, that is in less than a year. The legislature raised that from \$20 to \$27 within the last year.

The CHAIRMAN. I see. Since you were laid off?

Mr. BADGER. No.

The CHAIRMAN. Before you were laid off?

Mr. BADGER. Before I was laid off, yes.

The CHAIRMAN. I see.

Senator Kerr, do you have any questions?

Senator KERR. Is there any difference there between a payment received by a man with dependents from one who is without dependents?

Mr. BADGER. No difference on account of dependents. It depends altogether on what your earnings were.

Senator KERR. I thought I understood you to say that. In other words, if you were a single man you drew just as much as a married man with a number of dependents?

Mr. BADGER. That is right. The single man would draw the same as a man with eight or nine children as long as his earnings were the same.

The CHAIRMAN. Anything further?

Senator MOODY. No. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Badger.

Senator MOODY. Mr. Chairman, you remember this morning when I opened up my remarks I said I was speaking for two or three, several other Senators?

The CHAIRMAN. Yes.

Senator MOODY. I named Senator Kefauver and Senator Douglas. Senator Benton has given me a letter for the committee. He has addressed it to you, Senator. Would you like me to put it in the record or shall I read it to the committee?

The CHAIRMAN. You may put it in the record.

Senator MOODY. I would like to have it inserted at this point as part of my remarks.

The CHAIRMAN. You may put it in as part of your remarks. (The letter referred to follows:)

JOINT COMMITTEE ON THE ECONOMIC REPORT,  
February 18, 1952.

HON. WALTER GEORGE,  
Chairman, Committee on Finance,  
United States Senate, Washington, D. C.

MY DEAR SENATOR: As a cosponsor of S. 2504, the defense unemployment compensation bill of 1952, I would like to urge its approval by your committee.

The imperative need for this legislation grows from a national crisis for which the Federal Government should accept a share of responsibility in relation to the State governments. Our defense efforts have caused many vacuums in our normal civilian activities. Some of our most thriving industrial areas now find themselves hard hit, with unemployment spreading, because of disjointed transition from normal production to defense activity. Such conversion is causing cut-backs throughout many sections of the country—New England, Pennsylvania, and many critical areas in the Midwest. Workers—skilled and valuable people who have spent years and often lifetimes at their highly trained work—suddenly find themselves out of work.

Seemingly the full impact of the diversion of the civilian to military production will not materialize until the end of this year or early in 1953. In the interim, I believe it is in the national interest and closely linked to our future security to preserve during this lay-over period these great pools of skilled manpower in the locations where they can best serve the national interest. These areas

are where they have lived and worked all their lives and where they will work again - over the defense efforts hit full stride.

This bill is in no sense socialistic. It nowhere usurps the States' rights to determine the nature and extent of unemployment compensation. This bill merely provides for the supplementing of State payment by the Federal Government of 50 percent, and where States provide for additional allowances for dependents, dollar for dollar support. Ceilings for combined State-Federal payments are to be set at no more than 65 percent of a single worker's weekly wages, and including dependents, 75 percent. The bill leaves it wholly to the State legislatures to determine the rate of State's unemployment compensation. How much State's payments shall be increased, and their duration would be contingent on the actions of the States.

In this crisis, the Government must come to the aid of its citizens who are suffering through no fault of their own. Thousands of those who may be thrown out of work in other critical areas have made great and patriotic contributions - veterans and workers - to our economy and our security in the past and are preparing to do so again in the future. We Americans aid victims of disasters all over the world. We must assist in taking care of victims of our own disasters. This bill would merely give them a better chance to preserve the homes which they have worked so hard to get, and a chance to remain ready to enter into the whirl of defense production as soon as possible.

Very sincerely yours,

WILLIAM BENTON,  
*United States Senate.*

Senator MOODY. Thank you very much for your kind hearing, Mr. Chairman.

The CHAIRMAN. You are quite welcome.

Senator MOODY. As I understand it, after other witnesses have testified against it, you will give me a brief period to answer.

The CHAIRMAN. Yes; later on in the week. I do not know just what day it will be now.

Senator MOODY. Thank you, Mr. Chairman; I understand.

The CHAIRMAN. Secretary Tobin. Mr. Secretary, we have under consideration, as you know, S. 2504, a bill introduced by Senator Moody and other Senators, having to do with unemployment compensation on a temporary basis. Are you familiar with the bill?

Secretary TOBIN. I am, Mr. Chairman.

The CHAIRMAN. We are very glad to have your statement regarding it.

Secretary TOBIN. Thank you, Mr. Chairman.

#### STATEMENT OF HON. MAURICE J. TOBIN, SECRETARY OF LABOR

Secretary TOBIN. Mr. Chairman and members of the committee. I am glad to have this opportunity to present some facts with respect to the present unemployment situation, and my views with respect to S. 2504.

During the past 6 months there has been gradually increasing unemployment for the country as a whole. In August of 1951 there were 1,578,000 unemployed workers in the labor force. These numbers have increased by approximately a half million to a January figure of 2,054,000 unemployed. There is, of course, less unemployment now than before the fighting started in Korea. I also recognize that the past 6 months' experience is affected by normal recurring seasonal unemployment.

Senator KERR. Mr. Secretary, do you at some place in your statement have the number both of employed and unemployed as of this date and as of other dates in the past 18 months?

Secretary TOBIN. No; but I can furnish you with a table of that character that would show the total number of employees in the labor force, total number gainfully employed, and total number unemployed, and I could add a third column of total number of insured workers in the country, and the total numbers of unemployed insured workers.

Senator KERR. Of unemployed uninsured and of unemployed insured?

Secretary TOBIN. Yes; both.

Senator KERR. I wonder if you would insert that into the record.

Secretary TOBIN. I will be delighted to have it prepared and insert it in the record, with the approval of the chairman and the committee.

The CHAIRMAN. Send it up, and we will be glad to insert it.

Secretary TOBIN. Thank you, Mr. Chairman.

(The information referred to is as follows:)

*Civilian labor force, total and covered employment, and total and insured unemployment, 1946-51*

(In thousands)

Period	Civilian labor force <sup>1</sup>					Covered under State unemployment insurance laws	
	Total	Employment			Unemployment	Employment	Unemployment <sup>2</sup>
		Total	Agricultural	Nonagricultural			
Monthly average:							
1946.....	57,820	55,250	8,720	46,930	2,270	30,234	1,539
1947.....	60,108	58,027	8,298	49,781	2,142	32,278	1,014
1948.....	61,442	59,378	7,973	51,405	2,064	33,052	1,006
1949.....	62,105	58,710	8,026	50,684	2,395	31,195	1,061
1950.....	63,099	59,967	7,307	52,450	2,142	32,847	1,523
1951.....	62,894	61,008	7,054	53,951	1,879	34,917	980
1950-January.....	61,477	59,947	6,198	50,749	4,490	30,867	2,285
February.....	61,637	59,968	6,223	50,730	4,684	30,709	2,334
March.....	61,673	57,551	6,673	50,877	4,123	31,200	2,205
April.....	62,183	58,998	7,195	51,473	3,515	31,722	1,911
May.....	62,785	59,731	8,053	51,699	3,057	32,256	1,737
June.....	64,866	61,482	9,046	52,436	3,284	32,901	1,569
July.....	64,427	61,214	8,440	52,774	3,218	33,174	1,450
August.....	64,897	62,367	8,160	54,207	2,500	34,094	1,119
September.....	63,567	61,226	7,811	53,415	2,341	34,441	907
October.....	63,704	61,784	8,491	53,273	1,940	34,892	779
November.....	63,512	61,271	7,551	53,721	2,240	34,349	853
December.....	62,538	60,308	6,234	54,073	2,229	34,537	1,014
1951-January.....	61,514	59,010	6,018	52,993	2,503	33,756	1,191
February.....	61,313	58,905	5,930	52,978	2,407	33,949	1,053
March.....	62,328	60,179	6,363	53,785	2,147	34,409	935
April.....	61,789	60,044	6,645	53,400	1,744	34,506	938
May.....	62,603	61,193	7,440	53,753	1,609	34,702	961
June.....	63,793	61,803	8,035	53,798	1,980	35,134	990
July.....	64,392	62,326	7,908	54,618	1,558	35,000	1,037
August.....	64,208	62,630	7,698	54,942	1,578	35,200	978
September.....	63,196	61,580	7,526	54,094	1,608	35,300	896
October.....	63,452	61,836	7,668	54,198	1,616	35,300	863
November.....	63,164	61,336	7,022	54,314	1,528	35,300	900
December.....	63,688	61,014	6,378	54,536	1,674	35,000	1,003

<sup>1</sup> Based on Census estimates covering the week including the eighth of each month.

<sup>2</sup> Based on State insured unemployment during the week including the eighth of each month.

<sup>3</sup> Estimated.

Source: Department of Commerce, Bureau of the Census and Department of Labor, Bureau of Employment Security, Feb. 21, 1952.

Secretary TOBIN. Nevertheless, much of the plight of those currently unemployed has been definitely caused by conversion from civilian to defense production and by other serious repercussions of the emergency with which the country is faced.

Among the individual States, there were great variations in the percentage of insured unemployment. In some States the percentage of insured unemployment for 1951 was very low, in three States less than 1 percent, the District of Columbia, Colorado, and Texas.

In three States, however, it ranged between 5 and 6 percent. Those States were Maine, New Hampshire, and Tennessee; and it averaged 7½ percent in the State of Rhode Island.

These variations resulted from the differing impact of the national economic forces in this time of emergency on the economies in the individual States. These forces bore more heavily and adversely on some industries than upon others. Among those industries which have been most seriously affected are the automobile industry, the textile industry, the jewelry industry and the coal mining industry. These industries are heavily concentrated in a few States, which, as a result, have suffered the worst unemployment. Thus while the Nation as a whole enjoyed unusually high employment there were local pools of critical unemployment.

When we examine the 174 major labor market areas of the country we find that in January of this year there were 18 areas in which the present and prospective labor supply substantially exceeded the demand. In another 100, the supply moderately exceeded the demand, making a total of 118 labor surplus areas.

I might say that there were 51 communities in balance.

Existing or anticipated labor shortages impeding defense production were limited to five major labor market areas.

There are varying reasons for these conditions, some of them long range in nature, but, in digging for the facts behind the figures, we find recurring examples of the effect of the emergency upon our economy. Scarc buying in the first months after invasion of the Republic of Korea brought about severe added maladjustments in the soft goods industries—particularly in textile and apparel manufacturing. The subsequent slackening of consumer demand dealt a severe blow to workers in New England and New York and even in the South. In other areas defense production has not yet taken up the slack caused by the need to curtail civilian production.

The most spectacular illustration of this effect of the national emergency is the reclassification of Detroit in January of this year from an area of moderate labor surplus to one with a substantial labor surplus. These same forces account for the similar reclassification of the Flint labor market area. In other areas, which were similarly reclassified, declining consumer demand as well as material shortages were responsible for the change.

Because of the dramatic change in the position of the Detroit labor market, it may be useful to review the course of continued claims for unemployment compensation benefits which have been filed in that city. When automobile production was at its 1951 peak during the month of April 1951, an average of 10,890 continued claims were filed per week.

Senator KEAR. Explain that to me, will you please, Mr. Secretary, that statement of continued claims?

Secretary TOBIN. Well, continued claims——

Senator KERR. Does that mean the over-all average of claims——

Secretary TOBIN. Yes.

Senator KERR (continuing). Which were receiving payments at any given time?

Secretary TOBIN. During the month of April in 1951.

Senator KERR. The average was 10,890?

Secretary TOBIN. Yes. What is meant by continued claims, is meant those who have previously filed, but they are continuing unemployed, and those who filed during the current week of that April period.

Senator KERR. Yes.

Secretary TOBIN. That was almost 11,000.

Following the extensive lay-offs in the automobile industry, an average of 32,865 continued claims were filed per week in August of 1951. This figure of 32,865 jumped to 37,000 and such claims in January of 1952 jumped to 53,897. So, there was an increase of about 16,500 between December and January.

For the Nation as a whole, insured unemployment under State systems in the week ended January 12, 1952, reached 1,420,193. Now, remember, that is insured unemployed. This amounted to 4.2 percent of covered employment compared with 3.8 percent in January of 1951.

Senator KERR. Just a moment, that means that 4.2 percent of all workers——

Secretary TOBIN. Covered by State unemployment insurance.

Senator KERR (continuing). Covered by unemployment insurance were unemployed?

Secretary TOBIN. Yes, and had filed claims for unemployment insurance.

Senator KERR. Yes. All right.

Secretary TOBIN. That is four-tenths of a percent higher than January of 1951.

During the same week, insured unemployment in six States was between 6 and 8.9 percent of covered employment, and in three States, it was 9 percent or more. Oddly enough the States of Oregon, Rhode Island, and Washington are the States I referred to, but Oregon and Washington are seasonal. The States over 6 percent—— I will leave those for the record.

Senator KERR. How is that?

Secretary TOBIN. Arkansas, Idaho, Maine, Mississippi, New Hampshire, Rhode Island, and Tennessee were the ones I referred to as being between 6 and 8.9 percent.

Senator KERR. Of those which are seasonal, in your opinion?

Secretary TOBIN. Well, I would say that Arkansas, Idaho, Oregon, Washington would be seasonal and the others——there is a fairly hard core of unemployment in the other States.

Preliminary figures suggest that insured unemployment nationally has fallen about 60,000 since January 12 of this year.

During the next 18 months, employment in the heavy defense industries will expand with the completion of the work preliminary to mass production. This expansion, combined with the demands of civilian production and agriculture, should increase total employment to an all-time peak. Nationally, unemployment will continue at a low level and may be expected to decline.

Senator JOHNSON. Mr. Secretary, when you say "has fallen about 60,000," do you mean that it has increased or decreased?

Secretary TOBIN. No, it has fallen.

Senator JOHNSON. Has unemployment increased?

Secretary TOBIN. Has declined about 60,000 since the week of January 12. That would be the week of January 26.

Senator KERR. That means there were 60,000 more employed than there were now?

Secretary TOBIN. It means 60,000 fewer unemployed.

Senator KERR. Fewer unemployed?

Secretary TOBIN. I would say it does not necessarily mean that there are 60,000 more employed; probably a hundred thousand might have come into the labor force entirely apart from those insured.

Senator KERR. Do you have the figures of the total number employed at this time?

Secretary TOBIN. The figure for the month of January, I believe, was 59,726,000.

Senator KERR. Is that the total?

Secretary TOBIN. In December it was 61,014,000.

Senator KERR. Is that the total employed?

Secretary TOBIN. That is the total number of people gainfully employed in the United States, apart from those in the military forces.

Senator KERR. Including civilian employees of the Federal Government?

Secretary TOBIN. Including civilian employees of the Federal Government.

Senator JOHNSON. Including farm labor?

Secretary TOBIN. Including farm labor.

Senator KERR. What was the highest number that we have ever had?

Secretary TOBIN. The highest we have gone has been in excess of 62,000,000 during, I would say, July of 1951, and August, through there.

Senator KERR. I had in mind that it was close to 63,000,000, and I noticed that one figure you gave us here as to unemployment was January of 2,054,000, and I was wondering how on one occasion there had been almost 63,000,000 employed—

Secretary TOBIN. Well, you see, January is a very low employment month, and agriculture is quite a factor in it, and agricultural employment would be at a very low level at this time.

Senator KERR. Are the 2,000,000 unemployed insured unemployed?

Secretary TOBIN. No. We have 1,400,000 insured unemployed at the present time.

Senator KERR. Now, you see, the 59,726,000, and the 2,054,000 would be 61,780,000 total employed and unemployed, and I had understood both from what you have told us and figures I have seen elsewhere that some period last year there were very nearly 63,000,000 or 62.5 million.

Secretary TOBIN. Well, at the peak of your agricultural season we are inevitably going to be over 63,000,000 this year, and I think that we probably would—

Senator KERR. I am trying to figure out then how it is either not more employed or not more unemployed, because the total of the two gives us 62,180,000.



Secretary TOBIN. Well, people go out of the labor force, Senator. A great many people are seasonal workers and they are not included in the labor force unless they are seeking gainful employment. The statistics are taken by the Bureau of Census, and a person to be included in the labor force must either be working or seeking a job, and if they are not seeking a job they are not included in the labor force.

Senator KERR. I see.

Secretary TOBIN. And that is the reason you get this fluctuation. The fact that we will drop from 62,000,000 gainfully employed to 59 and a half million does not mean that you have a corresponding increase in the unemployed, because people take themselves out of the labor force.

Senator KERR. At this time then there are 59,726,000. What were the figures a year ago?

Secretary TOBIN. A year ago this January, January 13, of 1951, the total civilian labor force was 61,514,000, with 59,010,000 working.

Senator KERR. Fifty-nine million?

Secretary TOBIN. 59,010,000.

Senator KERR. And 10,000.

Secretary TOBIN. Yes.

Senator KERR. And the unemployed at that time were 2,000,000?

Secretary TOBIN. The unemployed figure was 2,503,000.

Senator KERR. And the unemployed as of the same date this year?

Secretary TOBIN. Well, it was really unemployed of 2,503,000, but not at work.

Senator KERR. So that actually while you have this degree of unemployment there are nearly 500,000 more actually employed today than a year ago?

Secretary TOBIN. That is correct.

Senator KERR. You understand, I am not——

Secretary TOBIN. I thoroughly understand, Senator.

Senator KERR. I was just curious about the total number of employed and employable; and I think that is very vital information you have given us, and I appreciate it.

Secretary TOBIN. There are many other seasonal factors. Of course, in the summer months you have several million youngsters who complete college or rather on vacation from colleges and schools and of age to work, and then they go into the labor force if they express a desire to go to work. When Census makes its spot check they determine if they desire to work. Then they are tabulated in the labor force, and if they are working they are tabulated in those who were gainfully employed.

Senator KERR. You gave me the information that clarified my thinking when you told me that your tabulation of unemployed were those who had no jobs but were looking for jobs.

Secretary TOBIN. That is right.

Senator KERR. Yes.

Secretary TOBIN. A number of local areas, however, may continue to have serious and troublesome unemployment problems.

The Federal Government is taking a number of steps to relieve the present unemployment problem in those areas with substantial labor surpluses. Among other things, we are acting to place more defense contracts in such areas. As you know, on February 5 of this year, Charles E. Wilson, Director of the Office of Defense Mobilization,

issued a directive under which employers in serious unemployment areas can be awarded Government contracts at reasonable price differentials.

The awarding of contracts will not result in an immediate increase in employment. There is an inevitable time lag between the award of the contract and the start of production which is consumed by such preparatory work as drawing plans, tooling the plants, et cetera. Furthermore, while our objective is to make the conversion from civilian to defense production as smooth as possible, this cannot be accomplished so smoothly as to prevent thousands of workers in the metals industries from becoming unemployed.

S. 2504 is not designed to reduce the amount of unemployment but rather to reduce the hardships encountered by the unemployed. This bill has the commendable objective of rectifying inadequacies of the unemployment compensation benefits under our present system. Its introduction and consideration indicate a recognition that the unemployment compensation benefits provided today are insufficient to buy the essentials of life at present prices. This is especially true of workers who have families because they spend a higher proportion of their incomes for the basic essentials such as food and housing.

Although most States have increased their benefits, these increases have definitely failed to keep pace with changes in wages. For the average unemployed worker today, unemployment compensation benefits replace a smaller proportion of his wages than was the case in 1939 when unemployment compensation was just beginning. The average weekly payment for total unemployment during the quarter of October to December 1951 was \$21.86. This was only about one-third of the average weekly wage of covered workers during the quarter of April to June 1951, which is the latest quarter for which these wage figures are available. In other words, the average worker in the country is getting an unemployment compensation payment equivalent to one-third of his weekly wage.

In 1939, the average weekly benefits were 4 percent of average wages. These benefits were inadequate then and benefits are even more inadequate today because average weekly benefits in the latest available statistics have dropped to 33.8 percent of weekly wages.

In 1939, \$15 was the most common maximum benefit allowed by the State laws. Today a majority of the States have a maximum of \$25 or less. Six States—Alaska, New York, North Carolina, Pennsylvania, Washington, and Wisconsin—have raised their maximums for a worker without dependents to \$30. Nevertheless, the current maximum is a far smaller proportion of wages than in 1939. If even the typical \$15 maximum of 1939 were translated into present terms in relation to average wages today, the maximum for an unemployed worker without dependents would have to be more than \$36. But no State comes within \$5 of that figure for workers without dependents and most States fall at least \$11 short of it. In many States, the result has been that the majority of covered workers are entitled to receive the maximum weekly benefit, which is entirely inadequate in the light of present day wages and prices. Only 11 States pay additional allowances for unemployed workers with dependents.

As this committee knows, the President and the Department of Labor have been calling attention to the inadequacy of benefits for the past several years and have recommended Federal minimum standards as the long-range solution to this and other shortcomings of the unemployment insurance program. One of these recommendations was that the States be required to provide for minimum weekly benefits substantially equal to 50 percent of the claimant's weekly wages up to a maximum of at least \$30 a week for individuals without dependents; that would be 50 percent of a \$60 weekly wage.

We further recommended 60 percent of weekly wages up to at least \$36 a week for individuals with one dependent; 65 percent of weekly wages up to at least \$39 a week for individuals with two dependents, and 70 percent of weekly wages up to at least \$42 a week for individuals with three or more dependents. I call your attention that this represents the State maximum for the higher paid wage earners. Wages and living costs have increased considerably since these amounts were first proposed, and it is now my opinion that these maximums should be further increased.

Incidentally, that original proposal is still before the Congress in the form of H. R. 525.

This long-range solution, however, is of no immediate value to the more than one million workers who are now receiving unemployment benefits. Even if these Federal minimum standards were enacted today, it might require at least 2 years for all of the States to amend their laws to meet such standards. Yes, I will say it would require at least 2 years because in some States governors are elected in the odd years and their legislatures assemble on the immediate following even year, and that would mean that we could not expect Federal standards if enacted by the Congress at this session to be enacted into law by the States before June 30, 1954.

Only 13 States have regular legislative sessions scheduled for 1952. Moreover, although all but three States have had legislative sessions since the President recommended the Federal minimum standards in 1950, there is still no State law with provisions which fully meet these standards.

Therefore, if it is desired to bring the level of benefit payments up to a more nearly adequate level now, I believe that Federal action is necessary. There is no doubt that much of the present unemployment throughout the Nation is due to the national emergency, directly or indirectly, affecting all industries in various degrees. Certainly, the defense program has sufficient influence upon the unemployment existing to day to justify interim legislation on the part of the Federal Government. There is today an entirely different set of circumstances from those which prevail under normal industrial conditions when unemployment results from seasonal and other changes.

The Moody bill, S. 2504, would provide supplementary benefit payments to the workers covered by a State unemployment compensation law whenever the governor of such State certifies and the Secretary of Labor finds, that there is substantial unemployment within the State. No supplementary benefits would be payable within a State unless its governor makes such a certification. It should be pointed out, however, that there are strong considerations for granting supplementary benefits in all States without any test of "substantial

unemployment," in a given State. Unemployed workers need adequate unemployment benefits regardless of the amount of unemployment existing in their States. The impact upon the individual unemployed is just as great whether he lives in Kankakee, Kans., or in Tulsa, Okla. The amount of groceries that a worker's present unemployment check will buy is not affected by the number of his neighbors who are also unemployed.

§. 2504 properly provides that no distinction will be made between workers in a State unemployed as a result of the national emergency and workers unemployed as a result of other economic forces. Such distinction would be exceedingly complicated and administratively impracticable to enforce. Moreover, it makes little difference to the unemployed workers which economic force caused their unemployment.

It appears to me that the Federal Government could appropriately discharge its responsibility for the unemployment caused by the unusual national conditions by the payment of supplementary benefits on an interim basis. The payment of such benefits should continue no longer than a reasonable time to allow the States themselves to correct the major short-comings of their laws in accordance with reasonable minimum standards. While such supplementary payments could be paid on a short-term basis, they cannot and should not be paid by the Federal Government indefinitely. The States have accumulated billions of dollars in their unemployment trust to us, in the main, a fairly sound insurance system for all States.

The CHAIRMAN. What is the amount now in the reserve held by the Government for administrative purposes?

Secretary TOBIN. As you know, Senator, there is no reserve. The moneys are collected and they go into the general fund. The total amount surplus from the enactment of the social security law of 1935 or from the time collections started in about 1936, is around a billion dollars.

The CHAIRMAN. Around a billion?

Secretary TOBIN. Yes.

The CHAIRMAN. Yes.

Secretary TOBIN. That is the total over and above the amount of the cost of Federal administration and State administration.

The CHAIRMAN. Yes.

Secretary TOBIN. The grants to States and the costs federally run about \$200,000,000. Let us look into the future and at the surplus that will result if you were to take half of the fund, which would amount to around \$30,000,000, and place it in a reinsurance fund. In a few years you would have a very sound reinsurance fund that could be used to assist States that need it and that meet definite and rigid Federal standards before they could enjoy the benefits of this reinsurance.

Where the State reserves have fallen to a statutory danger point, then the State would be eligible for advances from the fund wherever it has met reasonable fiscal requirements in an effort to solve its own financial problems without assistance from the outside. In this way we would be pooling the extraordinary risks on a Nation-wide basis at comparatively minor cost to the Federal Government.

In conclusion, I believe that a significant increase in the amount of the unemployment compensation benefits paid by the States is an

immediate necessity. I also believe that these benefit amounts cannot be increased rapidly enough through State action alone. For these reasons, I wholeheartedly favor the general objectives and principles of S. 2504 as a basis for corrective action during the interim period before Federal minimum standards can be established and the State laws amended to meet those standards.

The CHAIRMAN. Mr. Secretary, will you supply the committee with the amounts now held by the various and several States in their insurance funds?

Secretary TOBIN. It is roughly \$7,750,000,000

Senator KERR. I think the chairman meant the individual States.

The CHAIRMAN. Can you break it down?

Secretary TOBIN. Yes; I have a table here in which I can give you the reserves in every one of the States and their percentage to taxable wages.

The CHAIRMAN. That is for all of the States, the 51 systems, I believe?

Secretary TOBIN. It is for the 51 systems; that is correct.

Senator JOHNSON. As of what date?

Secretary TOBIN. As of 7 weeks ago, the last day of the year, 1951.

The CHAIRMAN. You can supply that?

Secretary TOBIN. Yes; I have a table that I can supply.

The CHAIRMAN. Supply it to the reporter.

Secretary TOBIN. I will leave it with him at the termination of the hearing.

The CHAIRMAN. Yes; leave it with the reporter. We would like to have it in the record.

(The document above referred to is as follows:)

## Unemployment insurance financial experience, 1951

[Amounts in thousands: corrected to Feb. 13, 1952]

State.....	Tax col- lections	Interest	Benefits paid		Reserves, Dec. 31, 1951	
			Amount	Percent of taxable wages	Amount	Percent of taxable wages
State.....	\$1,492,642	\$158,265	\$340,411	0.9	\$7,782,191	8.1
Alabama.....	15,749	1,324	8,218	.8	65,704	6.2
Alaska.....	2,423	189	1,783	1.4	9,968	7.8
Arizona.....	5,334	709	1,261	.4	35,018	10.7
Arkansas.....	7,460	822	4,484	.9	40,326	8.0
California.....	182,620	13,200	95,083	1.2	674,621	8.4
Colorado.....	5,358	1,260	1,236	.2	61,550	10.4
Connecticut.....	32,608	3,634	10,419	.5	181,915	9.4
Delaware.....	1,819	324	964	.3	15,729	5.8
District of Columbia.....	4,417	1,044	1,537	.3	50,678	8.6
Florida.....	9,136	1,641	6,560	.6	77,757	7.4
Georgia.....	15,225	2,445	8,455	.6	118,170	9.0
Hawaii.....	2,641	476	1,815	.8	23,080	10.0
Idaho.....	4,960	629	1,902	.7	31,413	11.7
Illinois.....	70,316	9,850	56,877	.8	473,873	6.7
Indiana.....	27,783	4,484	13,957	.5	217,405	7.5
Iowa.....	5,572	2,219	3,004	.3	105,405	10.8
Kansas.....	7,392	1,438	3,819	.5	69,596	9.1
Kentucky.....	18,006	2,727	10,812	1.0	133,681	12.6
Louisiana.....	19,671	2,178	13,254	1.2	106,198	9.3
Maine.....	7,219	817	8,550	1.2	39,218	8.7
Maryland.....	13,113	2,503	8,758	.6	121,001	8.0
Massachusetts.....	94,424	2,453	45,323	1.2	140,988	-3.6
Michigan.....	78,763	7,344	47,120	.9	358,834	-6.8
Minnesota.....	14,225	2,682	9,185	.6	127,274	8.3
Mississippi.....	4,879	913	5,541	1.1	43,234	10.6
Missouri.....	27,142	4,417	12,090	.6	214,143	9.9
Montana.....	5,083	715	2,285	.6	35,535	12.2
Nebraska.....	4,174	799	1,818	.8	39,079	8.8
Nevada.....	1,920	274	1,275	1.1	13,444	11.6
New Hampshire.....	6,132	440	5,292	1.0	21,144	6.3
New Jersey.....	63,737	9,395	43,844	1.1	450,485	11.2
New Mexico.....	5,054	574	1,027	.4	29,034	10.2
New York.....	323,938	21,055	189,935	1.5	1,060,516	8.4
North Carolina.....	24,076	3,639	17,664	1.1	172,287	10.5
North Dakota.....	1,902	208	1,183	.9	10,549	8.3
Ohio.....	73,677	11,636	28,128	.4	571,923	8.5
Oklahoma.....	7,927	1,019	5,818	.8	49,431	6.4
Oregon.....	13,272	1,634	10,546	1.0	79,192	7.8
Pennsylvania.....	127,198	12,319	66,336	.8	616,440	7.1
Rhode Island.....	16,888	519	17,408	2.7	22,920	-3.6
South Carolina.....	11,753	1,182	6,171	.8	57,874	7.3
South Dakota.....	1,604	226	712	.5	11,622	8.4
Tennessee.....	19,488	2,159	14,039	1.1	103,754	8.1
Texas.....	19,962	5,140	5,966	.2	248,274	7.3
Utah.....	5,536	689	2,358	.7	33,189	9.3
Vermont.....	2,479	325	1,374	.8	15,718	9.3
Virginia.....	12,700	1,839	5,801	.5	69,630	6.9
Washington.....	32,972	3,688	15,004	.9	179,877	11.2
West Virginia.....	13,420	1,850	8,183	.7	90,351	8.0
Wisconsin.....	17,685	4,956	7,354	.3	237,406	10.6
Wyoming.....	1,857	280	793	.8	13,983	8.2

NOTE.—State figures do not necessarily add to totals due to rounding.

Source: U. S. Department of Labor, Bureau of Employment Security, Division of Program Standards Financial and Actuarial Branch, Feb. 15, 1952.

The CHAIRMAN. Any questions, Senator Kerr?

Senator KERR. No questions.

The CHAIRMAN. Senator Johnson?

Senator JOHNSON. No questions.

The CHAIRMAN. Mr. Secretary, as I understand it, you have always believed, or do you now believe that payments made even in those areas where there is no unreasonable or extraordinary, rather, extraordinary unemployment due to the defense effort should be increased.

Secretary TOBIN. I do. I feel the payments generally over the country—

The CHAIRMAN. Are inadequate?

Secretary TOBIN (continuing). Are inadequate; and I think that if the States had the courage way back in 1936 to write laws that would result in average payments substantially over 40 percent of average wages that they should have laws today that would at least be as courageous in their approach; whereas the average payment was 33.8 percent of the average wage in the year 1951, typified by the young man who appeared before you from the State of Indiana, who said his average earnings were approximately \$80, and the maximum that he could receive in his State was \$27—it would work out to a figure below  $\frac{1}{2}$  of his wages. There are quite a few States—well, there are several States in the Union—in which unemployment-compensation payments approximate less than 30 percent of average wages.

The CHAIRMAN. How many States in the Union, Mr. Secretary, do not take into account nor make payments for children?

Secretary TOBIN. Well, of the 51 systems—

The CHAIRMAN. Dependents.

Secretary TOBIN (continuing). In effect, of the 48 States, I think 9 States have unemployment-compensation payments to dependents, and also the District of Columbia and the Territory of Alaska; so that there are 39 States without payments to dependents.

The CHAIRMAN. Mr. Secretary, might I ask you if the States, any of the States, would be required to amend their laws in order to prevent the deduction of the Federal payment under this bill, if it should pass, from the total amount of compensation payable under their laws?

Secretary TOBIN. Under this act there would be no deduction. This would be a supplementary payment to the State benefits.

The CHAIRMAN. Are any of the States, though, required to consider any payment made by the Federal Government as a deduction, thereby reducing the amount of the payment that they will make out of their funds?

Secretary TOBIN. Well, the best answer I can give to that, Senator, is the Seamen's Reconversion Unemployment Benefits Act which was enacted in 1946. I am familiar with the hearings on the Kilgore bill in 1945.

The CHAIRMAN. I know that point was presented at that time.

Secretary TOBIN. And in 1946 Congress enacted the seamen's bill which is not unlike the Moody bill in the sense that there is a combination of wage credits. I think almost all of the elements are in the Moody bill that were in the Seamen's Act. First in the seamen's bill there was a Federal law; second, there was a Federal appropriation, and, third, the States made payment of Federal moneys and State moneys to the same individual. Apparently there was no legal bar. The overwhelming majority of the States, made payments under the seamen's law.

Now, it seems odd to me that no legal issue was raised on that, and apparently it must have been felt to be legal, because it was enacted into law the year after the Kilgore bill was considered.

The CHAIRMAN. Yes. Thank you very much, Mr. Secretary.

Are there any further questions of the Secretary? Is there anything else that you wish the Secretary to supply for the record?

Secretary TOBIN. There is one other statement I would like to make to give the atmosphere of the thinking of the House Ways and Means Committee in its report of 1935.

The Federal responsibility for an adequate Nation-wide unemployment insurance system has been established since 1935. In reporting the bill for the original Social Security Act of 1935 the House Committee on Ways and Means said the following, and I quote:

The failure of the States to enact unemployment insurance laws is due largely to the fact that to do so would handicap their industries in competition with the industries of other States. The bill permits the States wide discretion with respect to the unemployment compensation laws they may wish to enact. Yet the Federal Government, under this bill, has important functions to perform in order to make it possible for the States to have unemployment insurance laws and to facilitate their operation. It equalizes competitive conditions through the imposition of employment excise taxes.

I would like to point out that the thinking of the Congress at that time was to equalize the burden over the respective States. The Federal Government's employment tax was effected in 1935 to equalize interstate competition and to permit all States to enact unemployment insurance laws.

Since then, however, the variation among States in benefits and in employment taxes has brought back the same competitive condition among the States. The Federal Government's responsibility is basically the same now, to assist the States to have adequate unemployment insurance systems, as it was in 1935, to assist them to have unemployment insurance systems at all. What was done then by the Nation-wide employment tax has to be sought now by Nation-wide standards so that no State is prevented from paying benefits by fear of handicapping its employers in competition with industry in other States.

Now, way back in 1938 all of the States were collecting a uniform tax of 2.7 percent, and the benefits generally over the country were fairly generous in relation to wages as compared with those paid today. The reason is that subsequently the 2.7 percent ceased to be an even payment over the Nation, and now you find inadequate payments in some States due in large measure to the endeavor to keep down costs to the respective States.

Now, to get back to sound standards I would think that what we have got to do is to give primary consideration to the first purpose of unemployment compensation, and that is an adequate income for an unemployed worker, income sufficient to at least buy his family the bare necessities of life. I think that one answer would be for the Federal Government to protect the worker by establishing minimum standards for all of the States in the Union. But I say that it is going to take at least until June 30 of 1954 to do this. Therefore the Senate Finance Committee should give serious consideration to the Moody proposal as an interim measure until such time as adequate standards can be established at a national level. Congressional reports, and the legislative history all indicate that there was a recognition of national responsibility for an adequate system. The only way that the Federal Government can live up to its responsibility to see that there is an adequate system in every part of the Nation is to establish definite minimum standards for all of the States and Territories for the System.



The CHAIRMAN. Mr. Secretary, did you give us the number of gainfully employed who were eligible for unemployment compensation?

Secretary TOBIN. No; I did not.

The CHAIRMAN. If you would, please supply that for the record.

Senator KERR. You said that 2,054,000 amounted to an over-all percentage of 4.2 percent; did you not?

Secretary TOBIN. Yes; I did, and I am going to supply a table that will show your total employment for a good many years back, and unemployed, your total insured and your total insured unemployed, by years, which I shall be pleased to submit.

The CHAIRMAN. Uninsured?

Secretary TOBIN. Yes; I shall submit complete tables.

The CHAIRMAN. We would like to have it. We would appreciate it if you would supply that.

Are there any further questions of any members of the committee?

Thank you very much.

Does any member of the committee desire to ask Mr. Cohen any questions? I do not know whether he is here this afternoon. He was here this morning.

(The following tables were subsequently supplied for the record:)

*Insured unemployment, week ended Jan. 12, 1952, and ratio to average covered employment, that week, 1 month earlier, and 1 year earlier*

State	Insured unemployment week ended Jan. 12, 1952	Ratio (percent) of State insured unemployment to average covered employment week ended--			State	Insured unemployment week ended Jan. 12, 1952	Ratio (percent) of State insured unemployment to average covered employment week ended--		
		Jan. 12, 1952	Dec. 13, 1951	Jan. 13, 1951			Jan. 12, 1952	Dec. 13, 1951	Jan. 13, 1951
49 States, total	2,054,193	4.2	3.0	3.8	Montana.....	5,711	5.5	2.2	6.0
Alabama.....	16,176	3.8	3.0	3.8	Nebraska.....	4,470	2.6	.7	2.4
Arizona.....	2,876	2.5	2.7	2.1	Nevada.....	1,854	4.8	3.5	3.1
Arkansas.....	12,567	6.7	3.8	3.3	New Hampshire.....	7,966	6.1	6.6	4.0
California.....	137,306	5.2	3.8	3.9	New Jersey.....	66,464	5.1	3.1	4.4
Colorado.....	2,584	1.2	1.6	1.6	New Mexico.....	2,393	2.3	1.2	2.1
Connecticut.....	16,154	2.5	1.8	2.5	New York.....	241,736	5.5	4.6	5.5
Delaware.....	1,995	1.9	1.2	2.1	North Carolina.....	30,990	4.5	3.8	2.9
District of Columbia.....	2,470	1.1	.7	1.6	North Dakota.....	3,790	5.8	2.6	3.0
Florida.....	11,630	2.7	2.3	3.2	Ohio.....	49,945	2.2	1.7	2.1
Georgia.....	19,642	3.4	2.8	2.9	Oklahoma.....	16,498	3.6	2.6	4.0
Idaho.....	7,994	3.2	2.4	7.0	Oregon.....	35,618	9.9	6.6	7.2
Illinois.....	78,495	3.3	2.4	3.2	Pennsylvania.....	132,420	4.2	2.6	3.1
Indiana.....	25,729	2.7	2.0	3.2	Rhode Island.....	22,320	9.0	7.1	4.9
Iowa.....	8,229	2.3	2.0	2.1	South Carolina.....	13,536	4.2	3.0	2.9
Kansas.....	6,253	2.3	1.3	2.6	South Dakota.....	1,644	2.1	1.0	2.9
Kentucky.....	19,795	4.9	2.7	2.7	Tennessee.....	35,445	6.5	5.2	3.3
Louisiana.....	18,799	4.0	2.7	4.2	Texas.....	13,053	1.6	.8	1.1
Maine.....	10,304	4.0	4.4	4.3	Utah.....	5,093	3.5	1.8	3.2
Maryland.....	16,578	2.4	1.4	2.6	Vermont.....	2,956	4.7	2.3	3.2
Massachusetts.....	66,174	4.8	2.4	3.8	Virginia.....	11,098	2.1	1.3	1.7
Michigan.....	91,767	3.3	2.8	4.1	Washington.....	47,837	9.0	4.7	6.2
Minnesota.....	23,100	4.0	2.0	3.5	West Virginia.....	16,926	4.4	2.7	4.1
Mississippi.....	11,420	6.0	4.4	4.8	Wisconsin.....	21,411	2.8	1.6	2.0
Missouri.....	20,094	2.8	3.8	3.2	Wyoming.....	1,324	2.2	.9	2.7

<sup>1</sup> Weekly data not reported by Alaska and Hawaii.

<sup>2</sup> Includes 44,000 unemployed covered by the railroad unemployment program, not broken down by State.

UNEMPLOYMENT COMPENSATION

Average weekly payment under State unemployment insurance laws, October-December 1951, estimated average payment under S. 2504, and ratio to average weekly wage, April-June 1951

State	Average weekly wage in covered jobs, April-June 1951	Average weekly payment for total unemployment, October-December 1951 <sup>1</sup>		Estimated total average weekly payment if an agreement under S. 2504 were in effect, October-December 1951 <sup>2</sup>	
		Amount	Ratio to average weekly wage, April-June 1951	Amount	Ratio to average weekly wage, April-June 1951
Total, 51 States	\$64.73	\$21.86	33.8	\$29.77	46.1
Alabama	\$2.65	19.25	31.1	22.87	43.4
Alaska	102.25	28.89	28.2	42.15	41.2
Arizona	63.12	31.10	31.8	29.34	44.9
Arkansas	44.41	17.29	38.9	22.98	51.7
California	70.04	22.80	32.6	29.98	42.5
Colorado	60.73	20.21	33.4	28.19	46.4
Connecticut	68.83	20.18	29.2	28.66	41.6
Delaware	93.71	19.09	30.0	25.70	30.3
District of Columbia	60.45	17.85	29.5	23.54	38.9
Florida	51.04	18.57	31.2	22.63	42.7
Georgia	50.20	18.82	33.4	22.08	43.9
Hawaii	83.29	19.65	36.7	25.98	48.8
Idaho	58.20	22.45	38.6	31.20	53.7
Illinois	71.21	22.68	32.1	28.21	39.6
Indiana	69.14	23.03	33.3	21.85	36.1
Iowa	60.12	19.87	32.6	24.42	40.6
Kansas	62.67	22.02	35.1	29.25	46.8
Kentucky	54.80	17.66	30.9	24.72	43.6
Louisiana	53.84	21.26	39.7	25.96	48.2
Maine	54.98	18.97	30.9	25.46	46.3
Maryland	57.60	21.01	36.6	29.74	51.5
Massachusetts	52.74	23.72	39.7	29.98	50.2
Michigan	78.77	27.10	35.3	37.89	49.2
Minnesota	61.66	18.02	29.7	24.94	41.1
Mississippi	44.73	13.65	25.0	21.15	47.3
Missouri	60.70	18.47	30.4	25.19	41.5
Montana	58.99	19.19	29.8	21.47	36.3
Nebraska	56.66	19.65	31.7	25.84	45.4
Nevada	63.23	24.18	37.1	24.94	39.6
New Hampshire	51.36	19.72	38.3	24.73	48.3
New Jersey	60.98	21.53	33.4	30.02	42.9
New Mexico	58.36	20.18	34.6	27.65	47.4
New York	70.22	21.00	32.8	29.14	41.5
North Carolina	49.78	17.79	35.7	27.34	41.9
North Dakota	53.64	22.86	41.1	22.32	46.1
Ohio	70.09	22.28	31.9	29.74	42.4
Oklahoma	60.47	18.63	30.8	21.25	39.4
Oregon	70.41	22.79	31.3	22.21	45.8
Pennsylvania	62.44	21.63	34.5	29.46	47.2
Rhode Island	59.46	22.37	37.5	27.69	46.3
South Carolina	50.01	18.91	34.3	26.89	47.0
South Dakota	55.14	18.48	30.6	22.07	41.0
Tennessee	55.82	18.91	34.3	26.89	47.0
Texas	53.82	18.48	30.6	22.07	41.0
Utah	59.46	18.91	34.3	26.89	47.0
Vermont	57.34	22.93	40.9	29.01	50.6
Virginia	54.18	20.88	38.4	28.13	49.1
Washington	65.60	17.94	32.4	23.64	42.6
West Virginia	65.60	23.13	32.7	34.37	50.1
Wisconsin	67.82	18.96	27.9	27.56	40.6
Wyoming	67.82	23.91	32.2	31.43	46.5
	58.58	22.71	30.8	22.34	36.2

<sup>1</sup> Includes dependents allowances where payable.

<sup>2</sup> Includes dependents allowances where payable. Estimate based on the assumption that weekly wages in all States except Michigan and Wisconsin are equal to approximately 1/10th of high-quarter earnings. In those 2 States, weekly wages were assumed to be the average weekly wage on which each claimant's weekly benefit amount is based.

Ratio of average weekly payment in unemployment insurance, July-September 1939 and October-December 1951, to average weekly wage in covered jobs, July-September 1939 and April-June 1951, by States

State	Average weekly payment for total unemployment <sup>1</sup>		Average weekly wage in covered jobs		Ratio (percent) of—	
	July-September 1939	October-December 1951	July-September 1939	April-June 1951	Average weekly payment to average weekly wage, July-September 1939	Average weekly payment, October-December 1951, to average weekly wage, April-June 1951
Total, 51 States.....	\$10.87	\$21.86	\$25.79	\$64.73	42.1	33.8
Alabama.....	7.23	16.35	17.32	52.65	41.7	31.1
Alaska.....	15.05	28.80	39.41	102.25	38.2	28.3
Arizona.....	10.90	20.10	24.47	63.12	44.5	31.8
Arkansas.....	6.34	17.28	15.77	44.41	40.2	38.9
California.....	11.99	22.80	29.92	70.04	38.1	32.6
Colorado.....	11.13	20.31	24.30	60.73	45.8	33.4
Connecticut.....	9.80	20.18	27.01	68.65	39.3	29.3
Delaware.....	9.23	19.09	25.80	63.71	35.8	30.0
District of Columbia.....	8.74	17.55	25.66	60.43	32.2	29.5
Florida.....	8.74	16.57	18.60	53.04	47.0	31.2
Georgia.....	6.74	16.82	17.23	30.30	39.1	33.4
Hawaii.....	9.55	19.55	17.70	53.29	54.0	36.7
Idaho.....	10.09	22.45	22.06	58.30	45.7	34.5
Illinois.....	12.95	22.88	28.80	71.21	45.0	32.1
Indiana.....	11.24	23.03	25.94	69.14	43.3	33.3
Iowa.....	9.97	19.57	22.54	60.12	44.2	32.6
Kansas.....	9.84	22.02	22.73	62.67	43.3	35.1
Kentucky.....	6.33	17.56	21.67	56.80	38.4	30.9
Louisiana.....	8.15	21.36	20.11	53.64	40.5	39.7
Maine.....	6.94	16.97	20.31	54.98	34.7	30.9
Maryland.....	9.36	21.01	23.16	57.40	40.4	36.6
Massachusetts.....	9.62	23.77	26.52	59.74	36.3	39.7
Michigan.....	14.06	27.10	30.35	76.77	46.3	35.3
Minnesota.....	10.25	18.02	24.12	60.65	42.5	29.7
Mississippi.....	4.00	18.67	15.47	44.75	38.8	35.0
Missouri.....	8.83	18.47	24.70	60.77	36.0	30.4
Montana.....	11.49	18.19	24.96	53.99	44.0	30.8
Nebraska.....	8.66	19.65	22.89	56.66	37.8	34.7
Nevada.....	13.09	24.18	26.45	65.23	49.5	37.1
New Hampshire.....	8.47	19.72	21.33	54.36	39.7	36.3
New Jersey.....	9.69	23.53	27.23	69.98	39.3	33.6
New Mexico.....	10.63	20.18	20.43	58.36	52.0	34.6
New York.....	11.69	23.00	29.62	70.22	39.6	32.8
North Carolina.....	5.54	17.79	16.95	49.78	32.7	35.7
North Dakota.....	9.64	22.66	21.70	55.64	44.4	41.1
Ohio.....	10.52	22.38	27.61	70.05	38.1	31.9
Oklahoma.....	10.05	18.63	24.48	60.47	41.1	30.8
Oregon.....	11.90	23.09	28.44	70.41	41.8	31.4
Pennsylvania.....	11.78	21.52	24.94	62.44	47.2	34.5
Rhode Island.....	10.15	22.37	23.03	59.66	44.1	37.5
South Carolina.....	6.34	13.29	15.19	50.01	41.7	36.6
South Dakota.....	8.64	18.91	21.88	55.14	39.5	34.3
Tennessee.....	7.44	16.48	19.26	53.82	38.6	30.6
Texas.....	8.30	16.33	22.93	59.58	36.2	27.4
Utah.....	11.25	23.92	22.84	58.46	49.3	40.9
Vermont.....	8.25	20.88	22.74	57.34	36.3	36.4
Virginia.....	8.13	17.64	20.20	54.15	40.3	32.4
Washington.....	11.81	23.13	26.34	68.60	44.8	33.7
West Virginia.....	7.74	18.86	23.55	67.56	30.3	27.9
Wisconsin.....	10.73	22.91	27.45	67.62	39.1	33.9
Wyoming.....	13.73	23.71	23.15	58.56	50.3	40.5

<sup>1</sup> Includes dependents allowances where payable.

## UNEMPLOYMENT COMPENSATION

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Ratio of maximum weekly benefit amount in unemployment insurance, July 1939 and February 1952, to average weekly wage in covered jobs, July-September 1939 and April-June 1951, by States

State	Maximum weekly benefit amount		Average weekly wage in covered jobs		Ratio (percent) of—	
	July 1939	February 1952	July-September 1939	April-June 1951	Maximum July 1939 to average weekly wage July-September 1939	Maximum February 1952 to average weekly wage April-June 1951
Total, 51 States.....			\$25.79	\$64.73		
Alabama.....	\$15	\$22.00	17.32	52.65	86.6	41.8
Alaska.....	15	30.00-45.00	39.41	102.25	40.6	29.3-46.9
Arizona.....	15	20.00-26.00	24.47	63.12	61.3	31.7-41.2
Arkansas.....	15	22.00	15.77	44.41	95.1	34.2
California.....	15	25.00	29.92	70.04	60.1	35.7
Colorado.....	15	22.75-28.50	24.30	60.73	61.7	37.5-46.9
Connecticut.....	15	24.00-36.00	27.61	68.85	55.5	34.9-52.3
Delaware.....	15	25.00	25.80	63.71	58.1	39.3
District of Columbia.....	15	20.00	25.56	60.45	58.7	33.1
Florida.....	15	20.00	19.69	53.04	90.6	37.7
Georgia.....	15	20.00	17.23	50.30	87.1	39.8
Hawaii.....	15	25.00	17.70	53.29	84.7	46.9
Idaho.....	18	25.00	22.06	58.30	81.6	42.9
Illinois.....	16	25.00	28.80	71.21	55.6	35.1
Indiana.....	15	27.00	26.94	69.14	57.8	39.1
Iowa.....	15	26.00	22.54	60.12	66.5	43.2
Kansas.....	15	28.00	22.73	62.17	66.0	44.7
Kentucky.....	15	24.00	21.67	56.80	69.2	42.3
Louisiana.....	18	25.00	20.11	53.84	89.5	46.4
Maine.....	15	25.00	20.31	54.98	73.9	45.5
Maryland.....	15	25.00-33.00	23.16	57.40	64.8	43.6-57.5
Massachusetts.....	15	25.00	26.52	59.74	56.6	41.3
Michigan.....	16	27.00-35.00	30.35	76.77	52.7	35.2-43.6
Minnesota.....	15	25.00	24.12	60.66	62.2	41.3
Mississippi.....	15	20.00	15.47	44.75	97.0	44.7
Missouri.....	15	25.00	24.70	60.70	60.7	41.3
Montana.....	15	20.00	24.96	58.99	60.1	33.9
Nebraska.....	15	24.00	22.89	56.66	65.5	42.4
Nevada.....	15	25.00-47.00	26.45	65.23	56.7	38.3-56.7
New Hampshire.....	15	26.00	21.33	54.36	70.3	51.6
New Jersey.....	15	26.00	27.23	69.98	55.1	37.2
New Mexico.....	15	25.00	30.43	58.36	73.4	42.8
New York.....	15	30.00	29.52	70.22	50.8	42.7
North Carolina.....	15	30.00	16.95	49.78	85.5	60.3
North Dakota.....	15	25.00-31.00	21.70	55.64	69.1	44.9-55.7
Ohio.....	15	28.00-33.00	27.61	70.06	54.3	40.0-47.1
Oklahoma.....	15	22.00	24.48	60.47	61.3	36.4
Oregon.....	15	25.00	28.44	70.41	52.7	35.8
Pennsylvania.....	15	30.00	24.94	62.44	60.1	48.0
Rhode Island.....	15	25.00	23.03	59.66	69.5	41.9
South Carolina.....	15	20.00	15.19	50.01	98.7	40.0
South Dakota.....	15	22.00	21.88	55.14	68.6	39.9
Tennessee.....	15	22.00	19.26	63.82	77.9	40.9
Texas.....	15	20.00	22.65	59.58	65.4	33.6
Utah.....	16	27.50	22.84	58.46	70.1	47.0
Vermont.....	15	25.00	22.74	57.34	66.0	45.8
Virginia.....	15	20.00	30.20	54.18	74.3	26.9
Washington.....	15	30.00	26.34	68.60	56.9	43.7
West Virginia.....	15	25.00	25.55	67.56	58.7	37.0
Wisconsin.....	15	30.00	27.47	67.62	54.6	44.4
Wyoming.....	18	25.00-31.00	23.15	58.55	77.3	42.7

\* When 2 amounts are given, higher includes dependents' allowances except in Colorado where higher amount includes 25 percent additional for claimants employed in Colorado by covered employers for 5 consecutive years with wages in excess of \$1,000 per year and no benefits received. In the District of Columbia same maximum with or without dependents. Maximum augmented payment to individuals with dependents not shown for Massachusetts since any figure presented would be based on an assumed maximum number of dependents (highest paid \$51).

Number of claimants who exhausted benefits, and exhaustion rate, by State, 1949-51

State	Claimants who exhausted benefits			Exhaustion rate <sup>1</sup>		
	1949	1950	1951	1949	1950	1951
Total, 51 States.....	1,934,750	1,853,336	810,580	29.1	30.5	20.4
Alabama.....	40,916	37,677	17,961	46.1	49.4	40.1
Alaska.....	2,677	4,033	2,344	31.3	34.9	31.5
Arizona.....	9,434	7,732	2,960	44.4	44.2	33.2
Arkansas.....	21,317	18,187	8,354	46.4	39.5	37.3
California.....	226,941	177,949	90,977	31.3	29.0	22.5
Colorado.....	4,377	5,311	1,661	24.1	21.7	21.2
Connecticut.....	54,338	36,761	9,855	36.9	34.6	18.3
Delaware.....	3,441	3,658	1,217	34.8	36.1	17.6
District of Columbia.....	7,401	6,509	2,562	45.9	40.2	30.0
Florida.....	28,193	27,409	19,331	52.6	43.0	42.0
Georgia.....	37,004	31,609	15,635	47.4	47.3	33.6
Hawaii.....	5,055	5,426	1,716	33.1	38.5	17.6
Idaho.....	4,390	6,363	2,344	32.8	34.6	22.0
Illinois.....	104,374	106,392	52,475	21.2	22.3	18.5
Indiana.....	50,237	32,265	22,246	45.2	33.6	24.7
Iowa.....	9,943	11,296	6,063	35.9	34.1	31.4
Kansas.....	7,956	10,927	4,300	28.4	28.8	17.8
Kentucky.....	23,725	24,524	11,322	34.8	36.7	21.2
Louisiana.....	31,438	40,469	21,936	54.7	58.9	43.1
Maine.....	14,183	17,067	8,654	22.7	29.5	24.1
Maryland.....	22,547	31,959	11,891	23.6	28.7	17.4
Massachusetts.....	143,622	120,914	55,578	33.6	33.3	24.7
Michigan.....	89,324	62,619	40,183	32.4	20.7	18.6
Minnesota.....	29,181	25,084	10,643	32.8	31.8	22.9
Mississippi.....	14,158	17,173	9,373	37.6	42.7	30.9
Missouri.....	34,223	36,733	14,850	29.0	29.8	17.8
Montana.....	4,269	6,649	3,001	33.7	32.1	24.8
Nebraska.....	4,232	4,388	1,934	27.0	28.0	19.4
Nevada.....	2,546	2,722	1,012	31.4	30.3	18.7
New Hampshire.....	10,843	9,401	3,642	23.1	22.1	13.8
New Jersey.....	87,886	76,978	41,751	26.8	29.2	21.7
New Mexico.....	2,311	2,824	1,080	25.8	25.4	17.1
New York.....	183,811	221,667	63,069	18.8	22.4	9.4
North Carolina.....	35,179	34,397	19,422	28.1	36.6	13.5
North Dakota.....	766	1,668	769	21.2	22.2	14.9
Ohio.....	77,412	79,190	15,897	30.8	26.5	12.4
Oklahoma.....	19,364	21,907	12,388	47.9	47.7	41.7
Oregon.....	26,065	26,166	11,375	26.8	26.8	20.2
Pennsylvania.....	192,345	189,723	71,606	29.2	37.0	20.3
Rhode Island.....	51,762	32,462	24,803	38.1	39.2	33.8
South Carolina.....	24,091	21,798	10,884	43.6	46.5	32.7
South Dakota.....	1,312	2,715	1,515	33.0	40.7	31.8
Tennessee.....	46,606	40,048	19,820	39.8	39.9	24.6
Texas.....	35,857	35,803	18,701	46.5	43.8	36.6
Utah.....	4,263	7,535	2,795	24.8	36.1	25.4
Vermont.....	4,309	3,477	1,240	23.7	22.7	19.0
Virginia.....	38,426	34,832	15,837	39.6	41.1	32.3
Washington.....	33,368	34,046	11,317	17.8	27.6	16.2
West Virginia.....	20,896	22,442	8,285	23.1	35.8	18.0
Wisconsin.....	32,883	39,441	13,177	33.8	34.1	32.7
Wyoming.....	1,778	3,417	1,486	36.7	33.2	32.2

<sup>1</sup> Exhaustion during calendar year divided by estimated number of beneficiaries during 12 months ended Sept. 30.

Number of claimants who exhausted unemployment benefits, selected States and 51 State total, by month, 1950-52

Year and month	51 States total	California	Illinois	Massachusetts	Michigan	Pennsylvania	Rhode Island
<b>1950:</b>							
January-March, total <sup>1</sup>	730, 143	67, 236	52, 056	45, 338	28, 713	78, 468	9, 800
April-June, total <sup>1</sup>	527, 984	52, 257	10, 174	20, 475	22, 799	53, 215	9, 874
July	127, 465	14, 002	9, 278	12, 764	2, 907	14, 143	4, 135
August	118, 197	11, 643	10, 291	13, 229	2, 120	12, 220	3, 414
September	98, 800	8, 317	6, 659	12, 363	1, 655	9, 131	1, 735
October	75, 413	7, 647	6, 859	8, 934	1, 405	9, 059	1, 333
November	64, 647	8, 181	8, 092	4, 799	1, 268	6, 496	940
December	112, 962	8, 666	5, 153	5, 012	1, 751	6, 990	1, 121
<b>1951:</b>							
January	106, 056	11, 682	7, 198	6, 169	2, 553	8, 479	1, 466
February	79, 358	9, 022	6, 179	5, 321	2, 561	5, 603	1, 166
March	87, 295	8, 943	6, 628	3, 365	3, 084	6, 474	1, 528
April	68, 816	7, 611	1, 902	0	3, 730	6, 006	863
May	62, 359	7, 853	90	1, 442	2, 975	5, 547	1, 361
June	56, 945	6, 300	2, 030	4, 183	2, 150	3, 096	2, 354
July	58, 905	5, 302	3, 343	5, 065	2, 806	3, 669	3, 122
August	61, 161	5, 256	5, 875	5, 451	2, 922	6, 407	3, 174
September	54, 796	4, 120	4, 509	6, 329	3, 681	5, 361	2, 414
October	60, 169	4, 643	4, 934	3, 559	4, 192	6, 586	2, 600
November	54, 500	4, 574	4, 382	4, 971	4, 171	5, 433	2, 236
December	56, 531	5, 569	4, 118	4, 922	5, 514	4, 945	2, 373
1952: January (preliminary)	78, 129	8, 072	5, 800	6, 636	6, 147	7, 419	2, 602

<sup>1</sup> Monthly figures not available for this period.

<sup>2</sup> December 1950 figure includes 47,032 exhaustions in New York. Under transition provisions of new law, effective in 1951, no exhaustions were possible in New York from August through December 1951.

<sup>3</sup> Excludes Alaska, Kentucky, Nebraska, New York, West Virginia, and Wisconsin; data not reported.

The CHAIRMAN. The committee will recess until tomorrow at 10 o'clock.

(Whereupon, at 3:35 p. m., the committee adjourned, to reconvene at 10 a. m., Wednesday, February 20, 1952.)

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## UNEMPLOYMENT COMPENSATION

WEDNESDAY, FEBRUARY 20, 1952

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

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Johnson of Colorado, Kerr, Frear, Taft, Butler of Nebraska, and Martin.

Also present: Senator Blair Moody; and Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

Mr. Shishkin, I believe you are first on the list this morning.

### **STATEMENT OF BORIS SHISHKIN, ACTING DIRECTOR OF SOCIAL INSURANCE ACTIVITIES, AMERICAN FEDERATION OF LABOR**

The CHAIRMAN. You may identify yourself for the record, and we will be glad to hear you.

Mr. SHISHKIN. I am Boris Shishkin, acting director of social insurance activities, American Federation of Labor.

Mr. Chairman, I am very glad to have this opportunity to appear before your committee and to present a statement on behalf of the American Federation of Labor.

The American Federation of Labor supports and urges prompt enactment of S. 2504, proposed by Senator Moody and 14 other Members of the Senate.

Defense mobilization is a necessary and an urgent task. It is a national task. It is a task which has already created far-reaching dislocations in many segments of our economic life and in many parts of the country.

Labor is dedicated to the proposition that America must mount her defenses and mobilize her strength, as well as sustain the strength of her allies, to the point at which the Kremlin's threat of aggression is removed, the security of the United States is assured and the peace is won. In pressing this task to its completion, additional economic dislocation is inevitable. It will mean not only the curtailment of certain kinds of productive and business activity, not only shifts in the location of this activity, but also hardship and dire human need, whose burden will fall most heavily on wage earners deprived of employment and livelihood as the result of these dislocations.

Substantial and prolonged unemployment has already been experienced in a number of communities. There are hundreds of thousands of workers in America today who are qualified workers, who are



seeking work, who are willing and eager to work, but who cannot find employment in the communities in which they live. This unemployment has been only in part the direct result of the scarcities of critical materials. Some of it is directly attributable to the lack of copper, aluminum, and other metals in critically short supply which has resulted in the curtailment of some types of civilian production. Where this has been the case, the resulting unemployment has not been confined to the workers in the plants and factories directly affected. Shut-down or even curtailment of the activities by the manufacturer of the final product means that the contractors, subcontractors and suppliers of this manufacturer, as well as the sales and distributive organization, must also curtail their activity, rendering additional workers jobless.

Some unemployment during the present national emergency is due to conversion from civilian to defense production. This likewise leads not only to primary unemployment where workers are laid off during the conversion and tooling up period, but also to secondary unemployment resulting from the fact that people engaged in the supply of materials and distribution of products of the plant engaged in conversion no longer have a source of employment. It is incorrect to assume that this type of conversion unemployment no longer presents a serious problem. Constant progress in technology will continue to call for modifications, change-overs and complete shifts to other types of models in the design of many items of our military equipment. Shifts of this kind may lead to temporary layoffs that in many instances will require a complete transfer of the defense contract from one plant to another.

Another source of substantial unemployment has been and will continue to be the curtailment of construction or other productive activity resulting from credit restrictions and other forms of curbs rather than from materials shortages, allocations of defense work or conversion problems.

The combined effect of these and other forms of dislocations taking place within the context of the national defense effort will continue to create substantial and prolonged unemployment in many localities.

We have received reports from a number of our affiliated unions which have been particularly hard hit by unemployment in recent months. There has been considerable discussion in the press of cut-backs in construction which are now taking place. However, little attention has been directed to the severe unemployment which is resulting from these cut-backs.

Mr. Howard McSpedon, president of the Building and Construction Trades Council, A. F. of L., New York City, reports that from 24,000 to 26,000 construction workers in that area are currently unemployed. These figures are borne out by estimates made by the Bureau of Labor Statistics. The Bureau of Labor Statistics reports that between December 1950 and December 1951 there was a drop in employment on contract construction of 13,300. However, such employment represents only about half of the total employment of building tradesmen in that area so that the BLS estimate of about 13,000 can be doubled to secure an approximate figure as to total unemployment among construction workers in the area. This figure checks very closely with the estimate of Mr. McSpedon which I have previously mentioned.

At the conclusion of my statement, I would like, if it is agreeable with you, Mr. Chairman, to insert a table showing changes in employment in contract construction in selected cities for the period December 1950 to December 1951.

The CHAIRMAN. You may do so.  
(The table referred to is as follows:)

*Changes in employment in contract construction in selected cities, December 1950 to December 1951*

	Employment		Decrease in employment, December 1950 to Decem- ber 1951	
	December 1950	December 1951	Number	Percent
Los Angeles, Calif. ....	118, 100	104, 800	13, 300	11.3
Washington, D. C. ....	42, 200	38, 300	3, 900	9.2
St. Paul, Minn. ....	7, 800	6, 700	1, 100	14.1
New York, N. Y. ....	122, 700	109, 900	12, 800	10.4
Seattle, Wash. ....	13, 000	12, 400	600	4.6
Hartford, Conn. ....	9, 800	9, 200	600	6.1
Denver, Colo. ....	18, 000	16, 700	1, 300	7.2

Source: Bureau of Labor Statistics.

Mr. SMITH. These estimates made by the BLS indicate that in seven selected cities the drop in employment in contract construction during the year ranged from 6.1 percent in Hartford, Conn., to 12.9 percent in New York City.

It should be emphasized that in most of these areas the unemployment situation will become more serious in the coming months. The restrictions on the use of materials for residential construction will begin to hit hard in the very near future. Moreover, most types of nondefense construction other than residential is being stopped almost completely. For example, the National Production Authority has denied 77.4 percent of all nondefense construction applications filed for the first quarter of 1952. This compares with a denial rate of 63 percent in the fourth quarter of 1951. Since material allocations for construction are expected to be even more restricted during the second quarter of 1952, the amount of unemployment among construction workers previously engaged in nondefense construction projects may be expected to increase markedly by midyear.

Thus, while it is not possible now to estimate precisely the level of unemployment which may be anticipated by mid-1952, there is every evidence that the already severe unemployment among building trades workers will increase during the coming months.

We have also had reports from our affiliate in the textile industry, United Textile Workers, A. F. of L. This union reports that there is considerable unemployment in all branches of the textile industry. In the woolen and worsted branches of the industry, located largely in New England, unemployment is more than 60 percent in such major centers as Lawrence, Lowell, and Fall River, Mass., and Providence, R. I. In the greater Lawrence area, 18,000 workers are unemployed, of whom 6,000 have already exhausted their eligibility for unemployment insurance benefits. There is also considerable unemployment among woolen and worsted workers in the Midwest and Middle

Atlantic areas. For the Nation as a whole, the industry is running at 40 to 45 percent of capacity.

There has also been considerable curtailment of employment in the synthetic textile plants in the South. The A. F. of L. United Textile Workers estimates that of the 7,000 workers in such plants in Asheville, N. C., and Elizabethton, Tenn., approximately 35 percent are either completely unemployed or working only 1 or 2 days a week. There is also considerable unemployment in Cumberland, Md.

The union estimates unemployment of about 40 percent in New England cotton textile plants. While there has been no outright unemployment on a large scale in the Southern cotton textile firms, the workweek has been shortened from 40 to 35 or 30 hours in most of the major plants.

Senator TAFT. Is that in any way due to Federal action or is that just a general depression in the textile industry? I mean they haven't been deprived of materials, have they?

Mr. SHISHKIN. In terms of actual allocation of defense contracts and the curtailment of critical materials, that certainly would not be the case.

Senator TAFT. The softening of the whole textile market has been the difficulty, hasn't it? I suppose the Government contracts had rather improved it. The estimate of unemployment is based on the theory suggested yesterday by Mr. Moody that the Government had intervened and therefore the Government had the responsibility in the metal business, but in textiles there is no such argument, is there?

Mr. SHISHKIN. I tried to point out in the beginning, Senator, that among the causes for unemployment in this country are also local dislocations, and also causes which cannot be directly traceable to the actions of the Government. In the textile industry, by and large, I think the situation has been that following the immediate reconversion period after the war there has been a very substantial pick-up in employment in the textile plants, in the period of around 1947 and 1948. The 1949 recession hit the textile industry quite hard, but the recovery that was taking place in the textile industry brought out quite clearly the 2-year cycle, one better year and one considerably worse year, in most of the textiles.

The evidence that seems to me inescapable is that the greatest dislocation that has affected the textile industry has been the price dislocation following Korea. In 1950, and through 1950 and 1951, the commodity prices on raw materials in the textile industry rose quite rapidly. There has been a very soft situation in many kinds of products; there has been a competitive situation, but despite the price declines at the wholesale level, it has not been entirely reflected at the retail level, despite the sales which have taken place. Those distributors who are attempting to deal with the conditions that have existed in the market have been extremely conscious of the other causes, because a good deal of the buying of textiles had taken place in a very high market in 1950-51 as the result of the speculative increase. So there has been a disparity in prices that has priced out a very considerable portion of the consumer market and has resulted in unemployment, which is in the context of the post-Korean phase.

Thus, there has been widespread underemployment and partial unemployment through which earnings have been severely reduced for many workers in such important textile centers as Spartanburg and Greenville, S. C.; Charlotte, N. C.; Atlanta, Ga.; and Danville, Va.

We have also had reports of unemployment in the apparel industry from the International Ladies' Garment Workers, A. F. of L. As of January 25, the New York State Department of Labor reported 67,000 apparel workers—including men's, women's clothing and millinery—unemployed in the New York City area. This represents almost one-sixth of the total employment in the industry in that area.

In the ladies' garment branch of the industry, 7,500 fewer workers were employed in the first quarter of 1951 than in the last quarter of 1950. This represents a decline of 4 percent from the 1950 level. But unemployment in 1950 was considerably worse than it was in 1949. In addition to this number of workers who were totally unemployed, there was also a considerable number of workers who suffered from partial unemployment.

Senator KERR. Do you have those figures as of this date, Mr. Shishkin?

Mr. SHISHKIN. As of the current date?

Senator KERR. The first quarter of 1952. Apparently the last date you have given us here is the first quarter of 1951.

Mr. SHISHKIN. No, the last quarter of 1950.

Senator KERR. I believe on page 6, the paragraph beginning about five lines down says, "In the ladies' garment branch of the industry, 7,500 fewer workers were employed the first quarter of 1951 than in the last quarter of 1950."

Mr. SHISHKIN. That isn't intended to state the first quarter figure for the entire quarter. These are the latest figures, these are figures for January.

Senator KERR. For January of 1952?

Mr. SHISHKIN. That is right.

Senator KERR. The copy I have says 1951.

Mr. SHISHKIN. I am sorry. I was referring to another figure that I have here. Do you mean in the second paragraph of page 6?

Senator KERR. Yes.

Mr. SHISHKIN. That is the last quarter of 1950 and the first quarter of 1951.

Senator KERR. I was wondering if you had any figures in the way of an estimate as of the first quarter of 1952.

Mr. SHISHKIN. No. These are figures supplied by the State, and the figures for that are not available for about 2 or 3 months after the actual survey is made, so they will not be available for a while yet. But we will be glad to check and find what the latest figure is that is available and supply it to the committee.

(The following letter was subsequently received for the record:)

AMERICAN FEDERATION OF LABOR,  
Washington 1, D. C., February 25, 1952.

HON. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington 25, D. C.

DEAR SENATOR GEORGE: In my testimony before your committee on February 20, there was a typographical error in the prepared statement which I read, to the effect that in New York City in the ladies' garment branch of the

apparel industry 7,600 fewer workers were employed in the first quarter of 1951 than in the last quarter of 1950.

The statement should have read that 7,600 fewer workers were employed in the last quarter of 1951 than in the last quarter of 1950.

This information is published by the New York State Department of Labor and is the latest data available.

I would appreciate the insertion of this correction in the record.

Very truly yours,

BORIS SHISHKIN,

*Acting Director, Social Insurance Activities.*

Senator KERR. These figures are a year old.

Mr. SHISHKIN. The particular New York State figures, Senator, are the ones supplied by the State Department of Labor of New York, and there is a greater lag than in some of the sources reported directly to the Bureau of Labor Statistics.

Reports from the United Automobile Workers, A. F. of L., indicate the serious unemployment situation in the metal fabricating plants in which its members are employed. Thus, the union reports that layoffs in foundries in the Cleveland area have averaged about 20 percent while the workers still employed have been placed on a 4-day week. Unemployment in this area is expected to increase as workers are laid off in machine shops and assembly plants which are dependent on the foundries for their materials.

Unemployment has also hit other areas in which the U. A. W.-A. F. of L. is organized. In the Indiana-Illinois region, one plant employing 400 workers has completely shut down, while 250 workers have been laid off in another plant normally employing 800, and 700 are unemployed in still another plant which usually employs 1,000 workers. In several plants in Michigan the union reports the following picture: 70 employed out of 600 normal work force. These are different plants: 10 percent unemployed in another plant; 7 employed out of 100 in another plant; and 1,500 unemployed out of 2,700 in another plant. These are Michigan plants, organized by the United Auto Workers A. F. of L.

The union's report on the situation in the Kewaskum-West Bend area in Wisconsin indicates the way in which unemployment may be a serious problem in comparatively small communities. In three U. A. W.-A. F. of L. plants in that area, unemployment is 50 percent in one and 33 percent in the other two. The situation is reported to be getting continually worse.

Even in the International Association of Machinists, A. F. of L., a union whose members are employed largely in defense industries, unemployment has been increasing. Thus the IAM reports that it issued 23,000 unemployed stamps in December 1951 as compared with 16,000 in November 1950, an increase of almost 50 percent. The system within the union is to issue unemployment stamps to its members. It should be noted that since many union members pay their dues in advance, or pay full dues even when unemployed, the actual unemployment in the industry is probably considerably higher than these figures indicate.

In rounding out the statement on the textile situation of the problem I would like to add, Mr. Chairman, we are concerned, and very deeply concerned, about the impact of this unemployment on some of the small areas. If you take, for example, a plant employing 300 people in Elkins, W. Va., in a community of 9,000, that whole com-

munity goes down. In proportion to its size, that plant is of tremendous importance. It may be that one subcontractor is dependent on several other subcontractors, and he is forced to forego his business activity because of the sudden dislocation that takes place, and the workers are unemployed and actually for not a great length of time can remain or exist in the community.

Now I come to the remedy.

We believe that S. 2504 is of far-reaching importance in recognizing the need that has been created for meeting the human suffering and want which grows out of the unemployment persisting under the present conditions. We commend Senator Moody and other Senators cosponsoring this bill for taking a positive step to deal with this problem.

It is our considered judgment, however, that S. 2504 does not go far enough in making the necessary provision to sustain workers rendered unemployed under these conditions. We would like to propose the following changes designed to strengthen it.

1. Duration: S. 2504 recognizes the inadequacy of the present level of unemployment benefit amounts in all of the States and especially gross inadequacies of the benefit standards where the benefit amounts are still pitifully low. We believe, however, that S. 2504 would fail to carry out fully the objectives it set forth if it confines Federal supplementation solely to the amount of benefits provided under the existing State unemployment compensation laws.

There is an increasing number of workers who have already been unemployed beyond the period during which they are eligible to receive unemployment compensation under State laws. These workers who exhaust the State unemployment compensation benefits are facing the greatest hardship. S. 2504, in its present form, would do nothing for them.

We believe that, under the existing emergency conditions, Federal supplementation to extend the benefit duration is as important and necessary as it is to increase the benefit amount.

We therefore recommend that in section 4 (b) of S. 2504 a new subsection be inserted following subsection (3) to provide for the payment of extended benefits beyond the expiration of the period for which such compensation is payable under the State unemployment compensation laws. The extended benefits, payable out of the amounts provided to the States by the United States, would equal the combined rate of State unemployment compensation and Federal supplementation to the State benefit amount. The total duration of eligibility for such combined benefits would be extended to a period totaling 39 weeks. This would exceed by 50 percent the present 26-week standard of duration set in recent years as standard by an increasing number of States, and not a sufficient number, I might say, Mr. Chairman.

We believe that to extend the duration of benefits to 39 weeks, where the worker is subjected to prolonged unemployment, is as realistic as it is just. It would help meet the hardship of the unemployed workers where the hardship is the greatest.

It will be said that to provide federally financed benefits beyond the duration of eligibility under the State laws is tantamount to "Federalization" of unemployment compensation. We regard this charge to be unfounded.

The proposal before your committee and the proposal for extended benefits I have just submitted on behalf of the American Federation of Labor clearly provide for making of the needed payments to unemployed workers through the State agencies, in accordance with such agreements with those agencies as their State laws empower them to conclude.

What we recommend is simply the means for the Federal Government to assume leadership in order to provide the needs of unemployed workers in a time of national necessity and arising out of national dislocations. Economic disruption in defense mobilization is properly chargeable to the cost of national defense. Alleviation of the undue burden of hardship thrust upon workers in the form of resulting unemployment is properly a national responsibility. The causes of such unemployment are beyond the reach of the several States and an effective remedy is beyond the ability of the individual States. What we propose is a temporary remedy for a temporary ailment which permeates the body economic of the Nation as a whole.

There is ample precedent for the approach we recommend. In 1945, the Senate passed S. 1274—Seventy-ninth Congress—providing for supplemental benefits to extend the duration of benefits payable under State laws. That proposal was designed to make it possible to extend the duration of benefits up to 26 weeks.

Today, the inadequacy of the existing State standards and the special character of the problem, characterized by "pockets" of unemployment in different parts of the country and the prolonged character of such unemployment, calls for a more vigorous approach. Supplementation which would make it possible to extend the duration of benefits to 39 weeks is necessary to meet the problem. Supplementation to increase the weekly benefit amount is equally necessary.

2. Transportation allowance: We recommend that S. 2504 be amended further to include a new section, authorizing the provision of transportation to civilian workers who have been subjected to extended unemployment in the locality where they reside to any place at which the United States Employment Service certifies there are available suitable job opportunities. Such provision of transportation, or transportation costs, should include transportation of dependents and household effects for such workers. The cost of such transportation should not exceed for any worker the amount allowable for civilian employees of the Federal Government in transferring from one official station to another under the Standard Government Travel Regulations.

We believe that such a provision would facilitate the placement of unemployed workers in productive jobs and further the most effective employment of the available manpower. It would reduce the burden of unemployment on communities and on unemployment insurance funds. It would help mop up the pools of persistent unemployment which have recently accumulated. Above all, it would aid materially in the recruitment of needed skills in the localities of concentrated defense activity and to balance off these shortages with the surpluses of the same skills which exist in other areas.

A cardinal principle of a sound manpower policy is to achieve the minimum dislocation in the established community life. Every possible effort should be made, therefore, to bring defense work to where the qualified worker is available, instead of moving the worker to the

job. To the extent that this is not wholly feasible and in order to facilitate moving the suitable and productive skills which otherwise would remain idle, we recommend the provision of transportation allowances in the proposed legislation.

Labor strongly urges the adoption of the program proposed in S. 2504 with the important improvements we have recommended. We would frankly regard such a measure as an emergency enactment, filling in, during the defense emergency, the desperate need for a stronger and more effective system of unemployment insurance than we have been able to achieve to date.

This is not the occasion to deal extensively with the inadequacies of the existing State unemployment compensation laws. These shortcomings are as shameful as they are vast. Suffice it to say that the existing benefit standards are not only grossly out of proportion with the existing need, even at the very best, but are also so highly variable as to raise serious and rapidly growing strains upon the national economy as a whole.

The American Federation of Labor insistently calls for the earliest possible promulgation of Federal minimum benefit standards. The proposed supplements to the State unemployment benefits are necessary, but we hope they will be necessary only as a transition to the higher and more adequate basic standards, permitting the curtailment of the supplements as the standards rise.

We believe that it is most important to supplement State benefit amounts, as provided in S. 2504, in order to help the workers, subjected to involuntary unemployment in the midst of defense mobilization, meet the hardship of joblessness. We believe it is equally important to supplement the duration of these benefits, increasing substantially the number of weeks for which unemployment benefits will be paid, as we have recommended. The transportation allowances we propose should be regarded as a means of reducing the total problem of prolonged distress unemployment.

The American Federation of Labor and the workers in unions affiliated with it do not place their main reliance for security in unemployment compensation benefits. Steady, productive jobs, under good conditions and at good wages, are the primary and the most vital source of economic stability and security. We do believe, however, that it is necessary and proper that their Government provide adequate unemployment insurance to meet the hazard of involuntary unemployment.

On January 12, 1952, insured unemployment in the United States stood at 1,464,193. This is not an alarming figure in itself, although a substantial increase from the same period in the previous years.

I might add in some areas in some States that increase has been quite substantial. Yet, within this number there were many pools of prolonged unemployment which spelled privation to hundreds of thousands of families whose breadwinners were eager to find employment. In 1951, one out of every five workers receiving unemployment benefits exhausted their benefits under State laws.

Is the economic distress of these workers the responsibility of this Congress? Labor believes it is. A great many of these men and women, who became unemployed through no fault of their own, are facing hopelessness in the midst of plenty. We are confident that



this committee and this Congress will give them the consideration they deserve.

This concludes my statement, Mr. Chairman. I would like, in addition to the table I mentioned, to insert in the record at the conclusion of my statement, if I may, another table on employment and unemployment in group IV, major areas ranked by size of labor force, December 1951. It shows also the total unemployment and percent of labor force in the 18 group IV areas, that are classified as group IV by the Bureau of Employment Security.

The CHAIRMAN. You may do so.

Mr. SHISHKIN. Thank you.

(The table referred to is as follows:)

*Employment and unemployment, group IV, December 1951*

MAJOR AREAS RANKED BY SIZE OF LABOR FORCE

	Labor force	Employment, nongri- cultural W. and B.	Unemployment	
			Total	Percent of labor force
1. New York N. Y.....	4,752,300	3,758,200	253,800	5.3
2. Detroit, Mich.....	1,458,000	1,228,000	103,000	7.1
3. Providence, R. I.....	350,800	283,700	31,000	8.8
4. Wilkes-Barre-Hazleton, Pa.....	153,800	126,200	13,300	8.6
5. Grand Rapids, Mich.....	123,300	100,800	7,800	6.3
6. Flint, Mich.....	117,000	98,100	6,200	5.3
7. Scranton, Pa.....	104,300	83,100	11,300	10.8
8. Beaumont-Port Arthur, Tex.....	82,071	63,800	5,000	5.9
9. Fall River, Mass.....	63,400	51,700	3,800	6.0
10. Lawrence, Mass.....	56,060	42,300	11,100	19.8
11. Altoona, Pa.....	55,850	47,400	4,000	7.0
12. Brockton, Mass.....	45,000	42,000	3,300	6.0
13. Lowell, Mass.....	31,660	41,900	4,400	8.5
14. Atlantic City, N. J.....	48,750	37,300	4,300	8.8
15. Asheville, N. C.....	47,429	32,200	3,800	8.0
16. Manchester, N. H.....	43,940	39,900	2,600	5.6
17. Terre Haute, Ind.....	45,800	36,100	2,900	6.3
18. Laredo, Tex.....	21,385	12,800	2,300	10.8

GROUP IV SMALLER AREAS RANKED BY SIZE OF LABOR FORCE

1. Pottsville, Pa.....	74,700	57,100	7,800	10.0
2. Crab Orchard, Ill.....	62,275	41,700	8,800	12.7
3. Uniontown-Connellsville, Pa.....	53,800	40,800	4,300	8.3
4. Cumberland, Md.....	41,700	31,800	5,000	11.9
5. Vincennes, Ind.....	17,900	9,800	2,500	14.0

Source: Bureau of Employment Security.

The CHAIRMAN. Are there any questions?

Senator FREAR. Do you consider a strike as an involuntary unemployment?

Mr. SHISHKIN. We have had a long history of dealing with this question, Senator. We have faced the problem in which the worker may be subjected to conditions which are impossible for him to upset without jeopardizing his entire standard, and to that extent his walking out on a strike in the face of intolerable conditions would be an action which he would not voluntarily take. The willfulness on the part of a group of workers to refuse to work alongside of someone whom they refuse to accept because he does not accept the responsibilities of the union is not denied. The willingness on their part to take a penalty of unemployment and deprivation of employment is not denied.

Senator FREAR. In your second recommendation they could or could not, depending on the circumstances, is that correct?

Mr. SHISHKIN. The second recommendation is on transportation allowances.

Senator FREAR. Excuse me. I guess that was not the second recommendation.

Mr. SHISHKIN. I made only one substantive recommendation on the proposal which has to do with the duration of the unemployment period.

Senator FREAR. Yes; the extension of the time from 26 to 39 weeks.

Mr. SHISHKIN. That is right.

The CHAIRMAN. Thank you very much for your appearance, Mr. Shishkin. You may supply the tables, if you wish, to the reporter.

Mr. SHISHKIN. The reporter has them. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Cliffe.

#### STATEMENT OF FRANK B. CLIFFE, REPRESENTING THE CHAMBER OF COMMERCE OF THE UNITED STATES

The CHAIRMAN. Mr. Cliffe, you may identify yourself for the record.

Mr. CLIFFE. Mr. Chairman and members of the Senate Finance Committee, my name is Frank B. Cliffe, and I am vice president and chief financial officer of H. J. Heinz Co., Pittsburgh, Pa. This morning I have the honor to appear before your committee representing the Chamber of Commerce of the United States to present its views on the Moody bill, S. 2504, and the companion legislation introduced in the House.

I shall make a brief oral statement. In the interest of saving your time, I shall also present to you a more detailed statement with tables of figures and further arguments. May I request that both be entered in the record as a part of the proceedings?

The CHAIRMAN. Yes; they may be entered in full in connection with your statement.

Mr. CLIFFE. Nearly 17 years have elapsed since the Congress passed the Social Security Act of 1935. Prior to its passage, and in the formative period immediately thereafter, I had the honor to serve on your Business Advisory Council, which dealt with many of the basic problems of legislation and regulation in this area.

You will recall that there were extensive discussions in committee and in the Senate concerning the general structure of the proposed social-security legislation. From these considerations there evolved the decision of the Congress that the old-age provisions of the law, including both taxing and benefits, should be handled by the Federal Government, but that the unemployment taxes and benefits should be administered by each State, with only sufficient Federal tax control to encourage or compel all States to pass legislation of this general type.

For several years before the Social Security Act was passed, the General Electric Co., Schenectady, N. Y., of which I was then assistant comptroller, had operated its own unemployment benefit plan for its employees, who are located in practically every State in the Union, with its chief employment widely distributed throughout the principal industrial States including Massachusetts, Connecticut, New

York, New Jersey, Pennsylvania, Ohio, Indiana, and California. With the extensive experience that the General Electric Co. had had with its own unemployment plan, it was perhaps natural that several of the State legislatures should ask for assistance from that company in drafting their laws to be enacted in accordance with the Federal Social Security Act. I was designated to speak for the company in these matters. In the course of the years 1935 to 1940, I became by their invitation a defacto member of the legislative drafting committees in Indiana and Connecticut, and appeared before the legislative committees in many of the other industrial States.

Even in these early days, the administrative representatives of the Social Security Board endeavored to exercise a wider degree of influence over the pending State legislation than had been authorized by Congress; but for the most part, the State legislatures assumed their full responsibility in making the decisions that would best adapt the principles of unemployment compensation to conditions in their respective States. There was thus evolved a series of laws independently determined for each State and with significant differences in their benefit and taxing provisions. The country thus had the advantage of a multitude of experiments from which various types of organization, administration, record-keeping, tax determination, et cetera, could be compared after there had been a few years of experience.

This period of experimentation has brought the States closer together in important fundamentals. All States now have some form of experience rating. Benefits are generally provided for weeks of partial unemployment. Most States have eliminated employees' contributions.

Following the early attempts of the Social Security Board and its representatives to dominate the legislative provisions in the various States, there have been a series of administrative and legislative efforts to deprive the States of their authority and liberty of action. These attempts have taken the form of proposing "minimum standards"; offering Federal nonrepayable loans; proposing complete federalization because of the alleged impossibility of the State funds to meet the load of claims resulting from conversion of war production; similarly, for the reconversion away from war production—both of which proposals had "findings" that did not materialize; and now the bill under consideration offering to supplement the State benefit payments in some cases, by Federal funds.

I am appearing in opposition to the Moody bill because it calls for additional Federal spending; the additional Federal spending is for an unnecessary purpose; it is a step toward federalization of unemployment compensation, and it lessens State control over their unemployment benefit programs. No amendment of detailed weaknesses in the bill would remove my basic objection to its fundamentals.

The bill poses as an emergency measure, with automatic repeal of its provisions when the present emergency is over. May I point out that the executive branch of the Federal Government has been exceedingly agile in creating or recognizing "emergencies" that would call for the Federal Government to spend money or to take control over sections of the economic system, and that, once created, such "emergency managements" tend to perpetuate themselves far beyond

the time when the situation for which they were created has disappeared.

Obviously, the longer these proposed Federal supplemental-benefit payments are continued, the more difficult it will be, politically, to discontinue them, and we will face the choice of either the Federal Government stepping into the State operations "permanently" or the States will face the political necessity for changing their formulas so that the employers in the respective States will take up the supplemental benefit load which must presently be carried by all Federal taxpayers if this bill is passed.

Since the principal proponents of the bills under consideration are from Michigan, and have cited the situation in Michigan as a justification for the bill, it seems appropriate for us to consider the facts in that State. Some of the relevant data concerning Michigan and other States are shown on a series of charts to which I would call your attention.

At this point I would like to present exhibits 1 to 8 with brief explanation of each.

Senator KERR. May I ask a question, Mr. Chairman?

The CHAIRMAN. Yes, Senator Kerr.

Senator KERR. Don't you think there is a political necessity for the States to change their formulas?

Mr. CLIFFE. Senator, may I answer that in just a moment? I have a series of charts that I think will deal directly with that question.

Senator KERR. Well, this is the point in your testimony where you have made the statement.

Mr. CLIFFE. I think that my charts will show definitely what I think about it, and I should like to answer at that time, sir. I think it will come more logically at that time, if that is satisfactory to you, sir.

Senator KERR. The charts are more logical than what you can tell me?

Mr. CLIFFE. They give a picture through the eye, which is sometimes more clear than a picture through the ear alone.

Senator KERR. I can't tell whether it is you lack of ability to give it or my lack of ability to receive it, but I will wait.

Mr. CLIFFE. I will blame it on my shortcomings, Senator.

At this point I will present exhibits 1 to 8, with a brief explanation of each.

Reduced replicas of them are in the folders which you have.

(Exhibit 1 was displayed.)

The first chart, members of the committee, shows the Michigan unemployment compensation claims as reported by the State administrative agency, and you will notice they have varied widely from week to week, reaching a peak in December 1949 of about 260,000 claims in a single week.

Senator KERR. Do you know of any reasonable explanation of that amazing increase in unemployment claims there?

Mr. CLIFFE. Yes, sir. It was primarily due to two causes: One, the change-over of automobile models, which, of course, is characteristic of the Michigan operations from time to time; and, second, a strike in the steel industry that affected not only automobile production but other industries. Upon the completion of the change-over of

automobile models and upon the settlement of the steel strike, unemployment in Michigan and elsewhere dropped very rapidly, and there was a period of very high employment. There were, of course, other minor contributing factors.

Then in December of 1950, there was a peak not nearly as high as the first one, but running some 90,000.

Senator KERR. Was that due to the change-over?

Mr. CLIFFE. That was again primarily an automobile situation. Of course, the automobile model change affects not only the assemblers, but the fabricators of parts and producers all along the line.

In July of 1951, there was another peak. It was the Korea aftermath, if you please. And again in January 1952 we have a peak that ran to about 130,000 claims in a single week. It was not nearly as high as the peak in December 1940, but it is characteristic of this fluctuation and it indicates generally the need for unemployment compensation, which I have long advocated. But since that peak of 130,000, the claim load has been dropping off in each week in Michigan, and on February 7, which was the last data that was available for this chart, the claim load dropped to just over 100,000. Just yesterday I received the figure for February 14 which is shown on this chart by dots, but is not indicated in your copies. Claims are down to about 94,000. So it is apparently going through one of these sharp peaks and sharp decline periods, and the need is rapidly lessening in the Michigan situation.

Senator KERR. May I ask a question there, if it would not interrupt your statement?

Mr. CLIFFE. Certainly.

Senator KERR. Would the fact that the need is dropping in numbers reduce the acuteness of the need with reference to those to whom it really applies?

Mr. CLIFFE. As to the individual, it applies, whether there is only a single person in the country who is unemployed. I recognize that.

Senator KERR. Well, as the need does drop or become less the cost of the bill would be less, would it not?

Mr. CLIFFE. Other things being equal, yes, sir.

Senator KERR. Well now, what other things would affect a bill, when passed, and make it more or less except the number of those to whom it applies?

Mr. CLIFFE. The weekly rate, the weekly benefits in the bill.

Senator KERR. Would they be changed after the bill was passed?

Mr. CLIFFE. No, sir; but the composition of the unemployed personnel shifts from time to time. As you will recognize, sir, the weekly benefits provided in each of the State laws are on a sliding scale related to the earning capacity of the individual as established by some prior period.

Senator KERR. That would not be changed by the bill, would it?

Mr. CLIFFE. Yes, sir; it would.

Senator KERR. After the bill was passed?

Mr. CLIFFE. Yes; it would be changed—

Senator KERR. Well, if it was changed as of the date—

Senator TAFT. Can't the witness finish his answer?

Senator KERR. All right, finish your answer.

Mr. CLIFFE. It would be changed because there would be a change in the proportion of the higher paid who were drawing benefits,

plus or minus. That is, if the unemployment is primarily in an industry where the rate of pay is low, then the benefit rate is low and the drain on the State fund is low per person.

Senator TARR. Isn't it also true, from what was testified yesterday, that in the lower-income people there is no added Federal benefit at all under this bill?

Mr. CLIFFE. Thank you for making that point.

Senator TARR. We do not increase the State rate at all.

Mr. CLIFFE. I will touch on that in just a moment, for emphasis.

Senator TARR. Whereas, in the higher-income group, after the Federal supplement takes effect, it brings them up to two-thirds of their income, within certain limits.

Mr. CLIFFE. Yes.

Senator TARR. So if the unemployment claims are made up of the higher-income people it is going to cost the Federal Government more for the high-income people than for the low-income people, because the low-income people are apparently overlooked.

Mr. CLIFFE. That is very effectively stated.

Senator KERR. Before you leave that, going back to the question I was asking you, I still do not understand your statement that there would be other factors than the number of those receiving the benefits that would determine how much this bill would cost the Government after it is enacted and after the formula had been completed and made definite.

Mr. CLIFFE. The passage of this bill, Senator, would not freeze the liability or determine the liability of the Federal Government.

Senator KERR. I understand that. You are walking in the front door and I am trying to go in the back door.

Mr. CLIFFE. I will try to get in the same door with you.

Senator KERR. I will try to get in the front door with you. You said the number of unemployed was reducing rapidly.

Mr. CLIFFE. In Michigan.

Senator KERR. In Michigan?

Mr. CLIFFE. That is right.

Senator KERR. I ask you if it is not a fact that as the number is reduced or continues to become less that the cost of the bill would be less.

Mr. CLIFFE. That is right.

Senator KERR. That is all there is to it.

(Exhibit 2 was displayed.)

Mr. CLIFFE. On exhibit 2 I have shown, I think, a very interesting relationship. The red line indicates what is termed the maximum primary benefit rate, or the maximum rate in the Michigan law. It started out in 1938 with \$16. It was liberalized in 1942 to a maximum of \$20. It was liberalized in 1949 by the Michigan legislature to \$24, and liberalized again, effective in the middle of 1951, to a maximum of \$27, so that there have been a series of acts by the Michigan State Legislature that have moved up the maximum benefit rate. As the maximum rate has moved up so has the average check to those actually unemployed moved up, roughly parallel, not exactly but substantially keeping pace with the increases in the maximum rate.

In addition to the change in the primary benefit the Michigan State Legislature in 1945 enacted dependents' allowances, providing for a sliding scale based on the number of children, up to a maximum of

four. So under the Michigan law, starting in 1946, an unemployed person with four children and otherwise qualified for the maximum benefit rate could get up to \$28 a week. With the 1949 increase in the basic rate that went up to \$32. With the 1951 increase in basic rate it went up again, so it is presently at \$35.

Senator KERR. Will you tell us what the ceiling would be under this bill for one of those persons for unemployment?

Mr. CLIFFE. All right, sir. I have that on the following chart.

Senator KERR. Will you give that at this point in the record?

Mr. CLIFFE. The ceiling, if he has four children and is otherwise entitled to the maximum under the Michigan law, is \$35 a week.

Senator KERR. What would it be under this bill?

Mr. CLIFFE. He would be subject to a \$14 increase in Federal payment in relation to this primary benefit, plus \$8 in relation to his children, so there would be a \$22 increase to the \$35 already provided by Michigan, or a total of \$57.

Senator KERR. If that did not exceed two-thirds of his pay.

Mr. CLIFFE. In the case of a person with four children if it did not exceed 75 percent of his pay.

Senator KERR. The ceiling would be somewhere between two-thirds and three-fourths of his pay, depending on the number of dependents?

Mr. CLIFFE. That is right, sir.

Senator KERR. Would not that be equally true in the low income groups?

Mr. CLIFFE. No.

Senator KERR. Would not the person in the low income group get two-thirds of his pay?

Mr. CLIFFE. No, for the reason I shall show in just a moment.

Senator KERR. Why wait a moment? Can't you do it now?

Mr. CLIFFE. It will save the time of the committee.

The CHAIRMAN. He said he will do it in just a minute, Senator.

Senator KERR. All right.

(Exhibit 3 was displayed.)

Mr. CLIFFE. In addition to these increases in the Michigan law, changing the benefit formula resulting in an increase in the average checks, other States have taken similar action at various times in the last 16 years, so the average checks throughout the United States have been climbing. Michigan has consistently been above the average, but the movement has been parallel.

Senator FREAR. I assume there is a reason why Michigan is above the United States average. Is not the average rate of pay in that area above the rest of the country?

Mr. CLIFFE. A large proportion of the employees in Michigan have received a higher rate of pay, when employed, and, therefore, on exactly the same formula they would receive a higher rate of benefit.

Senator TARR. It is also true that the Michigan formula is more liberal than in the other States?

Mr. CLIFFE. That is correct. That is a point that I believe should perhaps be a little emphasized. Just taking the totals for the last 12 months, the Michigan benefit checks for unemployment and including dependents allowances have been climbing from a little over \$23 a week a year ago to a little over \$27 now. Michigan has consistently been considered a high benefit paying State. States other

than Michigan have been right up in this level [indicating] and have not increased correspondingly with this last jump in Michigan. In Ohio, for the same 12 months' period, it is running in the neighborhood of \$22 as against \$27 in Michigan. The Ohio law was liberalized as of the first of the year, and if the chart was extended for a longer period of time it would show a sharp increase in Ohio.

Senator FREAR. It would be interesting to know why you showed Ohio.

Mr. CLIFFE. That is a discerning question, sir.

(Exhibit 4 was displayed.)

Michigan unemployment compensation benefits have kept pace with the cost of living. Now in any comparison of this sort that depends, as you gentlemen well recognize, upon the base, just where you bring the two lines together, as to where they compare. I am not going to argue over a matter of a few cents.

From 1938 to 1951 the tendency of Michigan benefits has been to go up, and go up at substantially the same rate as the cost of living has gone up. Sometimes one was ahead and sometimes the other was ahead, but the two have run roughly parallel.

(Exhibit 5 was displayed.)

Now I think it is important to consider the ability of the States to handle their own problem, and this chart, exhibit No. 5, shows the total balances in the Michigan account as deposited with the Federal Government, and the total benefit disbursements for a year. At the present time there is to the credit of the State of Michigan with the Federal Government, at June 30, 1951, just under \$350 million, and at December 31, 1951, just over \$350 million.

That compares with the total amount that was paid out for the 12 months ended June 30, 1940, during the major reconversion period, of over \$100 million. That dropped rapidly as the reconversion ended. The benefits went along substantially below \$50 million a year for several years, and climbed again, reaching a peak for the 12 months ended June 30, 1950, of just over \$90 million, and for the 12 months ended June 30, 1951, it dropped down to about \$25 million or \$30 million.

Senator FREAR. Do you have that as of today?

Mr. CLIFFE. This is the last date for which I could get the figures. The disbursements for the fiscal year June 30, 1952, will not be available, of course, for 6 months from now. But my guess—based on 1½ months that are available—and this is only a guess, gentlemen—and that is for the fiscal year 1952, the total disbursements will be somewhere between the 1950 point and the 1951 point, unless there are some very unexpected developments in the remaining 4 months, so that the fund that is now on hand in Michigan, roughly \$350 million, could take care of the peak rate of disbursements that was experienced in the reconversion period, for a total of 3 years, let us say, without collecting another nickel. And there is no thought that that situation will ever arise, that nickels and dollars will not be collected.

Senator FREAR. About what is your average collection in Michigan now for the fund?

Mr. CLIFFE. Just a minute. I can tell you roughly. It is running in the neighborhood of \$100 million.



Senator FREAR. That is considerably higher than it has been for several years. Several years ago it was considerably less than that?

Mr. CLIFFE. That is right. Of course, in the early years of the law, for the first 2 years, it was at a lower rate under the Federal law, and then the tax rate went up after that to somewhere in the neighborhood of \$100 million, as indicated by the growth in the fund.

I have it here. The high figure for recent years was \$85 million. That was in fiscal year 1949. In fiscal year 1951 it was \$78 million. Those were the receipts for the fund.

Senator FREAR. You say in 1949 it was \$85 million?

Mr. CLIFFE. Eighty-five million dollars. This includes interest, I suspect. With \$350 million balances there is some interest credited.

Senator KERR. At that point I would like to ask you a question, if I may. You say there is ample money in the Michigan fund to take care of this increased need. As I understand the theory of this bill, it is that where there is a displacement by reason of a change in the production in an area from civilian to defense needs and unemployment thereby created by the necessities involved in that change from civilian to defense production, that there is a loss incurred which should be assumed by the Federal Government rather than by the State fund. Is that the way you understand the bill?

Mr. CLIFFE. I think that is one of the underlying philosophies of the bill: yes, sir.

Senator KERR. You are not impressed by that philosophy?

Mr. CLIFFE. I am not impressed by that philosophy, for this reason, sir: I have been very close, as I indicated in my opening remarks, to the problem of administration. As the bill is drafted—and I can only deal with that—the Federal supplemental benefit payments would not be limited to the individuals who are unemployed because of the Federal Government's action, let us put it that way, the defense situation. If a State qualified under the provisions of this bill then every unemployed person who is otherwise qualified, who receives State payments, would also receive the Federal payments.

Senator KERR. What would be your attitude toward the bill if it was fixed so as to cover those who were temporarily out of employment by reason of the shift from civilian to defense production?

Mr. CLIFFE. As a practical operating matter, I don't know how any Federal Government, or any State government, could draw the line accurately and fairly, because the economy is so interwoven. Individuals may be laid off not directly because their employer is going through a transition period but because of changes otherwise in the economy.

It may be a textile problem, it may be style changes in clothing, it may be changes in popular demand for various things that are purchased.

Senator KERR. If the unemployment created by that shift could be determined, would you think that a bill designed to meet the cost of it by the Federal Government would be justified?

Mr. CLIFFE. I cannot imagine an amendment that would accomplish that purpose, sir.

Senator KERR. I am assuming it could be done.

Mr. CLIFFE. Assuming it could be done, I would still oppose the bill for the reasons I have already stated, and one of the reasons being

that an additional financial load would be placed on the Federal Government as contrasted with the ability of the States to take care of their problems and the funds that the States have available.

Senator KERR. You are not impressed then by the fact that that loss is a direct result of the defense effort and that it would not otherwise have occurred?

Mr. CLIFFE. No, sir; I am not impressed, because there are equal benefits from the defense effort which individuals have received, and will receive again, in terms of wage income.

Senator KERR. Would the same individual receive the benefits who suffered the loss?

Mr. CLIFFE. Under the theory of the bill, as I understand it—and I wish Senator Moody were here at the moment—it would be to the same individuals, because the theory of the bill, as I understand it, is to keep the individuals in their present locations, so that when their employer needs them for a defense contract they will be available. You can't ride both horses going in opposite directions, and therefore I oppose it even if such an amendment could be drawn.

Senator MARTIN. Mr. Chairman.

The CHAIRMAN. Senator Martin.

Senator MARTIN. In response to Senator Frear's question as to the receipts, I think it was in 1949 and 1951, do you have the disbursements for the same years?

Mr. CLIFFE. Yes, sir; I have. If I can answer your question from the chart, you see there were only 2 years when the fund has not grown, so broadly we can say except in these two peak years of disbursements, the receipts have been more than the disbursements. But answering specifically, in the year of highest receipts, the 1949 fiscal year, the receipts were \$85 million and the disbursements for benefits were \$50 million, so in that year the fund grew \$35 million. In 1951 the receipts were \$78 million and the disbursements were \$28 million, so the fund grew \$50 million in that period.

Senator MARTIN. Now give us the year where the greatest payments were made.

Mr. CLIFFE. This is fiscal 1946, when the disbursements were \$123 million and the receipts were \$65 million, so the fund had a shrinkage of approximately \$55 million. So we can say that with a shrinkage of \$55 million a year, if that same 1946 rate of receipts and payments goes on we can go through 7 years' shrinkage at that rate before we use up this fund, so the fund is in a very strong position.

Senator FREAR. I believe you said the benefits paid in 1949 were around \$50 million.

Mr. CLIFFE. In fiscal 1949 they were \$50 million.

Senator FREAR. That is the fiscal year I assume ending June 30.

Mr. CLIFFE. That is right.

Senator FREAR. Then the figures I have would not compare because they are on a calendar-year basis.

Mr. CLIFFE. If they are on a calendar year, I can't make that split. (Exhibit 6 was displayed.)

As to the effect on Federal payments, as Senator Taft pointed out a moment ago, under the proposed bill the payments from Federal funds are primarily to the higher paid unemployed persons, that is those who were higher paid when they were employed. Taking the

present Michigan law and taking a person who has no dependents—and that is characteristic of perhaps two-thirds of those who are claiming benefits—under the present Michigan law the State benefits would be, according to this lower line, based upon the rate of pay that the individual had established, and under the bill the Federal payment would be the difference between these two lines [indicating]. So, as you can see, the Federal payment would be less, or nothing, until you get up to, say, \$40 or \$50 a week of normal wages, and the maximum Federal payment does not occur until you strike a single person, that is one without dependent children, and earning \$60 a week or over.

That is the reason I question that it is social justice to make the maximum Federal payment available to this type of individual. Granted he needs money, that he is unemployed, and all that, but he does not need money presumptively as much as the lower paid individual.

Senator KERR. Is that the answer you told me you would give to my question?

Mr. CLIFFE. That is the first half of it. I would be glad to give the second half.

Senator KERR. I will wait until you get through.

(Exhibit 7 was displayed).

Mr. CLIFFE. Then I have on the next exhibit, comparing the same sort of thing for an employee who has three dependent children. The Michigan law provides extra benefits up to four children, but I, for the purpose of the chart, took three, because I thought there would probably be more cases of that type.

In that case the Michigan law would provide, according to this line [indicating]. There would be no Federal supplement to anybody under \$40 a week average earnings, and they would not reach the maximum Federal supplement until they get to approximately \$70 a week of earnings in their base period. That covers the second part, Senator, if you have any further questions on that point.

Senator KERR. I have the same question. I am asking you if under the bill the supplement would not be the difference, if any, between what the State system would pay and either two-thirds or three-fourths, or a point in between there, depending upon the dependents of the claimant.

Mr. CLIFFE. That is substantially correct. The reason I did not give you an unqualified answer is because the laws in the different States vary, but in the case of the Michigan law it provides more than the Federal formula for some of these lower-paid individuals.

Senator KERR. Now you are talking about the Michigan law?

Mr. CLIFFE. Yes.

Senator KERR. Then this bill would be a special benefit to the workers in those States where the State program is not as liberal as it is in Michigan, would it not?

Mr. CLIFFE. It would provide some benefit for some of the lower paid individuals.

Senator KERR. Does the bill provide a ceiling of two-thirds of the worker's wage where there are no dependents and then up to three-fourths of the worker's wage where there are dependents up to four?

Mr. CLIFFE. It provides that there be no Federal additional payment if the State law has already reached those ceilings that you outlined, but it does not prohibit the State from doing this.

Senator KERR. Would I be correct in designating that as a ceiling under the law?

Mr. CLIFFE. That is a ceiling as far as this law is concerned; yes, sir.

Senator KERR. That is the law we are talking about.

Mr. CLIFFE. That is right, sir.

Senator KERR. Then isn't that equally applicable to these States of low benefits as to the States of high benefits?

Mr. CLIFFE. The same percentage ceiling would apply to them, sir.

Senator KERR. Then in the States where the present unemployment compensation benefits are low this bill would provide greater help than it does in Michigan, would it not?

Mr. CLIFFE. Not necessarily, for a very peculiar reason.

Senator KERR. I would like to have your reason.

Mr. CLIFFE. The Federal ceiling to which we just referred is a percentage figure, 65 to 75.

Senator KERR. A percentage of the wage?

Mr. CLIFFE. A percentage of the wage; yes.

Senator KERR. Let us take a State that has an unemployment compensation benefit of \$20.

Mr. CLIFFE. All right. For a State that has an unemployment ceiling of \$20—of course each State has to be taken in detail on its own—the 65 percent would apply as a ceiling, the employees earning roughly \$30 would get a \$20 State benefit.

Senator KERR. Let us take a worker in that State making \$45 and one in Michigan making \$45, neither of them with dependents.

Mr. CLIFFE. All right. In each case the Federal 65-percent limit would apply.

Senator KERR. All right. What would be the difference in benefits that the Federal Government would pay to that \$45 a week worker in a State with the \$20 top and to a worker drawing the same wage in Michigan with its existing benefits?

Mr. CLIFFE. I think—and I am not sure of this, because, after all, there are 51 State laws, each with their own quirks—I think the difference would be the difference between the ceilings of the two States, for an individual who is qualified for the ceiling by his State law.

Senator KERR. In the \$20 State it would be \$20, that is all he would get without this bill on the present basis?

Mr. CLIFFE. What wage rate did we assume?

Senator KERR. \$45. What would that man get in Michigan at this time, under Michigan law, if he were unemployed?

Mr. CLIFFE. He would get under the Michigan law about \$26.

Senator KERR. At this time?

Mr. CLIFFE. At this time.

Senator KERR. All right. Now what would that fellow in Michigan get if this bill were passed?

Mr. CLIFFE. If this bill were passed he would get \$3 more than that.

Senator KERR. He would get about \$29?

Mr. CLIFFE. Something like that, as nearly as I can read the chart.

Senator KERR. What would the fellow in the State with the \$20 top get if this bill were passed?

Mr. CLIFFE. He would get not more than a 50 percent benefit. In other words, he would get a \$30 benefit.

Senator KERR. Then he would get \$29?

Mr. CLIFFE. In that neighborhood.

Senator KERR. Then the fellow in the State where the benefit by the State was lower, under this bill would get an increase of \$9 a week, and in Michigan the same fellow would get an increase of \$3 a week?

Mr. CLIFFE. I think that is substantially correct with that particular assumption.

Senator KERR. Then rather than this bill being one designed to help those who are now in the State of high benefits, the fact of the business is it would be of greater help to the States of low benefits, isn't that correct?

Mr. CLIFFE. That is not correct, except as to a certain individual or individuals in the lower earnings brackets it is correct, but as to individuals in the higher earnings brackets it is not correct.

Senator KERR. I am talking about the fellow who is making \$45 a week.

Mr. CLIFFE. You see, there are two limits in the bill. One is 50 percent of the State benefit and the other limit is 65 percent of the wage rate. Now whichever of those limits is lower is the one that applies in determining the Federal supplemental payment.

Senator KERR. What is the average weekly wage in the United States?

Mr. CLIFFE. I do not have that figure in mind, sir, and I would say if I had it in mind it would be a dangerous figure to use, because this bill and the State laws do not apply to average employees. The average weekly wage applies to all who are working. The beneficiaries are basically those who are laid off, and those who are laid off in turn, in general, have an earning rate lower than the earning rate in their community, in their company or in their industry, because they are, generally speaking—and there are exceptions, of course—they are generally employees with shorter service, lesser skills and lower seniority. So that in a State where the average earnings for all employees are \$60, the average wages for those drawing benefits, when they are fully employed, are probably \$50 or \$40. There is a decided discrepancy there which has been overlooked by some of those who have advocated the proposed changes.

Senator KERR. Let us get back to this bill. What is the average weekly benefit under State unemployment compensation programs, excluding Michigan?

Mr. CLIFFE. In October 1951, which was the latest for which the figures were available, on a national basis, the average for the United States was \$21 and I guess about 60 cents. On Michigan it is \$27.

Senator KERR. The average is what?

Mr. CLIFFE. \$21.

Senator KERR. I thought you said \$51. I beg your pardon.

Mr. CLIFFE. \$21 and about 60 cents.

Senator KERR. Yes.

Mr. CLIFFE. The average in Michigan is \$27 and some odd cents. So the average for the United States, excluding Michigan, would be slightly lower, but my guess is it would be close to \$21.

Senator KERR. Let us take a fellow making \$50 a week. In the average State what would he get under this bill in the way of an increase above what his State pays him, figuring he was one who, if unemployed, would get the top figure in his State?

Mr. CLIFFE. There isn't any average State law. They vary very decidedly and it would have to be worked out on a State-by-State basis. I would be glad to work that out for you and submit it to the committee.

Senator KERR. Let us say we have a State the top benefit of which is \$21.60.

Mr. CLIFFE. That is the average and not the top.

Senator KERR. Let us say Oklahoma has a top of \$21.60 and a worker making \$50 a week begins to draw compensation, what would he get under this bill from the Federal Government?

Mr. CLIFFE. Well, he would get not more than half of \$21.

Senator KERR. And 60 cents?

Mr. CLIFFE. And 60 cents, which, rounded out, would be \$11 under this bill.

Senator KERR. That would be the ceiling for him?

Mr. CLIFFE. That is right.

Senator KERR. What would the ceiling for the \$50 worker be under this bill in Michigan, who was unemployed and whose weekly wage was \$50?

Mr. CLIFFE. He would get half of \$27, which is \$13.50, and rounding it out as the bill provides, he would get \$14.

Senator KERR. How did you arrive at that?

Mr. CLIFFE. He would get under the bill 50 percent of the State payment, and the State payment being \$27, he would get \$13.50, or \$14 rounded out.

Senator KERR. I thought the limit under this bill was two-thirds of his wage.

Mr. CLIFFE. We did not discuss the wage rate.

Senator KERR. Yes, we did. We said his wage was \$50 a week.

Mr. CLIFFE. All right. If his wage was \$50 a week, then two-thirds of that is \$33, isn't it?

Senator KERR. I believe it is.

Mr. CLIFFE. In that case he would get a maximum of the difference between \$27 and \$33.

Senator KERR. Then the ceiling for him would be \$6 a week, would it not?

Mr. CLIFFE. That is right.

Senator KERR. Then I can't arrive at any other conclusion than that this bill would give twice the benefit to the fellow in the State where the top under the State law was \$21.60, if he were a \$50 a week worker without dependents, than it would give him in Michigan.

Mr. CLIFFE. All right, I will agree with you, Senator, that there are specific wage rates and combinations of wage rates and State benefit formulas where the employee in a low-scale State, if I can refer to it that way, in a low-wage State, would get more than he would get in Michigan.

Senator KERR. Then the general indictment of this bill that it would help those in the higher-wage States, such as Michigan, at the expense of those in the lower-wage States, is erroneous, isn't it?

Mr. CLIFFE. No, sir; it is correct for a large proportion of the claimants in Michigan who are not \$50 a week claimants. Under an automobile shut-down, they are \$70, \$80, and \$90 a week claimants and therefore the 65-percent limitation does not affect them, does not hold them down to the \$33 that we figure for this man.

Senator KERN. But for that \$50 a week boy the indictment is erroneous?

Mr. CLIFFE. For that man the facts are exactly as you stated.

Senator KERN. All right.

The CHAIRMAN. All right, you may continue

(Exhibit 8 was displayed.)

Mr. CLIFFE. The question of whether this can be handled by the States I have already touched on. So far as Michigan is concerned, I showed that Michigan has a fund of \$350 million, roughly, as against the maximum disbursement of \$120 million or \$130 million in the worst year. I thought it would be interesting to the committee to have a comparison for all of the States to show approximately the number of years' benefits that could be paid from the present available State funds at the present rate of disbursements. For the present rate of disbursements I have taken the most recent figure that was available, and that is the 12 months ended September 30, 1951.

In other 12-month periods it would show a little more or a little less, but here is the general picture, that without collecting another nickel and taking the country as a whole, benefits could be paid for 9 years at the most recent rate of disbursements. Then I have picked out a few States, maybe just by coincidence.

Colorado could go on for 42 years; Delaware could go on for 17 years; Georgia, 15 years; Maine, 7 years; Nebraska, 25 years; North Carolina, 12 years; Ohio, 21 years; Oklahoma, 8 years; Pennsylvania, 10 years; Texas, 38 years; and Virginia, 16 years.

I think I have covered the membership of the committee in that. The chart suggests that the Senators who are on the Finance Committee come from States that are pretty good at handling their own affairs and are financially capable.

The CHAIRMAN. That is to say, if the Federal Government would leave us alone.

Mr. CLIFFE. That, sir, is up to the Congress.

Senator MARTIN. Is that chart in the record?

Mr. CLIFFE. Yes; that is the last one in the group.

Senator MARTIN. That will be in the record?

Mr. CLIFFE. Yes, sir.

There is a little bit of repetition in what I am going to cover, but I think maybe in terms of presenting it in orderly fashion, it will be a good supplement to the discussions we have had concerning the charts.

It will thus be seen that the amount of unemployment presently being experienced in Michigan is not out of line with that experienced in other years and is due in a large part to the temporary lay-offs by the automobile industry; and the suppliers of component parts thereof, at the time when they are making changes in their models. Such unemployment is of relatively short duration, and with the increasing amounts of steel and other essential materials that are being made available for civilian production, and with the increasing rate of production of military goods, it appears that even the present amount of unemployment will rapidly diminish.

Even though the Michigan fund appears capable of handling the present, and reasonably to be expected, load of benefit claims without any Federal assistance of any type, it seems wise for us to consider the proposed bill. It has the following outstanding weaknesses,

concerning each of which I shall comment briefly and will submit to the committee a report in greater detail.

1. While masquerading under the title of "Defense Unemployment Compensation Act of 1952," and while the advocates of the bill have presented it as a solution of the transitional unemployment due to changing to defense production, the actual provisions of the bill do not limit it to States in which there is unemployment caused by defense changeovers. Any governor who has any substantial unemployment in his State for any reason, with no prospect of immediate reemployment, can qualify his State to receive payments under the bill. Supplemental payments could then be made to all persons otherwise qualified receiving State unemployment benefits, even though neither they nor their employer had any relation to the defense transition.

2. The bill is designed to make the maximum Federal payments to employees who are already qualified for the maximum benefit rates authorized in each State. Little or no Federal supplemental payments would be made to the lower paid employees for whom the Federal Government in its old-age benefit program and most State governments in their unemployment benefit formulas have recognized, there is the greatest presumptive need.

3. The Federal supplemental payments for each week of unemployment would be the largest in the States that have established the highest weekly benefit rate.

4. The 11 States which have coupled dependency allowances with their unemployment calculation would draw large weekly amounts of Federal funds, with the load to be carried by Federal taxpayers in all 48 States.

5. The combination of State benefits under the present State formulas and the Federal supplementation would in many instances produce a total weekly check closely approaching the amount of take-home pay which the individual would have if working full time. Thus, a Michigan employee with a wife and three children and a weekly wage of \$75 has deduction, when employed, of \$6.83 for Federal withholding, and OAB—and including \$3.50 for lunches and carfare—leaving him take-home cash of \$68.17. Under the present Michigan law, he is entitled to tax-free benefits of \$33, and the Moody bill would increase this to \$53, or only \$15.17 less than his take-home pay, because the benefits are tax-free.

Thus, his reward for working a full week would be only \$15.17. A single man earning \$60 per week has an incentive of only \$7. Similar results could be shown for other States. Thus, the individual has little reason to seek employment as long as his benefit checks are flowing in. In the absence of individual effort to find employment, there will not only be a load on the Federal Treasury, but the duration of State payments would increase and the drain on State funds would be greater.

6. Proponents of the bill have pointed out that in 1951, 40,000 employees in Michigan exhausted their benefit rights before becoming reemployed. It must be borne in mind that this figure includes those who had had only very casual attachment to the labor market before becoming unemployed; those who did not wish to become reemployed; as long as they could draw benefits; and those who had actually permanently withdrawn from the labor market but who concealed that fact as long as they could collect unemployment compensation.



Senator KERR. What percentage of the 40,000 would you estimate covers each of these three categories?

Mr. CLIFFE. There is no way of determining an accurate figure for that, Senator. It will have to be a guess.

Senator KERR. Would you make such a guess?

Mr. CLIFFE. I would make a guess based upon some studies that have been made in connection with the investigation of fraudulent claims, that from 25 to 55 percent of the exhaustion cases are either in this category or are, by implication, very close to these categories, because they can find work within a week or two after their benefit checks stop. That may be merely a coincidence, of course, in some cases.

Senator KERR. Twenty-five to what?

Mr. CLIFFE. Twenty-five to fifty-five percent is my guess, but that is only a guess. Even with all these cases included, the exhaustion rate in Michigan was only 10 percent of the beneficiaries, whereas the United States Department of Labor has accepted 25 percent as a reasonable figure.

7. It is obvious that a Federal contribution of a substantial amount would increase both the logical and the specious reasons advocated for further Federal control and corresponding decrease in the self-government by the respective States.

8. Whatever supplemental payments are made by the States with Federal funds—and they may run to the hundreds of millions of dollars per year—will place upon your committee an additional burden of funds to be raised, for which there is no provision in the pending bill.

9. Federal control is further injected by a prohibition against a participating State decreasing its benefit formula in any way from the State law in effect January 1, 1952.

It thus appears that the bill starts with "findings" that are not in accordance with the facts; proceeds from these shaky foundations to offer an unsound expedient to a nonexistent need and to approach by devious means an objective that Congress rejected in 1935 and has repeatedly rejected in subsequent sessions. I must therefore, on behalf of the Chamber of Commerce of the United States, request you to reject the Moody bill, S. 2504.

The CHAIRMAN. Now you are offering your full statement?

Mr. CLIFFE. The full statement has been given to the reporter, sir.

The CHAIRMAN. Are there any further questions?

Senator KERR. I would like to ask one more question, Mr. Chairman, if I may.

The CHAIRMAN. Senator Kerr.

Senator KERR. Are you familiar with S. 1274 of the Seventy-ninth Congress, which was before the Senate in 1945?

Mr. CLIFFE. Will you refer to it by the name of the sponsor, please, sir?

Senator KERR. I can't tell you the sponsor.

Mr. CLIFFE. Can you tell me what the bill did, perhaps, or what it provides?

Senator KERR. It provides for supplemental benefits, to extend the duration of the benefits payable under State laws.

Mr. CLIFFE. There have been so many such bills that I cannot claim familiarity with that one, sir.

Senator KERR. All right.

The CHAIRMAN. Any further questions, Senator Frear?

Senator FREAR. No, Senator.

The CHAIRMAN. Senator Martin?

Senator MARTIN. No, thank you.

The CHAIRMAN. Thank you very much, Mr. Cliffe.

(Mr. Cliffe submitted the following supplemental statement:)

STATEMENT OF FRANK B. CLIFFE FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES, AS EXTENSION OF ORAL STATEMENT MADE FEBRUARY 20, 1952

The bill is similar to proposals advanced for much the same reasons and rejected by the Congress, in 1942, 1944, and 1945. Federal intervention to raise the levels of unemployment compensation provided by the States is again being urged on the assertion that it is needed to cope with unemployment caused by transition to military production. The earlier counterparts of the Moody-Dingell bill were supported by estimates of unemployment which later proved to have been grossly exaggerated. There are indications that the same is true of the current bill.

The reasons for the bill, stated in its preamble, are that industrial mobilization for defense production is causing serious unemployment in some localities, that the present benefits provided by State laws are inadequate, and that it is unfair to pay so little to employees who have been idled in the national interest. The increase in benefits is to "prevent the imposition upon workers (in those States where such unemployment has become critical) of an inequitable share of the burden of the defense program."

The provisions of the bill are quite simple. It would become operative in a State when its governor certified that "within one or more labor market areas of his State, there exists substantial unemployment. \* \* \* with no prospect of immediate reemployment \* \* \*," provided the Secretary of Labor agreed with the governor's certification. Subject to annual renewal, it would remain operative for the duration of the present defense emergency, and it would apply to all unemployed workers in the State.

The bill thus reveals, in its first few paragraphs, that it is not intended to be limited to the assistance of the so-called "conversion unemployed." It is very apparent not only that the bill could affect all employees in a given State, but also that it could very soon become uniformly operative throughout the country. Few State Governors, if any, would fail to find some one or more areas of "substantial unemployment \* \* \* with no prospect of immediate reemployment" in their States.

Thus substantial unemployment in any labor market area of a State could make supplemental Federal unemployment benefits available throughout the State, regardless of the general situation throughout the remainder of the State. Furthermore, the funds are available regardless of the cause of the "substantial unemployment" in the labor market area, or the reason why there is "no prospect of immediate reemployment."

The Economic Report of the President transmitted to the Congress in January 1952 describes two kinds of unemployment—defense unemployment and non-defense unemployment—each of which affects certain labor market areas. The report states (p. 114):

"Although the national total of unemployment remained at a low level throughout 1951, a number of areas have serious unemployment problems. Many of these areas concentrate on one or two major types of industrial activity; for example, textiles in Lawrence, Mass., and coal mining in Scranton and Wilkes-Barre, Pa. The defense production program has not had much impact on such areas. Without a substantial increase in demand for the products of these areas, a continuance of the problems confronting them is likely.

"A special type of defense unemployment, which has become acute in some metal-using centers, has resulted from a discrepancy between expanding defense and contracting civilian work. Certain industrial areas, such as Detroit, have been hard hit by this development. Despite the efforts which the Government is making, the unemployment problem in some of these areas will unfortunately continue in 1952.

"To alleviate this problem, the Director of Defense Mobilization is appointing an interdepartmental committee of production, procurement, and manpower

agencies to assist in dovetailing civilian industry out-backs with defense expansion on an area and industry basis."

S. 2504 would make Federal supplementary payments equally available to both types of areas just described. Thus, manifestly, whatever may be the merits of providing at Federal expense supplemental benefits to persons whose unemployment may be attributable to defense dislocation, the basic issue and effect of S. 2504 is much broader. For it would provide benefits from general Federal revenues to all individuals covered under State unemployment compensation systems, in any State with any area of substantial unemployment, and regardless of the cause of this unemployment.

The period during which these supplementary payments could continue is uncertain, but might be for a decade or more. The payments are authorized for an "emergency," which the bill defines as continuing until the President "proclaims the emergency declared by Proclamation 2014 . . . to have terminated or in which the Defense Production Act of 1950, as amended, is terminated, whichever date is later . . ." While without further congressional action the act referred to will terminate next June, the "emergency declared by Proclamation 2014" may not be proclaimed as terminated within the next decade. This proclamation declares an emergency to exist not only because "events in Korea and elsewhere constitute a grave threat" but because "world conquest by Communist imperialism is the goal of the forces of aggression," and "if the goal of 'Communist imperialism' were to be achieved, the people of this country . . . would no longer enjoy the blessings of freedom."

Accordingly, the proposal, while in the form of emergency legislation, may be practically regarded as a proposed long-time commitment.

Furthermore, the termination of the present defense emergency would be no practical reason for terminating a program of Federal unemployment benefit payments to multitudes of persons whose unemployment is not attributable to an emergency defense program, but instead to conditions existing prior to and independently of it.

Since the bill could quickly become operative for all the unemployed throughout the country, its true effect will be to override the judgment of all State legislatures as to the necessary and proper weekly amount of benefits to be paid. This is the essence of federalization, a complete repudiation of the judgment and responsibility of the State legislatures.

When the bill became operative in a State, it would, except as noted below, increase all of the benefit checks otherwise payable in that State by 50 percent or more. In Michigan, for example, it would increase the "maximum primary weekly benefit rate" by 50 percent, from \$27 to \$41 and it would increase the dependents' allowances from \$2 to \$4 for each of four children. If the Michigan Legislature were to increase the schedule of benefit rates or the dependents' allowance, the Federal supplement would increase correspondingly. The combined State and Federal payments are limited to 65 percent of wages for employees without dependent children and on a graduated basis up to 75 percent of wages for those with four or more dependents.

#### THE ACTUAL NEED FOR THE BILL

The unemployment figures used by its proponents are exaggerated, and the forecasts are open to serious question. State benefit levels have more than kept pace with increases in the cost of living and in wage levels. (See exhibit 4 in appendix I.) They are more adequate now than they were during the conversion and reconversion periods of World War II. There is no more than a minimum rate of exhaustion of unemployment benefits.

#### EXTENT OF UNEMPLOYMENT

From the start, Michigan has been the prime example used to try to show a need for Federal supplementary benefits. There is no national unemployment problem, nor is any likely to develop.

For the entire country, unemployment claims are at a very low level. During December 1951, the last month for which figures are available, a total of about 1,490,000 persons filed claims for unemployment benefits. This compares with 2,730,000 in January 1950. On January 19, the Secretary of Labor announced that the tight manpower situation had eased off temporarily, but jobs will be harder to fill than ever by spring. Mr. Tobin said, "the over-all outlook is for a tightening of the labor supply as seasonal forces expand job opportunities this spring and summer and as defense production gains momentum."

While the unemployment situation in Michigan is somewhat less satisfactory than for the country as a whole, it is not nearly so bad as it is being painted by the advocates of the bill. Unemployment in Michigan hit a minor peak in the first week of January 1952. At that time many employees in the auto industry were out of work during model changes. Since then, the claims level has declined for three successive weeks. The claim figures for the first 6 weeks of 1952 are as follows:

Week ending --	Claims filed		Week ending --	Claims filed	
	In Detroit	In Michigan		In Detroit	In Michigan
Jan. 3	89,077	130,070	Jan. 31	64,270	102,520
Jan. 10	82,805	121,270	Jan. 31	89,117	104,150
Jan. 17	83,780	108,807	Feb. 7	64,905	102,808

These claims figures are by no means unprecedented or critical for either Detroit or Michigan. They correspond to the normal seasonal trend for this time of year, as shown by exhibit I in appendix I. For the entire month of January 1950, the weekly claims level averaged over 130,000. January, 1952, is only 114,000. Further, Michigan claims had averaged 125,000 or more per week for three consecutive months at the turn of 1949-50.

There have been periods in the past when the Michigan Act has weathered without Federal assistance much more serious unemployment than now exists. For 4 months at the start of 1942, and for 9 months following VJ-day, the average weekly number of claims remained continuously over 100,000. In October, 1945, a peak of 268,000 claims per week was handled. Even in periods of high employment it is characteristic for Michigan to have a minimum of 40,000 on the unemployment compensation rolls.

The country as a whole has no serious unemployment problem, and the prospects are for a progressively tighter labor market. Michigan, at present, has a moderate, but dwindling labor surplus. There is no such emergency in Michigan as would justify or require Federal intervention at this time. It is still to be hoped that a constructive solution, in terms of more rational allocation of materials and speeding up of defense work, will be worked out before the second quarter of 1952. It would certainly be much better for the country to press for a solution which will restore employees to productive work than to pay more to maintain them in unproductive idleness.

#### ADEQUACY OF THE STATE LAWS

Benefit levels have more than kept pace with the cost of living, and the dollar amounts have been repeatedly increased. This is particularly true in Michigan which has for many months been paying consistently the highest weekly benefits of any industrial State and is now paying a higher average weekly benefit than any State by more than \$2.

Exhibits 2, 3, and 4 in appendix I show that Michigan's benefits have been repeatedly liberalized, that its average benefit is far ahead of the national average and of other States and that its average benefit check has increased more rapidly than the cost of living. Benefits paid in Michigan have not only kept pace with the increase in the cost of living, they have also kept pace with the general increase in wage levels.

In 1941, the first year for which statistics are available, the average benefit check in Michigan was \$12.78. This was equivalent to 31 percent of average gross weekly earnings (\$41.69) of all employees in manufacturing. The present average benefit check is \$27.08 (October 1951). This is equivalent to 26 percent of average gross weekly wages (\$74.23) paid in manufacturing (January-October 1951) and a higher percentage of the wages of those who qualified for benefits.

Putting this another way, average weekly wages have gone up 78 percent in the 10 years since 1941. The average weekly benefit check has gone up by 112 percent. These are averages. Here are the percentages of gross and "take-home" wages received by individual claimants as specific wage levels under the present Michigan law, without Federal supplementation.

Level of weekly wages	Weekly benefit check			
	Claimant with no dependents		Claimant with 4 or more dependents	
	Percent of gross	Percent of "take-home" <sup>1</sup>	Percent of gross	Percent of "take-home" <sup>1</sup>
\$20.....	65	84	90	104
30.....	67	83	83	102
40.....	67	74	77	85
\$41.01.....	63	68	68	74
\$42.25.....	56	47	47	54

<sup>1</sup> "Take-home" wages are gross wages minus Federal withholding and social security taxes, \$3 for transportation and meals and for brackets over \$33, \$7.50 for union dues.

Obviously, the Moody bill will result in Federal payments only to those with the higher wage levels as the others already exceed the 65 to 76 percent ceiling. (See exhibits 6 and 7 in appendix I.)

The benefit scale is weighted in favor of the lower paid worker but this is in keeping with the objective of using the available funds to provide a broad level of subsistence coverage during unemployment. The program was never intended to go beyond this objective.

Assuming that the bill is essentially directed to the alleged inadequacy of State systems, its provisions are very inappropriate. Its supplements would be largest where the State benefits paid high wage earners are largest, and the proposed supplements would be smallest in States whose maximum benefits are smallest. In States where the maximum benefit is presently \$20 per week, the maximum supplement would be \$10, making a total of \$30—an amount less than is already provided under some State laws indicated as "inadequate" by section 2 of the bill. In "inadequate" States presently paying a \$30 maximum, the maximum Federal supplement would be \$18, making an aggregate maximum weekly benefit of \$48. In States with higher maxima, the proposed Federal supplement and total benefit would be still larger.

#### DANGERS OF SETTING BENEFITS TOO CLOSE TO WAGES

The record is clear that Michigan and the other States have raised their benefits as rapidly as the felt it safe and constructive to do so. They have had to keep in mind at all times the necessity of maintaining a substantial cash incentive for the unemployed employee to seek and accept work. The advent of Federal withholding taxes and their increasing amounts are factors which are too often overlooked when judging the amount of benefits which can safely be paid without too seriously discouraging people from accepting work. Since benefits are tax free, they are much more attractive than they appear when related to gross wages.

This can be shown by example. Under the Moody-Dingell bill, an unmarried Michigan employee who earns \$60 per 40-hour week would receive a tax-free weekly benefit of \$39 (65 percent of his gross wages) while unemployed. This employee's take-home pay for working will be no more than \$46 after deducting a withholding tax of \$9.60, a social-security tax of 90 cents, and \$3.60 as a modest estimate of the other costs of working such as transportation, lunches, and union dues. Thus, his cash incentive to work a full week at his regular job is only \$7, or 17 cents per hour. Leisure is often worth more than 17 cents per hour to a man or woman who has no family obligations. Since the benefits for employees with dependent children are almost equal to their take-home pay, many such employees would have an incentive to work only if they were anxious to pay some Federal taxes and union dues.

While the increased level of benefits proposed under the Moody-Dingell bill might not, as a practical matter, seriously discourage employees from returning to their regular jobs when they reopened, it would certainly discourage them from accepting interim employment either in their own locality or elsewhere. Thus, the bill would actually increase the number of unemployed at the expense of the Federal budget and of the total national product.

In the propaganda for this bill, much emphasis has been placed on the inadequacy of a maximum benefit rate of \$27 for men with family obligations. The

Michigan law provides an allowance of \$2 per week for each dependent child up to four children. So the family man draws a benefit up to \$35 per week. This is seldom mentioned. As a matter of fact, past experience shows that two-thirds of Michigan claimants have no dependent children. Therefore, this bill would benefit primarily those individuals (about 60 percent of the male claimants and 93 percent of the female) who have no dependent children. These are the least satisfactory unemployment compensation risks, both because of their personal circumstances and because their wages for working are subject to the biggest Federal withholdings.

#### HOW SERIOUS IS THE PROBLEM OF EXHAUSTIONS?

The proponents of the Moody-Dingell bill, in their efforts to marshal favorable public opinion, have publicized the fact that 40,000 Michigan employees used up all of their unemployment benefit rights in 1951. It is hard to see the significance of this figure as a reason for passing the bill, since there is no provision in it to extend the duration of the benefit payments. Perhaps the authors have recognized the fact that the 40,000 exhaustions in 1951 actually represent an extremely favorable rate for Michigan and give no support at all to their case.

There are always many individuals, in the best of times, who use up their unemployment benefit rights. These include employees who have just entered the labor market and have only limited benefit credits; employees having very limited employability, such as pensioners; employees who find it advantageous not to work while benefits are available; and employees who have permanently withdrawn from the labor market but are concealing that fact for the purpose of collecting unemployment compensation.

According to the United States Department of Labor, the duration of unemployment compensation "should be sufficient to enable the great majority of insured workers to find suitable work before exhausting their benefit rights, under normal or recession conditions. In statistical terms, the benefit period should be long enough to ensure that no more than 25 percent of the beneficiaries exhaust benefits under recession or better conditions."

Michigan's experience surpasses this somewhat rigorous standard, both for 1950 and 1951. In 1950 only 20.7 percent of the Michigan beneficiaries used up their benefit rights. This was the lowest rate of all the States. But in 1951, with the number of exhaustions dropping to 40,000, Michigan reduced its exhaustion rate from 20.7 percent to about 10 percent.

Those who use this figure of 40,000 exhaustions in 1951 to show the purported inadequacy of Michigan's law assume that these 40,000 people remained unemployed after using up their benefits. Several State studies have shown that about one-half of the employees who exhaust their benefits go to work in a very few weeks thereafter. Michigan's law provides 5 months of benefit payments for nearly all industrial workers. This duration has been ample, even by liberal Federal standards, in 1950 and 1951. It is sufficient to cover the likely period of readjustment for employees who become unemployed in 1952.

Michigan is able to do for itself whatever needs to be done to meet the present and prospective unemployment situation. If the legislature decides that higher benefits are in order, Michigan's fund of over \$325 million is in good shape to carry the load. (See exhibit 5 in appendix I.)

The bill argues that the cost of benefits for conversion unemployment should be borne by the Federal Government as a cost of the defense program. Whatever benefits are paid now under the Michigan act will be financed by higher unemployment taxes on employers who will shortly be primarily engaged in defense production work. Thus, the cost of rebuilding the fund after paying benefits to the conversion unemployed will automatically become a cost of the defense production program, without any special action by the Federal Government.

#### PROBABLE COST OF THE BILL

The authors of the bill estimate that its cost would be about \$200,000,000. Considering how difficult it would be for any governor to deny the unemployed citizens of his State access to the Federal Treasury under the bill, it is reasonable to base cost estimates on an assumption of nearly universal acceptance. In 1950 the total unemployment compensation benefit payments for the whole country were \$1.4 billion. Assuming the proponents of the bill are at all close in their

<sup>1</sup> Unemployment Insurance: Purposes and Principles, U. S. Department of Labor, December 1950, p. 7

estimates of impending unemployment, the cost could be well over a billion dollars in a single year.

This direct cost would be augmented by indirect costs. As previously explained, the high benefit levels, which would apply to all employees in the State (not just to the "conversion unemployed"), would deter many marginal employees from accepting available productive work. This would actually increase the volume of unemployment and costs to the State funds, and would also reduce the national product.

#### EFFECT OF THE BILL ON THE INTEGRITY OF STATE LAWS

Enactment of the Moody-Dingell bill would be an irrefragable step toward permanent and complete federalization of the State unemployment compensation laws. Both its political and union sponsors are committed to complete federalization.

While the bill itself provides for no direct Federal control over State legislation, nevertheless it bears within it the seeds of ultimate and certain abdication by the States of their jurisdiction in this field. The bill would presumably be applied generally throughout the country. Every State at some time has some depressed area in it which would justify the governor in certifying his State for participation in the distribution of Federal money. It would be politically impractical for a governor to fail to put his State in line for the payments.

As soon as the Federal money became available on a proportionate basis in a given State, there would be an increase in the pressure upon the State legislatures to increase the levels of State benefits, so as to bring in more Federal money without regard to the ultimate effect on Federal tax increases necessary to meet these new obligations. The availability of Federal money as an immediate pressure for unsound liberalization of State laws would be followed by an even more powerful pressure at the expiration of the Federal program. It would be futile to expect that the States would or could return to their former benefit scales at the end of the Federal program. The States would be forced to liberalize their rates to meet the standard created by the temporary Federal payments. Since benefits on that scale could not be financed in many States without substantially increasing the existing range of employer tax rates, there would be a strong demand from employees and some employers for the Federal Government to continue permanently to share the cost of unemployment compensation payments.

There should be no illusions, on the part of anyone aware of the mounting load of Federal grants-in-aid in this field and of the objectives of those sponsoring this legislation, that permanent Federal sharing of unemployment compensation costs would be achieved without complete abdication of responsibility on the part of the State legislatures and administrators. When the States start to ask the Federal Government to help them pay for their unemployment compensation costs, they are inviting the most detailed Federal controls over such State matters as the amount of benefits to be paid and the conditions of payment, the amount of taxes to be collected from employers and the method of assessment, and the methods of administration. Once these Federal purse-string controls are established, the substance of State responsibility will be gone. Complete and open federalization would then be an anticlimax.

State unemployment compensation reserves have reached an all-time high of nearly \$3 billion, while the United States Treasury is moving into a period of deficit spending again. This would seem to be no time to add to the deficit or to increase Federal taxation, especially in the light of the foregoing analysis showing the States' ability to meet the spotty unemployment problems. (See exhibit 8 in appendix I).

#### CONCLUSION

Over the years, the unions and many Federal administrators have been resourceful in the extreme in attacking the integrity of the Federal-State cooperative system of unemployment compensation. The current proposal plays on the fears and insecurity of employees and on the public irritation at Federal bungling of defense planning to make a superficially plausible and politically advantageous case.

It thus appears that the bill starts with "findings" that are not in accordance with the facts; proceeds from these shaky foundations to offer an unsound solution to a nonexistent need and to approach by devious means an objective that Congress rejected in 1935 and has repeatedly rejected in subsequent sessions. I must therefore, on behalf of the Chamber of Commerce of the United States, request you to reject the Moody bill, S. 2504.

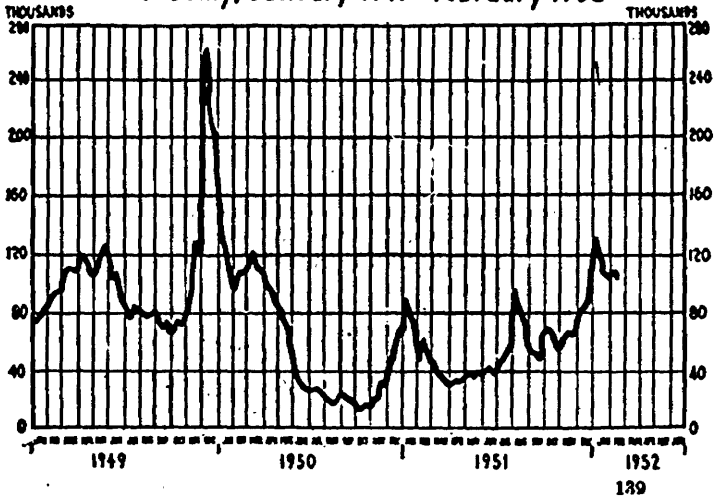
# APPENDIXES

## APPENDIX I

### EXHIBIT 1

# MICHIGAN UNEMPLOYMENT COMPENSATION CLAIMS

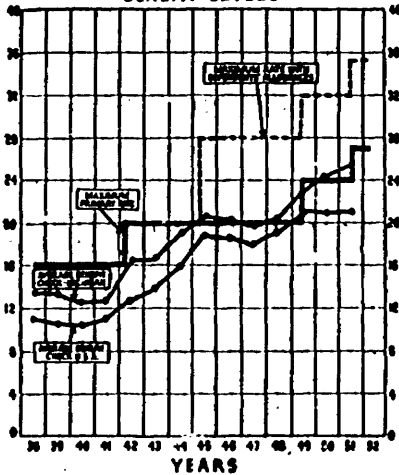
Weekly, January 1949 - February 1952





## UNEMPLOYMENT COMPENSATION

## EXHIBIT 2

MICHIGAN UNEMPLOYMENT COMPENSATION  
BENEFIT LEVELS

## EXHIBIT 3

MICHIGAN'S AVERAGE UNEMPLOYMENT  
BENEFIT CHECK COMPARED WITH THOSE  
OF CERTAIN OTHER STATES

BY MONTHS, NOVEMBER 1960 - OCTOBER 1961

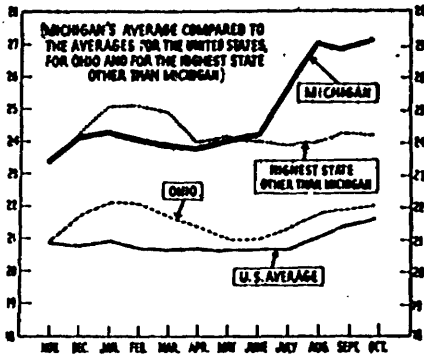
Source: "Labor Market and Employment Security", Bureau of  
Employment Security, U. S. Department of Labor

EXHIBIT 4

MICHIGAN UNEMPLOYMENT COMPENSATION BENEFITS  
HAVE KEPT PACE WITH COST OF LIVING

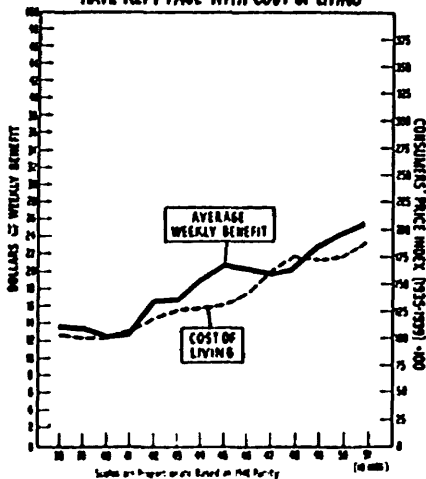


EXHIBIT 5

MICHIGAN UNEMPLOYMENT FUND BALANCES  
AND BENEFIT DISBURSEMENTS

(FISCAL YEARS 1942-1957)

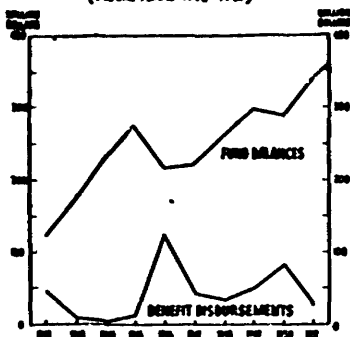


EXHIBIT 6

PROPOSED FEDERAL SUPPLEMENT OF MICHIGAN BENEFITS  
No Dependent Children

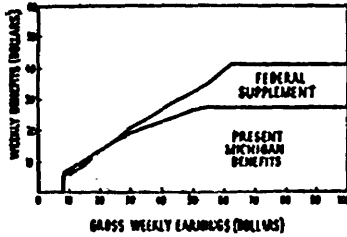
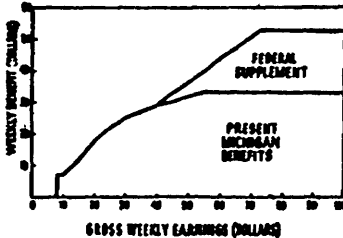


EXHIBIT 7

PROPOSED FEDERAL SUPPLEMENT OF MICHIGAN BENEFITS  
Three Dependent Children



## EXHIBIT 8

Approximate Number of Years Benefits Could  
Be Paid from Available State Funds of Present  
Rate of Disbursement<sup>a</sup>

State	Years	State	Years	State	Years
U.S. Average	2				
Alabama	8	Kentucky	12	North Dakota	9
Alaska	5	Louisiana	8	Ohio	21
Arizona	24	Maine	7	Oklahoma	6
Arkansas	9	Maryland	13	Oregon	6
California	6	Massachusetts	7	Pennsylvania	10
Colorado	42	Michigan	10	Rhode Island	2
Connecticut	18	Mississippi	10	South Carolina	9
Delaware	17	Minnesota	14	South Dakota	15
Dist. of Columbia	23	Missouri	13	Tennessee	8
Florida	13	Montana	16	Texas	30
Georgia	15	Nebraska	25	Utah	14
Hawaii	12	Nevada	9	Vermont	13
Idaho	17	New Hampshire	4	Virginia	16
Illinois	8	New Jersey	11	Washington	12
Indiana	16	New Mexico	27	West Virginia	10
Iowa	34	New York	5	Wisconsin	17
Kansas	10	North Carolina	12	Wyoming	16

<sup>a</sup> Twelve-month period ending September 30, 1951

Source: The Labor Market and Unemployment Security, P. 20,  
December, 1951.

## APPENDIX II

## CHAMBER POLICY

The Chamber of Commerce of the United States is a national federation of 2,151 trade associations and local chambers of commerce, which in turn, represent 1,450,000 individual businessmen. Because the chamber in membership and direct interest embraces every important activity in our economy; and, through its membership—small businesses as well as large—it presents the opinion of a cross section of our entire economy. Thus, it is that policies of the chamber do not represent the views of some special group or particular interest, but are drawn from the diverse interests of the country as a whole and are voted by its membership. This voting, incidentally, is so regulated that no geographic concentration of interests or economic concentration of power can override the broader interests of the entire membership.

Since the chamber of commerce is a democratic organization, and since its membership encompasses the widest range of interests, the members retain every right to express themselves as individuals.

## POLICIES ON SOCIAL SECURITY

The following declaration of policy on the broad field of social security was adopted by our membership at its annual meeting in 1949. The sections particularly pertinent to this hearing are indicated by an asterisk.

*A. In general*

\**Employment a prerequisite.*—However desirable and necessary social security may be, it is no substitute for productive employment and, therefore, every effort should be made by business and other groups to encourage high levels of production and steady employment.

*Hazards to be covered.*—Protection against periods of job and income losses should be provided either by voluntary or by governmental action. Social security provided by governmental action should be restricted to those major hazards of life concerning which individual effort has been demonstrated to be substantially inadequate or impractical.

\**Level of protection.*—A social-security program should provide a minimum layer of basic protection against the major economic hazard with which it deals, and should be so designed and administered as to encourage additional savings and self-protection by the individual through his own efforts.

\**Role of State and local governments.*—Every effort should be made to encourage State and local governments to assume primary responsibility for social security in order to keep such activities close to the employers, to the employees, and to other taxpayers.

*Duplicating benefits.*—Appropriate legislation should be enacted to prevent unjustifiable duplications of payments under Federal and State insurance and benefit programs.

\**Experience rating.*—The principle of experience rating, which provides an additional incentive to minimize the hazard involved, should be applied in every field of social security to which it may be appropriate.

*Considerations of cost.*—The eventual costs of social security are bound to be large, and excessive costs would impair the basic economy upon which all security rests. Therefore, a primary consideration in evaluating proposals for social-security benefits must be the impact of their present and future costs upon the Nation's economy.

*Nondiversion of funds.*—Funds collected for one social-security purpose or program should not be diverted for use to support another purpose or program.

*Unified Federal administration.*—All Federal activities in the social-security field should be centralized in one Federal agency or department (which might also deal with other matters). This agency should be unbiased—not devoted to advancing the interests of any particular group in our national life.

*Avoidance of discrimination.*—To the utmost feasible extent social-security programs should be uniform and nondiscriminatory. Special discriminatory programs for special groups, in particular, should be avoided. Existing Federal legislation providing the special discriminatory social-security system for railroad employees should be repealed, with suitable transitional provisions; and railroad employees should then be included within the coverage of appropriate general social-security programs.

*B. Federal old-age and survivors insurance and related programs*

*Coverage extension.*—The system of old-age and survivors insurance, as extended in 1950, now covers about 75 percent of the workers of the country. As experience is gained with the administration of the system, further extension should be made to noncovered groups to the extent feasible. Governmental and railroad employees should promptly be brought under the old-age and survivors insurance system (adopted 1951).

*Benefit level.*—The benefit level under old-age and survivors insurance should be in line with the program's objective of providing a minimum layer of basic protection, thus leaving ample opportunity for the provision of additional protection through private initiative (adopted 1951).

*Financing.*—The tax schedule of existing law supporting old-age and survivors insurance should be periodically reviewed in the light of changing conditions (adopted 1951).

*Governmental employees.*—When governmental employees are covered under old-age and survivors insurance, the civil-service retirement system and the many other Federal, State, and local systems for such employees should be revised to provide supplementary protection (if such protection is desired), just as the staff-retirement plans of other employers have been revised.

*Total and permanent disability benefits.*—Voluntary agencies and the State public-assistance systems, in conjunction with the State vocational-rehabilitation agencies, offer the best means of providing for the totally disabled. No Federal system of total and permanent disability benefits should be established either in connection with old-age and survivors insurance or otherwise.

### C. Employment services

*In general.*—Efficiently operated employment exchanges perform a useful economic function. The operation of public employment services is a proper activity for State and local governments, and may be supplemented by commercial employment offices, subject to appropriate State or local regulation.

*State operations.*—The State public employment services should remain under State jurisdiction. All public placement operations (other than the operations of local governments) should be consolidated with such services. The consolidated services should be conducted pursuant to the public policies of the individual States.

*Federal activities.*—Employment-service and unemployment-compensation activities are organically related to each other, employment services thus forming an integral part of social security. Accordingly, all Federal employment-service activity should be conducted in the same unbiased Federal agency which should house all other social security activities.

### D. Unemployment compensation

*In general.*—The authority now exercised by the Federal Government over the system of Federal-State unemployment compensation should represent the maximum limits of Federal authority in this field.

*Coverage.*—The feasibility of extending unemployment compensation to employees of smaller employers has been demonstrated in several States. Therefore, the State unemployment-compensation laws should be extended to employers of one or more where the State law now covers the occupation or industry.

*100-percent offset plan.*—The percentage of State unemployment-compensation contributions (including experience-rating credits) which an employer may offset against the Federal unemployment tax should be increased from 90 percent to 100 percent. Each State should then pay the administrative costs of its own unemployment-compensation system, as well as the costs of the State employment service, by appropriation of the State legislature from the receipts of the State system. Appropriate existing standards of Federal law concerning the provisions of State laws and their administration should be continued as conditions for employers to receive Federal tax credit.

*Emergency loan fund.*—The present temporary provisions authorizing emergency Federal loans to States for unemployment benefits should be continued. These provisions properly recognize that the excess of Federal unemployment-compensation revenue over administrative costs should be available solely for unemployment-compensation purposes.

*Benefit amounts.*—The few States whose unemployment benefit amounts and duration are still comparatively low should review and revise their benefit schedules, insofar as the condition of the reserve funds permits. In order to retain a proper incentive for the beneficiary to accept suitable employment, however, benefit schedules always should provide a proper differential between the individual's benefits and his normal wages.

*Proper nature of experience-rating provisions.*—Experience-rating provisions should be so drafted that—

- (a) The individual employer is given a direct incentive to provide steady jobs;
- (b) Sound administration of the law is promoted;
- (c) Tax rates applicable to different employers closely reflect the amount of compensable unemployment attributable to their operations; and
- (d) Insofar as possible, any tax increases necessary to replenish the fund would not be concentrated in periods of widespread unemployment.

*Liberalisation of experience-rating provisions.*—States whose unemployment compensation benefit amounts and durations are now adequate, and whose reserve accounts are larger than is necessary to meet any likely demands upon them, should review their systems with the objective of reducing contributions through appropriate revisions of their experience-rating formulas.

### E. Cash sickness benefits

*Voluntary protection.*—Employers should be encouraged to make available protection for their employees against wage loss due to nonoccupational dis-

bility, under such distribution of costs as may be mutually satisfactory to the employer and employees.

*Condition for compulsory legislation.*—No compulsory legislation should be enacted at the State or Federal level unless it should become clear that efforts to provide voluntary protection against wage loss due to nonoccupational disability have left substantial gaps in coverage.

*Role of State and local governments.*—Should future events demonstrate that voluntary efforts have failed, and that the public interest requires a compulsory program, then such a program should be adopted through proper action in the States. No Federal legislation should be enacted in this field.

*Nature of compulsory legislation.*—In the event legislation as indicated above is to be enacted, it should conform to sound insurance principles and practices (including the principle of experience rating), should be administratively practical, and should provide for private insurance (including self-insurance) as an instrumentality for paying the benefits under the law.

#### *F. Health and medical care*

*Fostering good health.*—The Chamber of Commerce of the United States is keenly interested in fostering the good health of the American people. Our past efforts in encouraging and supporting health activities will be vigorously continued; and we urge that other voluntary groups continue and expand activities holding reasonable promise of improving the Nation's health. However, there is no evidence of a present crisis in the health field. Past efforts toward improving the Nation's health, as reflected in mortality statistics and by other evidence, have been amazingly successful. There is every reason to expect continued improvement.

*Community health activities.*—Efforts to improve the Nation's health desirably should center at the community level. Accordingly, we urge local businessmen and others concerned to take all feasible steps to support community health activities, including support for local health groups. Businessmen should also continue to participate actively in developing the arrangements needed to keep local activities on a sound and an increasingly effective basis.

*Alleviating local shortages.*—There are shortages of health personnel and of health facilities in some areas. We favor, and will support, all sound local steps designed to alleviate these shortages.

*Medical care for the indigent.*—The provision of medical care for the indigent is basically a responsibility of the local community. Local and State legislation, designed to make adequate medical care available to the indigent, should be enacted where needed by local communities to supplement voluntary charities.

*Public health activities.*—Much of the health progress of recent decades is attributable to the effectiveness of public health work. Important contributions have been made at all governmental levels—Federal, State, and local. Each level has a role to play in the public health field; there are tasks for which each is particularly fitted. Sound, well-thought-out legislation, designed to strengthen public health work at each level, should be supported.

*Voluntary prepayment insurance.*—The remarkable growth of voluntary, non-occupational prepayment insurance in recent years has been of great value in enabling individuals and groups to meet the cost of modern medical care. Such insurance, usually on a payroll-deduction basis, is now widely available both through the indemnity contracts of insurance companies and through the service contracts of nonprofit plans. These voluntary efforts should be encouraged. In particular, employers are urged to establish prepayment group insurance plans to aid employees in better meeting their health needs, under such distribution of costs as may be mutually satisfactory to the employer and employees. Also, the Federal Government should remove present restrictions preventing Federal employees from obtaining prepayment insurance protection on a payroll-deduction basis.

*Avoidance of compulsory insurance.*—Proposals for compulsory medical care insurance ("socialized medicine") are opposed because the adoption of any such proposal would operate to reduce the present high standards of medical care in the United States to a uniform level of mediocrity. Such action would largely destroy the complex, cooperative interrelationships among the many existing voluntary and governmental bodies now active in the health field.

#### *G. Public assistance*

*Temporary Federal participation.*—The present system of Federal grants to States for public assistance should be recognized as a temporary expedient. The States should assume an increasing proportion of the costs of public assistance as

the beneficiary rolls of the Federal old-age and survivors' insurance program expand. Eventually, the entire costs of such assistance as is needed to supplement old-age and survivors' insurance should be borne by the States and their local subdivisions.

*Formula for Federal grants.*—The existing temporary formulas for Federal grants to the States for public assistance should be retained pending adoption of legislation to effectuate the principles stated above. The adoption of any variable-grant formula is undesirable.

The CHAIRMAN. Is there anything else you wish to add, Mr. Cliffe?

Mr. CLIFFE. Yes, sir. Mr. A. L. Hammerstrom, chairman of the public affairs committee of the Montana State Chamber of Commerce, has come to Washington to appear in opposition to this measure. Since the committee is pressed for time, he has asked me to present his statement at this time, and requests that it be included in the printed record of these hearings. I so request.

The CHAIRMAN. It will be included.

(The statement submitted by A. L. Hammerstrom, chairman of the public affairs committee of the Montana State Chamber of Commerce, is as follows:)

STATEMENT OF A. L. HAMMERSTROM, CHAIRMAN, PUBLIC AFFAIRS COMMITTEE,  
MONTANA STATE CHAMBER OF COMMERCE

My name is A. L. Hammerstrom. I am chairman of the public affairs committee of the Montana State Chamber of Commerce; and I am filing this statement on behalf of that organization.

We have no need or desire in Montana to take part in a distribution of Federal money in the form of supplementary Federal unemployment compensation payments. Should a need arise for higher unemployment benefit payments in Montana, we are prepared to meet that need out of our own resources. We think other States should do the same.

Our economy is based primarily on the production, extraction, and first processing of raw materials. Accordingly, we have no problem of conversion unemployment. Our problem is to speed up the production of raw materials, such as copper, which are critically needed to maintain manufacturing production in other States.

If our experience during World War II is any index, and we think it is a reliable one, we can look forward to a steady decline in unemployment and unemployment compensation claims, for some time to come. The number of individuals who started benefit claims dropped during World War II from 26,500 in 1941 to 1,171 in 1944 and 909 in 1945.

Our problem is not one of soliciting Federal money to increase the amount of idle pay, but to find men who are willing and able to carry on the vital work of providing materials which are critically needed by the manufacturing areas of the country.

Our unemployment compensation law provides for weekly benefits running up to \$20. Our average weekly benefit payments have more than kept pace with increases in the cost of living. Benefits have increased 34 percent from 1946 to 1951, while the consumer's price index is up 23.9 percent in the same period.

There has been no change in the scale of benefits in Montana during the past few years. The legislature has not thought it necessary or desirable. Plenty of work has been available for those who were able and willing to work. There has been no inclination to increase the ranks of the unwilling by raising the level of benefits. For this same reason, we would strongly oppose any effort to stretch this bill, if it were to pass, so as to make it applicable in our State. It would do far more harm than good.

We are not opposed to this bill simply because we do not need it or want it in Montana. We also oppose it because it represents a wasteful expenditure to be added to an already oppressive burden of taxation. We think the unemployment problem must be solved in a constructive way. It would be prohibitively expensive and dangerously foolish for the Federal Government to condone and perpetuate whatever mishandling and inept planning is responsible for temporary displacements in a few of the great manufacturing centers of the country. Let the Congress and the administration turn their attention to more efficient utiliza-



tion of facilities and more sensible and equitable distribution of materials. That is the only way to a constructive solution.

We are in favor of State determination and State responsibility in unemployment compensation. We know very well, in spite of the protestations of those who support this bill, that it would be an irretraceable step toward federalization of the State unemployment compensation laws. To paraphrase Abraham Lincoln, our State programs cannot long endure 100 percent State plus 50 percent Federal.

Since arriving in Washington, Mr. Chairman, I have received telegrams from the Montana Taxpayers Association, the Associated Industries of Montana, the Montana Hardware and Implement Association, and the Montana Bankers Association, each asking me to file, in their behalf, an expression of opposition to the Moody bill. I request, therefore, that these telegrams which follow be included in the record of this hearing.

A. L. HAMMERSTROM,  
*United States Chamber of Commerce:*

We authorize you to enter our vigorous protest to Moody bill. Bill objectionable because unquestionably it will lead to Federalization of State programs. Will encourage idleness by increasing benefits, and will unnecessarily increase federal expenditures. Montana fund ample to finance all needs here

R. A. NEILL,  
*Executive Secretary, Montana Taxpayers Association.*

A. L. HAMMERSTROM,  
*Staller Hotel, Washington, D. C.:*

The Moody-Dingell bill will only further the complete financial destruction of small businesses as well as another step toward complete socialism. Urge you to oppose same as our representative and director of associated industries.

M. E. EVANSON.

A. L. HAMMERSTROM,  
*Chamber of Commerce of the United States, Washington, D. C.:*

The Montana Bankers Association is opposed to provisions of S. 2554; would greatly appreciate having you express our position at Senate Finance Committee hearings.

R. C. WALLACE,  
*Secretary-Treasurer.*

A. L. HAMMERSTROM,  
*United States Chamber of Commerce, Washington, D. C.*

Request you represent this association and its 400 members in any hearings held on S. 2504 or H. R. 6174 which propose Federal supplement to benefits under unemployment compensation plans. We oppose any such plan. The Defense Production Act anticipated the diversion of materials and manpower to defense production areas. Manpower will not move to labor markets where it can be absorbed if compensated at the proposed rate for unemployment. The Department of Labor has made several unsuccessful attempts to gain control of State UCC programs. If this legislation passes it will mean that administrative control passes to the Federal Government. We want no more usurpation of our State rights and privileges. Insist that our congressional representatives recognize their responsibility to Montana.

N. O. BLEVINS,  
*Executive Secretary, Montana Hardware and Implement Association.*

Mr. CLIFFE. I have just received a telegram from Mr. Paul Carrington, national councillor of the East Texas Chamber of Commerce, asking us to register their opposition to the Moody bill.

Consequently, I request that the following telegram be entered in the record of the hearings:

CHAMBER OF COMMERCE OF THE UNITED STATES:

Regret president and secretary of Texas Association of Commerce unable to come to Washington to appear against Moody-Dingle bill. We are opposed to this measure as a dangerous piece of legislation and wish you would so register us.

PAUL CARRINGTON,  
*National Councilor, East Texas Chamber of Commerce.*

Senator KERR. I think I am able to identify the bill now. It was the Kilgore Emergency Unemployment Compensation bill, introduced in 1945.

Mr. CLIFFE. At that time I had read it. I certainly am not familiar with it now, sir, after the passage of seven years.

Senator KERR. Mr. Chairman, I think it was a somewhat similar bill. The objection has been made to this bill that it would federalize the unemployment compensation program. I would like to place in the record at this point some remarks of the Senator from Ohio with reference to the Kilgore bill which I believe is pertinent to the discussion on this bill.

The CHAIRMAN. You may do so, Senator. Did that bill become law?

Senator KERR. I don't believe it did, but there was a debate in the Congress with reference to it.

The CHAIRMAN. It did not become law in that form. All right, you may put that in the record.

(The excerpts referred to are as follows:)

[79th Cong., 1st sess., September 20, 1945, p. 837]

Mr. TAFT. \* \* \* Our position is that we are not going to interfere with the State system. We think it is a good system; but we believe that the Federal Government, by reason of the war activity and the cancellation of contracts, has brought about such a condition that it is not fair to burden State funds any further with this special emergency. Let those funds be kept for the kind of emergency which was contemplated when the unemployment-compensation system was established, and not a war emergency.

Mr. REED. I should like to ask the Senator from Ohio if it is not a fact that in the event the Barkley amendment were adopted, and the bill on page 6 restored substantially as it was, we would then have a Federal unemployment compensation policy and system operating in all the States, parallel with the State systems?

Mr. TAFT. I would not say that, because what we are doing is making payments which depend in each State on the laws of the particular State. It is not a Federal unemployment compensation system. Certainly it is a supplemental Federal unemployment compensation payment. There is no doubt about that. I should not say that it would amount to a Federal system, because, as I say, it is dependent upon the laws of the States. In every State we follow the laws of the State. \* \* \*

The CHAIRMAN. Mr. Miner.

**STATEMENT OF RALPH H. MINER, ASSISTANT SECRETARY OF THE GOODYEAR TIRE & RUBBER CO., OF AKRON, OHIO, REPRESENTING THE OHIO CHAMBER OF COMMERCE AND OTHER CHAMBERS OF COMMERCE**

The CHAIRMAN. Mr. Miner, you are representing the Ohio Chamber of Commerce and certain other chambers, are you?

Mr. MINER. Yes, sir.

The CHAIRMAN. All right, Mr. Miner, you may proceed.

Mr. MINER. I am Ralph H. Miner, assistant secretary of the Goodyear Tire & Rubber Co. of Akron, Ohio. I am a member of the advisory council of the Ohio Bureau of Unemployment Compensation. I am a member of the board of directors of the Ohio Chamber of Commerce, vice president of the Ohio Manufacturers' Association and serve on the social security committees of both of these organizations.

I have been asked to have recorded the opposition to this bill of the State Chambers of Commerce of Alabama, Colorado, Florida, Idaho, Kansas, Maine, Missouri, New Jersey, Pennsylvania, South Carolina, Virginia, and West Virginia, and also that of the Mississippi Economic Council, and also the Empire State Association of Commerce, Albany, N. Y., and the New York Chamber of Commerce; also that of the Chambers of Commerce of East Texas, South Texas, and West Texas.

I think some of these organizations have already submitted written statements to the chairman with respect to this bill. The communications I have had from these various State chambers of commerce generally list objections to the bill along the following lines:

They believe the effect of the bill would be inevitably to completely federalize the unemployment system of the States, and they all are very much opposed to that. They believe the bill is not needed; that the present system of unemployment compensation was designed and intended to take care of all kinds of unemployment, and that the unemployment here in question does not vary from that rule.

They believe that the amount of benefits paid by the States are ample, and that the proper scale of benefits in the various States is best judged by the States themselves. They can adapt that scale of benefits to their local economy and their local conditions.

They point out the fact that the Michigan Legislature is now in session; that Michigan has an ample unemployment compensation fund, and that if there is need to revise the scale of benefits in the State of Michigan the legislature can proceed without delay to do so.

They also believe that the benefits provided by this bill are too close to the take-home pay of many workers and would leave very little, if any, incentive to workers who are receiving benefits to go back to work. The theory of that is that there should be a sufficient gap between the take-home pay and the benefits to make the worker want to find a job. They do not believe there is a sufficient gap in many cases to constitute that incentive.

They think that this is an emergency treatment of a normal situation, and they point out that emergencies never seem to end, that if this thing were adopted now we would have it with us for keeps.

They believe that all unemployment, regardless of cause, should be treated the same. They point out that this bill provides extra money for all classes of unemployed, including numbers of chronic cases of unemployment, and for those who have an allergy, apparently, to work.

On behalf of these employer groups I wish to register vigorous opposition to S. 2564 or any other similar bills which may come before you providing for Federal supplementary funds to claimants for State unemployment compensation benefits.

I would also point out here that all other State chambers and associations of manufacturers which we have contacted are of the same opinion regarding this legislation. There is perfect agreement that there is no need for such a Federal law; that, if adopted, this bill would destroy the present balance maintained between wages and benefits and would inevitably lead to the federalization of the present State systems.

Our primary opposition to this legislation is because of the proposal to pay these unwarranted Federal supplemental unemployment benefits which would undermine the present basis of the Federal-State un-

employment compensation systems. We cannot believe that any serious thinking person would endorse a proposal to pay unemployed workers an amount equal, in many cases, to the net "take-home pay" they receive while employed. It seems obvious that such a plan would destroy the incentive to work.

In Ohio, a claimant with two dependents could receive a maximum of \$52 per week under this plan. There would be many in Ohio as well as in every other State who would be willing to remain idle and receive benefits approximating their take-home pay. These benefits are not subject to deductions for Federal income tax, city or State income tax, old-age insurance, union dues, health and welfare insurance, or other expenses incidental to work such as transportation, lunches, and so forth.

There is no logical basis for paying such Federal supplements as suggested in this bill. They were not considered necessary during normal periods of unemployment and there is no sound reason why workers who are unemployed because of the defense effort, should have higher benefits than those who become unemployed for other causes.

Supplementing State unemployment compensation benefits by Federal funds equal to 50 percent or more, would be a definite step toward federalization. All States have established minimum and maximum weekly benefit amounts through proper legislative procedure after hearings by both labor and management. To arbitrarily increase these benefits in the manner proposed in the Moody bill (S. 2504) would interfere with normal legislative procedure by State legislatures and would destroy the balance which has been maintained between earnings and benefits.

The right of each State legislature to establish adequate benefits to meet economic conditions in its particular State should not be destroyed by the Federal Government.

With Federal benefits would come demands for greater and greater Federal control inevitably resulting in federalization of the State systems. We believe that uniform standards in benefit amounts, duration of benefits and contribution rates (necessarily a part of any Federal plan) would be unwise, unsound and impractical.

Ohio has no unusual unemployment problem. The labor market is tight as is evidenced by articles in newspapers throughout the State, the classified sections of which are bursting with items for workers in all categories. We have had specific reports from city chambers of commerce—Columbus, Dayton, Lorain and St. Marys indicating this condition and voicing opposition to the measure. We have had informal but authoritative reports from a host of cities throughout the States indicating that they have no unemployment crisis.

In 1949 the Ohio Bureau of Unemployment Compensation paid approximately \$80 million in benefits and a like amount in 1950. In contrast, only \$28 million were paid out in 1951. The Ohio fund in trust for the payment of benefits is in excess of \$570 million.

Trust funds in all States set aside for the purpose of paying benefits are adequate to meet emergencies if and when they arrive. In Michigan, the State in which the so-called emergency situation arose, there is a trust fund balance in excess of \$350 million. If an emergency should arise in Michigan, there still would be no need for Federal intervention at this time for two reasons. First, Michigan

has an adequate fund; and, second, the Michigan Legislature now in session is wholly familiar with the local situation.

Other States have similarly adequate reserves to meet emergencies in unemployment. These balances have been built up over the years and are available for benefit payments only.

Another convincing argument against S. 2504 comes from the director of the Bureau of Employment Security in Washington. In the January issue of the Labor Market and Employment Security, issued by the Bureau of Employment Security, Mr. Robert C. Goodwin, its director, states:

Another record-breaking employment year is in prospect. Employment expansion will be paced by mass hiring in heavy defense industry as many industries with big defense production orders complete tooling and designing stages preparatory to volume production. These labor requirements, together with demands from civilian industries and agriculture, should bring employment in 1952 to a midsummer peak of 63,000,000, highest in the Nation's history. Shifts between industries and occupations will be greater than in the past year. Unemployment on a Nation-wide basis will continue at low levels and may even decline somewhat, but a number of local areas will experience troublesome unemployment problems.

We have had reports from all sections of the country indicating a tight labor market except in very isolated instances. While it is true that Detroit and the immediate area surrounding it does have a temporary local problem due to Federal curtailment in the automobile industry, we have been informed that Federal agencies are cooperating with State officials in Michigan to correct this condition by allocation of Government defense orders. This condition is quite similar to that which existed in 1942 when "war displacement benefits" were proposed in Federal legislation but found to be unnecessary. During the reconversion period of 1946, legislation again was introduced which brought the question up for debate in Congress. Again Federal intervention was found unnecessary and subsequent events proved the validity of that decision. S. 2504 is also unnecessary.

It is doubtful that the unemployment compensation program could have been sold to Congress or to the States, if it had been realized that within the relatively short period of 15 years after enactment of the Federal law, powerful forces would make three abortive attempts to usurp the authority of the States.

We sincerely believe that the States will continue to meet all basic requirements of a sound unemployment compensation program. They should be permitted to do so without additional Federal interference.

Senator KERR. Do you think those to whom that indictment would not apply should be treated the same as those to whom it does apply, that they should be listed in the same category?

Mr. MINER. I don't believe I understand your question.

Senator KERR. You are making a statement with reference to the attitude of the workers, you are classifying them, or a number of them, in terms such as being allergic to work, or desirous of not working when they can get benefits. I just wondered if your statement should be regarded by the committee as applying only to a limited number of those who draw benefits or if it is a general indictment that you are making.

Mr. MINER. That is not a general indictment.

Senator KERR. Should our law be considered on the basis of what is generally equitable, or should it be determined solely on considerations of the fact that there may be some—and I now take it you tell me a limited number—who would take advantage of it?

Mr. MINER. I think all laws of this kind have to be of a general nature, of necessity.

Senator KERR. What percent of those who draw this compensation do you figure would be included in the indictment that you mentioned?

Mr. MINER. I have no idea. The only thing we know is in times of full employment there are always a substantial number of people drawing unemployment compensation.

Senator KERR. I take it you are objecting to the bill on the basis of the fact that some would take advantage of it, or would be tempted to take advantage of it.

Mr. MINER. They automatically would get the advantage of it.

Senator KERR. And yet you say it is not a general indictment, and that the bill should be considered on its merits generally rather than on the fact that some might take advantage of it?

Mr. MINER. I was enumerating some of the objections to the bill that have been related to me from these various organizations which I mentioned.

The CHAIRMAN. What you are primarily saying is that each State is in much better position to judge, based on its own experience, than the Federal Government here in Washington. Isn't that what you say primarily?

Mr. MINER. Yes, primarily and very strongly. I would like to emphasize that as much as possible.

Senator JOHNSON. Isn't that the reason, may I add, that you set this whole plan up on a State basis, so we would have some local supervision and some local attitudes with respect to it?

Mr. MINER. That is one of the reasons.

Senator JOHNSON. There are a lot of folks that pick that stuff off the Christmas tree known as Uncle Sam's tree, but when it gets down to a local level they cannot get away with it so well. Now it may be, as Senator Kerr has indicated and I agree with him, that only a limited number would, perhaps, take that advantage, but a limited number is too many.

Mr. MINER. I agree.

The CHAIRMAN. All right, you may proceed with your statement.

Mr. MINER. The chief point here, the nub of the whole thing is there is a very strong opposition to the proposition of federalizing a good State unemployment insurance system.

The other thing is the size of benefits. That is a matter of opinion. There are those whose opinion it is that the benefits should be roughly equivalent to what the person earns when he works. The underlying argument for unemployment insurance from the beginning was that you have to pay them something less than what they earn if they work, or else you cannot keep them on the job, or you cannot keep large numbers of people on the job. So there has to be a gap in there. Just how much that is, as I said before, the States can better judge what percentage of pay they should put into the benefits. Now, for example, 15 years ago when the system started out it was determined that unemployment insurance benefits should be 50 percent of the wages. That meant for a man earning \$30 a week, his benefits

would be \$16 if he were unemployed. That person probably today is earning \$60, his wages have doubled, but there is the Federal tax picture in here, the social-security taxes, withholding taxes, so that individual, if he is a single person, his take-home pay is \$49.50 and not \$60. His benefits in the State of Ohio would be \$28. That is not 50 percent but is 57 percent of his take-home pay, so his ratio of benefits to what he takes home is improved. In other words, in a period of time his wages have gone up 100 percent, his take-home pay 55 percent, and his benefits have gone up 87 percent.

Most of the States calculate their unemployment benefits on the basis of earnings in the high quarter. That is not true in Michigan. So you get some distortions in the calculation of benefits in some of the other States. I have figured out a couple of examples here for the State of Ohio. Using our benefit schedule, a person earning \$50 a week is entitled to \$27 in benefits. If he is a single person, after the Federal deductions, his take-home pay is \$41.75. Under this bill he would be limited in one place to 65 percent of the \$50, that is, \$32.50, and in another place he is entitled to 50 percent over the \$27, that is, \$49. But the lower limitation holds, so that this man, if he is working, takes home \$41.75, and if he is receiving benefits he gets \$32.50, and the difference is \$9.25. In other words, he makes \$9.25 more if he works than if he does not.

Now this worker may be in an occupation where there is a season of the year where he works more. Instead of working 5 days a week he works 8 days, so instead of getting \$50 a week he gets \$65 a week. Under the Ohio formula the worker may have gone 6 months at \$50 a week and if he is laid off his benefit amount is \$28, his take-home pay is still \$41.75, and the amount he would get under this bill would be \$37.75. In other words, he would only get \$4.05 more if he worked than he would for that week if he did not work at all. If he had 10 weeks of 6 days a week in a quarter, the only difference between his benefits and what he would take home would be only \$1.75.

I cite those as reasons why our people feel that the benefits are too high here to preserve the incentive on the part of the workers to get out and find jobs rather than rely on unemployment insurance benefits.

Senator KERR. If there are opportunities under the bill for individual workers to thus take advantage of it, should that be considered as an objection to the entire bill or should that be considered as something that should be corrected in the bill, and then the bill might have your approval?

Mr. MINER. No; the bill would not have my approval, and I don't know any way you can correct this bill to eliminate that situation. Unless you put this 65 percent down to 50 or 55, that is the only way I know you could do it, and then you are back with the State system, because many people in Ohio I think get around 60 percent of their take-home pay in benefits. A lot of people think you can't go above 60 percent.

Senator KERR. Isn't the top in Michigan about \$36 at this time?

Mr. MINER. Michigan I believe pays \$27 a week, and then if there are dependent children it pays more.

Senator KERR. If they have dependents they get \$36?

Mr. MINER. Yes; it is \$8 more.

Senator KERR. Isn't that the highest rate in the United States?

Mr. MINER. I don't know, Senator.

Senator KERR. Do you know of any other as high?

Mr. MINER. No. Ohio has \$28 top, and \$5 additional for dependents, which runs it up to \$33.

Senator KERR. That is the only one you know of that is close to it?

Mr. MINER. I haven't been studying it closely enough to say.

Senator KERR. I am just trying to establish a fair basis, if I can. Are those two examples the highest that you know of?

Mr. MINER. Right offhand, yes.

Senator KERR. Then a worker who has as much as \$70 a week take-home pay at this time gets 50 percent compensation benefit in only one State, doesn't he, and he would have to have four dependents to get it in that State?

Mr. MINER. No. Here is a man in Ohio that I just stated——

Senator KERR. Let us take the fellow I just stated.

Mr. MINER (continuing). Who has no children whatever, he can get as much as his take-home pay.

Senator KERR. Let us take the fellow I cited. If his present take-home pay is \$70 and he has four dependents, there is only one State in the Union where he would get an amount as compensation equal to half of that take-home pay, isn't there, under existing circumstances?

Mr. MINER. Well, if you are referring to the \$35 top in Michigan, that would be the correct answer.

Senator KERR. I am referring to Michigan for the reason that as far as I know it is the highest, and you tell me as far as you know, it is the highest.

Mr. MINER. There are some others that have \$30 or something like that but don't have the dependents allowances.

Senator KERR. So that is the highest that either you or I know about?

Mr. MINER. Yes, but in my opinion, of course, only one-third or less of the employees are entitled to benefit allowances.

Senator KERR. They would be getting less than the \$35 benefit then, would not they?

Mr. MINER. If they did not have dependents benefits they would get less than \$35.

Senator KERR. If they did not have dependents they would get less than \$35?

Mr. MINER. That is right.

Senator KERR. So any worker who at this time has more than \$70 a week take-home pay would not get 50 percent compensation payment under any State law in the Union, would he?

Mr. MINER. That is true, and that has always been true.

Senator KERR. I understand it always has been, but it is true now, is it not?

Mr. MINER. It is true now and always has been.

Senator KERR. So the objection you are making here to the compensation benefit approaching the take-home pay certainly would not apply in those cases, would it?

Mr. MINER. It does not apply to the very well paid workers who get up in the \$70, \$80, or \$90 brackets, it does not apply there, that is true.

Senator KERR. What is the average weekly wage paid to workers in Michigan and Ohio?

Mr. MINER. I don't know. I haven't got those figures.



Senator KERR. Isn't it above the figure I used?

Mr. MINER. \$70?

Senator KERR. Yes.

Mr. MINER. No, no, I don't think so.

Senator KERR. Industrial workers?

Mr. MINER. No.

Senator KERR. Isn't it pretty close to it, or above it?

Mr. MINER. I don't know. I will not answer that question because I don't know, Senator.

Senator KERR. Then you will not answer it "No"?

Mr. MINER. That is right.

Senator KERR. You will not answer in the negative?

Mr. MINER. Not with positiveness.

Senator KERR. That is all.

The CHAIRMAN. Is there anything else, Mr. Miner, that you wish to put in?

Mr. MINER. Well, I had a whole bale of telegrams from these various State chambers that I might have put in the record. If you would like to have their communications in the record I would be glad to supply them to you.

The CHAIRMAN. You may do so if you wish, but the committee has received numerous telegrams from chambers throughout the country and they are being noted in the record daily.

Senator KERR. I would like to ask one more question, Mr. Chairman.

The CHAIRMAN. Yes.

Senator KERR. Isn't it true that in 1931 the over-all average compensation benefits in the United States averaged less than one-third of the average weekly wage?

Mr. MINER. I don't know.

Senator KERR. You would not say that it was not?

Mr. MINER. I would not say one way or the other, Senator.

Senator KERR. All right.

(Mr. Miner submitted the following matter:)

IDAHO STATE CHAMBER OF COMMERCE,  
AGRICULTURE AND INDUSTRY,  
Boise, February 15, 1932.

SENATOR WALTER F. GEORGE,  
Chairman, Finance Committee,  
The United States Senate, Washington, D. C.

MY DEAR SENATOR: The attached statement representing the views of this organization with reference to S. 2504 is submitted for the earnest consideration of your committee.

Yours very truly,

IDAHO STATE CHAMBER OF COMMERCE.  
By EARL W. MURPHY, Secretary.

STATEMENT BY IDAHO STATE CHAMBER OF COMMERCE IN OPPOSITION TO S. 2504

The Idaho State Chamber of Commerce is a voluntary organization incorporated under the laws of Idaho in 1926 with a membership consisting of more than 40 local chambers of commerce in the State, individuals, associations and corporations. It is governed by a board of 25 directors elected by the membership. It operates as a nonprofit organization qualifying under section 101, Federal income tax laws.

The following statement is submitted by the Idaho State Chamber of Commerce to the Senate Finance Committee, together with supporting data based on the records of the Employment Security Agency in Idaho:

Senate bill 2501 by Senator Moody, of Michigan, to provide supplementary unemployment compensation benefits through grants of Federal funds has been represented as being necessary because of unemployment occurring as a result of the national defense program and the inadequacy of State unemployment compensation laws to deal with the situation.

This is a blanket condemnation of all State unemployment compensation systems irrespective of any recent improvements that a State may have made in its law. The implication is that States are either unwilling or unable to provide adequate benefits to meet their responsibilities, making it necessary for the Federal Government to step in and provide supplemental payments.

The facts do not support the allegations as far as Idaho is concerned. For example, as shown by table I in the appendix, the average weekly benefit payment under the Idaho law in 1949 ranged from a low of \$17.51 per week for the week ending July 2 to a high of \$19.10 for the week ending January 29, as contrasted with a low of \$18.10 for the week ending August 4, 1951, and a high of \$23.07 for the week ending December 22, 1951. The increase is the result of an amendment to the Idaho law which raised the maximum benefit amount from \$20 a week to \$25 a week.

It should also be noted that at the same time that the maximum weekly benefit amount was increased, duration was also lengthened from 20 weeks to 26 weeks.

While H. 2501 is represented as one to provide supplemental benefits to prevent the imposition on such workers of an inequitable share of the burden of the defense program, it is not limited to that purpose. Section 4 (a) relating to agreements with the States provides:

"Whenever the governor of any State certifies, and the Secretary finds, that within his State, or within one or more labor market areas of his State, there exists substantial unemployment among workers covered by the unemployment compensation law of the State with no prospect of immediate reemployment in the labor market area, the Secretary shall on behalf of the United States enter into an agreement with such State, or with the agency administering the unemployment compensation law of such State, under which the State agency (1) will make as agent of the United States, supplementary payments of compensation to all unemployed individuals in the State on the basis provided in subsection (b) of this section during the national emergency, and (2) will otherwise cooperate with the Secretary and other State agencies in making payments of compensation under this act."

Under this provision the governor of every State would be under pressure to issue the necessary certification to obtain Federal supplementation at any time and irrespective of the cause of unemployment.

Idaho has very little industry which could be classified strictly as defense industry; however, the mines and the forests of Idaho do contribute in a very substantial way to the defense effort. There is no doubt, some unemployment in Idaho, particularly in construction trades, which could be directly attributed to the defense program due to the cut-backs in the allocation of building materials.

By far, the greater part of unemployment, however, is due to seasonal factors which recur every year. During the period of heavy snow or soft rows due to wet weather, logging operations must necessarily be suspended. This situation is no different during the current winter period than in any other year except in degree, since the severity of the winter weather dictates the extent of the shut-downs of industry.

Application of the provisions of the Moody bill to this situation would result in emergency treatment for a normal state of affairs. Yet, who can doubt that there would be great pressure applied to the Governor of Idaho to apply for relief under the terms of this act when the business of a community is at low ebb due to the winter shut-down of an industry which is essential to the economy of the State.

The assumption that existing unemployment is wholly attributable to material cut-backs or plant conversion as a result of defense production is fallacious as revealed by the statistics of claims loads in preceding years. In Idaho a total of 12,348 compensable claims were filed during the week ending February 25, 1950, the high point for that year. The largest number filed for any single week of 1951 was for the week ending February 10 with a total of 5,079, the difference being attributable to weather conditions affecting seasonal industries more than any other single factor.

The high point in compensable claims thus far for the year 1952 is 7,795 for the week ending February 2, which is 41.6 percent below the 1950 high which is the comparable period preceding initiation of the defense program.

The facts do not support the contention that supplementary benefits are needed because of unemployment resulting from conversion to defense production. There likewise is no support for the contention that State benefits are inadequate and unfair to workers.

In Idaho, the maximum benefit amount provided under State law was increased from \$20 to \$25 by the 1931 session of the legislature. This is a 25 percent increase which raised the total potential amount that a benefit claimant might receive from \$400 to \$650, or a percentage increase of 62.5 percent.

Since 1946 weekly wages increased from \$39.88 to \$53.13 in 1951, or an increase of 33.2 percent. In considering the average weekly wage it should be borne in mind that the average is for all workers in the State rather than the workers who became benefit claimants; consequently, due to the large number of seasonal workers who annually become benefit claimants the average weekly wage is substantially below the State average. Therefore, the increase in benefit formula is more advantageous than the comparative figures quoted would indicate.

Other objectionable features of the proposed bill are that once a Federal supplementation is established there can be no return to the State formula since any attempt to terminate such "emergency" supplementation would face tremendous opposition from participants. The provision limiting the aggregate amount paid to an individual to 67.5 percent of weekly wages in the case of individuals having no dependents and up to 75 percent of weekly wages in cases of individuals with dependents would be extremely difficult, if not impossible, of application.

The act would be coercive upon the States to initiate dependency allowances through the provisions matching those allowances with an equal amount of Federal funds. We submit that this bill would be destructive of State unemployment compensation systems and would serve to retard the defense effort, rather than promote it as it would encourage workers to remain idle and claim benefits rather than seek suitable employment.

It would adversely affect States like Idaho where industrial employment is relatively a small part of our total employment, by luring workers to States where supplementation would prove attractive. It is consequently, detrimental, rather than constructive, legislation.

We earnestly recommend that these factors be given serious consideration and that S. 2504 be not approved.

TABLE I.—Compensable weeks claimed and average weekly benefit amount in Idaho by week for 1949, 1950, and 1951

Week ending date	Compensable claims	Average weekly benefit amount	Week ending date	Compensable claims	Average weekly benefit amount
1949			1949—Continued		
Jan. 8	4,599	\$19.00	Aug. 6	2,195	\$17.85
Jan. 15	4,794	18.94	Aug. 13	1,701	17.73
Jan. 22	4,954	18.05	Aug. 20	2,299	17.91
Jan. 29	4,942	18.16	Aug. 27	1,734	17.75
Feb. 5	6,730	18.11	Sept. 3	2,170	17.85
Feb. 12	6,798	18.04	Sept. 10	1,743	17.67
Feb. 19	6,919	18.98	Sept. 17	2,292	17.73
Feb. 26	8,308	18.98	Sept. 24	1,848	18.11
Mar. 5	7,404	18.99	Oct. 1	2,184	17.74
Mar. 12	7,070	18.93	Oct. 8	1,979	18.22
Mar. 19	6,354	18.81	Oct. 15	2,000	18.21
Mar. 26	6,094	18.76	Oct. 22	1,995	18.44
Apr. 2	5,502	18.65	Oct. 29	2,136	18.61
Apr. 9	4,424	18.87	Nov. 5	2,694	18.62
Apr. 16	4,577	18.67	Nov. 12	2,664	18.65
Apr. 23	3,939	18.73	Nov. 19	3,140	18.71
Apr. 30	3,300	18.45	Nov. 26	3,818	18.72
May 7	2,544	18.62	Dec. 3	4,089	18.76
May 14	2,290	18.20	Dec. 10	4,391	18.83
May 21	1,961	18.33	Dec. 17	4,483	18.85
May 28	1,693	18.03	Dec. 24	4,874	18.88
June 4	1,581	18.30	Dec. 31	7,384	18.04
June 11	1,370	17.91			
June 18	1,304	17.85			
June 25	1,129	17.49			
July 2	1,114	17.81	1950		
July 9	1,094	17.79	January 7	7,917	18.02
July 16	997	18.27	January 14	8,492	18.08
July 23	1,553	17.56	January 21	10,038	18.11
July 30	1,380	18.19	January 28	11,100	18.15
			February 4	11,953	18.97

TABLE I.—Compensable weeks claimed and average weekly benefit amount in Idaho by week for 1949, 1950, and 1951—Continued

Week ending date	Compensable claims	Average weekly benefit amount	Week ending date	Compensable claims	Average weekly benefit amount
1950—Continued			1951—Continued		
February 11.....	12,410	\$19.15	Jan. 20.....	2,480	\$19.91
February 14.....	12,413	19.10	Jan. 27.....	2,542	19.91
February 21.....	12,268	19.12	Feb. 3.....	2,579	19.74
March 4.....	11,241	19.09	Feb. 10.....	2,609	19.80
March 11.....	11,256	19.04	Feb. 17.....	2,657	19.83
March 14.....	10,070	19.07	Feb. 24.....	2,692	19.97
March 25.....	9,830	19.05	Mar. 3.....	2,774	19.50
April 1.....	8,654	19.00	Mar. 10.....	2,231	19.91
April 8.....	7,653	19.05	Mar. 17.....	2,917	19.95
April 15.....	6,780	19.05	Mar. 24.....	2,641	19.99
April 22.....	4,916	19.94	Mar. 31.....	2,775	19.95
April 29.....	4,454	19.94	Apr. 7.....	2,243	19.98
May 6.....	4,213	19.80	Apr. 14.....	2,517	19.71
May 13.....	2,073	19.67	Apr. 21.....	2,196	19.70
May 20.....	2,121	19.70	Apr. 28.....	1,517	19.54
May 27.....	2,637	19.70	May 5.....	1,253	19.28
June 3.....	2,213	19.69	May 12.....	1,033	19.16
June 10.....	1,870	19.31	May 19.....	914	17.74
June 17.....	1,643	19.62	May 26.....	845	19.20
June 24.....	1,312	19.22	June 2.....	750	19.42
July 1.....	1,315	19.23	June 9.....	740	19.61
July 8.....	1,167	19.14	June 16.....	754	19.64
July 15.....	1,037	19.25	June 23.....	742	19.31
July 22.....	1,279	19.21	June 30.....	727	19.21
July 29.....	1,297	17.12	July 7.....	674	19.21
August 5.....	1,444	17.16	July 14.....	515	19.05
August 12.....	1,225	19.95	July 21.....	667	19.08
August 19.....	1,224	17.19	July 28.....	591	19.49
August 26.....	1,270	19.92	Aug. 4.....	685	19.16
September 2.....	1,210	17.03	Aug. 11.....	698	19.85
September 9.....	1,048	17.20	Aug. 18.....	943	19.20
September 16.....	1,037	17.28	Aug. 25.....	855	19.42
September 23.....	936	17.20	Sept. 1.....	844	19.43
September 30.....	898	17.23	Sept. 8.....	715	19.94
October 7.....	779	17.42	Sept. 15.....	740	19.16
October 14.....	721	17.69	Sept. 22.....	676	19.22
October 21.....	697	17.83	Sept. 29.....	672	19.19
October 28.....	745	17.84	Oct. 6.....	542	19.79
November 4.....	762	19.12	Oct. 13.....	583	20.09
November 11.....	900	19.03	Oct. 20.....	612	20.29
November 18.....	1,131	19.28	Oct. 27.....	670	20.28
November 25.....	1,354	19.17	Nov. 3.....	709	21.52
December 2.....	1,814	19.42	Nov. 10.....	975	21.50
December 9.....	2,241	19.61	Nov. 17.....	1,126	21.79
December 16.....	2,640	19.70	Nov. 24.....	1,249	22.09
December 23.....	2,435	19.63	Dec. 1.....	1,654	22.83
December 30.....	4,018	19.99	Dec. 8.....	2,207	22.55
			Dec. 15.....	2,511	22.76
			Dec. 22.....	2,420	23.07
			Dec. 29.....	2,757	22.79
1951					
Jan. 6.....	4,384	19.99			
Jan. 13.....	4,930	19.94			

TABLE II.—Status of the fund in relation to taxable payrolls, benefits, and contributions

Period ending—	Taxable payroll previous 12 months	Fund balance at end of period	Percent of fund to previous 12-month taxable payroll	Gross benefits paid previous 12 months	Percent of benefits paid to taxable payroll	Contributions as a percent of taxable wages
June 30, 1949.....	\$213,250,880	\$24,357,110	11.4	\$2,230,990	1.06	1.96
June 30, 1950.....	215,257,017	25,258,109	11.7	2,890,261	1.31	1.97
June 30, 1951.....	251,206,167	28,723,408	11.4	1,879,267	.75	1.96
Dec. 31, 1951.....		31,245,514				

Weekly benefit amounts under the Idaho law are determined on the basis of high-quarter earnings in the base period as set out in a formula. The following tabulation shows the amount of wages necessary to qualify for the minimum, the maximum, and two intermediate steps. It also shows the amount of the supplement to be provided under the Moody-Dingell bills and the total.

High-quarter wages	Weekly benefit rate	Moody-Dingell supplement	Total
\$150 to \$200.....	10	15	25
\$208.01 to \$248.....	15	8	23
\$478.01 to \$630.....	20	10	30
\$634.01 or more.....	25	13	38

During the current period 67 percent of claimants qualify for the maximum benefit amount.

#### DURATION

Duration of benefits governed by formula beginning with 10 weeks for claimants having minimum base period earnings necessary to qualify and graduated at 2 week intervals to maximum of 26 weeks.

#### DISQUALIFICATIONS AND ELIGIBILITY

There are no disqualification provisions in the Idaho law as such. The principal eligibility conditions are:

In addition to the usual requirements for filing and reporting to continue a claim, an individual must be able to work, available for suitable work, and seeking work. Temporary illness or disability occurring after establishment of a valid claim does not disqualify until suitable work is available.

Claimants who have voluntarily quit without good cause, were discharged for misconduct in connection with their employment, or have failed to apply for or accept suitable work when offered are ineligible without time limit and may regain eligibility only through having obtained bona fide work and received wages therefor for a period of not less than 30 days.

Female claimants who leave work to marry, to perform the customary duties of a housewife, or to leave the locale to live with their husbands are ineligible until they demonstrate a desire for and availability for work.

Unemployment due to a stoppage of work existing because of a labor dispute is compensable only if it is shown that the individual is not participating, financing, aiding, abetting, or directly interested in the labor dispute and does not belong to a grade or class of workers which, immediately before the commencement of the stoppage, there were members employed at the premises at which the stoppage occurs, any of whom are participating in or directly interested in the dispute.

The CHAIRMAN. Mr. Hall is the next witness listed.

#### STATEMENT OF WILLIS H. HALL, SECRETARY, DETROIT BOARD OF COMMERCE

The CHAIRMAN. Mr. Hall, will you identify yourself for the record, please?

Mr. HALL. Mr. Chairman and gentlemen: My name is Willis H. Hall; I am secretary of the Detroit Board of Commerce. I serve also in the capacity of a member of the labor-management committee for the Detroit industrial area. I serve as an industry member on the regional wage stabilization board at Detroit.

My principal activity during the past 15 years has been in the industrial development of the Detroit area, and during the war I had the privilege of serving on the regional war manpower commission at Detroit, when we had all of the problems of manpower shortages and surpluses, and also on the regional war labor board at Detroit.

I will be very brief, Mr. Chairman. I think since the State of Michigan, and particularly the Detroit area, has been mentioned so prominently in the discussions relative to this bill that it might be of some help to the committee to very briefly review the history of employment in the Detroit industrial area, starting in 1940, before Pearl Harbor. We had, at that time in March of 1940, 424,000 people in industrial employment in the Detroit area, and at that same time we had 143,000 workers unemployed in the relatively good year of 1940. Then came Pearl Harbor and the conversion to war, and you will recall that in the spring of 1942 there was a tremendous cry from the State of Michigan that we would have 300,000 workers unemployed, and there was an appeal to the Congress to appropriate \$300 million to take care of the conversion and unemployment in the Detroit and Michigan area. We went through that unemployment and conversion period and relied solely on Michigan unemployment funds to provide the necessary relief for that period. During the war we approached and reached a peak in industrial employment of 852,000 workers, but at the same time that we had that peak of 852,000 workers we still had 22,000 workers unemployed in the Detroit area.

Then came the end of the war and reconversion back to peacetime production, and again you will recall that there was a great appeal to the Congress to provide Federal legislation for supplemental benefits to take care of the conversion unemployment. Unemployment reached a substantial amount in the State of Michigan, but we reconverted back to peacetime production and the Michigan fund and the unemployment laws of the State of Michigan met the problem. I do not say they met it to the maximum that possibly everyone would have desired, but they did the job.

Now we come down to pre-Korea. Employment in 1946 had dropped down to 490,000 from that peak of 852,000, and we gradually increased employment. In January of 1947 employment was 610,000. At that time, in January 1947, a perfectly normal or boom-time year in the minds of many, we had 73,000 workers unemployed in the Detroit area. In January of 1948 we had 645,000 people at work and 48,000 unemployed. In January of 1949 we had 629,000 people working and 62,000 unemployed. Then we come to January, 1950, when we had 630,000 at work and 88,000 unemployed, a pre-Korea normal peacetime year.

The CHAIRMAN. That was January 1950?

Mr. HALL. January 1950. Then came Korea, and there was an immediate purchasing bulge across the Nation, which hit the automobile industry with a double impact, because the people across the Nation had memories of no automobile production in World War II and they were fearful of the possibility of no automobile production in 1951 and 1952, so there was an enormous increase in employment. From 630,000 in January 1950 employment rose to 727,000 in October of 1950. That was the peak, and that was an increase of about 90,000 workers.

Senator KERR. In what period?

Mr. HALL. In a period of 10 months. Still, at that peak, we had 28,000 people unemployed in the month of October.

I think it is important to understand that employment bulge to measure whether or not this entire impact of unemployment at Detroit and in Michigan today is the impact of defense production.

Actually, on January 1, 1952, we had 635,000 people at work, which compares with 630,000 in January of 1950. So we went up over the hump and we are back down now to the normal pre-Korea employment in the Detroit area, and we have, as of January 1952, 105,000 unemployed.

Now a portion of that 105,000 is normal unemployment. Another portion was due to automotive conversion, or model change-over which started in December and carried over into January, but we are back on the road of more employment in the automobile industry because of the completion of conversion. That is the reason you had some testimony this morning that the number of claims had been dropping. A part of the unemployment is due to the post-Christmas shopping lay-off, which is normal at this time of the year, which ranged around 15,000 people in the retail trade and services that are normally unemployed at this time because of the season.

Another phase of this hump that should be mentioned is the construction industry. In 1949 employment in the Detroit area in the construction industry was approximately 35,000 workers. It rose to 51,000 in the middle of 1951. In January it is down to 47,000, only slightly below the peak but materially above the pre-Korean peak.

So if we look at this bill from the standpoint that it is a proposal to take care of the unemployed caused by the defense production we must, I think, give consideration to the fact that the employment peak of October 1950 was also employment caused by Korea, and as we return to normal we have only the normal unemployment in the Detroit area, as demonstrated by this continuous record from 1940 down to the current time.

True there are ups and downs in the volume of employment and unemployment, but that is a condition that is traditional with Detroit and Michigan.

I am not in any way, gentlemen, minimizing the hardship upon the workers in Detroit and Michigan. We are having difficulties, but it seems to me that the constructive approach to that problem is not to compensate people for not working, and it is not to attempt to hold them in pools of unemployment in areas of the country that have unemployment when there is great need for construction workers and for workers of all types in many parts of the country. If you understand the Detroit picture, this increase of 97,000 workers in the summer of 1950 were not workers normally living at Detroit, they were from all over the United States. When the word goes out that the automobile business is rolling in Detroit the people in Detroit send word out to their friends, their relatives across the country, to come to Detroit, that "Here is a job waiting for you," and they hop the nearest Greyhound bus or they get in their automobiles and head for Detroit, and when they are laid off they leave equally rapidly.

The people in the unemployment compensation department in Michigan will tell you there is a sizable differential between the number of people filing claims and the number of people who are out of work from the decrease in employment, and we believe a large portion of that is due to the fact that they have left Detroit, they have found jobs in other parts of the country.

Now getting to a constructive approach to the problem. It is certainly not in the best interest of the national economy and defense

production to attempt to maintain workers in a state of unemployment when they are needed elsewhere, and we have developed and are in the process of developing a number of programs at Detroit to meet the situation, to put the people back to work. Among those is the increase in the amount of subcontracting from other subcontractors around the country to Detroit; the establishment by the Defense Department of a task force which could come to Detroit to see what can be produced there, the items that can be placed into rapid and easy production, so we can fill the gap between the lay-offs in civilian production and the production of items for the defense program. We are asking the industries in Detroit to see for themselves what they can do to increase the volume of work coming into Detroit. Everyone is working cooperatively on that sort of constructive approach to the job.

As you know, Senator Moody has been in the forefront of that fight with the Defense Department, to get their thinking reoriented back toward Detroit.

We are still hopeful that the supply of copper and lead and steel will be in such quantities that the Defense Department will see fit to increase the allocation of these materials to the automobile industry for the second quarter of this year. We are fairly confident that the increase in supply of all these critical items in the third and fourth quarters will be in such quantity that we can approach more reasonable normal production in the automobile industry.

I give you that picture of Detroit because I think it is important to your consideration of this bill. We believe that Michigan demonstrated its ability to handle this problem in 1942 and in 1946, and we believe that there are adequate resources in the State of Michigan to enable us to handle the problem today.

We are opposed to the invasion of the Federal Government into the rights of the States to determine for themselves, at the local level, what best meets the needs of the people in the several States. We believe that was the intent of Congress when it enacted this legislation and separated the powers of the Federal Government and the several States in handling unemployment compensation, and we believe that separability and freedom of the several States should be continued.

That, sir, is a very brief statement of our position in opposition to this bill. Laudable as it may be in the minds of some of the Senators who sponsor it, we believe it is a step backward, it is not in the interest of the national defense production; it is not in the interest of the freedom of the States; it is not in the interest of the people to do for themselves what they can do best for themselves.

Thank you. I will be glad to answer any questions, if there are any.

The CHAIRMAN. Are there any questions?

Senator JOHNSON. I would like to ask one question. Do I understand from your testimony, Mr. Hall, that in your opinion the problem at Detroit, the emergency that we speak of, is nonexistent and that really what we have there is a seasonal normal condition?

Mr. HALL. It is not nonexistent, it is more or less a normal problem. As I mentioned, Senator, going back as far as 1940, we had 143,000 unemployed. We have normally somewhere between 50,000 and 90,000 people unemployed.

Senator JOHNSON. And now you have 105,000 unemployed?



Mr. HALL. We have 105,000 unemployed. That is a slight increase, but I have pictured that unemployment against the enormous increase in employment in Detroit since Korea. So Korea has been a double-edged sword. We had an increase in employment of 97,000 people in 10 months in 1950, and it has now, because of the conversion problems, caused the unemployment of a number of people, but employment in Detroit is back to where it was in January 1950.

Senator MOODY. I am not a member of this committee, but I wonder if I might ask a couple of questions?

The CHAIRMAN. Yes; you may do so.

Senator MOODY. You said that vigorous efforts were being made to increase the allocation of materials.

Mr. HALL. Yes.

Senator MOODY. By the Defense Department.

Mr. HALL. Yes.

Senator MOODY. Or, rather, by the National Production Administration, to increase civilian production, in line with whatever can be produced without interfering with the military needs.

Mr. HALL. Yes.

Senator MOODY. You know, of course, that I am thoroughly in accord with that. I am trying to bring it about. Also I agree with you that the efforts that are now being made, through the task force and through industry, to put the full productive facility in the town back to work either in military work or on civilian work is the most important and most urgent phase of this program. I would like to ask you, however, whether you anticipate that that will be sufficient in the next few months to absorb the sharp increase in lay-offs that have taken place in the last few months?

Mr. HALL. I stated, Senator, that a portion of the sharp increases in unemployment that have taken place in the latter part of the year were partially due to model change-overs, and we are now employing more people than we did 30 days ago.

Senator MOODY. Are there not 107,000 people now out of work in Detroit?

Mr. HALL. 105,000 in January.

Senator MOODY. I think it is 107,000, according to some later figures than that. What proportion of those people were unemployed because of model change-overs?

Mr. HALL. I think it was something like 21,000. I will give you a quotation from the January 1952 Labor Market Survey:

Hiring schedules point to sizable shifts in employment in the next 60 days.

This is January 1952. The Detroit labor market letter says:

Manufacturers anticipate recalling 21,000 workers, 18,000 of them to auto factory jobs following the recent shut-down for holidays, inventory and model changes. Another 2,000 workers may be absorbed in expanding machinery plants.

That is the Detroit labor market letter of January 1952.

Senator MOODY. Are you saying, Mr. Hall, that you have information on which you can say that you can assure us that 21,000 of the 105,000 or 108,000 that are out of work now will be called back in the next 30 days?

Mr. HALL. They are being called back now. This is the survey of the Detroit labor market.

Senator MOODY. Can you say definitely that the normal call-back to work is going to reduce unemployment in Detroit?

Mr. HALL. The normal call-back to work has already reduced unemployment.

Senator MOODY. That is true, but also, of course, we are having lay-offs, and as you know, there is hanging over the community a further cut-back from the present 1,000,000 level to the 930,000 ceiling in the second quarter, isn't that true?

Mr. HALL. I am hopeful that the action in Detroit and Washington has been sufficient to convince the Defense Department that they should reexamine the allocations of materials for the second quarter.

Senator MOODY. Do you have any assurance that the NPA is going to allow the production of the same number of cars that are now being produced? If you do, you are way ahead of me.

Mr. HALL. Senator, I think you are softening them up quite a bit.

Senator MOODY. Thank you very much. I am trying to.

Mr. HALL. Actually, Senator, we at Detroit believe that it would have no impact on the defense program to allocate enough copper and aluminum for the automobile industry to produce 1,100,000 cars in the second quarter, and we believe if the administration handling the foreign cartel controls of copper would let the industries go into the foreign market and purchase copper over and above their domestic allocation we could find adequate supplies of copper and aluminum to produce the 1,100,000 cars, and we believe there is adequate steel for that volume of production. It is a question of getting coordination between civilian and defense production in Washington to let Detroit do its normal job.

Senator MOODY. As you know, I have advocated an increase in that limit.

Mr. HALL. Yes.

Senator MOODY. I think neither you nor I have a full picture of the problems of Mr. Fleischmann in that situation. I tried to understand them and I assume you did, too. I have been pressing to do what you suggest. But what I am suggesting to you is that whatever we might like to do in Detroit, the fact remains that we have there more than 100,000 people in one community out of work. That is more people than are working in four or five of the States in the Union, and I am surprised to hear you say that 90,000 people out of work in Detroit was a normal condition.

Mr. HALL. Senator, let us look at the record. In January 1950 unemployment in the Detroit area was 88,000 people.

The CHAIRMAN. That was January 1950?

Mr. HALL. January 1950 there were 88,000 unemployed. In July of 1949 there were 96,000 people unemployed, and July of 1949 was a boom year. In April 1949 there were 92,000 people unemployed. Going back to January 1947 there were 73,000 people unemployed. These are from the records of the Michigan Employment Security Commission.

Senator MOODY. If that is true, if the case you are making is true, if the 21,000 people are now going back to work after model changes, what you are saying is that the town was better off without the copper than it was with the copper.

Mr. HALL. I am not saying that.

Senator MOODY. Why should the automobile people, why should Mr. Wilson and the others come down here and say they must have the copper when you say the unemployment situation is not so serious now, that it is normal?

Mr. HALL. Don't put words in my mouth, Senator. Let us go back to pre-Korea. In January 1950 we had 630,000 people employed and at the same time we had 88,000 unemployed. With the impact of Korea employment increased to 727,000. That was when the buying boom took place in the automobile industry, in refrigerators, stoves, and everything else in the country and we added an enormous amount of employment. That employment was drawn largely from the 48 States of the country. They were not all Detroit residents who were employed. They were laid off and many of them migrated back to their homes with a considerable amount of money that they had saved up from the high wages that they received in Detroit.

I say this problem is not serious enough to call for the intervention of the Federal Government into the system of State employment compensation throughout the 48 States, and we demonstrated in 1942, with a much larger volume of unemployment, that the Michigan unemployment compensation was adequate to do the job. We demonstrated again in 1945 and 1946 that the Michigan unemployment compensation fund was adequate to do the job, and I am saying again that the Michigan unemployment compensation fund was designed for this purpose, and we have something in excess of \$350 million in the fund to meet the demand of the people of the State of Michigan. It is much better, Senator, to use the surplus funds of the several States, which now total something over \$8 billion, than to call for a drain of the Federal Treasury that is one-quarter of a trillion dollars in debt.

Senator MOODY. Do you think the Michigan legislature is going to spend this money to help in this situation?

Mr. HALL. We have a Democratic Governor in the State of Michigan and I presume he will recommend to the legislature what he sees fit. I assume the members of the legislature are as human and as aware of the problem as the people of the rest of the United States. They are closer to it than the people in Washington, and I say it is an appropriate thing to leave it to the people of the State of Michigan, to the Legislature of the State of Michigan, which is now in session, to meet the problem that exists out there as they best believe it can be met.

Senator MOODY. You did not answer my question.

Mr. HALL. Yes, I did.

Senator MOODY. No, you did not answer it.

Mr. HALL. Maybe not as you wanted it answered.

Senator MOODY. No; you did not answer it. I asked you whether you felt the Michigan Legislature is or is not coming up to the responsibility. Do you believe the Michigan Legislature is or is not coming up to the responsibility?

Mr. HALL. That depends, Senator, on what you believe is the responsibility of the Michigan Legislature.

Senator MOODY. I asked you what you thought about it.

Mr. HALL. I think the Michigan Legislature is doing a very good job of meeting the needs of the people of the State of Michigan.

Senator MOODY. Do you think the legislature ought to increase the present standards?

Mr. HALL. I do not.

Senator MOODY. You feel the present standards in the State of Michigan are adequate?

Mr. HALL. I believe the present standards of the State of Michigan are the highest of any of the 48 States in the Union and I believe they are adequate for what unemployment compensation was designed for.

Senator MOODY. So when you come here to tell Congress that the States ought to meet this problem you are not saying that the States should do anything about the problem, you are merely saying that the Congress should not, and now you are saying that the States should not, is that right?

Mr. HALL. No, I said if the Legislature of the State of Michigan feels there is a need to do something about it, it is fully competent and qualified to do it, and it is more competent and qualified to do it than the Congress of the United States which is several hundred miles away from Michigan.

Senator MOODY. I think the Congress of the United States may prove to be more in touch with the situation than the Legislature of the State of Michigan. That does not go for the Governor of the State of Michigan. You said the Governor of Michigan was a Democratic Governor, and that is true. The Governor of Michigan has asked that the legislature act on this thing. When I asked that this bill be introduced it was because the tenor of the legislature is exactly the tenor that you have just expressed, namely, that the present system in the State is adequate. Now, some of us down here, the 15 Senators who introduced this bill, don't think it is adequate in Michigan and we don't think it is adequate in other places, in view of the fact that it was the Federal Government, as a matter of necessity, has said, "You can't use this metal because we need it for the military."

Mr. HALL. Now, Senator

Senator MOODY. Just a minute, please, Mr. Hall. I just wanted to find out for the record whether you thought the present system is adequate. You are saying that the system could take care of it and I want to find out for the record whether you thought that the State ought to do anything about it, and if I understand you correctly, you think the State standard is adequate now, and therefore the legislature is not called upon to do anything about it. Is that correct?

Mr. HALL. That is correct. I have no desire to enter into a political debate for your campaign, if that is what you want. I don't think this is the proper forum. I would be glad to debate it outside of Congress at any time you want.

Senator MOODY. I would be delighted, Mr. Hall, and I am not making a political debate. But I think the statement has been made here to the National Congress that this is a matter that should be handled by the State. There is nothing political about this statement. Then you said in answer to a question of mine that you felt that the State standards are adequate, and I want it on the record. There is nothing political about it.

Mr. HALL. Senator, I will say again I believe in the Constitution of the United States which said that all the powers of the people should remain in the States unless delegated to the Congress, and I believe the Congress has determined adequately and fairly that this is a matter for the several States, and I would be a very strong

opponent to the invasion of the Federal Government into States' rights.

The CHAIRMAN. Thank you very much, Mr. Hall.

Mr. HALL. I appreciate the opportunity, Senator, of giving you the picture of Detroit as we see it.

The CHAIRMAN. As chairman of the committee, I thank you for the picture you have given us.

Senator MOODY. Mr. Chairman, I would like to thank you for the opportunity of questioning Mr. Hall.

Mr. HALL. Thank you, gentlemen.

The CHAIRMAN. The committee will recess until 2:30.

(Whereupon, at 12:40 p. m., a recess was taken to 2:30 p. m. of the same day.)

#### AFTERNOON SESSION

The CHAIRMAN. The committee will come to order, please. The next witness is Mr. Melvin J. King. Mr. King, I am sorry there are no other members of the committee here.

#### STATEMENT OF MELVIN J. KING, MADISON, WIS., MANAGER OF THE EMPLOYER-EMPLOYEE RELATIONS DEPARTMENT OF THE WISCONSIN STATE CHAMBER OF COMMERCE

Mr. KING. We will get in on the record anyhow. Mr. Chairman. In addition to my oral testimony I would like to submit the attached data and records.

The CHAIRMAN. You may do so.

Mr. KING. My name is Melvin J. King, Madison, Wis. I am an attorney and manager of the employer-employee relations department of the Wisconsin State Chamber of Commerce, appearing in behalf of the Wisconsin State Chamber of Commerce. It has been interesting to note, Mr. Chairman, that in the past few weeks, since the introduction of the Moody bill, that we have received a number of unsolicited letters from our members opposing S. 2504. A number of our members have asked that we come down here and make this appearance before this committee, and point out why we in Wisconsin feel that this bill should not be passed.

I would like to confine my statements to the effects of this bill upon Wisconsin, its businessmen, and its employees. First of all, let me state that the consciousness of the problem of caring for the unemployed workers was solved in Wisconsin long before the Federal Government passed any legislation on the subject. It was back in 1932 that Wisconsin became the first state to pass any legislation providing benefits for unemployed workers. And, Mr. Chairman, we did not ask for Federal aid then—and we do not ask for it now. This bill questions the ability of the State legislators to solve unemployment problems for themselves—problems which we in Wisconsin have been able to solve for the past 20 years.

In Wisconsin we have a statutory advisory committee whose duty it is to "submit its recommendations with respect to amendments \* \* \* to each regular session of the legislature." This committee is composed of four labor representatives of the AFL and the CIO, and four representatives of industry. At each legislative session in Wisconsin, this committee submits an "agreed" bill recom-

mending changes in our unemployment compensation law. We feel that this cooperative effort of labor and management—in safeguarding our State system—has worked admirably, and we feel that S. 2504, if passed, will be another step toward eventually destroying this harmony of which we are justly proud.

The Moody-Dingell bill in its preamble states that there are—

large numbers of persons in certain areas unemployed due to the mobilization of national production resources for defense and dislocations in the economy during the national emergency.

However, in providing Federal supplemental benefits, the bill does not limit itself to this interpretation. In Wisconsin we have certain seasonal canning operations, such as peas and corn. The workers who are employed in these operations know that this is short-term employment. When the canning season is completed, we do have depressed areas with no prospect of immediate reemployment. It is just what everybody expects. It is depressed at least until these workers move out of these areas into other employment. It would take only one such incident in Wisconsin to fit the qualifications of this bill. Therefore, it is obvious to us that the preamble of this bill is nothing more than a sanctimonious attempt to hide its true intent—federalization of the State unemployment compensation systems.

This bill speaks of the present pressing unemployment problem, and yet the Wisconsin employment picture is exceedingly healthy, as is well confirmed by the charts which are attached to this testimony. These charts will conclusively show that Wisconsin is not in desperate straits—and not in need of any Federal aid. We do not anticipate such need, and should the emergency, or our shift into high-g geared defense production, bring about a sharp incidence of unemployment, we feel eminently qualified to care for ourselves. In 1949, in the State of Wisconsin due to the slight recession and the steel strike, we had an unemployment picture in Wisconsin where we had approximately 50,000 unemployed workers. For Wisconsin, that is high. But, as we can testify today, we are still surviving. However, today our unemployment picture is  $2\frac{1}{2}$  times less that figure. The proponents of this bill seek passage on the grounds that "Congress finds large numbers of unemployed." Not in Wisconsin, gentlemen.

Our unemployment compensation law provides a maximum benefit of \$30 per week for a maximum duration of 26 $\frac{1}{2}$  weeks. A complete schedule of benefits is attached to my written statement for your information. The advisory committee, which I have already mentioned, has consistently increased the benefits in Wisconsin to keep pace with the rising cost of living. The most recent increase raised the benefit levels at approximately 50 percent of the average weekly wage. And we have done so deliberately. We intended to do it, and we do not intend to raise it any higher than that. Because in these days of payroll deductions for Federal income taxes, Federal old-age and survivors insurance, union dues, medical and hospital insurance, costs of transportation and other incidentals to the worker, a greater benefit percentage than this 50 percent would discourage a worker from returning to work, or, if not that, at least certainly from actively seeking other employment. We are, therefore, opposed to the Moody-Dingell bill because in Wisconsin it would destroy the incentive to work by giving the unemployed worker almost as much money for not working

as he would receive for working after all deductions had been taken from his pay check.

At the close of the last calendar year, Wisconsin employers had a reserve fund of \$237,405,770. We are sure that this amount is more than adequate to guard against any future lay-offs that might result from defense production conversion. The Wisconsin law further provides for graduated increased taxes in the event that any employer's individual reserve account falls below 10 percent of his payroll. Wisconsin employers, therefore, believe that financial stability has been adequately demonstrated and that there is no necessity for further supplementation by the Federal Government.

As you will note from the attached data, the average weekly benefit check for 1951 in Wisconsin was \$21.74. The average weekly pay check for 1951 was \$68.80. This latter figure ranged from a low in July of \$66.26 to a high in December of \$72.67. The maximum benefit of \$30 is paid to those whose earnings were \$58 per week or more. As to Wisconsin it becomes rather obvious then that this bill errs when it states that "a large amount of such unemployment is among workers whose skills are essential." It is the skilled workers who are receiving the high wages. If there were large numbers of skilled workers unemployed, the average benefit check for 1951 would certainly be higher than \$21.74. In 1951 only 37 percent drew maximum benefits. It becomes evident then, that the majority of those receiving benefits are the unskilled or those drawing partial benefits.

The businessmen of Wisconsin protest this bill because they believe it would be politically impractical for our Governor to fail to put Wisconsin in line for this Federal dole. Pressures from labor would very quickly force every State to submit to this new and unnecessary subsidy, because the first slight depression, just as this canning seasonal operation that we have in Wisconsin, in any one area in Wisconsin, would be sufficient to raise the cry from labor for the Governor's certification. There is no question about it. I would like to point out that we are justly proud of the Wisconsin unemployment compensation law. Many features of our law have been used as a model by other States. It is well policed, with a minimum of fraudulent claims. The Moody-Dingell bill, with its additional benefits, would foster malingering and encourage attempts at fraud.

We urge defeat of this bill. We believe it is another attempt to insult our integrity—to beggar our honest intent to settle our own problems which we have proved so conclusively we have been able to do without Federal intervention. We cannot stress too strongly that we do not want, we do not need, and we do not ask for Federal aid. We maintain that the moneys of the budget of the Department of Defense should be used strictly to build our military strength, and not used to further another socialistic scheme. There has been no demonstrated need, as far as Wisconsin is concerned, for further Federal aid in unemployment benefits. We can only believe that this is another of the numerous attempts to federalize the State unemployment compensation systems.

In conclusion, while I have represented Wisconsin business organizations, I am certain that these remarks might very well represent the views of business organizations throughout the country, who are cognizant that this bill is wholly unnecessary. We ask that you treat it accordingly.

The CHAIRMAN. I thank you very much. Not only is your State a pioneer in this field, as you point out, but representatives from your State who are familiar with your earlier efforts made perhaps the largest contribution to this committee when we were undertaking to set up the unemployment compensation system. Thank you very much.

(The documents referred to follow:)

Schedule of benefits

Line	Average weekly wage class	Weekly benefit rate	Line	Average weekly wage class	Weekly benefit rate
1	Under \$12.00	None	13	\$15.01 to \$40.00	20
2	\$12.00 to \$14.50	80	14	\$40.01 to \$42.00	21
3	\$14.51 to \$17.00	10	15	\$42.01 to \$44.00	22
4	\$17.01 to \$19.50	11	16	\$44.01 to \$46.00	23
5	\$19.51 to \$22.00	12	17	\$46.01 to \$48.00	24
6	\$22.01 to \$24.50	13	18	\$48.01 to \$50.00	25
7	\$24.51 to \$27.00	14	19	\$50.01 to \$52.00	26
8	\$27.01 to \$29.50	15	20	\$52.01 to \$54.00	27
9	\$29.51 to \$32.00	16	21	\$54.01 to \$56.00	28
10	\$32.01 to \$34.00	17	22	\$56.01 to \$58.00	29
11	\$34.01 to \$36.00	18	23	\$58.01 or over	30
12	\$36.01 to \$38.00	19			

\* Under new determinations based on same week after Aug. 25, 1951.

Number of claims and average amounts paid to claimants, 1949-51

1949			1950-Continued			
	Cost of living <sup>1</sup>	Total unemployment compensation claims filed	Average unemployment compensation check, all types of unemployment	Cost of living <sup>1</sup>	Total unemployment compensation claims filed	Average unemployment compensation check, all types of unemployment
Jan. 1		20,142		July 9	21,906	
Jan. 8		20,771		July 16	25,476	
Jan. 15		27,650		July 23	25,996	
Jan. 22		28,851		July 30	26,097	\$21.47
Jan. 29	170.9	28,944	\$19.14	Aug. 6	29,654	
Feb. 5		28,297		Aug. 13	28,132	
Feb. 12		28,425		Aug. 20	28,676	
Feb. 19		27,297		Aug. 27	28,299	21.50
Feb. 26	154.0	27,626	19.72	Sept. 3	28,598	
Mar. 5		28,611		Sept. 10	27,339	
Mar. 12		28,839		Sept. 17	28,694	
Mar. 19		28,374		Sept. 24	22,261	21.98
Mar. 26	160.5	29,079	20.16	Oct. 1	22,770	
Apr. 2		28,590		Oct. 8	25,455	
Apr. 9		28,026		Oct. 15	25,207	
Apr. 16		28,002		Oct. 22	25,804	
Apr. 23		28,484		Oct. 29	24,279	21.91
Apr. 30	160.7	28,993	20.20	Nov. 5	28,881	
May 7		28,414		Nov. 12	31,997	
May 14		27,316		Nov. 19	37,904	
May 21		28,536		Nov. 26	42,722	22.28
May 28	160.2	28,162	21.00	Dec. 3	48,252	
June 4		24,020		Dec. 10	48,732	
June 11		25,188		Dec. 17	48,245	
June 18		25,938		Dec. 24	38,971	
June 25	160.6	23,979	20.24	Dec. 31	38,760	
July 2		24,190				

<sup>1</sup> Cost of living indexes based on the "old series."

Unemployment compensation benefits paid in year	\$19,626,809.00
Average check	21.53
Year-end reserve	716,645,310.00



## UNEMPLOYMENT COMPENSATION

Number of claims and average amounts paid to claimants, 1949-51—Continued

	Cost of living <sup>1</sup>	Total unemployment compensation claims filed	Average unemployment compensation check, all types of unemployment		Cost of living <sup>1</sup>	Total unemployment compensation claims filed	Average unemployment compensation check, all types of unemployment
<b>1949</b>				<b>1950—Continued</b>			
Jan. 7		47,520		July 8		10,332	
Jan. 14		65,990		July 15		10,463	
Jan. 21		35,365		July 22		10,214	
Jan. 28	168.3	34,623	22.31	July 29	172.0	9,508	19.56
Feb. 4		36,827		Aug. 5		8,717	
Feb. 11		33,641		Aug. 12		8,488	
Feb. 18		22,805		Aug. 19		8,776	
Feb. 25	167.9	31,823	22.19	Aug. 26	173.4	8,010	19.26
Mar. 4		31,164		Sept. 2		9,228	
Mar. 11		28,799		Sept. 9		8,252	
Mar. 18		28,068		Sept. 16		7,927	
Mar. 25	168.4	27,689	22.21	Sept. 23		7,009	
Apr. 1		26,247		Sept. 30	174.6	6,290	20.20
Apr. 8		24,835		Oct. 7		6,848	
Apr. 15		24,304		Oct. 14		5,572	
Apr. 22		22,531		Oct. 21		5,611	
Apr. 29	168.5	21,115	22.09	Oct. 28	175.6	5,350	19.19
May 6		19,063		Nov. 4		6,756	
May 13		17,414		Nov. 11		6,242	
May 20		15,033		Nov. 18		15,027	
May 27	168.3	13,311	21.21	Nov. 25	176.4	12,406	20.60
June 3		12,332		Dec. 2		10,943	
June 10		12,337		Dec. 9		10,222	
June 17		11,863		Dec. 16		12,417	
June 24	170.2	11,123	18.80	Dec. 23		12,401	
July 1		10,812		Dec. 30	178.8	14,159	20.44

Unemployment compensation benefits paid in year	\$13,061,614.00
Average check	21.91
Year-end reserve	222,136,785.00

Number of claims and average amounts paid to claimants, 1949-51—Continued

	Cost of living	Average weekly wage	Total unemployment compensation claims filed	Average unemployment compensation check, all types of unemployment		Cost of living	Average weekly wage	Total unemployment compensation claims filed	Average unemployment compensation check, all types of unemployment
<b>1951</b>					<b>1951—Continued</b>				
Jan. 6			16,363		July 7			7,602	
Jan. 13			17,716		July 14			8,990	
Jan. 20			17,666		July 21			9,269	
Jan. 27	181.5	607.50	15,185	\$21.50	July 28	185.5	665.20	8,485	\$19.79
Feb. 3			15,471		Aug. 4			8,299	
Feb. 10			25,226		Aug. 11			8,722	
Feb. 17			20,810		Aug. 18			8,846	
Feb. 24	183.8	66.20	18,243	21.63	Aug. 25	185.8	67.77	7,909	19.95
Mar. 3			14,194		Sept. 1			7,990	
Mar. 10			12,605		Sept. 8			7,575	
Mar. 17			11,459		Sept. 15			7,269	
Mar. 24			11,378		Sept. 22			6,878	
Mar. 31	184.5	69.65	11,652	21.54	Sept. 29	185.6	67.54	6,929	20.30
Apr. 7			10,728		Oct. 6			7,559	
Apr. 14			9,851		Oct. 13			7,816	
Apr. 21			9,229		Oct. 20			8,872	
Apr. 28	184.6	69.36	8,406	21.29	Oct. 27	187.4	68.84	10,279	20.70
May 5			8,160		Nov. 3			11,290	
May 12			7,852		Nov. 10			10,179	
May 19			7,498		Nov. 17			16,602	
May 26	185.4	69.09	6,694	20.25	Nov. 24	188.6	69.75	12,928	23.10
June 2			6,561		Dec. 1			13,222	
June 9			6,962		Dec. 8			14,457	
June 16			6,667		Dec. 15			14,690	
June 23			7,016		Dec. 22			16,299	
June 30	185.2	69.62	7,771	19.39	Dec. 29	190.1	72.67	20,815	22.66

<sup>1</sup> F. Stiles canning industry.

Unemployment compensation benefits paid in year	\$7,348,375
Average check	21.74
Year-end reserve	237,406,770

The CHAIRMAN. Mr. Wagner.

**STATEMENT OF CARL W. WAGNER, AUDITOR OF THE ROCKWELL-BARNES CO., CHICAGO, ILL.**

Mr. WAGNER. My name is Carl W. Wagner. I am the auditor for the Rockwell-Barnes Co., Chicago, Ill. Our firm is a member of the Illinois State Chamber of Commerce, and I am a member of the social security committee of that organization. I am here to speak on their behalf today. The objections which we have against the Moody bill, S. 2504, have been summarized in a prepared statement made available to the members of your committee. I would like to comment on this statement very briefly.

In that statement we have indicated our objections.

The CHAIRMAN. You wish to put your whole statement in the record?

Mr. WAGNER. Yes, sir.

The CHAIRMAN. That will be done.

(The statement referred to follows:)

STATEMENT OF CARL WAGNER, AUDITOR, ROCKWELL-BARNES CO., CHICAGO, ILL.,  
ON BEHALF OF THE ILLINOIS STATE CHAMBER OF COMMERCE

My name is Carl Wagner. I am auditor for the Rockwell-Barnes Co. of Chicago, Ill. This firm, employing 150 people, operates in Illinois and Missouri. It is engaged in the manufacture of paper, stationery products, and office equipment. My company is a member of the Illinois State Chamber of Commerce and I am a member of its social security committee.

The Illinois State Chamber is a State-wide civic association with a membership of some 11,000 business and professional people from 296 communities. All types of business, ranging from small retail and service organizations to large manufacturers constitute its membership and its 69-man board of directors is representative of this membership. The social security committee is comprised of 71 business and professional men from all parts of Illinois. This committee develops policies in this field which must then be approved by the board of directors.

For many years the committee has considered the principles involved in S. 2504 and you are assured that the opinions I express are supported by the Illinois State Chamber's social security committee as well as its board of directors. They reflect the viewpoints of the very great majority of Illinois businessmen.

It is our belief that this bill should not be approved for the following reasons:

1. Its declared purpose is mere subterfuge.
2. It violates the principle of State administration and control.
3. It is discriminatory as to existing State laws and would compel subordination of State principles to Federal dictation.
4. It will impose an additional and unwarranted burden on the taxpayers.
5. It would retard rather than promote the defense effort.

DECLARED PURPOSE IS A SUBTERFUGE

This bill has been so drafted as to make it appear designed to meet an unemployment problem arising out of mobilization for defense. In our judgment, it is not what it purports to be but rather is just one more of a series of efforts to federalize the unemployment compensation program.

The sponsors point to abnormal unemployment in a few areas but must concede that general levels of employment are so high as to create or threaten serious manpower shortages. It would seem logical that the measure, if designed to meet the problems in the areas of unemployment, would provide some means for lessening the impact of such unemployment on the funds of the States affected. However, the bill does not do this in any measure. On the contrary, it is designed merely to increase benefits to levels far above those established by competent State legislatures and in practical operation, would provide such increased benefits for all workers qualifying for State unemployment benefits, regardless of location or cause of unemployment.

Let us look at the "findings and declaration of policy" as set forth in the bill. There, it is boldly stated that "the present benefits provided under State unemployment compensation laws are both inadequate and unfair to workers suffering such unemployment."

It is inconceivable to us that the Senate Finance Committee, or the Senate, or the House of Representatives would make any such finding. The levels of benefits now provided by the various State legislatures have been established after experience gained through actual administration of these laws over a period of 15 years. At every session of the Illinois Legislature, and I presume of every other State, the adequacy of those benefits has been considered and extensive hearings have been held by legislative committees. For the Congress of the United States now formally to declare that the results of all such State legislative deliberation has been to establish benefits which are uniformly inadequate and unfair would not only be an unwarranted interference with State legislative processes but also would be an insult to the judgment or integrity of the State legislators.

We recognize that this statement of the drafters of this bill does not necessarily go to the merits of their proposal. We submit, however, that it is a clear and unmistakable showing of their true purpose—that is to shift from the States to the Federal Government, the right to determine the proper level of benefits.

Now let us turn briefly to another part of the responsiveness of this bill to its declared purpose. It is said that this bill is necessary because of abnormal unemployment in certain areas. But the solution offered is merely to increase the amount of benefits and pay such increased amounts from a presumably inexhaustible treasury. We fail to see any justification for establishing different amounts of benefits on the basis of different causes of unemployment. As a

matter of fact; we do not believe the sponsors of the bill believe in any such principle, nor do we think the bill would operate to accomplish that end. On the contrary, it is our belief that the governor of a State would be compelled by the practical self-interest of his State, in order to get its fair share of the Federal funds, to find at least one labor market area of substantial unemployment. Federal supplements would then be payable to unemployed persons qualifying for State benefits in every part of the State. Thus the bill will not, in fact, have any relation to defense mobilization.

#### IT VIOLATES THE PRINCIPLE OF STATE ADMINISTRATION AND CONTROL

When Congress passed the Social Security Act and the Federal Unemployment Compensation Act, it recognized that the States were in the best position to determine their own requirements with respect to unemployment compensation and, with minimum restrictions, left administration of this insurance program to the respective States. This principle of State determination has been unsuccessfully attacked during the years the State laws have been in effect and here again, in S. 2504, the principle originally set down by Congress is violated.

Once the Federal Government, as provided in this bill, begins to grant money to the States, it must demand a greater voice in State legislation and administration of unemployment compensation. This bill offers a lucrative inducement for the States to obtain Federal moneys. As a matter of fact, most States will be pressured to request this Federal supplementation so as to obtain at least a partial return of the tax moneys its citizens have provided to the Federal Government. As each State receives these funds, Federal control will be increased.

The sponsors of this legislation would deny that any of its provisions would bring about Federal control or set up new Federal standards. I would like to point out the following provision on page 7, lines 13 through 17.

"No agreement under this Act for payment of compensation by a State agency shall be valid if compensation payable to any individual under the law of such State is less than it would have been under such law as it existed on January 1, 1952."

Here is real control—of course necessary to this type of bill—to prevent States from substituting Federal funds through reduction of their own benefit schedules. But here is the cue that necessity will require a series of Federal standards and controls to regulate the flow of funds to the States.

To demonstrate further, the Illinois act needs an overhauling in the computation of the weekly benefit to more nearly arrive at a percent of the individual's average earnings, a provision in effect in a number of other States. The Illinois State Chamber has so recommended that our law be amended. Under the provision quoted above, however, this bill would prevent the Illinois General Assembly from thus amending our law because, in arriving at a sounder benefit computation, a few individuals would receive a benefit amount less than under the law in effect on January 1, 1952.

#### IT IS DISCRIMINATORY AS TO EXISTING STATE LAWS AND WOULD COMPEL SUBORDINATION OF STATE PRINCIPLES TO FEDERAL DICTATION

Under provisions of S. 2504, an individual in the State of Michigan could receive a weekly Federal supplement of \$22 if he qualified for the maximum benefit of \$27 and \$8 dependency benefits and his combined benefit of \$57 was not more than 75 percent of his average weekly wage. However, this same individual in Illinois would receive a weekly supplement of \$14. He would not receive the 100 percent supplementation of \$8 granted in Michigan for dependency benefits.

Another case of discrimination because of existing State laws. In Illinois, the benefit amount is determined as an amount equal to 5 percent of the individual's wages during that quarter of his base year in which his earnings were highest. That figures to about 65 percent of his average weekly wage. Some States use 4 percent of his highest quarter earnings which would give the individual a benefit amount of about 50 percent of his average weekly wage. Thus an individual in Illinois with an average weekly wage of \$50 would receive the maximum of \$27 from the State and a supplement of \$8 per week from the Federal Government to bring his benefit up to \$33 (65 percent of his average weekly wage to the nearest dollar). In a State with the 4 percent formula, he would receive State benefits of \$25 (about 50 percent of his average weekly wage) and his Federal supplement would be \$8. Proponents of this legislation might possibly deny this lack of uniformity but again we maintain the individual States should

have the right to determine what provisions meet their requirements. This legislation is attempting to arrive at such uniformity for all States—with widely varying conditions—through the means of Federal supplementation.

Here, I would like to mention dependency benefits and point out how this bill would eventually compel States to adopt such a provision in their unemployment compensation laws.

Apparently, one of the reasons for stating in the declared policy that the States have provided unfair and inadequate benefits is that few of them have provided for dependency benefits. No a premium of 100 percent supplementation is provided. Here again, is an indication that one of the purposes of the bill is to promote a principle thoroughly considered by the various States and up to this time, deemed by the majority of them to be contrary to the insurance principles of unemployment compensation. Each State should decide on the inclusion or exclusion of this provision in its law and even though under S. 2504 no provision is made compelling the states to so amend their laws, a very definite element of compulsion would exist if the bill were enacted.

States with no dependency benefits would see their citizens' tax moneys going—through Federal supplementation—to States with dependency benefits. What remedy would they have to recoup these tax dollars except through adopting such a provision in their own unemployment compensation laws?

This is not the occasion to argue at length on the merits of dependency benefits. For many years, the States have been doing that. But unemployment compensation was set up as an insurance program. We have welfare programs to take care of the needy and dependency benefits are a part of such a program. Wages are not based on the number of a worker's dependents. Nor do life or fire insurance policies pay off on such a basis. Those in need must and should be taken care of but it is our conviction that need should not be used as a factor in determining eligibility for benefits or the amount of the benefit.

#### IT WILL IMPOSE AN ADDITIONAL AND UNWARRANTED BURDEN ON THE TAXPAYER

Newspaper stories indicate that the sponsors of this legislation estimate it will not cost more than \$200,000,000 annually. This is a lot of tax dollars but past estimates of Federal expenditures in similar programs have fallen short of actual experience. If, however, the cost is to be \$200,000,000 a year, is the emergency so serious that it cannot be handled by the States individually? On July 1, 1951, the reserve funds of all States totaled \$7,313,592,000, distributed so that most of the States had reserve funds to meet this much additional demand. Since each State law is designed to produce funds sufficient to replenish its reserves, a Federal supplement seems entirely unnecessary.

An accurate estimate of what this legislation would cost initially in additional tax burdens would be extremely difficult to make. For the fiscal year ending June 30, 1951, Illinois paid out \$63,517,554.46 in benefits with a maximum benefit of \$25 per week. Benefits will be increased to \$27 on April 1. Under S. 2504, the Federal supplementation would amount to \$14, bringing the maximum benefit up to \$41. If every beneficiary in Illinois would have received a 50 percent supplementation, for that year, the additional costs in Illinois would have been \$31,758,777. And applying the 65 percent limitation, approximately 60 percent of the beneficiaries would have qualified for the \$41 amount.<sup>1</sup> If our next fiscal year should compare to 1951, the additional Federal supplementation to Illinois would, therefore, be over \$19,000,000 (60 percent of \$31,758,777). Using average benefits for the past 5 years by similar computation, the Federal supplementation in Illinois would be over \$21,000,000.

The costs of Federal supplementation plus increased State unemployment taxes during the next few years really defy an estimate. Think what could happen. Each State could increase its benefit amounts to obtain more Federal funds and to recoup some of its citizens' tax dollars sent to the Federal Treasury. This would increase the State unemployment taxes and create need for additional taxes for Federal supplementation. Could such a vicious circle be stopped?

If the Federal supplementation can be terminated, which some of us doubt, could the States revert to original benefit schedules? It is almost a certainty they would be forced to assume the entire burden. The pressure for these high benefits would be almost irresistible, a pressure always present where money benefits are paid to individuals.

<sup>1</sup> Data used in the computation supplied by the Illinois Division of Unemployment Compensation.

## IT WOULD RETARD RATHER THAN PROMOTE THE DEFENSE EFFORT

The latest report from the Illinois Division of Unemployment Compensation shows that in November 1951 unemployment in Illinois totaled 102,000 including 68,000 women, while total nonagricultural employment was 3,235,600.<sup>1</sup> This is the lowest unemployment in Illinois reported by the unemployment compensation division since November 1918 when 100,000 were unemployed. In January of 1950, total unemployment reached 305,000.<sup>2</sup> It cannot be said that there is a critical unemployment situation in the entire State of Illinois today.

However, if this legislation is passed, it is evident that benefit checks to most claimants in Illinois will be increased 50 percent by Federal supplementation up to a maximum of \$14 after April 1 as the maximum weekly benefit will be increased to \$27 at that time. This will make total maximum weekly benefits of \$41 when the Federal supplementation is added.

Section 4 of S. 2501 states: "(a) Whenever the Governor of any State certifies, and the Secretary finds, that within his State, or within one or more labor market areas of his State, there exists substantial unemployment among workers covered by the unemployment compensation law of the State with no prospect of immediate reemployment in the labor market area, the Secretary shall on behalf of the United States enter into an agreement with such State, or with the agency administering the unemployment compensation law of such State, under which the State agency (1) will make, as agent of the United States, supplementary payments of compensation to all unemployed individuals in the State on the basis provided in subsection (b) of this section during the national emergency, and (2) will otherwise cooperate with the Secretary and with other State agencies in making payments of compensation under this act."

What constitutes a "labor market area" is not clear. Certainly it would not be the entire State. Conceivably it could be one industrial county. The Illinois State employment service, in conjunction with the United States Department of Labor, has divided the State into labor market areas. Some of these areas comprise one small county. It would be most logical to assume that in Illinois these areas would be designated the "labor market areas." At the present time, for example, there are six counties in southern Illinois known as the Crab Orchard area. In November of 1951, employment in this area was 53,750 as compared to the State figure of 3,235,600. Of the 102,000 unemployed in the State on that date, 8,525 were from this area. According to the Illinois commissioner of unemployment compensation, it is likely that this area would be considered an "area of substantial unemployment where there was no prospect for immediate reemployment." If this legislation becomes law, our Governor could hardly deny that this condition exists and from then on, all benefit checks in Illinois could be supplemented. There are areas in Illinois where there is a critical shortage of manpower. In these areas, the workers' incentive to accept work would be diminished by these fattened benefit checks up to \$41 per week and here this legislation would aggravate the manpower problem rather than alleviate it.

One of the fundamental principles in unemployment compensation is to provide mobility of labor. It was not the intent to freeze an individual to an unsuitable job or in a particular area. Under our defense program, there should be incentives for an individual to find work, particularly in defense industries in areas where work is available. During World War II, many individuals in the Crab Orchard area in Illinois, because of opportunities for good-paying jobs and a patriotic desire to contribute to the war effort, left their homes to work in war plants. If their benefit checks are to be increased to a maximum of \$41, the incentive to migrate to a job paying even \$75 or \$80 a week would be reduced materially. The benefit check is tax free but taxes and expenses incurred while working would reduce their pay checks to such an extent that they could see no advantage in accepting a job outside their living area when they could receive this substantial amount in unemployment compensation benefits. Wouldn't this typical situation in Illinois be multiplied hundreds of times throughout the country? Wouldn't the principle of keeping labor mobile be defeated and wouldn't our defense production suffer?

If such situations did arise, how long would it be before the Federal Government began telling these individuals they must accept jobs away from home?

<sup>1</sup> Labor market trends in Illinois (Illinois Department of Labor), December 1951-January 1952, p. 1.

<sup>2</sup> Financing Unemployment Compensation in Illinois (Illinois Unemployment Compensation Division and United States Department of Labor) table XII, p. A14.

Mr. WAGNER. Bills similar to the Moody bill S. 2504 proposal were advanced and rejected in Congress in 1942, 1944, and 1945. It is felt that the members of the committee will certainly recognize that the present unemployment situation is much less critical than was the problem during the stress of these three war-time years. The bill provides that one of its purposes "is to prevent the imposition upon such workers of an inequitable share of the burden of the defense program." The bill does not explain how it will adjust or correct the inequities exacted by S. 2504 in applying these supplementary benefits to widely varying benefits paid by the States in accordance with what they feel meets their particular requirements. We do not agree with the policy statement in the bill that the State unemployment compensation laws are both inadequate and unfair to workers. This, to our way of thinking, is certainly a reflection on the integrity and the ability of our State legislators to provide those benefits which they consider fair and reasonable in their particular area. The proposal to supplement unemployment compensation benefits because of the so-called critical condition in unemployment, could very easily be an opening wedge for providing supplementary Federal benefits because of widespread economic depression, or even flood emergency dislocation. Perhaps the most glaring defect in this bill is that the Federal supplementary aid is made on a state-wide basis and it can readily be seen that even a very small percentage of a State's total labor force could create the required emergency under which the Governor could certify to the Secretary of Labor that the State desired such Federal aid. Obviously we would have many cases where the tail would be wagging the dog.

In this connection, Mr. Chairman, we have provided a map of the labor market areas in the State of Illinois. This map has been prepared by the Illinois Department of Labor in conjunction with the United States Labor Department. In referring to our map, we have two areas that I would like to call your attention to. At the extreme south or bottom of the map, we have the Crab Orchard area, comprised of six counties, referred to on the map as Little Egypt. In this area in November 1951, there were 8,525 unemployed out of a total employable force of 62,275. The state-wide figures on that date were 102,000 unemployed out of a total employable group of 3,337,600. In other words, the unemployment on a state-wide basis was about 3 percent compared with about 13 percent in this very small area. A little bit farther up on the map and to the right, we have the County of Richland. This has been designated as a labor market area, and could very likely be considered a critical area in the event of extended unemployment. The population of this area is 16,849. We do not have the figures on what the labor force in that area would be, but perhaps five or six thousand would be a fair estimate. Any appreciable unemployment in that very small area could produce the required emergency necessary for the Governor to call upon the Federal Government to bring Federal aid into our State, and in this case the entire State would be covered. This is what I refer to as the tail wagging the dog.

We feel that there is no place in the country where a real long-term unemployment problem exists. In fact, the prospects are for a progressively tighter labor market. It would certainly be much better for the country to press for a solution which will restore employees to productive work that to pay more to maintain them in unproductive idleness. The fact that the Federal Government, under

the provisions of this bill, will match by 50 percent any State unemployment compensation benefits, produces an irresistible compulsion upon the various States to provide the maximum benefits possible. Just where this cycle of "legislate and get" would stop is anyone's guess.

In conclusion, it is felt that the enactment of Moody bill S. 2501 would actually hinder, rather than promote, the defense effort. Enactment of this bill would lead to the federalization of all State unemployment-compensation programs. That is the conclusion of my remarks. I am sure there are many others who have more data.

The CHAIRMAN. Thank you for your appearance.

Mr. WAGNER. Thank you, sir.

The CHAIRMAN. Mr. Field.

### STATEMENT OF EDWARD FIELD, OF THE NATIONAL RETAIL DRY GOODS ASSOCIATION

Mr. FIELD. My name is Edward L. Field. I am employee relations adviser for Allied Stores Corp., and a member of the social security committee of the National Retail Dry Goods Association. This statement is presented on behalf of the National Retail Dry Goods Association. The National Retail Dry Goods Association is composed of approximately 7,000 department and specialty stores throughout the United States. The annual sales of the members of the association exceed \$10 billion.

I am also pleased to announce that the American Retail Federation agrees with the position being taken by the National Retail Dry Goods Association.

I would like to take this opportunity to thank this committee for being given the opportunity of stating our position on the Moody-Dingell bill and for allowing us to present our views on the subject of Federal supplementation of unemployment insurance.

The sponsors of the bill are presently urging enactment of this legislation based on the following reasons:

1. That industrial mobilization for defense production is causing serious unemployment, either directly or indirectly, in some localities;
2. That a large amount of such unemployment is among workers whose skills are, and will be, essential to the defense efforts of the Nation and its security;
3. That the present benefits provided by State laws are inadequate and that it is unfair to pay so little to employees having been idled in the national interest; and
4. That alleviation thereof is essential to defense mobilization and must be considered to be part of the cost of the defense program.

The legislation declares as its policy the promotion of the general welfare during the national emergency, by providing unemployed workers in those States where such unemployment has become substantial, with supplementary payments in addition to the benefit payments to which unemployed workers are entitled under the unemployment compensation laws of such States, in such amounts as to prevent the imposition upon such workers of an inequitable share of the burden of the defense program.

The bill would become operative in a State when its governor certified that "within one or more labor market areas of his State, there



exists substantial unemployment among workers with no prospect of immediate reemployment in the labor market area." The Secretary of Labor would have to concur with the governor's certification. This status would be subject to annual renewals and would remain operative for the duration of the present defense emergency. Once approved, the supplemental payments would be made to all unemployed individuals in the State.

When the bill becomes operative in a State, it would increase all of the benefit checks otherwise payable in that State by 50 percent or more. In Michigan, for example, it would increase the "primary weekly benefit rate" by 50 percent, from \$27 to \$40.50 and the dependents' allowances from \$2 to \$4 for each of four children. If the Michigan Legislature were to increase the schedule of benefit rates or the dependents' allowance, the Federal supplement would increase correspondingly. The combined State and Federal payments are limited to 65 percent of wages for employees without dependent children and on a graduated basis up to 75 percent of wages for those with four or more dependents.

We have given careful consideration to the purpose underlying the introduction of this legislation and to the manner in which the alleged hardships existing in certain labor areas would be alleviated.

We believe this legislation is much too broad in scope and that as a result it is fraught with many dangers.

Although the purpose of the bill is to aid the so-called conversion unemployed, it is evident that the benefits are not intended to be limited to those idled by the defense effort. It is very apparent that the bill would affect all employees in a given State and in addition would in all probability become uniformly operative throughout the country. Once a governor had certified that one or more areas of "substantial unemployment \* \* \* with no prospect of immediate reemployment" existed, then not only the idled workers in the labor market affected by the defense effort, but all unemployed workers in that State, whether their unemployment was caused by the defense effort or not, would be entitled to these supplemental benefits.

The broad discretionary authority given to the various governors and the Secretary of Labor by the sweeping provisions of the bill assures its adoption in every State. All the governor need do is certify that one labor market in his State has "substantial unemployment" not likely to be absorbed in that area in the immediate future. That this area may be very small and that the rest of the State may be suffering from a labor shortage is immaterial. One other serious defect in the bill, as we see it, is that no criteria are provided for determining the size and importance of the labor area affected, which should constitute "substantial unemployment." Nor are there any guide-posts in evidence as to how to treat the phrase "prospect of reemployment in the immediate future."

Along the same lines, it would appear that the spirit of the entire defense movement has been to encourage mobility of labor and the attraction of labor to areas where needed. The net result of the Moody-Dingell bill would be just the opposite. In fact, one of the provisions in the bill's declaration of policy proclaims that the unemployment brought about by the national emergency is among workers whose skill is needed in the defense effort.

Yet, the total net effect of this legislation is to cut down labor mobility and make unemployment more attractive financially than was thought wise in the judgment of the State legislatures, which in the first instance fixed the proper amount of benefits to be paid. In effect, the passage of the legislation would be a complete repudiation of the judgment and responsibility of the State legislatures.

In our opinion, while there may be a few labor areas which have been affected by the defense effort resulting in more unemployment than would otherwise have been the case, it would appear that the over-all condition of the country is one of an ever tightening labor market. For the entire country unemployment claims are at a very low level. During December 1951, the last month for which figures are available, a total of about 1,400,000 claims were filed. This compares with 2,730,000 in January 1950. On January 19, the Secretary of Labor announced that the tight manpower situation had eased off temporarily, but jobs will be harder to fill than ever by spring. Mr. Tobin said:

The over-all outlook is for a tightening of the labor supply as seasonal forces expand job opportunities this spring and summer and as defense production gains momentum.

There is also grave doubt, that in the great many areas where there is unemployment not caused by the defense effort but whose workers would be entitled to Federal supplementation because the State has been certified on the basis of one area, whether the increase in benefits might not make it more attractive or at least almost as attractive for those people to be idle than to be employed.

The likelihood of this legislation serving only for an interim period is, in our opinion, wishful thinking. Once such legislation is passed and benefits are increased, it would be impossible to revert to lower benefit standards. Anyone who is familiar with social legislation is keenly aware that it is easy to give but that it is impossible to take back. It would be futile to expect that the States would or could return to their former benefit scales at the end of the Federal program.

Enactment of the Moody-Dingell bill would be an irrefragable step toward permanent and complete federalization of the State unemployment compensation laws. The bill has many supporters who have long been committed to complete federalization. The Labor Department and members of its staff have frequently spoken in favor of federalization and have done what they could to promote legislation toward that objective.

While the bill itself provides for no direct Federal control over State legislation, nevertheless it bears within it the seeds of ultimate and certain abdication by the States of their jurisdiction in this field. Every State at some time has some depressed area in its which would justify the governor in certifying his State for participation in the distribution of Federal money. It would be politically impractical for a governor to fail to put his State in line for the payments.

In conclusion we would like to say that there seems no need, at the present time, to view the problem as one needing Federal attention, because of the few areas where there are special circumstances. The individual States should be left to cope with that problem. It seems unwise to enact legislation which would assuredly affect all the idle

throughout the country, whether their status was caused by the defense effort or not.

In conclusion, it is our opinion that the Detroit situation has been glamorized and depicted as the norm whereas in fact that condition does not exist throughout the country. We respectfully request that your committee reject the Moody-Dingell bill.

The CHAIRMAN. Thank you very much for your appearance, Mr. Field.

Mr. FIELD. Thank you, sir.

The CHAIRMAN. I believe that completes the last of the witnesses scheduled for today. The committee will recess until tomorrow morning at 10 o'clock. We have another schedule of witnesses for 10 o'clock tomorrow morning.

I would like for the record to also show that letters in opposition were received from the following chambers of commerce, which communications have been placed in the committee file: Kansas City, Mo.; California State, San Francisco, Calif.; LaSalle-Peru, Ill.; Brownsville, Tenn.; Columbus, Nebr.; South Gate, Calif.; Valparaiso, Ind.; Brownstown, Ind.; Hastings, Mich.; Pueblo, Colo.; Munsey, Ind.; Barberton, Ohio; New Braunfels, Tex.; Comal County, Tex.; Fernley-Wadsworth, Nev.; Fernley, Nev.; Fair Hope, Ala.

(Whereupon, at 3:05 p. m., the hearing was recessed, to reconvene at 10 a. m., Thursday, February 21, 1952.)

## UNEMPLOYMENT COMPENSATION

THURSDAY, FEBRUARY, 21, 1952

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

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Johnson of Colorado, and Martin.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

Mr. Williamson, you are the first witness on the list. Will you proceed, please.

### STATEMENT OF MARION WILLIAMSON, PRESIDENT, INTER-STATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES

The CHAIRMAN. Mr. Williamson, you are appearing here for the Interstate Conference of Employment Security Agencies?

Mr. WILLIAMSON. Yes, sir.

The CHAIRMAN. Is someone with you?

Mr. WILLIAMSON. Yes, sir; Mr. Teets is with me.

The CHAIRMAN. Is he to make a statement also?

Mr. WILLIAMSON. Yes, sir, he will make a short statement.

The CHAIRMAN. Come around, Mr. Teets, and be on hand with Mr. Williamson.

Mr. WILLIAMSON. Mr. Chairman, my name is Marion Williamson. I am director of the employment security agency, Georgia Department of Labor. Also, I am president of the Interstate Conference of Employment Security Agencies.

In behalf of the State administrators, I appreciate the invitation to present our views on this bill. We, who are charged with the responsibility of administering the State systems of unemployment insurance wholeheartedly believe in sound unemployment insurance, but we are overwhelmingly opposed to the principles of this bill.

As President of the interstate conference I have received communications from most State administrators with reference to this bill. Thirty-five administrators have expressed a viewpoint in agreement with the one I will present. No administrator has expressed to me a contrary view. I am not here, however, to report a mere tabulation of opinions. Rather, I am concerned with the fundamental principles involved.

The enactment of this bill would amount to a congressional indictment of the present State systems, and would represent a complete

departure from the long-time concept of unemployment insurance. In fact, it injects into the unemployment insurance field relief factors which would operate to destroy the very principle on which the program is based.

As we all know, the unemployment insurance law was designed to serve as a protection for workers during temporary periods of unemployment, whether caused from manpower mobilization, reconversion, depression, or technological changes in industry. It was built on the idea of compensating unemployed workers for a portion of their wage loss. At the same time, unemployment insurance was never intended to encourage idleness by making weekly payments in such amounts as would destroy individual incentive to work. It is not a relief program.

From the very beginning, it has been realized that a balance must be maintained between one's weekly benefit amount and his real wages or take-home pay. The weekly benefit amount should not be so low as to unduly depress living standards, thereby defeating the purpose of the law. Neither should the weekly benefit amount be too high, making benefits more attractive than work. In the public interest, as well as the interest of the individuals directly concerned, the line must be properly drawn between these two extremes.

In keeping with our American way of life, individual initiative must never be subservient to a dole.

State agencies which administer State unemployment insurance laws, have had the opportunity to gain broad experience in this field over a period of years. State laws have not been static. They have been amended to meet changing conditions and needs.

State legislatures have reflected in their legislation a comprehensive understanding and recognition of the wage structure, and other pertinent factors relating to employment conditions in their respective States. States, confronted with particular unemployment problems in the past, have found a solution through State action. Since this approach has proved so successful through the years, including two major conversion periods, which were Nation-wide in scope, it is logical to first seek the solution to any unemployment problems through the same means.

The conditions which bring about significant unemployment in a local area and related economic problems which accompany it, are so varied and complex that there can be no common solution for all areas.

As a consequence, it is of utmost importance that decisions which will vitally affect the economic life of an area—on a long-range basis—be made at the local level, where the most information is available for dealing wisely with the subject. Each State can best determine the laws and policies that will best serve the interests of its people, for the immediate problems as well as for the long-run effect.

The ability of the States, through their own efforts, to successfully solve problems incident to unemployment was clearly demonstrated, as you will recall, both at the beginning and end of World War II, when the Congress considered and rejected bills providing Federal supplements to State unemployment payments. You will also recall that the proponents of those bills made dire predictions. They claimed that the States were wholly unprepared and would be unable to cope with the inevitable unemployment. The bill now under con-

sideration is but an echo of those other bills which the Congress so wisely rejected.

I have carefully reviewed the provisions of the bill. Frankly, I find it to be based on a misconception of the manpower status in this country. It indicates defense unemployment is rampant when, in fact, manpower is being sought for defense installations.

While the proposed bill might appear to give freedom of choice to the respective States by making State participation dependent upon certification by the governor, actually, wherever legal, uniform application throughout the Nation would be inevitable. Certification is based on the condition that one or more labor-market areas within a State have substantial unemployment among workers covered by the unemployment compensation law of the State, with no prospect of immediate reemployment in the labor-market area.

The criterion provided for certification is not an unusual or abnormal employment condition. Each State, during any calendar year, will have labor market areas which temporarily experience such unemployment. After certification for one State, the Governor of every other State, wherever legal, would have compelling reasons for making similar certification so that his constituents could share in this new and unique method for distributing funds of the Federal Treasury. Thereafter, any Governor would doubtless be impelled to refrain from terminating the arrangement. Further, the same factors, felt by the Congress and the President, would tend to indefinitely prolong the so-called emergency period. Upon the enactment of the proposed bill, we would have reached a point of no return.

The bill says:

That the present benefits provided under State unemployment compensation laws are both inadequate and unfair to workers suffering such unemployment.

This conclusion is an unsupportable accusation against State unemployment insurance programs. The bill purports to relieve a particular type of localized unemployment attributable to defense mobilization, while in reality it would actually supplement the weekly benefit amount of every unemployed worker in a certified State regardless of the locality or the cause of unemployment. The proposed supplementation of the weekly benefit amount would, in fact, hamper defense production. It would reduce the necessity of obtaining work and tend to stagnate the labor force, whose mobility is vitally necessary to our continued manpower mobilization.

The provisions for all-inclusive coverage within a certified State would even extend Federal supplementation to persons involved in a labor dispute, in cases where the State law requires disqualification for a fixed number of weeks in cases of work stoppage due to a labor dispute.

The present total of State unemployment insurance reserves is more than \$7,500,000,000, which is now available and apparently adequate to finance the expected needs of the respective States under existing unemployment insurance laws. This trust fund, accumulated during a number of years, has successfully met the test of two major conversion periods. As I see it, the present situation does not present any new problem. It is simply a repetition of past experience.

The Chairman. Do you recall what the trust fund was at the beginning of World War II?

Mr. WILLIAMSON. No, sir. It can be supplied, though. It is continually questioned.

The CHAIRMAN. I know it has continuously arisen. I was just trying to recall what it was when we had this measure up before, with the benefits for children and dependents injected into it.

Mr. WILLIAMSON. No, sir, I can't give that figure, Mr. Chairman.

The CHAIRMAN. All right.

Senator JOHNSON. As I recall it, Senator, it was between 3 and 4 billion in 1940, but I am not sure of that.

The CHAIRMAN. I have some such figure in mind but I have forgotten, Senator, myself what it was.

All right, you may proceed.

Mr. WILLIAMSON. We believe that this committee would never propose payment of general tax funds in a manner to encourage and promote shiftless idleness. Gentlemen, under the present economic conditions, that would result from the enactment of this bill. Let me illustrate the effect of its certification on an average Georgia manufacturing-plant worker who today receives \$1.20 an hour or \$48 a week. He would qualify for a weekly unemployment insurance payment of \$20. Under the proposed bill he would receive \$30 per week, including a \$10 Federal supplement, while working, withholding, and social-security tax, transportation, and other expenses incident to his employment would reduce his average weekly take-home pay from \$48 to about \$38. This leaves a work incentive of \$8 per week or only 20 cents per hour. Few persons would now find work attractive with such a small incentive margin.

Now, take John Doe, who is employed regularly at \$1 an hour with occasional overtime. He is laid off, files a claim under the State law, and qualifies for a weekly benefit amount of \$20. Based on earnings in his highest quarter, when his weekly overtime averaged 5 hours, his weekly wage, as defined in this bill, would be \$47.50. He would thus be entitled to a \$10 Federal supplement, making an aggregate weekly benefit amount of \$30, all of which would be exempt from tax and other deductions.

During a week of regular work at \$40, there had been withheld from John \$5.50 income tax, and 60 cents OASI tax, leaving \$33.90 from which he paid for transportation, work clothes, and all other unavoidable expenses incident to employment. Conservatively estimating such daily expenses at no more than \$1, John's weekly take-home pay was \$28.90 for regular full-time work. He would, therefore, actually suffer a monetary loss by returning to regular work at his normal wage. This would be nothing more nor less than a cash premium for idleness to be financed from the pocket of the working taxpayer. The funds for such a Federal supplementation would come out of the Federal Treasury, which is certainly not in a very healthy condition to take on additional obligations approximating a billion dollars.

Gentlemen, I wonder if the proponents of this bill have realized how the cash amount proposed to be paid to the unemployed worker compares with the cash amount now received by a soldier on the foreign battlefield.

Counting the dependency-allowance provisions of this bill, some idle workers would receive over \$350 a month or over \$80 a week, unemployment compensation. Even though an unemployed Korean veteran may be entitled to the maximum weekly readjustment allowance of \$20, I wonder how such a veteran would regard this bill which

proposes much greater payments to civilians who had acquired these unusually high benefit rights while staying at home.

Unemployment is a serious problem even when it is limited to relatively few people in a local area. I realize that some temporary dislocations of manpower and some resulting unemployment cannot be avoided during a period when all our national resources, including manpower, are being mobilized for defense. But even in such a period, it is unthinkable that large numbers of workers should remain in an area unemployed for long periods through lack of work.

The work of every hand is needed to produce the goods so vital to the security of our country. We know that those responsible for manpower mobilization and the planning of defense production will seek to utilize all available manpower through wise allocation of materials and distribution of contracts. Meanwhile, State agencies under existing laws can and will provide unemployment insurance for those out of work through no fault of their own.

I believe every informed person in this country today would agree that there are more jobs to be done than there are workers to do them. The best solution of the unemployment problem of any individual is a job—not insurance payments. Our native ingenuity at all levels—Federal, State, and local—must be directed toward making the job available to the worker and the worker available to the job.

From my experience with the employment security program, I am convinced that every self-respecting worker prefers a job to unemployment insurance. Let us not, by ill-advised and hasty action, make unemployment insurance so attractive as to destroy the individual's will to work.

The CHAIRMAN. Are there any questions, Senator Johnson?  
Senator JOHNSON. No.

Mr. WILLIAMSON. Senator, may I insert in the record a letter from the regional office of the Bureau of Employment Security in Atlanta which declines our request of Lockheed to recruit workers in the Detroit area?

The CHAIRMAN. Yes, you may do so. It will be put in the record.

Mr. WILLIAMSON. Thank you, sir.

(The letter referred to is as follows:)

UNITED STATES DEPARTMENT OF LABOR,  
BUREAU OF EMPLOYMENT SECURITY, REGIONAL OFFICE,  
Atlanta, Ga., February 19, 1952.

Mr. MARION WILLIAMSON,  
President, Interstate Conference of Employment Security Agencies,  
Washington, D. C.

DEAR Mr. WILLIAMSON: In accordance with request made by Mr. Butcher, we quote the following teletype received from Mr. John L. Craig, regional director, region VI, under date of January 15, 1952:

"Reurwire January 14 requesting positive recruitment Lockheed Aircraft Corp., Marietta, Ga. Michigan agency advises impossible accept any itinerary present time owing to avalanche previous commitments other employers. Impossible arrange any other recruitment either Detroit or Flint within 1 month. Agency also doubts whether any recruitments would be successful skills mentioned your wire owing to extremely heavy current shortages virtually all metal-working skilled occupations. Only surplus labor available greater Detroit is in semi-skilled and unskilled category. We have requested Bureau headquarters office this date to advise all regions of current information relative to Detroit labor market in the interest of keeping everyone informed relative to recruitment possibilities that area."

This teletype was read to the Georgia agency by telephone on the date received.

Sincerely yours,

ERNEST L. MARBURY, Regional Director.



The CHAIRMAN. Mr. Teets.

Senator JOHNSON. Mr. Chairman, Mr. Teets comes from Denver, Colo. He has appeared before this committee on other days and has always been very helpful to the committee with his testimony. His Scotch forebears built our capitol, or at least helped build it, and they have been very substantial citizens of Colorado through the years.

Mr. Teets has been in charge of the unemployment security program for Colorado from the beginning and he has performed as one would expect him to, knowing his background and his forebears. I am glad he is here today and I am sure whatever he says—and I don't know what he is going to say, but I am sure whatever he does say will be based on his experience, his knowledge and good sound judgment.

The CHAIRMAN. Mr. Teets, we are very glad to have you appear here. You may proceed with such statement as you wish to make.

#### STATEMENT OF BERNARD TEETS, CHAIRMAN, LEGISLATIVE COMMITTEE, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES

Mr. TEETS. Thank you, Mr. Chairman, and thank you, Senator Johnson.

In addition to being executive director of the department of employment security, I would like, for the purpose of the record, to state I am also chairman of the legislative committee of the Interstate Conference of Employment Security Agencies.

The main reason that I am desirous of appearing before your committee this morning, Senator, is to give you, for your consideration, some proposals supported by a majority of the State administrators which we think will strengthen materially the unemployment-compensation systems in this country at this time.

I will not, unless it is your pleasure to do so, comment upon the obvious provisions of this bill that have been presented to you, testified to, and retestified to so many times. I would, before giving you these proposals, like to make a few general observations.

First, reasonable men may differ as to the degree to which this proposal would or would not federalize State systems, but you cannot superimpose Federal moneys on a State system, I don't care how delicately you endeavor to accomplish that process, without having the effect of federalization.

In essence, then, this is not, as has been represented here, the single, simple proposition of is the Congress desirous of helping some men some place, somehow. It is a far more complicated question than that. It is, as I see it, this: Does the Congress at this time feel it advisable to change the entire concept of unemployment compensation in this country. However, as Senator Taft so ably pointed out, once we get it we do not go back. History shows that we go on from there.

Furthermore, as Secretary of Labor Tobin said in effect, in urging the passage of this bill, he would accept the measure as a temporary expedient since it would then follow in logical sequence that we enact all of the Federal standards.

Furthermore, it seems to me that the Congress could not enact this bill without indicting the entire State system.

Now, let us take a look just for a second at what that system is. That is a system that, at the present time, has built up a reserve of \$8 billion. That is a system that has paid unemployed workers in this country during the last 15 years better than \$9 billion. That is a system unique in modern taxation in that since the inception of this tax it has continually gone down. That is a system—and I appreciate as a State administrator that I have a selfish motive and interest in this whole proposition, but aside from that, I think it is fair to say that is a system that has reflected, since its inception, favorably upon the sound judgment of the Congress that enacted it and has maintained it to the present time, and I sincerely hope that the Congress will not feel it appropriate at this time to make that kind of an indictment upon a system, at a time when in this country, generally speaking, we have the highest employment that we have ever known, and when actually the State systems are being put today to no test at all, and yet that is what this would mean.

Now, the charge has been made that the maximum benefits in States have lagged following the wage increases in this country. I hope it will be of interest to the committee to consider why I feel that lack prevails—and it is true it does.

In the first place, it is a natural kind of a lag. You have to have a lag between the increased cost of living and any wage increase. That takes some time to follow up. Then naturally, after you have it, it takes some time in order to increase these maximum benefit amounts. But of far more significance than that, in my personal opinion, is the fact that this lag has been brought about unfortunately by the fact that we have had some chiseling in unemployment compensation in this country, and that chiseling has been given publicity beyond all reasonable bounds in proportion to that which has actually happened.

Nevertheless, the people from one end of the country to the other have reacted against it.

Now, the State administrators realize this and they are taking steps constantly to try and tighten up their laws; they are trying to show the people wherein this system can be tightened up so that that will not prevail.

Now, at the very moment—and I do not know what it will be; I assume it will be different in different parts of the country—but at the very moment that the people of the country become convinced that unemployment benefits shall be paid to men who lost their jobs through no fault of their own and not through idleness, at that time the maximum benefit amount will rise very quickly.

Now, it seems to me that it is far better for me as a State administrator to urge upon my legislature the need for larger maximum benefit amounts than try and superimpose my opinion on theirs when they gather collectively in order to decide what is the best figure for the workingmen of my State.

Mr. Chairman, I have prepared here this proposal that I mentioned. I will not, of course, touch upon the details of it, but with your permission I should like to introduce a copy of it in the record.

The CHAIRMAN. You may put the entire statement in the record.

Mr. TEETS. I have extra copies here in case any members of your committee should be desirous of considering it.

Now, in effect, this proposal of the States does these things:

First, it provides for enactment into law, into permanent legislation, the George fund. I know, Mr. Chairman, how familiar you are with the provisions of the George fund, but I think it well, with your permission, to very briefly put them into the record so that my statement may be more clear and comprehensive on this subject.

THE CHAIRMAN. Yes, we will be glad to have you do so, Mr. Teets.

MR. TEETS. The George fund, and the provision of our proposal which follows the principle entire'y, with some minor refinements that we have developed since its inception, was enacted and as now proposed for the purpose of establishing a real fund, a real credit, so that in the future we and others interested in this program may not come here and talk about this possible moral obligation that has been discussed here about the balance of the three-tenths of 1 percent.

We would like something a little more definite, and we think all interested in the program are entitled to something a little more definite than that. How we would go about establishing that is a real question. We would suggest that the three-tenths of Federal collections be earmarked for the purpose of this program. We would recommend that the balance over and above the moneys needed for the administration of this program be set aside, and from those moneys we would take a percentage.

We suggest 20 percent at this time. That can be changed as conditions warrant it. We suggest you take 20 percent of that sum and set that aside and make an underwriting fund.

How large should that fund be? We think at a time when the combined State fund is \$7½ billion it does not have to be so large, but it, in the wisdom of Congress, can be changed as the conditions warrant. To give you some idea of the kind of money I am talking about, this year that sum would be \$50 million. We would take 20 percent of the \$50 million and build up a reserve fund that States could, if they saw the need of it, if their funds were depleted under certain conditions, borrow from that fund without interest and then pay back as conditions change.

Now, that might, in some instances, safeguard some States who would like to liberalize but are worried whether or not their fund could stand any sort of unforeseen national contingency, but they know that here they have got a fund out of which they could borrow moneys in order to carry on.

That principle, it seems to me, is very sound, because in a State system it is most important that no single State ever fails.

Then the rest of these moneys would be redistributed back to the States in a manner of equitable proportion, so that the States receiving this money could, according to the dictates of the State legislatures or other fiscal control in the State, provide these moneys for administrative purposes, or take those funds and put them into their benefit account, so they could pay more benefits if they wanted to with them.

Now, I think that is very important, for this reason, that that will give the States more administrative freedom; that would give the States moneys with which to do this thing which I think is most important of all to do, that is, convince the people of the country that unemployment compensation is being administered for the sole purpose of paying a man a benefit who has lost his job through no

fault of his own. I am sure, from talking to various interests throughout the country, that they are not concerned with paying a reasonable maximum to any truly unemployed man, but the problem is that they do not want to pay anything to the man who is otherwise idle.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Teets.

Are there any questions?

Senator MARTIN. No; I have no questions.

The CHAIRMAN. Thank you very much for your contribution. Your whole statement will go in the record.

(The material referred to is as follows:)

#### A BILL

To provide for the payment of Federal unemployment taxes into the Federal unemployment account to be available for the administration of unemployment compensation laws and public employment offices, and to return to the States the excess of such taxes over such administrative expenses

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Employment Security Administrative Financing Act of 1952".*

Sec. 2. Sections 301 and 302 of the Social Security Act, as amended, are amended to read:

#### "FEDERAL UNEMPLOYMENT ACCOUNT

"Sec. 301. (a) There is hereby appropriated to the Federal unemployment account in the Unemployment Trust Fund for the period beginning January 1, 1952, and ending June 30, 1952, for the fiscal year ending June 30, 1953, and for each fiscal year thereafter, amounts equivalent to 100 per centum of the taxes (including interest, penalties, and additions to the taxes) received after December 31, 1951, under the Federal Unemployment Tax Act and covered into the Treasury. There are also authorized to be advanced to the Federal unemployment account, out of any moneys in the Treasury not otherwise appropriated, such additional sums as may be required to carry out the purposes of this title.

"(b) For the purpose of assisting the States in the administration of their unemployment compensation laws, and in the establishment and maintenance of systems of public employment offices in accordance with the provisions of the Act of June 6, 1933, as amended (29 U. S. C. 49-49i), there is hereby authorized to be expended for payments to the States from the Federal unemployment account in the Unemployment Trust Fund for the fiscal year ending June 30, 1953, and for each fiscal year thereafter, a sum not to exceed the amounts, including amounts to be expended with the prior approval of the Director of the Bureau of the Budget only in the event of unforeseen changes in conditions, specified by Congress in the appropriation Act or Acts for the Department of Labor for each such fiscal year and such amounts as may be agreed upon by the Department of Labor and the Post Office Department for the payment in such manner as said parties may jointly determine of postage for the transmission of official mail matter in connection with the administration of their unemployment compensation laws and their systems of public employment offices by the States.

"(c) There is authorized to be expended from the Federal unemployment account for the fiscal year ending June 30, 1953, and for each fiscal year thereafter, a sum not to exceed the amounts specified by Congress in the appropriation Act or Acts for the Department of Labor to be necessary for the administration by the Department of Labor of its functions under the Federal Unemployment Tax Act, titles III, IX, and XII of the Social Security Act, as amended, and of the provisions of the Act of June 6, 1933, as amended.

"(d) In the event that the balance in the Federal Unemployment Account on July 1, 1953, and on July 1 of any fiscal year thereafter is in excess of the amounts authorized to be expended from the account for such fiscal year in accordance with the provisions of subsections (b) and (c), the Secretary of the Treasury is directed, prior to audit or settlement by the General Accounting Office, to transfer (1) to the States' Reserve Account, hereby created, in the Federal Unemployment Account an amount equal to 20 per centum of the excess: Provided, That if the amount in the States' Reserve Account is \$50,000,000 or more on any July 1, the Secretary of the Treasury shall not transfer any of the excess to the States' Reserve Account: Provided further, That no greater amount of the excess on any July 1 than the amount representing the difference between \$50,000,000 and the

amount then in the States' Reserve Account shall be transferred to the States' Reserve Account and (2) to each State's account in the Unemployment Trust Fund, as soon as practicable and in no event later than October 1 of such year, such State's share of the excess. Each State's share shall be determined by the Secretary of Labor on the basis of reports furnished by the States and shall be equal to an amount which has the same relation to the excess (remaining after such transfer to the States' Reserve Account, if there be such transfer) as the wages subject to contributions under such State unemployment compensation law during the preceding calendar year which have been reported to the State by such July 1 bears to the total of wages subject to contributions under all State unemployment compensation laws during such calendar year which have been reported to the States by such July 1.

"(c) No amount shall be transferred to the account of any State pursuant to subsection (b) —

"(1) until the Secretary of the Treasury has transferred from the Federal unemployment account to the Treasury any moneys advanced to such Federal unemployment account in accordance with the provisions of subsection (a); or

"(2) if the Secretary of Labor finds that such State is not at the time of distribution eligible for certification pursuant to the provisions of section 303 of this title and sections 1602 (b) and 1603 (c) of the Internal Revenue Code.

#### "PAYMENTS TO STATES

"Sec. 302. (a) The Secretary of Labor (hereinafter referred to as 'Secretary') shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Secretary under the Federal Unemployment Tax and which is found to be in compliance with the requirements of the Act of June 6, 1933, as amended, such amounts as the Secretary determines to be necessary for the proper and efficient administration of such law and of the public employment offices in the State during the fiscal year for which such payment is made. The Secretary's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper and efficient administration of such law and of the public employment offices in the State; and (3) such other factors as the Secretary finds relevant. The Secretary shall not certify for payment under this subsection in any fiscal year a total amount in excess of the amount specified for such purpose in the appropriation Act or Acts for the Department of Labor for such fiscal year.

"(b) The Secretary of the Treasury shall, upon receiving a certification under subsection (a), pay from the Federal unemployment account in the Unemployment Trust Fund, to the State agency charged with the administration of the State unemployment compensation law, prior to audit or settlement by the General Accounting Office, in accordance with such certification."

Sec. 3 Paragraphs (4) and (5) of section 303 (a) of the Social Security Act, as amended, are amended to read:

"(4) The payment of all money received in the unemployment fund of such State (except for refunds of sums erroneously paid into such fund, and except for refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act), immediately upon such receipt, to the Secretary of the Treasury to the credit of the unemployment trust fund established by section 904: Provided, That a State may use during any fiscal year, for expenses incurred by it for the administration of its unemployment compensation law and public employment offices, an amount equal to the amount transferred to such fund pursuant to the provisions of section 301 (d) during the five most recent fiscal years, less any amounts withdrawn by the State for administrative costs during such five fiscal years; and

"(5) Expenditure of all money withdrawn from an unemployment fund of such State, in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) of the Federal Unemployment Tax Act: Provided, That an amount equal to the amount of employee payments into the unemployment fund of the State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration: Provided further, That a State may use during any fiscal year, for expenses incurred by it for the administration of its unemployment compensation law and public employment offices, an amount equal to the amount transferred to such fund pursuant to the provisions of section 301 (d) during the five most

recent fiscal years, less any amounts withdrawn by the State for administrative costs during such five fiscal years;"

Sec. 4. Title XII of the Social Security Act, as amended, is amended to read:

**"ADVANCES TO STATE UNEMPLOYMENT FUNDS**

"Sec. 1201. (a) In the event that the balance in a State's account in the Unemployment Trust Fund at the close of September 30, 1951, or of the last day in any ensuing calendar quarter, does not exceed a sum equal to the total unemployment compensation paid out under the unemployment compensation law of the State during the twelve months ending at the close of such day, the State shall be entitled, subject to the provisions of this title, to have transferred from the Federal unemployment account to its account in the Unemployment Trust Fund an amount not exceeding the highest amount of the unemployment compensation paid out by it in any one of the four calendar quarters most recently completed prior to such day.

"(b) The Secretary of Labor is authorized and directed, on application of the Governor of any State, to make findings as to whether the conditions for the transfer of moneys provided for in subsection (a) heretofore have been met; and if such conditions exist, the Secretary of Labor is directed to certify, to the Secretary of the Treasury, from time to time, such amounts for transfer in order to carry out the purpose of this title, as may be specified in said application, subject to the limitation of subsection (a). The application of a State Governor shall be made on such forms, and contain such information and data, fiscal and otherwise, concerning the operation and administration of the State law, as the Secretary of Labor deems necessary or relevant to the performance of his duties hereunder.

"(c) Any amount transferred to the account of any State under this section shall be treated as an advance, without interest, to the unemployment fund of such State and shall be recovered for the Federal unemployment account, as provided in section 1202 of this title.

"Sec. 1202. (a) On application of the governor of any State with respect to which an advance is outstanding under section 1201, the Secretary of Labor shall certify to the Secretary of the Treasury the amount stated in said application to be transferred from the unemployment account of said State in the Unemployment Trust Fund to the Federal unemployment account. The Secretary of the Treasury shall make such transfer as of the close of the calendar month in which such application is made.

"(b) There are hereby appropriated to the Federal unemployment account in the Unemployment Trust Fund for the fiscal year beginning July 1, 1953, and for each fiscal year thereafter, amounts equivalent to 100 per centum of the additional taxes received after June 30, 1953, under the reduced credits provision of section 1601 (c) (2) of the Federal Unemployment Tax Act and covered into the Treasury. All such amounts shall be credited against and shall operate to reduce the balance of any advance outstanding with respect to the unemployment fund of the State with respect to whose taxable payrolls said taxes were paid. In case the amount of said taxes exceeds the amount of the remaining balance of the advance to the unemployment fund of the State in question, an amount equal to such excess shall be credited to the account of said State in the Unemployment Trust Fund.

"(c) There are hereby authorized to be appropriated to the Federal unemployment account as a repayable advance, out of any moneys in the Treasury not otherwise appropriated, such sums as may be required to carry out the purpose of this title."

Sec. 5. Section 1601 (c) of the Internal Revenue Code (Federal Unemployment Tax Act), as amended, is amended to read as follows:

"(c) LIMIT ON TOTAL CREDITS.—

"(1) The total credits allowed to a taxpayer under this subchapter shall not exceed 90 per centum of the tax against which such credits are allowable.

"(2) In the event an advance or advances have been made to the unemployment account of a State under Title XII of the Social Security Act, and if any balance of such advance or advances has not been returned to the Federal unemployment account as provided in that title or in this subsection, then the total credits allowed under this subchapter to a taxpayer as to his wages taxable by such State shall, on the second consecutive January 1st on which such a balance of unreturned advances existed, be reduced for the ensuing taxable year by 5 per centum of the tax against which such credits are allowable; on the third consecutive January 1st on which such a balance of unre-

turned advances existed, the total credits thus allowed to such taxpayer for the ensuing taxable year shall be reduced by 10 per centum of the tax against which such credits are allowable; and for each additional consecutive January 1st on which such a balance of unreturned advances exists, the total credits thus allowed such a taxpayer shall be reduced an additional 5 per centum of the tax against which such credits are allowable; *Provided*, That such tax credit reduction shall not apply to the wages taxable by any State for any taxable year if such State's advances have been fully returned at least thirty days before the close of such taxable year."

Sec. 6, Paragraphs 3 and 4 of section 1603 (a) of the Internal Revenue Code, as amended, are amended to read:

"(3) All moneys received in the unemployment fund of such State (except for refunds of sums erroneously paid into such fund, and except for refunds paid in accordance with the provisions of section 1606 (b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the Social Security Act, as amended: *Provided*, That a State may use during any fiscal year, for expenses incurred by it for the administration of its unemployment compensation law and public employment offices, an amount equal to the amount transferred to such fund pursuant to the provisions of section 301 (d) of such act during the five most recent fiscal years, less any amounts withdrawn by the State for administrative costs during such five fiscal years; and

"(4) All money withdrawn from an unemployment fund of such State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 1606 (b) *Provided*, That an amount equal to the amount of employee payments into the unemployment fund of the State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration: *Provided further*, That a State may use during any fiscal year, for expenses incurred by it for the administration of its unemployment compensation law and public employment offices, an amount equal to the amount transferred to such fund pursuant to the provisions of section 301 (d) of the Social Security Act, as amended, during the five most recent fiscal years, less any amounts withdrawn by the State for administrative costs during such five fiscal years."

Sec. 9. Section 1607 (f) of the Internal Revenue Code, as amended, is amended by changing the period at the end thereof to a colon and adding: "*Provided further*, That a State may use during any fiscal year, for expenses incurred by it for the administration of its unemployment compensation law and public employment offices, an amount equal to the amount transferred to such fund pursuant to the provisions of section 301 (d) of the Social Security Act, as amended, during the five most recent fiscal years, less any amounts withdrawn by the State for administrative costs during such five fiscal years."

Sec. 10. (a) Clause (2) of the second sentence of subsection (h) of section 904 of the Social Security Act, as amended, is amended to read: "(2) the excess of the taxes collected in each fiscal year beginning after June 30, 1946, and ending prior to July 1, 1952, under the Federal Unemployment Tax Act, over the unemployment administrative expenditures made in such year."

(b) Subsection (h) of section 904 of the Social Security Act, as amended, is amended by striking out the third sentence thereof.

The CHAIRMAN. Mr. Zucker.

#### STATEMENT OF M. WILLIAM ZUCKER, MANAGER, SOCIAL SECURITY DEPARTMENT, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

The CHAIRMAN. Will you identify yourself for the record, please.

Mr. ZUCKER. My name is M. William Zucker. I am manager of the social-security department of the Commerce and Industry Association of New York, Inc.

This organization is a business association, with a cross-section of business in its membership. We have a social-security committee

which represents all types of business firms and business endeavors, formulating the social security policy for adoption by our board of directors.

I have a statement, Mr. Chairman, which I would like to present for the record, with your kind permission, and then to comment briefly on some points which this bill presents.

The CHAIRMAN. The statement will go in the record, and you may proceed with your comments.

Mr. ZUCKER. Before starting out, sir; I would like to mention to Senator Johnson, who raised the question about the size of the trust fund in 1941, that I have the figure here, sir. The State unemployment compensation funds available for benefits, accumulated collections and interest and benefits paid through December 1941 corrected to January 26, 1942, was \$2,524,460,466.

The CHAIRMAN. Now, that was the fund adjusted or corrected to January 26, 1942?

Mr. ZUCKER. That is right, sir.

The CHAIRMAN. After we had gotten into the war?

Mr. ZUCKER. That is right, sir.

The CHAIRMAN. All right.

Mr. ZUCKER. Coming to the bill before us, I would first like to comment on the question: Is there definitely a problem before us, and to direct the attention of this committee to some statements made by the Department of Labor and by Mr. Goodwin of the Department of Labor on the extent of the so-called problem. In the Unemployment Insurance Claims Bulletin issued by the Bureau of Employment Security which appeared on January 26, 1952., the Bureau stated:

Unemployment insurance claims activity moved downward for the second week during the week ended January 26 1952 with initial claims declining 7 percent to 250,300 and weeks of unemployment claimed edging down 2.5 percent to 1,372,000. Altogether 38 States reported a reduction in initial claims and 30 States a decline in weeks claimed.

Mr. Goodwin, in an article in The Labor Market and Employment Security, stated:

Another record-breaking employment year is in prospect. Employment expansion will be paced by mass hiring in heavy defense industry as many industries with big defense production orders complete tooling and designing stages preparatory to volume production. These labor requirements together with demands from civilian industries and agriculture should bring employment in 1952 to a midsummer peak of 63,000,000 highest in the Nation's history.

It would appear, therefore, that the Department of Labor is speaking out of both sides of its mouth, depending on what the situation is at the moment.

Now, in New York States, it is interesting to note what the situation is there. It is true that unemployment increased slightly at the year end and at the beginning of the year. We had as of the week ended February 2, 1952, 274,000 claims for unemployment insurance. But on January 26, 1951, there were 250,000 claims, so that actually there is a slight amount more this year than last year. And the picture in New York follows the picture all through the country—that at year end there is a decline in employment because of decreases in the Christmas trade, of persons who are not regularly attached to the labor market leaving the labor market, and also because of lay offs due to inventory taking.



Now, this figure of even 300,000, which New York State hit, is nothing like the peak which New York had in 1948 and 1949, where in 1 week New York State, for the week ended July 15, 1949, had 584,000 claims. At that time the New York Administrator and organizations of labor and business did not come running to the Federal Government asking for hand-outs. That is half again as much in claims filed in 1949 as the number now presently filing claims in New York State.

Furthermore, we believe that this bill does not point out any differences between unemployment due to defense lay-offs and unemployment which occurs in the natural course of events.

The second question which is raised by this bill is whether it is the proper approach, and the question arises as to what is the cost. I don't believe there has been any valid estimate as to the cost of this measure to the Federal Government. In 1942, when Federal supplemental benefits were proposed at that time, with a \$20 maximum weekly benefit, it was estimated it would cost the Federal Government \$300 million. Now, with a 50-percent increase in the State benefits, it might be as much as three-quarters of a billion dollars, or even a billion dollars, if the dire prediction of unemployment by the sponsors of this measure come to pass. But this cannot be, if the predictions of the Department of Labor come to bear, namely, the highest employment in the Nation's history.

And then we would like to point out the effect of this bill on the State laws. This is holding out the carrot in front of the horse. We are inducing the States to do something which they would not ordinarily do. The bill would make it very attractive, for the States unreasonably to increase their benefits, and to go contrary to what their legislatures have stated is a reasonable amount for unemployment insurance benefits, based on the average weekly wages in the various States. It goes contrary to the very basic philosophy of the unemployment insurance system which the Congress enacted, placing the initial responsibility in the States.

Once having incorporated these high benefits, the States, once the emergency is removed, if there ever is any removal of an emergency, will never find it feasible or even practical to drop the rates, and what we have done here is overinsured our risk.

It has already been pointed out by the previous witnesses as to the amount which would be the take-home pay of a person receiving State benefits with the Federal supplements. In New York an individual would receive \$45 a week, based on the \$30 weekly maximum which New York has just enacted into law. A single person who earned \$70 a week would be entitled to that \$45 a week from the State, plus the Federal supplements, and with the various deductions which are pointed out in the statement, he would receive \$6.25 more per week if he worked than if he was unemployed. We think that is a fairly high incentive for a person not to work, and also a fairly high incentive for a person to freeze himself in a particular labor area, instead of inducing a certain amount of mobility in order to go to areas which need his type of skill and labor for the defense industry.

Furthermore, we feel that this measure would, indeed, be a federalization of the State laws. The Department of Labor, under the domination of labor unions, would be in a very advantageous position to control the operation of the State laws, to determine what standards

qualify a State for future supplemental benefits, because these benefits must be renewed each year on application by the governor. Since the Department of Labor must rule upon these applications, it would be in an excellent position to determine whether the State's eligibility requirements have met the Federal specifications, or whether any other type of standards meet the Federal Department's understanding as to what should or should not be included in a well-working Federal system of unemployment insurance.

The Senate and particularly this committee many times over have refused to permit federalization of the State unemployment insurance systems. This is merely a subtle attempt at this type of federalization. It is a cute method, but I am sure this committee will not permit this to go into effect.

Now, the final question we might ask is what is the solution. Mr. Charles Wilson has already issued his manpower defense policy No. 4 in which he has required the Department of Labor to determine which are the critical areas for unemployment, ordered also that contracts be located in those areas, and, stated that contracts could be issued at 10 percent higher than the going rate.

We feel also that the States, through increasing their various benefits, have adequately taken care of this situation. It is interesting to note that six States during the past year have increased the maximum to \$30 a week. Some 22 States in the last year increased their benefits upwards. So that today there is no State in the Nation which pays less than a maximum of \$20. We feel that the States in the past have adequately and valiantly met the problems. We feel that relaxation in material cut-backs where feasible and placement of defense contracts in jobless areas wherever possible will do more to cut down unemployment among workers in civilian industries than more than doubling the unemployment insurance benefits as proposed in this bill.

What is necessary to reduce unemployment is production and not doles.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Zucker.

Your statement will go in the record.

(The prepared statement of Mr. Zucker is as follows:)

**STATEMENT OF COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC., BY  
DR. M. WILLIAM ZUCKER, MANAGER, SOCIAL SECURITY DEPARTMENT**

The Commerce and Industry Association of New York opposes the enactment of the bill (S. 2504) introduced jointly by Senator Moody and 14 other sponsors proposing that the Federal Government provide supplementary unemployment compensation benefits in certain cases to workers who become unemployed during the national emergency. The measure is aimed at the unemployment situation brought about by the need for converting many of the Nation's productive facilities from civilian to military uses, and particularly by the diversion of scarce materials ordinarily used for civilian production into military production.

**WHAT THE BILL PROPOSES**

It is proposed to supplement, with Federal funds, basic State unemployment payments by 50 percent, with the provision that in no event can the combined State and Federal payment exceed 65 percent of a worker's average weekly wage before taxes. In addition, where a State provides allowance for support of dependents the Federal Government would match the State's dollar for dollar, with the maximum of the combined State and Federal payment not to exceed 75 percent of a worker's average weekly wage before taxes.

These are the reasons advanced for the measure:

1. The Federal Government has caused most of the unemployment problem, by bungling the job of conversion.

2. Some States and economic areas are harder hit by conversion unemployment than others, and Federal payments are needed to prevent unreasonable burdens on the unemployed in the affected areas.

3. Allocating the burden of unemployment caused by conversion is a legitimate charge against the defense program, and hence, against the Federal Government.

4. In the absence of some such Federal payments, the working force in the areas undergoing conversion will scatter and be unavailable when defense production is ready to go.

In 1942, when the war production effort gained momentum, temporary unemployment resulted from conversion of civilian production to war needs. At that time a similar proposal was advanced, calling for supplementation by the Federal Government of unemployment compensation benefits coupled with a proposal for federalization of the State unemployment compensation system. Events in 1942 showed the unemployment was of short duration and that the States could handle adequately the problems facing them due to war conversion. Again, in 1944 and 1946, attempts were made to pass legislation for the payment by the Federal Government of supplementary benefits during the conversion period. All such bills were defeated by the Congress.

#### ORIGIN OF UNEMPLOYMENT NOT A FACTOR

The causes for unemployment are many and changing. The resulting evils are always the same. The purpose of unemployment insurance is to deal with them regardless of origin, and to tide over the unemployed person during a temporary lay-off through provision of funds designed to maintain, in part, his purchasing power.

Singling out a particular type of unemployment for special treatment represents a regressive point of view in social legislation. To regard the unemployment caused by the conversion of our factories to a defense basis, especially in one particular industry, as a different kind of unemployment to be dealt with in a different manner is to confuse our basic thinking in unemployment insurance legislation and its underlying philosophy.

Worse than that, it is an invitation for various pressure groups to drive for special legislation of a similar nature every time the economic winds shift. Nothing could be more debilitating to our unemployment compensation systems. Special legislation of this nature will prevent development of a sound and vigorous system which would be prepared under all conditions to fulfill the continuing social function it is intended to perform.

Nor is there anything unusual in this situation in the normal operation of the economic system. When, for example, inflationary controls called for a larger down payment on residential houses there was a sharp though temporary reduction in construction employment which picked up shortly thereafter. Similarly, tightening of installment buying regulations initially resulted in reduction of the labor force in the automotive industry. So it goes in a host of other fields. Operation of our tariff laws may and does temporarily adversely affect the employment picture. But this is not to require that whenever a minor dislocation in employment occurs, the Federal Government must or should rush in with its funds.

At the time of passage of the Social Security Act it was proposed that a state system of unemployment compensation should be devised for the purpose of providing benefits for unemployed persons during periods between the expiration of one job to the acquisition of a succeeding job. All statistical and actuarial data resulting in the establishment of the tax rate were based upon a normal cycle of unemployment. Reserves were established by the States to meet the extra requirements of depression periods which might occur.

#### SYSTEM HAS MET TEST OF EVERY CRISIS

The unemployment insurance system to date has met each and every crisis regardless of the amount of unemployment. This bill is an attempt to utilize the unemployment compensation laws for achieving a result for which they were not designed. Instead, a proposal such as the one before your committee projects results which would be disastrous to the State-Federal unemployment compensation program.

The provisions of the bill would be put into operation when the governor of a State certifies that "within one or more labor market areas of his State, there exists substantial unemployment . . . with no prospect of immediate reemployment . . ." subject, of course, to the agreement of the Secretary of Labor as to the correctness of the Governor's certification. These supplemental benefits would remain in force upon annual renewals by the Governor and would apply to all unemployed workers in the State regardless of whether or not their unemployment is a result of the conversion from civilian to defense production.

It is obvious that under the circumstances no Governor would be able to resist either the pressure or the temptation at least to make a certification for these supplemental benefits. In other words, in a very short period the unemployment insurance benefits throughout the country would be hiked automatically by either 86 percent or 63 percent, subject to whether or not a State had dependency benefits. Indeed, since the Federal Government would match dollar for dollar dependency benefits this would be an added incentive for all States to incorporate dependency benefits as part of their unemployment compensation laws and also increase the basic benefits since the Federal Government is going to be so generous in its supplementary amounts. Many States have considered the enactment of dependency benefits and refused to inject a welfare program into an operation based on insurance principles.

#### NATION'S EMPLOYMENT PATTERN REFUTES NEED FOR BILL

It would be well for us to look at the unemployment and employment pictures throughout the country before leaping into action.

The situation in the Nation denies the need for this measure. Unemployment is slightly higher in some areas than last year, but follows the pattern for the year end and the new year.

The Bureau of Employment Security in its Bulletin on Unemployment Insurance Claims for the week ended January 26, 1952 (vol. 7, No. 33) presented a most favorable picture belying the pressing necessity for this measure. The bulletin did not show disastrous unemployment as the result of civilian cutbacks but rather attributed the bulk of the lay-offs to year-end operations of some employers. The bulletin declares:

"Unemployment insurance claims actively moved downward for the second week during the week ended January 26, 1952, with initial claims declining 7.0 percent to 250,300, and weeks of unemployment claimed edging down 2.5 percent to 1,372,000. *Altogether, 38 States reported a reduction in initial claims and 30 States a decline in weeks claimed.* While the downward movement in claims during the latter half of the month conformed to the trend in January 1951, the current levels were above those of a year ago. According to the claims data for the 4 weeks ending January 26, 1952, initial claims were 27 percent above and weeks claimed 18 percent above the volumes during the comparable period in January of last year.

"The largest decrease in weeks of unemployment claimed were experienced by New York (12,200), Michigan (9,100), Pennsylvania (8,500), and Illinois (5,100). New York's decrease primarily reflected the seasonal upswing in the New York City apparel industry. Michigan's decline occurred in both the Detroit and the out-State areas. Recalls to work in the tobacco, textile, apparel, and shoe industries reduced the load in Pennsylvania. A large part of the weeks of unemployment claimed in Illinois resulted from unemployment among former workers in the coal, food, apparel, paper, leather, fabricated metal, and trade industries. Weeks of unemployment claimed in Tennessee dropped 3,500 partly due to administrative factors, while the reduction of 2,300 in North Carolina was attributable in large measure to fewer claims from textile and furniture workers." [Italics supplied.]

Mr. Robert C. Goodwin, Director of the Bureau of Employment Security, writing in the January 1952 issue of the Labor Market and Employment Security, published by the Department of Labor, predicted that employment in 1952 would hit a new high. His statement opens with this paragraph:

"Another record-breaking employment year is in prospect. Employment expansion will be paced by mass hiring in heavy defense industry as many industries with big defense production orders complete tooling and designing stages preparatory to volume production. These labor requirements, together with demands from civilian industries and agriculture, should bring employment in 1952 to a midsummer peak of 63,000,000, highest in the Nation's history. Shifts

between industries and occupations will be greater than in the past year. Unemployment on a Nation-wide basis will continue at low levels and may even decline somewhat, but a number of local areas will experience troublesome unemployment problems.

From the Department of Labor's own reports no compelling necessity is proved for the passage of this measure now before your committee.

#### NEW YORK'S EMPLOYMENT PATTERN SIMILAR

In New York State the pattern of unemployment is like that of the Nation at large. During November and December of 1950 and January 1951, more claims actually were filed and paid than during the last week for which a report has been filed, February 2, 1952. A recapitulation of the weekly claims and the benefits paid for the past 15 months is attached to this statement as table A. You will be interested to note that the smallest amount of unemployment occurred during the week ending March 10, when 205,044 claims were handled. It is true that during each of the first 3 weeks of January of this year there were more than 300,000 claims handled. But this, in and of itself, is not a disastrous situation but rather a regular cycle in New York, due to post-Christmas retail lay-offs of people not regularly in the labor market and inventory periods.

Just as New York State has been able to handle more than 300,000 claims without any ill effects upon its unemployment insurance system and without the employees or the State administrator running to Washington with distress signals, it is well to point out that our New York program was able to handle successfully a period of unemployment insurance claims when the number of claims transactions was more than 684,000 in 1 week alone.

You will recall that during 1948 and 1949 there was a sudden slump in employment. The high point for unemployment insurance claims in New York was reached in July 1949. Set forth below is a table showing the number of claims handled during May, June, and July of that year, after which the claims dropped precipitously and the normal claims load set in:

#### New York State claims transactions including interstate, May, June, and July, 1949

Week ending—		Week ending—Continued	
May 6.....	463, 722	June 21.....	569, 433
May 13.....	468, 310	July 1.....	575, 308
May 20.....	468, 867	July 8.....	557, 160
May 27.....	486, 801	July 15.....	584, 698
June 3.....	486, 640	July 22.....	582, 099
June 10.....	535, 575	July 30.....	560, 190
June 17.....	506, 613		

The attached table B sets forth a tabulation of the number of people, not claims transactions, registered each month in New York from September 1944 to the present. It will be noted from these figures again that the situation today is far less critical than the period during 1949. In fact the situation is typical of the short-term fluctuations which occur in New York and are usual in other parts of the country. Because these lay-offs are temporary, the States have concerned themselves with increasing weekly benefits to aid those who legitimately are unemployed during these periods.

#### WEEKLY BENEFITS INCREASED IN 22 STATES

Much has been made of the fact that during this temporary period the "inadequate" unemployment insurance benefits must be increased in order better to tide over the claimant during his period of lay-off because of the conversion process. In New York the maximum weekly benefit has been increased to \$30 a week, effective with claims filed on and after December 31, 1951. The new table of benefits ranges from 51 percent of average weekly wages to 68 percent before taxes.

In the past the State legislatures have increased the benefits dependent on local conditions. This past year demonstrated the manner in which the legislatures recognized the problems in their individual States when 22 State legislatures raised the weekly benefit amounts. A concise resume of the present status of maximum weekly allowances is contained in the December 1951, Social Security Bulletin, issued by the Federal Security Agency, as follows:

"By and large, changes made in the benefit formula during the 1951 State legislative sessions took the form of increasing the maximum weekly benefit

amount rather than extending the potential duration of benefits. This emphasis on weekly benefits was to be expected in view of the continuing increase in the cost of living and the prospect that in the next few years unemployment will probably be sporadic and of short duration.

"The 1951 sessions saw the establishment of the first \$30 basic maximum weekly benefit (six States: Alaska, New York, North Carolina, Pennsylvania, Washington, and Wisconsin) and the elimination of the last under-\$20 benefit. With the increase of the maximum weekly amount in Florida from \$15 to \$20, it is now possible for some claimants in every State to qualify for a weekly benefit of \$20. Twenty-two States (Alabama, Alaska, Florida, Idaho, Illinois, Indiana, Iowa, Michigan, Missouri, Nebraska, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Ohio, Pennsylvania, South Dakota, Tennessee, Utah, Washington, and Wisconsin) raised the maximum weekly benefit amount by increases ranging from \$2 to \$7.50. When all amendments become effective, 51 percent of the workers who were in covered employment in 1950 will be protected by the laws of the 13 States that provide for a basic maximum benefit of \$27 or more. Under the 1950 laws, only Kansas, with 0.8 percent of the Nation's covered workers, allowed a weekly benefit of more than \$26."

#### DEFENSE ORDER PROVIDES FOR JOBLESS AREA

We have already shown in this statement that there is no need for this legislation because it has been demonstrated that the present unemployment insurance load is not inordinately greater than the normal situation existing at this period of the year, and that the State legislatures have increased the benefits so that the weekly maximum amount has been raised appreciably throughout the Nation.

Another reason for opposition to this measure is the fact that the Federal Government, recognizing the problem of joblessness in certain areas, has ordered through Defense Mobilizer Charles E. Wilson that the Labor Department and the procurement agencies start channelling defense contracts into jobless areas and give them a price advantage of about 10 percent if necessary to relieve unemployment. In this order, Defense Manpower Policy No. 4, the effect is to—

1. Authorize the Labor Department to decide which areas are hard hit jobwise;
2. Order a newly created committee to decide what defense work the area can handle, and
3. Order the procurement officials to place the contracts there.

Certainly the relaxation of material cut-backs where feasible and the placement of defense contracts in jobless areas whenever possible will do more to cut down unemployment among workers in civilian industries than the more than doubling of unemployment insurance benefits. What is necessary to reduce unemployment is production, not handouts.

Using the present State benefits as a guide, if this bill were enacted a New York claimant could receive a maximum of \$15 a week in benefits. In States which provide dependency benefits the maximum would be higher. In Michigan, for example, it would be \$56.60 where an individual has four dependents, in Nevada the maximum would be \$61.60 if the claimant had four dependents, while in Alaska a claimant with three dependents could receive \$81.

Again referring to New York, if this law were enacted it is interesting to note the effect of a \$15 weekly benefit check on the incentive of an individual to work. In order to be entitled to \$15 a claimant in New York would have to earn an average of \$70 a week. Assuming the claimant to be unmarried and without dependents, his Federal income tax would amount to \$11.40 per week, his social security, disability benefits premium and State income tax would amount to another \$2.60. He would have to spend at least \$1 a week for transportation and an average of \$3.75 per week for lunch. This leaves him a net of \$51.25, if no other deductions are included. It is not too difficult to see that at a net loss of \$6.25 a week an individual in New York would have a well-paid vacation. It is obvious, then, that what is proposed is an overinsurance of the risk.

#### COST MIGHT BE BILLION DOLLARS

While on the subject of finances, it should be pointed out that there are no cost figures for this program. The 1942 supplemental benefits were estimated at \$300 million when benefit payments were far lower. Today, with total benefit payments amounting to \$1.7 billion a 50-percent increase through Federal supplementation would cost at least \$850 million. If the dire predictions of the sponsors of this measure come to pass and unemployment rises appreciably, then it can be

estimated conservatively that the cost to the Federal Government would be a billion dollars.

It is not necessary for us at this time to go into the inflationary aspects of a billion dollars on the economy of the country nor to have to point out that a billion dollars must be raised by taxes somewhere, somehow, and on someone.

The sponsors of this measure have been careful to avoid all reference to federalization of the State systems. What has been defeated time and time again, namely, outright federalization of the unemployment insurance system with its attendant bureaucracy, red tape, and national standards, is now being attempted through a subtle device.

By holding out the tempting prospect of added funds the Federal Government is promoting changes by the State legislatures in the weekly maximum so that each State would be able to enjoy a greater share of the Federal funds. At the conclusion of the national emergency, whenever that might be, the States then would be stuck with an inordinately high maximum which would not reflect the proper relationship of weekly benefits to the average weekly wage in individual States.

Since the certification of the governor as to the continued existence of substantial unemployment would be subject to review by the Secretary of Labor, it is not unlikely that we would be presented with the prospect of the Secretary of Labor determining that State laws must conform to standards set by his Department with regard to eligibility, disqualifications and benefit amounts in order to qualify for Federal supplemental funds. One might suspect, with the attempts made by unions in the past to secure a national unemployment insurance system, that this bill, if enacted, would be a device for organized labor to control the unemployment insurance funds, benefits and standards through domination of the Department of Labor.

#### BILL SHOULD BE DEFEATED, JOB LEFT TO STATES

Time and again your committee has defeated frontal attacks on the State unemployment insurance systems. This time also your committee should rap the camel's nose sharply so that it has no opportunity to insert itself in the tent.

For the reasons stated above this bill should be defeated and the subject matter left to the States to handle, just as they have so well in the past.

TABLE A.—Unemployment insurance and veterans' allowance transactions summary of all unemployment claims transactions in New York State

	All claims	Benefits		All claims	Benefits
<b>Week ending—</b>			<b>Week ending—Continued</b>		
Feb. 1, 1963	374,788	\$4,649,356	June 15, 1961	290,774	\$3,965,914
Jan. 26, 1963	296,541	4,062,073	June 8, 1961	263,500	4,215,290
Jan. 19, 1963	300,154	4,014,873	June 1, 1961	236,266	3,001,640
Jan. 11, 1963	314,169	4,407,050	May 26, 1961	237,648	4,629,263
Jan. 4, 1963	312,266	4,298,656	May 19, 1961	245,322	3,641,107
Dec. 28, 1961	295,628	1,691,823	May 11, 1961	244,024	3,796,737
Dec. 21, 1961	298,913	1,726,530	May 4, 1961	245,600	3,910,323
Dec. 14, 1961	264,421	3,954,056	Apr. 27, 1961	226,631	4,067,032
Dec. 7, 1961	255,688	4,276,438	Apr. 20, 1961	223,007	4,697,889
Nov. 30, 1961	254,922	3,954,443	Apr. 13, 1961	232,810	3,557,247
Nov. 23, 1961	245,200	3,405,546	Apr. 6, 1961	225,582	3,283,592
Nov. 16, 1961	236,490	3,176,390	Mar. 31, 1961	218,798	3,198,081
Nov. 9, 1961	243,785	3,273,222	Mar. 23, 1961	207,202	3,634,617
Nov. 2, 1961	239,437	3,635,819	Mar. 16, 1961	205,044	3,212,737
Oct. 26, 1961	237,364	3,582,542	Mar. 9, 1961	200,935	3,353,363
Oct. 19, 1961	241,267	4,004,981	Mar. 2, 1961	211,654	4,214,618
Oct. 12, 1961	223,888	3,043,099	Feb. 23, 1961	210,123	3,783,967
Oct. 5, 1961	223,059	4,310,640	Feb. 16, 1961	212,794	3,725,119
Sept. 29, 1961	229,420	3,267,162	Feb. 9, 1961	220,781	3,185,370
Sept. 21, 1961	226,989	3,767,067	Feb. 2, 1961	226,499	3,946,941
Sept. 14, 1961	226,806	4,264,323	Jan. 26, 1961	253,674	4,343,017
Sept. 7, 1961	227,423	3,143,824	Jan. 19, 1961	277,320	4,665,648
Aug. 31, 1961	233,679	3,995,489	Jan. 12, 1961	306,963	4,083,023
Aug. 24, 1961	234,933	3,467,661	Jan. 5, 1961	309,463	4,356,351
Aug. 17, 1961	240,623	4,153,247	Dec. 29, 1960	300,110	3,254,756
Aug. 10, 1961	246,194	4,745,867	Dec. 22, 1960	293,028	4,043,213
Aug. 3, 1961	254,051	4,226,095	Dec. 15, 1960	305,131	4,904,628
July 27, 1961	264,163	4,162,814	Dec. 8, 1960	278,266	4,420,897
July 20, 1961	273,617	4,436,950	Dec. 1, 1960	236,467	4,765,631
July 13, 1961	267,804	4,230,472	Nov. 24, 1960	217,976	4,843,418
July 6, 1961	253,198	3,135,650	Nov. 17, 1960	216,758	4,128,267
June 29, 1961	260,713	4,667,805	Nov. 10, 1960	262,213	3,984,711
June 22, 1961	276,646	4,262,767	Nov. 3, 1960	268,265	4,450,261

Source: New York State Department of Labor, Division of Placement and Unemployment Insurance.

TABLE B.—Registered claimants for unemployment insurance and veterans' readjustment allowances in New York State

	1944	1945	1946	1947	1948	1949	1950	1951
January.....		30,281	420,535	402,615	322,588	453,774	417,671	292,495
February.....		28,267	458,897	377,011	312,199	454,454	408,977	216,083
March.....		24,616	526,548	378,461	316,982	465,551	362,626	198,968
April.....		28,422	471,636	364,883	332,114	492,800	367,349	229,260
May.....		31,562	451,189	308,279	321,943	473,752	331,505	240,418
June.....		52,949	501,350	443,908	352,742	509,472	417,563	300,738
July.....		62,442	497,786	433,006	354,215	564,067	360,268	276,747
August.....		60,160	465,637	377,003	312,422	469,122	276,449	217,905
September.....	20,119	211,454	465,807	350,166	300,028	418,684	358,481	228,607
October.....	21,021	230,867	413,205	290,809	288,407	409,815	277,043	236,205
November.....	24,992	277,152	387,027	302,124	317,671	514,793	310,184	238,399
December.....	27,563	320,655	385,464	288,638	370,571	460,069	294,243	251,547

Source: New York State Department of Labor, Division of Placement and Unemployment Insurance.

The CHAIRMAN. Mr. Triggs.

### STATEMENT OF MATT TRIGGS, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

The CHAIRMAN. Will you identify yourself for the record?

Mr. TRIGGS. My name is Matt Triggs. I am assistant legislative director of the American Farm Bureau Federation.

I have a short statement that I would like to present, Senator.

The CHAIRMAN. We will be glad to hear you.

Mr. TRIGGS. The opportunity of appearing before this committee and presenting the viewpoints of the American Farm Bureau Federation relative to S. 2504 is appreciated. The American Farm Bureau Federation is an organization of 1,452,000 farm families located in 47 States and Puerto Rico. We are opposed to the enactment of S. 2504 for the reasons summarized below.

The bill would establish an unwise precedent. The Congress, in the enactment of unemployment insurance legislation wisely provided that, except with respect to administrative expenses, the program should go on a self-sustaining basis. This bill would abandon this concept. The bill would change an insurance program into a welfare or subsidy program. Once the insurance principle is abandoned, once we establish a precedent for supplementing State unemployment insurance funds by contributions from the Federal Treasury, it will facilitate appeals in succeeding years to contribute Federal funds for other purposes and destroy the self-sustaining basis of the program. The history of other Federal expenditures would indicate that such supplemental payments, once started, will be continued indefinitely. The program would be gradually changed from a State-administered, State-controlled program to a program dominated and controlled by the Federal Government.

The bill would establish an unwise national policy, namely, that those segments of our society which are adversely affected by the national defense program should be compensated for such adverse effects by payments from the Federal Treasury. Inevitably any major readjustment such as that imposed by the national mobilization program will involve sacrifices by and losses to a great many people. If we are to adopt as national policy the principle that the Federal Government should compensate each individual for such sacrifices and



losses, there is no end to the payments we shall be called upon to make from the Federal Treasury for this purpose.

It would be equally valid to propose that draftees, forced to liquidate a business they have developed, be compensated for such losses; or that business concerns, forced to curtail operations by the diversion of materials to other purposes, should be compensated for any losses suffered for this reason; or that people on fixed incomes should receive payments from the Federal Treasury to offset the loss of purchasing power resulting from the inflation incident to the defense effort; or that farmers who lose their labor supply to new defense industry should be compensated for the losses thus sustained.

Each new program calling for new Federal expenditures will add to the size of the deficit in the Federal budget and contribute to inflationary trends. The extent to which inflation will cause further deterioration in the value of the dollar is roughly proportionate to the extent to which we resort to deficit financing.

In its concern to prevent further inflation and to aid in the restoration of sound national fiscal policy, the American Farm Bureau Federation has recommended, and again will recommend, substantial reductions in Federal spending, including the expenditures in the budget of the Department of Agriculture, which are of particular importance and significance to farm people. If inflation is to be avoided and the most effective use made of our resources, it is imperative that each and every expenditure be rigorously scrutinized and that new spending proposals be approved only where they clearly and unmistakably are essential in the defense effort. We do not believe the expenditures proposed in this bill can be so classified.

The consequences of Federal deficit financing are so far-reaching and disastrous to the maintenance of our economic concepts and institutions that we believe every group in our population should be willing to take whatever reasonable sacrifices are necessary to avoid such consequences.

It is therefore recommended, upon behalf of the American Farm Bureau Federation, that S. 2504 be denied approval.

The CHAIRMAN. Thank you very much for your appearance and for your statement.

Are there any questions? If not, sir, we thank you.

The CHAIRMAN. Mr. Hawkey.

#### **STATEMENT OF HAROLD HAWKEY, SECRETARY, EMPLOYERS ASSOCIATION OF NORTH JERSEY, NEWARK, N. J.**

The CHAIRMAN. Mr. Hawkey, you may identify yourself for the record, please, sir.

Mr. HAWKEY. My name is Harold Hawkey. I am secretary of the Employers Association of North Jersey, in Newark, N. J.

Gentlemen, the members of the association I represent consist of both large and small employers, most of them manufacturing plants. They employ over 42,000 people, and this year will pay in State and Federal unemployment compensation taxes a total of approximately \$2 million. They have, therefore, a substantial stake and a rightful interest in the way in which the unemployment compensation program is operated; they are opposed to the proposals embodied in this bill.

The disadvantage of speaking at this stage of the proceedings is that much of the ground has been covered, so I will confine myself briefly to some brief comments and a few illustrations applicable to my own State.

To begin with, this bill is predicated upon so-called findings which are mere window dressing. For example, Congress is supposed to find that "present benefits provided under State unemployment compensation laws are both inadequate and unfair to workers" suffering from unemployment occasioned by the defense effort, and that "alleviation thereof is essential to defense mobilization."

1. How does Congress know the benefits are inadequate and if they are, whose business is it to make them adequate?

2. How is alleviation of the hardship of unemployment going to help the defense effort?

3. Are the benefits of this bill to be confined to cases of unemployment which have some connection with the defense effort?

One of the most (if not the most) serious indictments against the provisions of this bill is the way in which it becomes operative in a State, i. e., upon certification of a Governor that "substantial" unemployment exists in one or more areas.

First, there is no definition of "substantial," and thus neither assurance against arbitrary action nor hope of uniformity of application among the various States. Second, it requires such unemployment in only a single labor market area. Let me illustrate how ridiculous that is in terms of my own State. In New Jersey there are approximately 1½ million workers in "covered" jobs. One particular labor market area includes the resort district of Atlantic City. It has roughly 40,000 employees, about half of whom work in hotels and in establishments which cater to the hotel trade, with less than 7,000 persons employed in manufacturing. Every fall the Atlantic City hotels, the summer restaurants, the boardwalk shops and the recreation facilities lay off such large numbers of people that the labor market area in which they are located shows "substantial" unemployment. Right now, for example, there are about 35,000 people employed there as compared with 47,000 last summer. So in spite of the fact that this labor market area employs only 47,000 out of 1½ million workers (and less than 7,000 in manufacturing), seasonal employment conditions there could, under this bill, furnish the basis for the Governor of New Jersey to issue his certification to the Federal Government.

Whether he would or not is really beside the point. The power is there and it will be used in many States either willingly or under pressure from the same groups who are exerting pressure against you to pass this bill.

What would be the result? Let me illustrate a possible result in terms of an employee whose salary is \$50 per week, who becomes unemployed and is entitled to benefits. During one of the calendar quarters which constitutes this employee's base year, he worked an average of 4 hours overtime each week, so that he earned \$57.50 per week. Under the formula contained in this bill, he would be entitled to weekly benefits of \$37.38 (65 percent of \$57.50).

We will further suppose that our claimant is an unmarried man or woman without dependents. His Federal income tax deduction from a salary of \$50 per week would be \$10.10, leaving a net of \$39.90, which he could earn for 40 hours' work. By not working at all,

he can collect \$37.38, a difference of only \$2.52 per week, so where is his incentive to work? In fact, when you take into account such other deductions and expenses as carfare, unemployment compensation payments, union dues, and so forth, you may easily reach the point where he receives less money for working than he gets in the form of benefits.

This is by no means an exaggerated or distorted example. You can use other figures and they all show the same thing; namely, that the result of this bill would be to yield benefit payments which in many cases would be so high as to remove the incentive to accept employment, particularly interim employment pending employees' returning to their regular jobs. The United States Labor Department recently announced<sup>1</sup> that the country's labor force would have to be increased by several million workers. This bill will not help us to get them.

There is considerable emotional appeal in the argument that because the Federal Government has caused people to become unemployed, it should help to take care of them, and the appeal is enhanced because the unemployment has something to do with the defense effort, which is supposed to involve equality of sacrifice. It would not be so appealing, but just as logical, to say that the Federal Government should help to support workers who are laid off because their employer has been bankrupted by the high income taxes imposed by the Federal Government.

Moreover, the benefits of this proposed legislation are not confined to the victims of defense conversion, and the situation in cities like Detroit is being used to justify Federal intervention. There is not even a reasonable excuse for intervention in view of the fact that the States themselves have the power to legislate increased benefit rates. Many States have done so—in New Jersey, for example, the maximum weekly benefit rate has been increased from \$15 in 1939 to \$26 currently, and an increase to \$30 has been proposed and is probable. This would represent a 100 percent increase in maximum weekly benefits over a period in which the cost of living has increased by 90 percent. Furthermore, in 1939 the average weekly benefit amount actually paid was under \$10, whereas last year it was nearly \$22, an increase of 125 percent. In short, no help from Washington is needed.

Finally, we have no illusions as to the real purpose of this bill. We know that the Federal Government will demand its pound of flesh, we know that in return for lending its financial support to State unemployment compensation programs, it will demand, and secure, increasing control over those programs to the point where they are completely federalized.

Thank you, gentlemen.

The CHAIRMAN. Thank you very much for your appearance.

Mr. Cooper?

**STATEMENT OF FRANK E. COOPER, ATTORNEY FOR MICHIGAN MANUFACTURERS' ASSOCIATION, AND MICHIGAN MANUFACTURERS' UNEMPLOYMENT COMPENSATION BUREAU**

Mr. COOPER. Mr. Chairman and Senators, my name is Frank E. Cooper. I am attorney for the Michigan Manufacturers' Association. I filed with the secretary of the committee yesterday several copies of

a statement and I should like to ask the permission of the chairman to have the statement made part of the record, and to merely comment briefly thereon this morning.

The CHAIRMAN. Yes, sir; you may do so. The statement will go in the record in full. We will be glad to hear such comments as you wish to make.

Mr. COOPER. In summary, Mr. Chairman, the manufacturers of Michigan oppose the defense unemployment compensation bill of 1952 on three grounds:

First, that the bill is not needed, because the unemployment levels in Michigan are not critical. The unemployment benefits paid by Michigan under the State law, which run as high as \$35 per week and average more than \$27 per week, are now more adequate, as compared to wage levels and the cost of living, than they have been in the past.

The second ground which we wish to point out is that the bill grants untrammelled and uncontrolled discretionary powers to the Secretary of Labor and thereby threatens the integrity of the State unemployment compensation laws.

The third point is that it would be sounder economics, and better for everyone, to make jobs available for unemployed auto workers in Michigan rather than pay them extra money for not working. If the auto makers' copper quotas are increased, the unemployment problem will lose its importance.

If I may add just a detail or two in support of those points. I appreciate that the committee has heard during the last few days a number of statistics as to the number of unemployment claims which are currently filed in Michigan. I obtained some figures yesterday which I think are perhaps a little more recent than those which have hitherto been given to the committee.

For the month of January 1952, the average number of claims filed per week in Michigan was 114,350. That is substantially lower than it had been back in January 1950, when the weekly claims load averaged more than 130,000. The trend at the present time appears to be downward. The last figures available, which are for the week ending February 14, the total number of claims filed was only 93,500. That is bringing the trend down to a point which compares with an average number of 40,000 to 50,000 claims filed per week during periods of full employment.

In view of the present claim load in Michigan, I submit, Mr. Chairman, that the need is not critical.

As to the adequacy of the unemployment benefits provided under the Michigan law, let us see how they have risen as compared with the increase in the average weekly wages. In 1941, the average weekly wage of employees engaged in manufacturing in Michigan was \$41.59. It has now increased to \$74.23, or an increase of 78 percent during the last 10 years, and during those same 10 years the average weekly benefit check has gone up 112 percent, from an average of \$12 and a fraction in 1941 to \$27.28 at the present time.

Likewise, the rate of increase in the average unemployment compensation check paid under the Michigan law has outstripped the increase in the cost of living during the same period, as measured by the BLS Consumers Price Index.

The committee, I know, has heard examples as to the inducement that the bill might have, were it enacted, in persuading some employ-

ees, that they might prefer idleness to a job, and let me mention just briefly one example in terms of our Michigan laws. If an individual in Michigan earns \$60 or \$61 for a 40-hour week, he would be entitled to receive under the bill, tax-free, a weekly benefit of \$40. That is only \$7 less than his net take-home pay for working, because after deducting the withholding taxes and social-security tax, and say \$3.50 as a fair estimate for transportation, union dues, and lunches, he would have a net take-home pay of only \$47, if he worked, and under the bill he would receive \$40 a week for not working.

The second point which we would like to submit to the committee deals with the delegation, which the bill proposes, of untrammelled discretionary power to the Secretary of Labor. It seems to me, Mr. Chairman, the bill is a good example of what Justice Cardozo of the Supreme Court has called delegation running riot.

The provisions of section 4, which are the focal point of the entire statutory scheme, provide, in substance, when the governor finds in a single labor market area within his State that there exists a substantial amount of unemployment, with no prospect that the unemployed workers will be employed at once, which presumably means today or tomorrow, the governor is authorized to make the appropriate certification to the Secretary of Labor. If he does make such certification the next step is for the Secretary of Labor to make a finding either confirming or refusing to confirm the governor's certification. The Secretary's determination as to this is apparently final and nonreviewable, and it would, accordingly, be within the discretionary power of the Secretary to refuse to confirm a governor's certification, if he so chose, and the State would be cut off.

But that is only the beginning of the discretionary powers vested in the Secretary. If he does confirm the governor's finding, then he is to "enter into an agreement" with the State. He can prescribe the terms of that agreement. The bill requires, to be sure, that the agreement shall contain specified provisions, but the bill does not prohibit the Secretary from insisting on other terms and conditions which he might desire. Indeed, the bill extends a hospitable invitation to the Secretary to do exactly this, in that the bill requires that in such contracts, the State agency must agree to "otherwise cooperate with the Secretary" in making payments.

Under this provision, what is there to stop the Secretary of Labor from requiring a State to agree to vital and far-reaching changes in the administration of its unemployment compensation act?

Let me just point out one example in terms of the Michigan law. I would like to point out that it is very doubtful, as the Michigan law now stands, whether an unemployed Michigan worker would be able to derive these proposed supplemental benefits, if the Congress enacted the bill. Someone would no doubt have to carry the case through the courts to settle the point, because it appears on the face of section 29 (3) of the Michigan act that an employee who claimed or received benefits under the bill, if it became law, would be disqualified to draw any benefits under the Michigan act. Under section 29 (3) of the State statute to which I referred, that employee is disqualified for State unemployment benefits for any week with respect to which he is receiving unemployment compensation benefits under an unemployment compensation law of the United States.

In view of this provision in the Michigan law, how would it be possible for the Michigan agency to make the agreement that section 4 (c) of the bill would require, that payments under the State law will not be denied or reduced by reason of Federal payments? This, I think, is an example of how the bill would permit encroachment on the right of the States to supervise and control the administration of the State laws. I believe if the bill were enacted a long step would be taken down the road toward federalization of the unemployment compensation program, and that the bill would enable the Secretary of Labor to achieve by indirection federalization of the unemployment compensation program, which the Congress has hitherto refused to approve.

Finally, Mr. Chairman, the Michigan Manufacturers' Association urges that the sound approach to the problem is to put the people back to work. We have no unemployment in the automobile industry in Detroit that could not be speedily cured by allocation of an additional 4,500 tons of copper for use in the auto industry. It is this lack of material which is the prime and principal cause of unemployment in Michigan.

If the administration saw fit to cut down on the amount of copper being shipped abroad, and send a larger amount of the copper to Michigan, thousands of men would soon be back at work, and the asserted need for the bill would have disappeared.

Thank you.

The CHAIRMAN. Thank you very much for your statement.

(Mr. Cooper submitted the following supplemental statement:)

STATEMENT OF FRANK E. COOPER, ATTORNEY FOR MICHIGAN MANUFACTURERS' ASSOCIATION AND MICHIGAN MANUFACTURERS' UNEMPLOYMENT COMPENSATION BUREAU

The manufacturers of Michigan oppose the Moody-Dingell bill, S. 2504, on three grounds:

(1) The bill is not needed. Unemployment levels in Michigan are not critical. The unemployment benefits paid by the State (which run as high as \$35 per week and average more than \$27 per week) have increased faster than either wages or living costs, during the last 10 years.

(2) The bill grants untrammelled and uncontrolled discretionary powers to the Secretary of Labor and threatens the integrity of State unemployment compensation laws.

(3) It would be sounder economics, and better for everyone, to make jobs available for unemployed auto workers, rather than pay them extra money for not working. If the auto makers' copper quotas are increased, the unemployment problem will lose its importance.

THE BILL IS NOT NEEDED

The benefit levels under the Michigan employment security law have more than kept pace with the increase in the cost of living and in wage levels. In 1941, the average weekly wage of employees engaged in manufacturing in Michigan was \$41.59. It has now increased to \$74.23 (January-October 1951). In other words, average weekly gross wages have gone up 78 percent in the 10 years since 1941.

During this same period, however, the average weekly benefit check for a week of total unemployment has gone up by more than 112 percent, from \$12.75, in 1941, to \$27.28 (February, 1952).

The rate of increase in the Michigan average weekly unemployment benefit check (which is net take-home pay) has also outstripped the increase in the cost of living, as measured by the BLS Consumers Price Index.

There is no startling unemployment at the present time. In fact, for the entire country, unemployment claims are at a comparatively low level. During November 1951, a total of about 1,250,000 claims were filed, as compared with 2,730,000

fled in January 1950. Even in Michigan, which is cited as the outstanding example of the need for the bill, the level of unemployment claims is by no means unprecedented or critical. The average number of claims filed per week in Michigan for the month of January 1952, was approximately 114,380, substantially less than it had been in January 1950, when the weekly claims load averaged more than 130,000. During the last 3 weeks, ended February 14, 1952, the average claim load was down to 100,020.

The average benefit check in Michigan, as noted above, is in excess of \$27, as compared with a national average of \$21.63. The State next highest to Michigan (Nevada) has an average benefit check of \$24.21. Of course, employees with dependents obtain larger weekly checks. For example, an employee with average weekly wages of \$52, who has four or more dependent children, receives a weekly benefit check of \$35.

Under the Moody-Dingell bill, the amounts paid for not working would be as large that actually, in many cases, people would prefer illnesses to a job. For example, an unmarried Michigan employee earning \$61 per 40 hour week would receive, under the bill, a tax-free weekly benefit of \$40. This is only \$7 less than his take-home pay would be if he had been at work (because if he had been working, there would have been deducted a withholding tax of \$0.60, social security of 40 cents, and he would have paid, say, at least \$3.50 for union dues, transportation, and lunches). Unless the man were anxious to pay Federal taxes and pay union dues, he might very likely conclude that he would rather have \$40 a week for not working than \$47 a week for working.

The bill is predicated on the proposition that the defense program has caused the unemployment of certain workers; and its justification is that, since their unemployment has been caused by the imposition of the Federal Government's program of preparing for the national defense, the Federal Government should assume the responsibility of granting them supplemental aid "to prevent the imposition upon such workers of an inequitable share of the burden of the defense program." But the bill is not limited to this announced purpose. It would extend the benefits of supplemental payments to many individuals whose current unemployment is in no way related to the defense program.

As noted in the President's economic report transmitted to the Congress in January 1952, the Nation is experiencing two kinds of unemployment; defense unemployment, and nondefense unemployment. In a number of areas (as pointed out at page 111 of the President's report) where the defense program has had but little impact, the existing unemployment reflects the lack of demand for the products in which that area's production is concentrated. This is non-defense unemployment. It does not fall within the purposes described in the bill. But the bill, as drawn, would apply to this situation just as fully as to the defense unemployment which is cited as the justification for the bill.

The bill overlooks the distinction which the President's economic report makes, and it provides benefits from the general Federal revenues to all individuals covered under State unemployment compensation systems in any State with a single area of substantial unemployment, regardless of the cause of the unemployment.

#### DELEGATION OF UNTRAMMELED DISCRETIONARY POWER

The bill is a good example of what the Supreme Court has called "delegation running riot." The provisions of section 4, which are the focal point of the entire statutory scheme, deserve careful attention. Under this section, the first step in putting the program into effect would be that the governor of a State would certify that in "one or more labor market areas" there existed "substantial unemployment" with "no prospect of immediate reemployment." In other words, once a governor finds that, in a single labor market area in his State, there exists a substantial amount of unemployment with no prospect that the unemployed workers will be reemployed at once, the governor is authorized to make the appropriate certification.

If the governor does make such certification, the next step is for the Secretary of Labor to make a finding confirming or refusing to confirm the governor's certification. The Secretary's determination as to this is, apparently, final and nonreviewable; and it would accordingly be within the discretionary power of the Secretary to refuse, arbitrarily, to confirm a governor's certification; and in that case, the State would be cut off.

This is only the beginning of the discretionary powers vested in the Secretary. If he does confirm the governor's finding, then he is to "enter into an agreement"

with the State. He can prescribe the terms of that agreement. The bill requires that such agreement shall contain specified provisions, but it does not prohibit the Secretary from insisting on other terms and conditions which he might desire. Indeed, the bill extends a hospitable invitation to the Secretary to do exactly this, in that the bill requires that in such contracts, the State must agree to "otherwise cooperate with the Secretary" in making payments. Under this provision, what is there to stop the Secretary of Labor from requiring a State to agree to vital and far-reaching changes in the administration of its Unemployment Compensation Act?

It is quite anomalous to direct, by law, that the several States shall make agreements with an officer of the Federal Government. When, as a condition of obtaining Federal aid, the States are required to make agreements which give the Secretary of Labor a stranglehold over the administration of State unemployment-compensation laws, a long step is taken down the road toward federalization of the entire unemployment-compensation program. In many respects, the provisions of the bill would enable the Secretary to achieve, by indirection, a federalization of the unemployment-compensation program which the Congress has hitherto refused to approve. The Department of Labor, and the union sponsors of the bill, are all committed to complete federalization of the State unemployment-compensation laws. This bill bears within it the seeds of ultimate and certain abdication by the States of their jurisdiction in this field.

Other instances of broad discretionary power delegated to the Secretary of Labor are his power to define "average weekly wage" in certain cases; and the general power granted him under section 9 to make regulations—being empowered to make them without even consulting with the States which would be affected thereby, if he finds that it would be impracticable so to consult with the States.

#### END THE UNEMPLOYMENT

Finally, the Michigan Manufacturers' Association urges that the sound approach to the problem is to put the people back to work. We have no unemployment problem in the automobile industry in Detroit that could not be speedily cured by allocation of an additional 4,500 tons of copper for use in the auto industry. It is this lack of material which is the prime and principal cause of unemployment in Michigan. If the administration saw fit to cut down on the amount of copper being shipped abroad, and send a larger amount of the copper to Michigan, thousands of men would soon be back at work, and the asserted need for the bill would have disappeared. This would be, in all respects, better than to pay them extra sums for not working.

The CHAIRMAN. Mr. Reporter, you will please insert in the record the following letters and telegrams:

1. Mr. H. W. Laynon, Chillicothe, Ohio.
2. Mr. H. T. Enns, Jr., The Fort Pierce News-Tribune, Fort Pierce, Fla.
3. Mr. E. J. Kavanagh, Wheatland Tube Co., Wheatland, Pa.
4. Mr. F. G. Koenig, Jr., Alabama By-Products Corp., Birmingham, Ala.
5. Mr. C. H. Coppee, Coppes, Inc., Nappanee, Ind.
6. Mr. H. S. Bedford, Chamber of Commerce, Bartlesville, Okla.
7. Mr. S. W. Arnold, Arnold Lumber Co., Kirksville, Mo.
8. Mr. James L. Rankin, Alabama State Chamber of Commerce, Montgomery, Ala.
9. Manufacturers Association of Colorado, Denver, Colo.
10. Mr. Samuel Lieberman, East Side Merchants Association, Detroit, Mich.
11. Mr. Paul A. Redmond, Southern States Industrial Council, Nashville, Tenn.
12. Congressman Charles E. Bennett of Florida.
13. Mr. Howard Friend, Indiana State Chamber of Commerce, Indianapolis, Ind.

(The letters and telegrams referred to are as follows:)

CHILICOTHE, OHIO,  
February 15, 1952.

Senator WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR MR. GEORGE: I am writing to express my opinion in opposition to the Moody-Dingell bill (S. 2504 and H. R. 6174) and to give you some reasons to support my opinion.



1. Our Federal Government is already loaded with a debt that is most seriously affecting the future of our country. The Moody-Dingell bill could and probably would add another billion dollars to this national debt, which if not checked by a balanced budget, it could very easily destroy the free America that we have always known.

2. The bill is so worded that even one small labor market area of any State could force practically every governor into the certification of the eligibility of his State for supplementary Federal funds even though the State as a whole did not need it at all.

3. The philosophy is bad in that it indicates that the Federal Government should attempt to prevent any inconvenience to any person whatsoever because of a shift from one type of employment to another; in this case, peacetime economy to defense economy. It seems that every good American should be willing to share his responsibility in the defense of his country, especially since the men in the armed services certainly must make much greater personal sacrifices than any one who has to shift from a peacetime to a defense job.

4. It is very dangerous to approach the point where a person receives almost as much pay for unemployment, in other words for not working, as he does for working full time. It certainly goes without saying that there are many people who have no desire to work under these circumstances and the avoidance of employment would very seriously handicap the defense effort, as well as any peace time production economy.

Without wishing to enumerate any further reasons and to make this letter too long, it is my hope that you will lend your support to the defeat of this bill.

Sincerely yours,

H. W. LAYMON.

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THE FORT PIERCE NEWS-TRIBUNE,  
Fort Pierce, Fla., February 15, 1952.

HON. WALTER F. GEORGE,  
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: I'm taking the liberty of writing to you as a Senator from our neighboring State, and as chairman of the Senate Finance Committee.

While just one man's opinion, you are definitely to be congratulated upon your logical, common-sense and realistic view of our current tax situation. I'm sure that opinion goes for the great majority of Americans.

This letter, however, is in regard to the Moody-Dingell bill. To me it appears only as another raid by the States on the Federal Treasury—backed primarily by a minority pressure group. Heaven knows we have had far too many such raids, by far too many such groups.

Obviously, this is no demand—that would be silly. Your career shows you don't react favorably to demands, but that you do respect and consider the views of others. I know you will do just that in this case—and your final judgment on the merits of this bill is one I will respect, and accept.

Despite a definite antipathy to the present administration, I still feel the congressional delegations from the Southern States are making by far the greatest contribution to a great, and desperately needed, effort to keep our country on an even keel—and away from socialism.

I hope and trust that these delegations will make an even greater contribution, with solid ranks, in the forthcoming national elections.

My sincere respects, Senator, for the splendid work you are doing for our Nation.

Sincerely,

H. T. ENNS, Jr.,  
Publisher.

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WHEATLAND TUBE CO.,  
Wheatland, Pa., February 15, 1952.

Senator WALTER F. GEORGE,  
Senate Office Building, Washington, D. C.

DEAR SENATOR: As chairman of the Senate Finance Committee, may we direct your attention to the provision of Senate bill 2504 and House bill 6174. We would like to go on record urging your determined opposition to these bills for the following reasons.

First of all, these bills have been proposed to alleviate a condition which is claimed to be very severe in but one city in this entire country. However, it

could easily lead to a Nation-wide raid on the already overburdened Treasury. On all sides there appears to be general agreement that further raids on the Treasury must be stopped, since the saturation point has apparently been reached insofar as Federal taxes are concerned. The servicing of the debt and the meeting of urgent defense needs has siphoned off so much purchasing power from the great mass of the people that further raids on the Treasury and the resulting increases in taxes may seriously cripple the economy of the country.

It certainly appears to us that these bills will have the effect of delaying, if not seriously damaging, production for defense purposes, in that it will retard the movement of workers to defense areas where they are urgently needed. Certainly you will agree that any incentive for these workers to move to a defense area will be destroyed if they can obtain benefits for not working, which will approach the amount they may earn through employment. It is entirely possible that a laid-off worker may choose to accept these inflated benefits rather than accept a defense job in his own area which would ordinarily be attractive to him.

We not only believe that this would be a further invasion of States' rights, but we feel that it would tend to invite further apathy on the part of the individual States to take care of their own problem.

In view of the above points, and many others which will undoubtedly occur to you, we strongly urge your opposition to this seeming innocuous but potentially dangerous cure for a minor ailment.

Very sincerely yours,

WHEATLAND TUBE CO.,  
E. J. KAVANAUGH,  
Works Manager.

ALABAMA BY-PRODUCTS CORP.,  
Birmingham, Ala., February 16, 1958.

HON. WALTER F. GEORGE,  
United States Senator,  
Washington, D. C.

DEAR SENATOR: On behalf of this locally owned coal-mining and coke and coal chemical-manufacturing company, and for myself personally, I would like to express vigorous opposition to the Moody-Dingell bill (H. R. 6174) and to solicit your vote and influence as chairman of the Senate Finance Committee in opposing it. Our opposition does not derive from blind prejudice to unemployment compensation but from practical experience in the impact of the Alabama unemployment-compensation law (as controlled by Federal legislation) upon our company and our employees, from day to day dealing with the practicalities involved in the administration of this law and from first-hand experience in the give and take of the drafting and enacting of remedial amendments to the Alabama law. Remedial both in the sense of concurring to a reasonable degree in increased benefits amounts and more liberal eligibility conditions on the one hand and, on the other, in confining the law to its proper scope—lifting over the worker who loses his job through no fault of his own so as to cushion the impact of unemployment and, in times of mass unemployment, likewise to cushion the economy as a whole—and in strengthening the powers of the State in controlling, and punishing, the fraudulent obtaining of benefits.

While ostensibly "emergency" legislation (although, admittedly, the "emergency" is of a type which was not felt by the Congress to require action for a much more severe situation during the recent war) the Moody-Dingell bill is designed to engulf the various State unemployment-compensation laws. It invites tremendous pressure upon the governor of a State somehow to find that there is "substantial" unemployment in only one labor-market area in his State so that all unemployed individuals in the State can receive "free" additional benefits (sec. 4 (a)). Free benefits, that is, in the sense that they are not paid from State taxes but as largesse out of Federal taxes; free in another sense, that since they have no immediate tax impact within a State but are buried in the national budget, they are free from any incentive or urgency to be held within reasonable limits. It provides that this process of Federal subsidy can be practically self-perpetuating (sec. 4 (b) (1)). Directly and indirectly it gives the Federal Government, and the Secretary of Labor in particular, control over the State systems (secs. 4 (b) (6), 4 (c), and 9). It gives the Secretary of Labor arbitrary authority to promulgate and enforce such rules and regulations as he may deem necessary (sec. 9). It provides, in order to be eligible, that a State

cannot reduce the compensation payable to an individual to an amount less than would have been payable on January 1, 1932 (sec. 4 (c)). This means that no matter how severe a depression may become and no matter how much the value of the dollar may thereby be increased the dollar amounts of payments could not be reduced and the real cost to the employer for unemployment compensation would be tremendously increased at the very time when any increase in cost could least be borne. This also provides the possibility that changes in eligibility and disqualification conditions in the State law could be claimed to result in less compensation to the individual than he might have received on January 1, 1932, and I am sure that this feature would not escape the attention of the Secretary of Labor in his promulgation of "necessary rules and regulations."

The plain fact is that if the Federal Government is concerned with the unemployment situation in Detroit there are other and more fundamental specific remedies which are now and have for some time been available to it (and this statement is made not in a political but in a patriotic aspect): such things as making firm decisions on rearmament needs and of speeding up the process of change-over from civilian to military production rather than of freezing in place that very reserve of labor which should gravitate to available defense work. Certainly the situation in Detroit does not justify opening the door to absolute Federal control of our State unemployment-compensation systems, although that is the effect of the Moody-Dingell bill and that is why the Moody-Dingell bill should be defeated.

With kind regards, I am  
Sincerely,

F. G. KOENIG, Jr.

COPPER, INC.,  
Nappanee, Ind., February 13, 1932.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Washington, D. C.

DEAR SENATOR GEORGE: We have just been reading a review of the Moody-Dingell bill, it being bill S. 2504, known as the Defense Unemployment Compensation Act of 1932.

The object of the bill is to supplement State unemployment benefits with Federal funds.

As you, of course, are more familiar with the bill than we are, no particular purpose is gained by going into detail.

However, after watching the trend of things over the past years, one thing stands out very plainly, and that is, while the bill is ostensibly for the purpose of taking care of emergencies and benefits would be made available only through agreement with the Secretary of Labor and the governor of any State who might feel qualified for such benefits, we believe we know what the final outcome would be.

Once such a bill becomes law, you can feel very certain that it would become part and parcel of our unemployment-compensation procedure.

If it was very definitely meant to be simply an emergency measure just for a definite period of time, no one would probably find too much fault with it, but it is just as certain that is not the way it would work out. It is estimated that the additional Federal funds required would be approximately \$1,000,000,000, and you know better than we how much money would have to be actually collected through taxes to realize \$1,000,000,000 to the wage earner.

In other words, how long can this country continue to survive economically by adding a billion here and a billion there until the final results become beyond comprehension.

If we are going to do things like this for people of our own country, then let's keep some of the billions we are now spending to spread culture all over the world, in our own country.

Unfortunately the majority of the American people do not know of the hundreds of millions of dollars that are being spent every year to feed, clothe, and house the tremendous number of Americans now overseas who are not adding one bit to our relations with foreign countries. I am not referring to the military personnel or others who are actually needed, but that large group of men and women who think they know just how every other country should govern itself.

I may have gotten away from the original subject somewhat, but couldn't help saying something about a condition which we believe if it continues will be the downfall of our country.

Yours very truly,

COPPER, INC.,  
C. H. COPPER, President.

CHAMBER OF COMMERCE,  
Bartlesville, Okla., February 16, 1952.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: We have received notice that the Finance Committee hearings on S. 2504, a bill which would permit the Federal Government to match 50 percent of State unemployment compensation benefits, will be held in the near future.

The Bartlesville Chamber of Commerce is opposed to any additional expenditures of the Federal Government for any State purposes whatsoever, unless these expenditures directly benefit the war effort. In our judgment this is no time for the Federal Government to increase unnecessary expenditures.

We also believe that additional money given to unemployment compensation would increase unemployment; and as unemployment is no problem at the present time we cannot see any reason why the Federal Government should be called on to increase unemployment benefits. We believe the more money the Federal Government gives away the more it will be called on to give away. Therefore, we would like to ask you to oppose S. 2504, and any other bill which asks to dissipate Government funds unnecessarily.

Yours very truly,

R. S. BEDFORD, *Secretary-Manager.*

P. S.—I hope you will read this letter at the Senate Finance Committee meeting.

ARNOLD LUMBER CO.,  
Kirkville, Mo., February 16, 1952.

SENATOR WALTER F. GEORGE,  
Chairman of the Senate Finance Committee,  
Senate Office Building, Washington 25, D. C.

DEAR SENATOR GEORGE: We are writing in opposition to the Moody-Dingell bill, which provides for certain amendments to the present unemployment-compensation benefits schedules which are in effect throughout the country. It appears to us that while there may be certain isolated spots in the United States where increased assistance might be necessary the over-all effect of this legislation would be very dangerous and not beneficial. Your attention is called to the following points:

(1) It would definitely retard the movement of labor from one market to another, possibly having an adverse effect on defense industries. It is interesting to note that approximately 50 percent of our population have changed addresses during the last 10 years which, in our opinion, indicates a freedom, which must be preserved.

(2) It would put an additional cost on the Federal Treasury, which has already burdened the taxpayer dangerously close to the breaking point.

(3) It will completely disregard the ability of the various States to take care of their own unemployment-compensation problems. Missouri has more than \$200,000 in its reserve and should need no Federal hand-out.

We hope that your committee will do the right thing and reject this legislation.

Very truly yours,

WAT ARNOLD.

STATEMENT OF WILLIAM L. MARTIN, CHAIRMAN, SOCIAL SECURITY COMMITTEE  
OF THE ALABAMA STATE CHAMBER OF COMMERCE

This statement is being filed on behalf of more than 600 employer members of the Alabama State Chamber of Commerce who last year paid almost \$5,000,000 in unemployment taxes. We are vigorously opposed to the Defense Unemployment Compensation Act of 1952 (S. 2504) now being considered by this committee.

Our opposition does not spring from prejudice to unemployment compensation, but rather from practical experience in the day-to-day administration of the Alabama unemployment-compensation law and from first-hand experience in the drafting and enacting of remedial amendments to this law.

The State chamber's social-security committee favors a sound, solvent State-administered unemployment-compensation program. In keeping with the original aims and scope of unemployment compensation it has tried to maintain

a program that provides partial protection against the loss of wages when an employee is temporarily out of work through no fault of his own. The State chamber of commerce has concurred in certain State legislation providing reasonable increases in benefit amounts and more liberal eligibility conditions.

We oppose S. 2504 which proposes to supplement State unemployment-compensation benefits with a Federal subsidy for the following reasons:

1. *Passage of S. 2504 means Federal control and the end of State-administered unemployment-compensation programs.*—Federal supplementation once started will continue. There will be no turning back to a solely State-financed system. State legislatures will lose control over unemployment-compensation policies and all pressures will be concentrated on Washington for increased benefits through increased Federal supplementation. Once Federal money is injected into the benefit-payment schedules, it will not be too long before certain Federal standards will become a prerequisite for continued Federal supplementation. States will be required to accept Federal control over all aspects of unemployment compensation in exchange for Federal money. The Secretary of Labor could use the regulation-making authority vested in him by this bill to compel compliance with certain Federal standards. There should be no illusions that Federal sharing of unemployment-compensation costs can be achieved without inevitable Federalization of the unemployment-compensation program.

2. *Insurance principles will be abandoned.*—As now conceived unemployment compensation is a jobless insurance with payroll taxes paying the premium and with benefits determined by the individual worker's earnings and employment record. Supplementation will be a federal handout paid out of general revenues. Supplementation is just another phase of the socialistic drive for a guaranteed annual wage with the taxpayer paying the bill.

3. *Supplementation is contrary to defense policies.*—Material and manpower policies under the Defense Production Act are designed to dry up certain non-essential civilian production and to divert the manpower and material to war-production centers. Benefit payments fattened by Federal supplements will discourage unemployed workers from immediately going to defense production centers where they are needed.

4. *Supplementation applies to all States.*—While the arguments in support of this bill are all slanted to apply to the Michigan situation the bill actually applies to all States. The governor of any State may certify to the Secretary of Labor that a labor-market area in his State has "substantial unemployment" and no immediate prospects for reemployment. If the Secretary of Labor approves the governor's certification Federal supplementation payments are to be made. For 15 years the United States Department of Labor has proposed various schemes to take over the administration of unemployment compensation. Each time Congress has rejected the Department's proposals. Anxious to dominate State systems the Secretary of Labor will undoubtedly be most lenient in approving applications for Federal supplementation. Furthermore tremendous pressure will be brought on the various governors to request supplementation the argument being that it is "Federal money" and other States are getting it so why shouldn't we get it. It is possible that all States might apply for supplementation, and Federal supplementation might become universal.

5. *Supplementation is costly.*—Sponsors of this proposal are talking in terms of a few million dollars to relieve the Michigan situation. If supplementation spreads to all States or to the major industrial States the total cost to the taxpayer would be greatly increased.

6. *Present benefits are adequate.*—We object to the statement in the preamble of S. 2504 that "the present benefits provided under State unemployment compensation laws are both inadequate and unfair to workers suffering such unemployment." State-benefit levels have kept pace with the cost of living and the dollar amounts have been repeatedly increased. Passage of this proposal means overriding the considered judgment of all State legislatures as to the necessary and proper amount of benefits to be paid. State legislatures have raised benefits as rapidly as they felt it safe and constructive to do so. They have kept in mind at all times the necessity of maintaining a substantial cash incentive for the unemployed worker to seek and accept work.

7. *Michigan should take care of its own problem.*—Michigan along with other industrial States managed to adjust to the conversion problems of World War II. The unemployment problem in Michigan has been exaggerated. Considerably more unemployment has been experienced in Michigan in the past. There is no crisis in Michigan that cannot be worked out by the State. Michigan's unem-

ployment trust fund balance stands at \$356 million. Until emergency action is taken by the Michigan Legislature and the trust fund is depleted, there is no need for Federal action. After all, unemployment compensation was designed to take care of situations now arising in connection with war conversion. We are confident the enterprising businessmen of Michigan will meet the present challenge, and soon will be taxing their full industrial capacity to manufacture the materials of war our Nation now needs. More work generated by speedy negotiation of defense contracts—rather than a Federal hand-out—is the solution to unemployment in the Michigan area. It is understood that Mr. Charles E. Wilson, Director of Defense Mobilization, has already taken action in this direction.

8. *No problem in Alabama.*—In Alabama as in most other States, there is no unemployment crisis. In January of 1950 high unemployment was experienced, but the problem was solved without Federal assistance. Furthermore, Alabama's unemployment-compensation trust fund balance is a healthy \$65,354,192 as of December 31, 1951. This amount is sufficient to pay 148,000 unemployed workers a maximum benefit of \$22 a week for a maximum period of 20 weeks. We need and want no Federal supplementation of unemployment benefits in Alabama.

Your attention is invited to the fact that the Governor of Alabama, Hon. Gordon Persons, has expressed his opposition to S. 2504 in the following telegram sent to the members of the Alabama congressional delegation:

"I urge you to vigorously oppose Senate bill 2504. I feel that the preservation of the State unemployment insurance system is much more important to the Nation than raising the benefits to the workers temporarily unemployed in Detroit. We are against the Federal Government subsidizing any unemployment benefits in connection with our State program."

DENVER, COLO., February 19, 1952.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.:

Manufacturers Association of Colorado representing 185 member employers subject to provisions of Colorado Employment Security Act strongly oppose Moody bill, S. 2504. Benefits payable to unemployed workers under the several State laws are fully financed by payroll taxes levied on employers. The amount of benefits payable to each qualified applicant has been determined by State legislatures and reviewed in legislative sessions repeatedly since 1936 up to current date. If any State law is inadequate that State should be expected to make appropriate correction. Present localized unemployment resulting account shift to defense production is not a situation different from unemployment contemplated to be alleviated by the existing State acts. The huge cost estimated to be required under Moody bill payable from Federal Treasury funds is eventually a further direct burden on taxpayers now supporting the State programs. We view this bill as another indirect attempt toward federalization of unemployment compensation.

MANUFACTURERS' ASSOCIATION OF COLORADO,  
GEORGE W. LILJESTROM, President,  
L. H. KITTELL, Secretary-Manager.

DETROIT, MICH., February 19, 1952.

Senator WALTER F. GEORGE,  
Chairman, Senate Finance Committee, Senate Office Building:

The East Side Merchants Association of Detroit expresses its deep concern over serious unemployment situation in Detroit area. We feel S. 2504 would do much to alleviate this crisis and strongly urge your support of this bill which would provide supplementary benefits for workers suffering unemployment due to dislocations created by the defense emergency.

SAMUEL LIEBERMAN,  
Executive Secretary, East Side Merchants Association.

SOUTHERN STATES INDUSTRIAL COUNCIL, INC.,  
Nashville 3, Tenn., February 18, 1952.

HON. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR CHAIRMAN GEORGE: There is now pending before your committee a bill, S. 2504, by Senator Moody, to provide supplementary unemployment compensation benefits in certain cases to workers unemployed during the national emergency, and for other purposes. Cosponsors of the bill are Senators Douglas, Kefauver, McMahon, Maybank, Humphrey, Lehman, Benton, Thye, Green, Gillette, Magnuson, Murray, Hennings, and Kilgore.

According to Senator Moody, the bill "relates to the unemployment situation which has been brought about by the need for converting many of our production facilities from civilian to military uses, and particularly for diverting the use of scarce materials ordinarily used for civilian production into military production." He states that there are now some 175,000 such unemployed in the State of Michigan and that other States, particularly in the New England area, are similarly affected.

The principal argument advanced by Senator Moody in support of his bill is that the defense effort is a national effort designed to further the security of all the people and that its burdens should therefore be shared fairly by all. "This Congress," he states, "has seen fit to enact legislation protecting other major segments of the economy from hardship resulting from the conversion to defense production."

The Southern States Industrial Council, representing employers throughout Georgia and 15 other Southern States, is opposed to S. 2504 in its present form for the following reasons:

1. The bill goes far beyond the relief of unemployment which can be properly attributable to the restrictions imposed on the use of steel, copper, aluminum, and other scarce materials under the authority of the Defense Production Act. It contains no definition of what constitutes "substantial" unemployment. As we read it, "substantial" unemployment in a single labor market within a State would make the entire State eligible for certification. As you know, we have many small towns in Georgia and Alabama in which cotton textile manufacturing is the chief industry. As you also know, this industry is in the throes of a serious depression with resulting substantial unemployment. This depression and this unemployment are not caused by any materials shortages produced by the defense effort. Our shortage is a shortage of customers and but for defense spending, this shortage probably would be even more acute. Nevertheless, as we read the bill, Georgia, Alabama, Massachusetts, and other States with "substantial" unemployment in the textile industry could qualify for the proposed additional Federal "aid." And so could the entire State of Maryland because of existing unemployment in the one city of Cumberland.

2. Under these circumstances, it is reasonable to suppose that if the Moody bill or anything similar to it is passed, every State in the Union will be certified since there is probably no State in which "substantial" unemployment in at least one labor market area could not be found by the Secretary of Labor. The pressure on the governors will be tremendous. The arguments will be made that "it would cost us nothing anyway; other States are getting it, so why shouldn't we?" As I think you will agree, we have found over the past 20 years that such arguments usually carry great weight.

There would also be tremendous and probably irresistible pressure on the State legislatures both to increase the amount of the weekly benefits (since the Federal Government would match such increases on a 50-50 basis) and to extend the period during which compensation would be paid. Thus, Senator Moody states that Governor Williams, of Michigan, is already sponsoring a bill which would increase the duration of such payments in that state from 20 weeks to a full year. To our way of thinking, this is not a good time to increase the incentives and pressures for spending additional public funds.

It is also true—and this is of significance to every State in the South—that under the proposed plan those States with relatively low weekly payments would be at a disadvantage in getting their share of the Federal funds spent for this purpose.

3. The proposal is to increase the benefits without increasing the taxes to defray the additional cost. Presumably, therefore, this additional Federal spending would increase the size of the prospective deficit. No estimate is offered as to what such a program would cost, but as already indicated, it would probably run

into tremendous sums. Furthermore, although the bill is slated to remain in effect only for the duration of the emergency, it is more than likely that the burden it imposes on the taxpayers would never be lifted.

4. It seems to be assumed by Senator Moody and others, and we believe with good reason, that the unemployment situation in Detroit and Michigan will be greatly alleviated once defense production starts rolling. It is also generally agreed and Senator Johnson's committee has found that the production of arms of all kinds is lagging and behind schedule. The coordination of cut-backs has also been faulty as evidenced by the recent action of the Office of Defense Mobilization and the National Production Authority in increasing the ceiling on automobiles from 800,000 to 930,000 cars. To the utmost extent possible, this problem should be corrected by better management on the part of these and other agencies concerned. As Senator Moody himself said, " \* \* \* There is the most urgent need for faster production. We hope to use our productive facilities with the greatest possible speed."

5. Senator Moody quotes with approval from a recent editorial in the Detroit News in which it is stated that "This is a Federal matter, which we hope will be placed on Washington's doorstep squarely and emphatically."

We close with the observation that unless somehow we break the habit of placing every problem on the doorstep of Washington, we shall lose the very freedom we are preparing to defend.

The council would greatly appreciate an expression of your views on this proposed measure.

Respectfully submitted.

SOUTHERN STATES INDUSTRIAL COUNCIL,  
By PAUL A. REDMOND, *President*.

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
Washington, D. C., February 19, 1952.

Senator WALTER F. GEORGE,  
*Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR GEORGE: I understand that the Senate Finance Committee is holding hearings on Senate bill 2504. I have not made a thorough study of this legislation myself but the constituents who have written me about this legislation have been very strong in opposition to it. It has been stated to me that the estimated cost of the program would be very great, perhaps a billion dollars a year, and that the legislation might lead to a breakdown of state authority in the field of unemployment insurance. I am further told that the legislation might lead to expansions which would be beyond the ability of the Federal Government to adequately handle, as high as the motives might be. As I have said before, I am no authority on this subject, but my constituents seem to feel that the legislation is ill-advised, at least all of them do who have written me about it. I have been advised that the national affairs committee of the Jacksonville Chamber of Commerce studied this legislation and secured the official opposition of the Jacksonville Chamber of Commerce to this legislation. I will appreciate your consideration of these matters at an appropriate time during the hearings.

With kindest regards, I am  
Sincerely,

CHARLES E. BENNETT, M. C.

STATEMENT OF HOWARD FRIEND, RESEARCH DIRECTOR, INDIANA STATE CHAMBER OF COMMERCE

This statement is submitted by Howard Friend, Research Director of the Indiana State Chamber of Commerce, for and in behalf of the Social Security Committee and the membership of the Indiana State Chamber of Commerce. It expresses the opposition of that organization to S. 2504, which hereafter in this statement will be referred to as the "Moody bill."

In our opinion, no need exists for the type of legislation represented by the Moody bill.

Should the bill be enacted in spite of this lack of need, it would—

1. Place another heavy burden of costs, estimated as high as \$1,000,000,000 annually, upon the already heavily overburdened Federal Treasury.



2. Lead directly to federalization and socialization of the already established and successfully functioning State unemployment insurance systems of the country.

All States including Indiana now have unemployment insurance programs established by the respective State legislatures for the purpose of making unemployment insurance benefits available to temporarily unemployed workers. These State programs are intended as protection against situations such as the current upturn in unemployment due to industrial conversion to defense production.

These State systems already have encountered and dealt successfully with temporary periods of increased unemployment that were far more serious in scope than the current one.

In Indiana, for example, virtually all employees who might be laid off temporarily because of a lag in defense production would be entitled to benefits that, in most instances, would be at the Indiana maximum rate of \$27 for 20 weeks.

Indiana has in its unemployment insurance trust fund (as of December 31, 1951) a reserve of \$216,246,172.19 for payment of future benefits. This reserve is large enough to pay maximum benefits of \$27 for 20 weeks to more than 400,000 people—even if in the meantime no new tax revenues were being collected.

This reserve is equal to 18 times the average annual amount of benefits that have been paid out in Indiana since benefit payments were started nearly 14 years ago. Similarly, the total Indiana fund now in reserve is greater by \$52,059,828 than the total amount of benefits paid out in the State during the entire period of April 1, 1938, to December 31, 1951.

It is obvious that the Indiana unemployment insurance program is adequately financed and that no Federal subsidies will be required to assure the payment of all unemployment insurance benefits to which Indiana workers are entitled during periods of unemployment.

It is true that in recent weeks Indiana has had a relatively modest upturn in unemployment insurance claims, but this upturn, part of which is seasonal, already is subsiding.

For example, for the week ending January 12, 1952, there were 23,051 compensable Indiana claims for unemployment insurance benefits, but for the week ending February 9, 1952, the number of these compensable claims had dropped to 21,108.

By comparison, there were 15,638 compensable claims in the final week of January 1949; 32,487 compensable claims in the final week of January 1950, and 11,693 compensable claims in the final week of January 1951.

The 21-108 compensable claims in Indiana in the week ending February 9, 1952, represented only about 2 percent of the estimated 969,200 employees covered by unemployment insurance in Indiana.

Obviously, there are no catastrophic unemployment conditions in the State of Indiana to justify emergency Federal relief.

Actually, the manpower problem ahead in Indiana, as in the country as a whole, is one of a serious shortage of workers, rather than a surplus.

For example, the United States Labor Department itself is the authority for the prediction that the national labor force will have to rise from 65,200,000 people at the end of 1950 to 68,400,000 by the end of 1952 to meet defense and civilian production and military needs. For this to occur will require the hiring of many women, older workers, and handicapped people.

The Moody bill purports to be in support of the defense production program, but in many instances it would damage the program by offering a Federal cash bonus to workers to stay in areas of retarded civilian production when they are needed for defense production in other areas.

The bill is being promoted as being primarily for the benefit of defense workers in the Detroit, Mich., area—but it would apply to all States and would permit the channelling of Federal cash to all people who might qualify for unemployment insurance benefits, regardless of whether they had any connection with defense work.

Participation by a State in taking the Federal money technically would be voluntary on its part—but as soon as one State started taking it, the Governor of every other State immediately would be subjected to tremendous pressure to find at least a single small area in his State to certify as having "substantial" unemployment so that the Federal funds could start to flow over the entire State.

The plan of Federal supplementary benefits appears on the surface to be only temporary since it would terminate under the proposed bill at the end of the present presidentially proclaimed emergency and at the expiration of the Defense Production Act—but the country still is operating under many emergency powers granted 11 years ago at the outbreak of World War II.

The proposed legislation gives lip service to the idea of not making unemployment benefit checks more desirable than wages for working—but the 65 percent to 75 percent limitation applies to "average weekly wages" before Federal taxes, union dues and other deductions are taken out of the pay check. Actually, the inflated benefits for not working would be nearly equal, in many instances, to the "take-home" pay level.

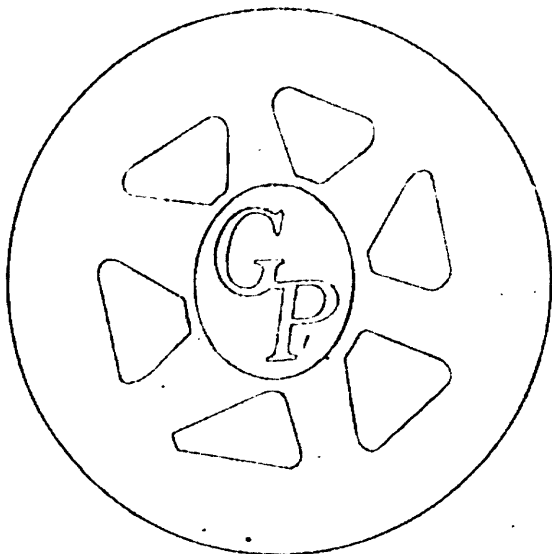
While it is true that the immediate Moody bill does not inject direct Federal controls—except the State benefit amounts may not be reduced while the State is receiving the Federal subsidy—it is obvious that the Federal subsidies would provide the leverage through which those controls undoubtedly soon will be added.

The pattern is clear. The Federal Government suddenly would step in with the extra cash to be added to the State unemployment insurance benefits. As more and more people became accustomed to the inflated benefit checks, there soon could be no retreat from them, and the Federal supplements would become permanent fixtures. With the acceptance of their permanency would come the Federal controls or outright federalization of the State unemployment insurance systems of the country.

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The CHAIRMAN. I believe that completes the witnesses for today. The committee will stand in recess until tomorrow at 10 o'clock.

(Whereupon, at 11:20 a. m., the committee recessed to reconvene at 10 a. m., Friday, February 22, 1952.)





# UNEMPLOYMENT COMPENSATION

FRIDAY, FEBRUARY 22, 1952

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

The committee met, pursuant to adjournment, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George and Butler of Nebraska.

Also present: Senator Blair Moody, and Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

Mr. Marshall, we will have to proceed, although this is a holiday, and Senators are very apt to take a holiday when it comes around. We will be glad to hear you, Mr. Marshall. Your statement will go in the record, and it will be read, of course, by all the Senators when we finally pass upon this matter.

## **STATEMENT OF ALLEN D. MARSHALL, VICE CHAIRMAN, EMPLOYEE BENEFITS COMMITTEE, NATIONAL ASSOCIATION OF MANUFACTURERS, AND ASSISTANT SECRETARY, GENERAL ELECTRIC CO.**

Mr. MARSHALL. Thank you, Mr. Chairman.

I am not going to bore you with the complete statement which was handed to you for the record, but I just want to point out, first, that I work for the General Electric Co. in Schenectady, N. Y. This morning, however, I am appearing as a representative of the National Association of Manufacturers.

I am vice chairman of that association's employee benefits committee, which considers problems of governmental and private programs relating to the protection of employees in the areas of health, welfare, retirement, and unemployment.

The National Association of Manufacturers is composed of about 17,000 member companies, 83 percent of which employ fewer than 500 employees.

We all have a sincere interest in programs that are in the best interests of the country, and many of our members are engaged in defense work in varying degrees.

We are all sympathetic with the problems of the unemployed, perhaps more so than usual, because in most cases the employer contributes the full amount from which unemployment compensation is paid.

We have been puzzled by certain of the provisions of this bill, certain inconsistencies between the provisions and its purported ob-

jectives. However, we feel that the only way to arrive at a sensible conclusion with respect to the bill is not so much a detailed examination of the bill itself as to look at the basic objectives, the basic issues, before us and, as I say, my statement has been filed with you, so I am only going to outline here those basic issues and the points we wish to make with respect to them.

The CHAIRMAN. Well, your statement in its entirety will be entered in the record.

Mr. MARSHALL. Thank you, sir.

In the first place, the proponents claim that the unemployment emergency is of an enormous extent, and that the State systems are unable to cope with or unable to act fast enough to cope with it.

We do not believe that either of those two statements are true. We do not believe there is an unemployment emergency of a greater extent than there has been many times during the past 10 years.

We think that maybe the reverse is true. The Bureau of Labor Statistics has recently stated that we will need 3.0 million additional employees in the labor market by the end of 1953. They project about a 20-percent reduction of unemployment in 1952 compared with 1951, and a 30-percent reduction in unemployment in 1953 as compared with 1951.

This approach, in attempting to seize on an emergency, has been used before. It was used in 1942 when, as a matter of fact, the unemployment at that time was much greater than it is today. It was 25 percent greater, and the number of exhaustions of unemployment compensation benefits was greater in 1942 than it is today. Yet the Congress passed no bill at that time, and the State systems were able to cope with the emergency.

Back in those days the total assets of the State systems were around \$3.4 billions. Today the assets of the trust funds for the State systems are nearly \$8 billion so if they were able to cope with the emergency back in 1942, they certainly should be able to cope with it today if there is any such emergency that exists.

Now, the other point that is made by the proponents is that the State systems are not flexible enough to act quickly on these things. But here again we can only look at the record of their actions, as reported in the Social Security Bulletin of the Federal Security Agency. Last year, in 1951, 46 State legislatures met, and Congress met, to consider the same problem for the District of Columbia. Only 4 of those 46 legislatures failed to change their laws in 1951, and 22 of those States specifically increased the amount of maximum benefits payable under the State laws, so we do not believe that the charge that the State systems are inflexible and move slowly is a true one. We think that they can really do the job and do it according to the best judgment of the people closest to the problem.

Now, with respect to whether any Federal legislation is desirable or not, we do not believe that the Federal Government ought to substitute its judgment for the judgment of the States as to the amount and duration of the benefits that should be paid to the unemployed in any given State; and we think that any such Federal subsidy as proposed in this bill would tend to destroy the integrity of the State systems, to undermine the willingness of the legislatures of the various States to meet these problems themselves, which is basically where the responsibility for such systems ought to be.

We do not believe that any Federal subsidy such as the one proposed in this bill could be eliminated with the end of the mobilization emergency, whether that end is next year or 20 years from now; we think that it would have to continue. The States would either have to meet the new level or the Federal subsidy would destroy the State system.

Just one other point on that, and that is the magnitude of the ultimate expenditures that might be incurred under this bill.

We made some estimates here of what might have happened had this bill been in effect for the years 1946 through 1950. Now, during those years, 5.8 billions of dollars were paid out in unemployment compensation. We do not think that it would be possible for the governors of many of these 48 States to resist the pressures that would be brought upon them to declare unemployment emergencies and hence get the benefit of the Federal subsidies for the employees in their States, if this bill were to become law.

Therefore, we have applied 50 percent Federal subsidies to this \$5.8 billions, and that would have represented Federal expenditures of \$2.9 billions in that period 1946 through 1951, or 17.7 percent of the total Federal deficit for that period.

We think that is an important thing if we are trying to defeat the inflationary aspects of further increase of the Federal debt.

I just would like to sum up those two points by saying that, first, we do not think there is any emergency, and, secondly, we do not think that a Federal subsidy of the State systems is a desirable way to meet it in any event.

Now, you have examined the bill and you have heard a lot of statements about it. I just want to make one statement with respect to the bill itself.

The preamble of the bill apparently differentiates between defense-connected unemployment and unemployment arising out of other causes. In the actual bill itself the reasons for unemployment are immaterial except for one purpose only, and that apparently is in order that the cost of the Federal subsidy can be charged to the Department of Defense. There was not any other reason for that statement in the preamble as far as we can see from an analysis of the bill.

It is only necessary under the bill that there should be unemployment in one small area of the State due to any cause in order for that State to become eligible for Federal funds.

If a maker of corn flakes decides to close his plant or a textile mill moves south or other circumstances totally unrelated to defense work, a certification is possible, and tax money from the other 48 States starts to flow into this particular State. So that, without going through all of the rest of the argument, I would just like to sum up by saying that we do not believe there is any great emergency now, any greater emergency, than there has been many times during the past 13 years.

State funds are adequate to deal with it, and State benefit levels are adequate, in the opinion of the State legislators who fix them.

The bill utilizes the mobilization emergency to impose a system of Federal subsidies which would tend to destroy these State systems which we do not believe is wise.

In addition, it provides for a considerable drain on the Federal Treasury at a time when deficit financing is a serious inflationary problem.

We believe that the bill should be defeated, but if any action should be taken it should be in two directions: First, the removals of the causes of the unemployment brought about by the defense effort and the strengthening of the State systems.

We believe that you ought to treat the causes of the disease rather than the symptoms of it, and this might be done by a reexamination of the limitations in the procurement and allocation of materials, the international agreements limiting out use of scarce materials, the unjustified—perhaps unjustified—expansion of workweeks in an attempt to get out defense production where it might be better to put on multiple shifts and use more people. Those, we think, are the basic causes of such unemployment as may exist due to the defense effort.

Secondly, we think that the State systems probably should be strengthened rather than weakened by any Federal action. There have been many proposals before you to strengthen those State systems. I understand one was mentioned here by the State administrators.

The State administrators are the practical men who have had experience meeting these problems, so that we would recommend that you give very serious consideration to all of these measures and particularly those recommendations by the State administrators rather than to take this road toward federalization of the State system. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Marshall. Your whole statement will be placed in the record and will be available to the committee.

Mr. MARSHALL. Thank you.

(The prepared statement of Mr. Allen D. Marshall follows:)

STATEMENT OF ALLEN D. MARSHALL, VICE CHAIRMAN OF THE EMPLOYEE BENEFITS COMMITTEE OF THE NATIONAL ASSOCIATION OF MANUFACTURERS, AND ASSISTANT SECRETARY OF THE GENERAL ELECTRIC CO., SCHENECTADY, N. Y.

#### INTRODUCTION

I am A. D. Marshall. I am assistant secretary of the General Electric Co., Schenectady, N. Y. I am appearing before you as a representative of the National Association of Manufacturers. I am vice chairman of the Association's Employee Benefits Committee, which considers problems of governmental and private programs relating to protection of employees in the areas of health, welfare, retirement, and unemployment. The National Association of Manufacturers is composed of over 17,000 member companies, 83 percent of which employ fewer than 500 employees. Our members have a sincere interest in the programs that are in the best interests of this country, and a substantial percentage of these employers are involved in varying degrees as contractors and subcontractors in defense work.

Our members are sympathetic with the problems of the unemployed. In practically all cases, the employer contributes the full amount under which unemployment compensation is paid. After serious study, we are puzzled by certain basic inconsistencies between the provisions of the Moody-Dingell bill and its purported objectives. Therefore, we have concluded that the only way to arrive at a sensible conclusion is to examine the basic issues before a detailed consideration of the bill itself.

The proponents of this legislation base their case on two major contentions: (1) The enormous extent of the unemployment emergency; and (2) the alleged inability of State systems to cope promptly and properly with this emergency.

These contentions can best be evaluated by considering two questions: (1) Is there an unemployment emergency, and (2) is Federal legislation desirable? Only after these questions have been answered will we be in a position to evaluate the provisions of the bill itself.

#### IS THERE AN UNEMPLOYMENT EMERGENCY?

However, there is a real question whether a serious emergency does exist. Ever since Korea, there have been official predictions of imminent manpower shortage. It has been made abundantly clear that the major manpower problem is not that of unemployment but rather of lack of manpower. Regional and area labor-management manpower committees have been formed in many sections of the country to deal with labor shortages. Only recently the Bureau of Labor Statistics has stated that 3.6 million additional employes will be needed in the labor market by the end of 1953.<sup>1</sup>

Isn't it probable that such emergency unemployment as now exists is due to Federal policies in procuring and allocating materials, placing contracts, unnecessarily expanding workweeks and similar roadblocks to the natural operation of our industrial system? If emergency unemployment exists, should it not be attacked at its source?

Only 10 years ago this same approach was advocated when in a period of all-out war an unemployment problem of broader scope existed than is the case today. In fact, the average unemployment in 1942 was approximately 25 percent greater than the latest unemployment for which figures are available.<sup>2</sup> Furthermore, in 1942 the number of exhaustions of unemployment compensation benefits was greater than it is today.<sup>3</sup>

Let me give you a quotation which seems to me to be particularly appropriate: "The conversion of industrial plants from the production of peacetime goods to the production of war materials, and the drastic curtailment of civilian consumption required for the successful prosecution of the war, have already thrown thousands of persons out of work. Eventually these workers will be absorbed in war industries. In the meantime, there will be widespread distress unless the Federal Government takes appropriate action to cope with the situation which is now directly attributable to the war program."

The above quotation does not come from this week's newspaper. It is a quotation from a message of the President to Congress on January 19, 1942. In the intervening 10 years, additional attempts have been made, on the basis of conversion to defense work or from defense to civilian work, to inject a Federal subsidy into State unemployment compensation systems.

In 1942, the number of claims paid to the unemployed in Michigan—where the initiative for the current move was started—stood at 111,533 for the third week in February. By October 1945, the number of claims paid reached a peak of 265,000. It rose again to 260,000 in December 1949. The latest date for which figures are available shows the number of claims paid in Michigan during the month of December 1951 amounted to 261,416. Thus, these figures reveal an unemployment emergency of no greater magnitude than has existed in the past in this State.

In the intervening years, the State unemployment compensation funds, including that of Michigan, have weathered the storms they were designed for, whether these storms were due to conversion from civilian to war production in 1944 or reconversion from war production after VJ-day in 1945, or other dislocations during the postwar years, without any Federal subsidy. In 1942, the unemployment trust fund stood at a total of \$3.4 billion. At the end of October 1951, the trust fund stood at \$8.3 billion. This expansion of the assets in the trust fund has occurred in the individual States as well as in the total assets of all 51 jurisdictions. There does exist unemployment due to the transition from total civilian to combined civilian and defense production. Many members of our association are fully aware of these dislocations, because they are concerned about both the human relations aspects and the financial impact of these dislocations upon their own businesses. But it does not follow that Federal intervention is either justified or helpful. Otherwise, what is the purpose of this tremendous trust fund?

<sup>1</sup> *Projects of Manpower Requirements and Supply, 1952-53, Bureau of Labor Statistics, U. S. Department of Labor, February 1952.*

<sup>2</sup> *Average unemployment in 1942, 2.7 million. Unemployment in January 1953 was 2.1 million.*

<sup>3</sup> *Bureau of Labor Statistics figures show 1,077,699 exhaustions for 1942 (excluding Wyoming and Indiana). For 1951, Bureau of Labor Statistics indicates that 810,580 exhaustions occurred.*



An amendment offered to the bill by Senator Moody on Tuesday, February 19, would extend the duration of payments to claimants who had exhausted their benefit rights for an additional period equal to half of the period for which he was eligible under the law of his State. This is another instance in which sound State judgment with respect to duration would be adversely affected by Federal presumption.

There is no showing nationally that large numbers of beneficiaries are exhausting their benefit rights.

For example, the following table of exhaustions for the four quarters of the year 1951 indicates a national trend toward fewer rather than greater exhaustions:

First quarter.....	272, 699
Second quarter.....	191, 869
Third quarter.....	174, 822
Fourth quarter.....	171, 190
<b>Total.....</b>	<b>810, 680</b>

Statistics indicate a downward trend in the number of claims being filed. For example, in the State of Michigan, the following table indicates a progressive decline of claims filed over seven recent weeks:<sup>4</sup>

1. Jan. 3, 1952.....	130, 000
2. Jan. 10, 1952.....	124, 250
3. Jan. 17, 1952.....	108, 500
4. Jan. 24, 1952.....	102, 650
5. Jan. 31, 1952.....	106, 350
6. Feb. 7, 1952.....	102, 850
7. Feb. 14, 1952.....	93, 570

This amendment would apply to any exhaustee whether his unemployment was defense connected or not.

Proponents of this legislation take the position that the present level of unemployment benefits provided in the various States is inadequate. Who is to decide what is to be considered as adequate? Is the Federal Government to substitute its judgment for that of the various State legislatures who are certainly in the best position to judge? The States have decided what they believe to be reasonable levels of benefits. Those who believe that specific State benefits are inadequate are at liberty to direct their attention to the legislatures of those States in which they believe benefits to be inadequate, rather than overwhelm local discretion by Federal dictation.

However, the proponents will answer that the States cannot or will not act fast enough to meet "the need for higher benefits".<sup>5</sup> Let's look at the record. Amendments to State unemployment compensation laws were considered by 46 State legislatures that met in 1951 and by Congress for the District of Columbia. Of these jurisdictions, only four failed to change their laws in some respect. In the amendments that were enacted, a trend toward improving benefit provisions is evident, with the emphasis placed generally upon the amount of increased weekly benefits.<sup>6</sup>

Twenty-two of the States specifically increased the amount of maximum weekly benefits payable under State laws. Not only were there changes in various aspects of benefits, eligibility, disqualifications and related subjects, but 10 States amended the financing provisions of their unemployment compensation laws significantly, and a new system was adopted in two States.<sup>7</sup>

Exercising their best judgment, the legislatures of the various States have provided maximum unemployment benefits ranging from \$20 to \$30,<sup>8</sup> depending upon the amount the State legislature believes essential to prevent unnecessary suffering while encouraging the unemployed to look for gainful employment.

These facts indicate that the States have the capacity and the desire to make changes as and when conditions require. In fact, the numerous changes made in the unemployment compensation laws in the various States in the last decade indicate that the States move much more promptly with respect to the area of social security within their jurisdiction than does the Federal Government.

<sup>4</sup> From the Operations Reports of the Michigan Employment Security Commission.

<sup>5</sup> President Truman's letter to Senator Moody, February 15, 1952.

<sup>6</sup> Social Security Bulletin, Federal Security Agency, Vol. 14, No. 12, Dec. 1951.

<sup>7</sup> Social Security Bulletin, Federal Security Agency, Vol. 14, No. 12, Dec. 1951.

<sup>8</sup> Bureau of Employment Security Unemployment Insurance Program Letter No. 267, October 15, 1951.

## IS FEDERAL LEGISLATION DESIRABLE?

Since the record demonstrates that States have been reasonably prompt and flexible in making changes in their laws to meet changing situations, the question arises: Is Federal action desirable? This is an issue of such paramount importance as to merit separate consideration.

A program that has operated successfully through the climactic years of the late thirties and the war years as well as the postwar period—a program that has gone through wartime conversion, reconversion to a civilian economy, and through the major impetus of the present defense program—could be weakened or destroyed by Federal action.

The State programs of unemployment compensation are adapted to the conditions and circumstances facing the people of each State, and they have been enacted by those who are closest to those conditions and circumstances. The variety in the State programs itself is evidence of a recognition of the differing needs of the unemployed of the various States.

If the Federal Government were now to substitute its judgment for that of the States as to the amount of benefits that ought to be paid, it would destroy the initiative, the willingness and the ability of the States to handle this important problem at the local level.

The proponents of this bill would subsidize unemployment due to all causes. This action would, in fact, deter the unemployed from seeking available openings by providing nearly as much income to the unemployed as they could obtain through gainful employment.

There would be no incentive for the unemployed to move within or without a State to areas of heavy defense production and short labor supply. Such immobility would go directly counter to the President's statement in his Economic Report transmitted to the Congress in January this year. This message, in the section dealing with "expanding our industrial economy," points out that there are shortages of certain skills and in certain areas shortages of labor exist. He goes on to state that "Appropriate measures are being taken to encourage training, recruitment, and the movement of workers when necessary, and to promote efficient use of the labor supply by employers."<sup>1</sup>

Not only would Federal subsidy negate this desirable movement of labor, but it would also make difficult the dispersal of new plants which the Federal Government feels necessary and desirable.

Aside from the undesirable effect on mobility of labor, unemployment compensation would not receive the extended consideration at the national level that it receives at the State level. This is well summarized in the following words in a monograph by Prof. Herman A. Gray, former chairman of New York Unemployment Insurance State Advisory Council:

"A greater measure of local responsibility and power offers more hope than increased centralization. In contrast to the Federal scene, the administration of unemployment insurance holds a prominent place in every State. State legislatures and executives have shown themselves to be especially sensitive to any defects in the operation of their programs and they are quick to respond to the criticisms and demands which arise from local communities. They can be relied upon, much more than Congress, to see to it that an adequate and effective administrative organization is maintained."<sup>2</sup>

If this bill becomes law, it seems likely that this Federal subsidy could not be eliminated with the end of the mobilization emergency—this year, or 20 years from now. The result would be either that the States would be forced to increase their benefit levels to meet the levels imposed by Federal action or, what is more likely, there would arise an irresistible pressure for the continuation and expansion of Federal benefits, thus destroying the present State unemployment-compensation benefit system.

Even if Federal subsidies do not directly destroy the State systems, they may well serve to destroy sound and efficient administration at the State level, since most Federal money comes from outside of the States and is, therefore, usually considered to be "free."

The State system is well worth preserving. It serves two basic purposes. In the first place, it provides benefits to those who are unemployed to tide them over a temporary period of unemployment. In the second place, all of the State laws are so designed as to provide an incentive to the employer to stabilize his employ-

<sup>1</sup> The Economic Report of the President, January 16, 1952, p. 17.

<sup>2</sup> *Should State Unemployment Insurance Be Federalized?*, National American Enterprise Association, Economic Problems Monograph No. 419, March 1946, p. 51.

ment as much as possible, thereby doing much to eliminate some of the most important causes of unemployment. The provision of a Federal subsidy, or the substitution of Federal financing in place of employer financing would, for all practical purposes, destroy the constructive approach to unemployment which is inherent in the American system of unemployment compensation.

Furthermore, the cost of such a Federal subsidy is worth considering. If, as might be anticipated, the 50-percent Federal subsidy is applied to all of the unemployment-benefit payments in all 51 jurisdictions, a measure of the cost may be obtained by considering what the Federal Government would have had to contribute during the years 1946 through 1950 if this bill had been law. During those years, \$3.8 billion has been paid out in unemployment compensation. A 50-percent Federal subsidy would have represented Federal expenditures of \$2.0 billion, or 17.7 percent of the Federal deficit which accrued during that period.

The estimated deficit for 1952 is about \$8 billion. The President's recent statement to Congress, transmitting his economic report, states that "a dangerously large deficit of close to twice that size is estimated for the fiscal year of 1953, if there is not additional taxation." The proposed bill would add to the predicted deficit, thereby adding to the already dangerous inflationary pressure.

#### WOULD ENACTMENT OF R. 2504 ATTAIN THE PURPORTED OBJECTIVES?

Coming to the provisions of R. 2501, it seems quite clear that there is a sharp inconsistency between the purported objectives of the bill and the natural result of its provisions.

The preamble of the bill apparently differentiates between defense-connected unemployment and unemployment arising out of other cause. In the actual bill itself, however, the reasons for unemployment are immaterial—except as a basis for charging the cost of the Federal subsidy to the Department of Defense.

The bill proposes in its first section on policy to supplement State benefits and to help workers suffering from unemployment due to the "mobilization of the Nation's productivity resulting . . . in dislocations in the economy during the national emergency."<sup>11</sup> It goes on to say that "alleviation thereof is essential to defense mobilization and must be considered to be part of the cost of the defense program."<sup>12</sup> However, the benefits provided in the bill are not tied actually to national defense. A governor is required to certify only that "within one or more labor market areas of his State, there exists substantial unemployment . . . with no prospect of immediate reemployment in that labor market area"<sup>13</sup> in order to reach agreement with the Secretary of Labor which would entitle the State to Federal subsidy. Thus, it is only necessary to have unemployment in one area due to any cause, in order to become eligible for Federal funds under this bill. If a maker of cornflakes decides to close his plant, if a textile mill moves south, or under other circumstances totally unrelated to defense work, a certification is possible and the tax money from all 48 States comes in.

Would not this create a pressure on the governor of each State to find one area, however small, to have "substantial unemployment" thus getting the benefits of Federal aid for all unemployed in his State? Would not this rapidly extend to all 48 States? Generally, advocates of federalization urge that all States should pay the same benefits. While this bill inevitably leads to federalization, it would be a kind of federalization which would magnify existing benefit differentials between the various States. For example, whereas the difference between Georgia's average weekly benefit of \$15.63 and Alaska's weekly benefit of \$27.25 now amounts to \$11.62, Federal subsidy under this bill would increase that differential to \$17.43.

In addition to replacing local judgment as to the necessary level of benefits by Federal judgment, it seems obvious that under section 9 of the bill, rules and regulations would be drawn up by the Secretary of Labor for the administration of the bill. State administration would, therefore, be in danger of being supplanted by Federal dictation. Prior experience with Federal administration contrary to that intended by Congress has previously resulted in serious injury which required corrective congressional legislation. For example, one need only recall the Knowland amendment to the Social Security Act.

<sup>11</sup> Sec. 2a of R. 2504.

<sup>12</sup> Sec. 4a of R. 2504.

## CONCLUSION

In conclusion, this bill serves no useful purpose.

There is no greater unemployment emergency now than there has been many times during the past 13 years. Unemployment is no greater than it has been many times before. State funds are adequate to deal with current unemployment. State benefit amounts are adequate in the judgment of those closest to the people involved.

The bill utilizes the mobilization emergency to impose a system of Federal subsidies which would tend to destroy the State unemployment compensation programs.

Federal legislation in this field is undesirable. Such intervention endangers our present State unemployment compensation system.

And finally, the bill itself cannot accomplish the purposes set forth in the preamble.

It provides for considerable drains on the Federal Treasury at a time when deficit financing constitutes a serious inflationary problem.

We earnestly recommend that this bill be rejected.

The CHAIRMAN. Mr. Wolfe, of the Illinois Manufacturers' Association. You may identify yourself for the record, please, sir. You may be seated.

### STATEMENT OF LEE R. WOLFE, ILLINOIS MANUFACTURERS' ASSOCIATION

Mr. WOLFE. My name is Lee Wolfe; I am with the Illinois Manufacturers' Association.

Senator, I want to say that I have a short statement to make, and I would like to have it introduced in the record verbatim.

The CHAIRMAN. Yes, sir. It will go in the record as you have prepared it, and you may speak to it as you wish.

Mr. WOLFE. I am here as a representative of the Illinois Manufacturers' Association which has represented Illinois industry for 59 years, and we have among our members over 4,500 firms.

I want to speak to this bill. One of the first and most important things we feel is the preservation of the State unemployment compensation system. Our association has taken a positive attitude toward State unemployment compensation laws. We have been interested in this from the drafting of the first act in 1936 through the innumerable amendments which have been made through the last session of the legislature.

We work closely with other State-wide employers, in attempting to improve our State system.

I am going to move down to some of the specific references to this bill so that we can get through with this job this morning.

First, we feel that this would establish a Federal dole for a restricted class of people.

On page 8 of the bill it states, "Each State shall be entitled to be paid by the United States"—and we feel this language unlocks the Federal Treasury and sets up a dole system for the unemployed.

It would require all persons, that is, all citizens, of the country to pay taxes into the Federal Treasury to support through a Federal dole a restricted class of people.

On page 5, section 4 of the bill, it sets up the class that this Federal dole will be diverted to. It says:

The amount of the Federal supplemental payment of unemployment compensation to an individual \* \* \* shall be an amount equal to 50 per centum of

the amount payable to such an individual under the provisions of the unemployment compensation of such State--

under the provisions of the State unemployment compensation law.

Now, only people covered by a State unemployment compensation act will be entitled to the proposed dole, and all others will be paying Federal taxes to enhance the supplemental Federal payments to their fellow workers.

Applied to Illinois it would mean that 2,095,000 persons, the number of covered workers in Illinois who would be in this large favored class--they would be covered.

Some 1,358,300 employees would be irrevocably excluded by this proposal.

In Illinois there are nearly 9 million citizens. We have in our civilian labor force over 4 million--that is for September 1951; and there are covered workers, people who are under the unemployment compensation law, who number 2,095,000.

Out of the specialized group 108,000--those are the unemployed at present--of this 2,095,000 would become the special class favored by S. 2504.

On page 4, line 15 of the bill, it says it would give every unemployed worker in the State the same "bonus" or "dole" which is theoretically provided only those unemployed because of an emergency; and further it will make supplemental payments of compensation to all unemployed individuals in the State.

This would increase the Federal deficit. The payments proposed by S. 2405 would be a new and additional burden on an already unbalanced budget. Estimates of the cost of this legislation have varied, but it seems reasonable to assume that within every State a governor, with the consent of the secretary of labor, would designate a labor market where there existed substantial unemployment.

The pattern of coverage would be national. During the 1950 calendar unemployment compensation benefits made by the various States to unemployed workers totaled \$1,373,000,000. Fifty per cent of this would be \$686 million more of a deficit to be added to the budget.

We can see little justification for such an unwarranted expenditure.

It would be a threat to experience rating. Stabilizing employment by industry has meant financial security for the employees and high morale among workers and their families generally. Experience rating was written into every State unemployment compensation act to encourage employers to stabilize employment, and the system has been effective.

Capital investment, product planning, advertising programs and new product developments have been used to stabilize employment.

A single flat-tax rate for unemployment compensation which this bill would foster would thwart all the good which has resulted from plans to stabilize employment.

A flat grant or dole from the Federal Treasury amounting to 50 percent of the present weekly benefit amount would be contradictory to the expressed legislative intent of the States which want the benefits of a merit rating system.

We think it would destroy the will to work.

Quoting the Illinois Labor Bulletin for December 1951, which is published by the Illinois Department of Labor:

Earnings of Illinois manufacturing production workers averaged \$69.22 per week during October, compared to \$65.17 nationally.

Hourly earnings of production workers averaged \$1.67, an all-time peak. Still quoting:

Illinois pay weekly unemployment compensation benefits of \$27 for 26 weeks.

S. 2504 would add \$13.50, making a total of \$40.50 weekly benefits to an unemployed individual.

The \$69.22 State average is not take-home pay. It is gross weekly wages before income tax, social security, union dues, transportation, and incidentals.

Acceptable authorities estimate the actual difference between earned wages and state unemployment payments with the Federal supplement would be under \$10.

At present many jobs in Illinois go unfilled and many unemployed remain idle by consent, as a result of the narrow interpretation given to the term "suitable employment."

An unemployed person is not required to investigate a job offer if it deviates more than the slightest amount from his highest job experience. The integrity of both the unemployed worker and the state employee would be taxed when the wages and the unemployment compensation, plus the Federal supplements, came so nearly to match each other.

As has been stated by previous speakers there would be unreasonable pressure on governors and state legislators. They would be subject to unreasonable political pressure to surrender still more of our State autonomy to the Federal Government.

Groups within the State will importune the elected officials to accept the Federal supplements and they, of course, will state that there is great need and that the State budget will not suffer.

In conclusion, unemployment compensation is historically a State and not a Federal function. It is financed solely by employer contributions. State laws are in existence to care for cases of special hardship, not limited to the present emergency.

Unemployment compensation is the negative and an unsound approach to the problem of unemployment compensation. There is only one answer, and that is jobs. It is the only dignified answer to men who believe in freedom and environment which will create work and jobs should be the first concern of our people and our elected representatives.

I submit this statement and hope that the Senate Finance Committee will find it a favorable statement.

The CHAIRMAN. Thank you very much, Mr. Wolfe. Your statement will be placed in the record.

Mr. WOLFE. Thank you, Senator.

(The prepared statement referred to of Mr. Lee R. Wolfe follows:)

#### STATEMENT OF LEE R. WOLFE, ILLINOIS MANUFACTURERS' ASSOCIATION

The Illinois Manufacturers Association, representing Illinois industry for 59 years, embraces approximately 4,500 member firms. Over 90 percent of the total industrial output of the State is produced by member firms. Of the 1,213,700 industrial workers in Illinois, approximately a million are employed by member firms.

Members of the association include industries of all sizes—large, small, and middle sized—probably representing the most diversified industrial base of any State in mid-America. The great majority of the membership of the IMA are so-called small manufacturers—30 percent employ less than 20 persons; 40 percent less than 50 persons; 60 percent less than 100 persons, and 70 percent less than 200 persons.

#### ILLINOIS STATE UNEMPLOYMENT COMPENSATION SYSTEM

The Illinois Manufacturers' Association has taken a positive attitude toward our State unemployment compensation law. From the drafting of the first comprehensive act in 1930, including the series of amendments adopted by the Illinois General Assembly through 1931, the IMA has worked closely with other State-wide employer and labor groups in improving our State unemployment compensation system.

Illinois has experienced "substantial unemployment" in certain areas of the State both before and during recent periods of declared national emergency. But, to our knowledge, no responsible representative of any employer, labor, or Government group asked the General Assembly to petition the Federal Treasury for funds to meet local unemployment compensation problems.

Unemployment compensation from the start has been an employer or a State function. It was based on insurance principles, since the concept of an "unemployment dole" is both unsound in principle and foreign to our ideals and institutions.

The IMA with this background opposes the passage of S. 2504 which would graft a Federal dole onto our employer-financed, State unemployment compensation system.

#### HOW WOULD ESTABLISH A FEDERAL DOLE FOR A RESTRICTED CLASS OF WORKERS

Page 8, section 6 (a): "Each State shall be entitled to be paid by the United States . . ."

This language unlocks the Federal Treasury and sets up a dole system for the unemployed. It would require all persons who pay a tax into the Federal Treasury to support, through a Federal dole, a restricted class of people.

Page 8, section 1 (b) 3, sets up the special class who will be given the dole. "The amount of the Federal supplemental payment of unemployment compensation to an individual . . . shall be an amount equal to 50 per centum of the amount payable to such an individual under the provisions of the unemployment compensation of such State . . ."

Only people covered by State unemployment acts will be entitled to the proposed dole. All others will be paying Federal taxes to enhance the supplemental Federal payments to their fellow workers.

Applied to Illinois it would mean 2,695,000 persons (1940 calendar year)—the number of covered workers in Illinois who would be the favored class. One million three hundred and fifty-eight thousand three hundred employees would irrevocably be excluded by this proposal.

Population of Illinois (1930) . . . . .	8,712,170
Civilian labor force (September 1931) . . . . .	4,053,300
Covered employees . . . . .	2,695,000
Unemployed . . . . .	108,000

The 108,000 out of the specialized group of 2,695,000 become the special class favored by S. 2504.

Page 4, line 13, section 4 (a) (1), would give every unemployed worker in the State the same "bonus," or dole, which is theoretically provided only those unemployed because of the emergency.

"Will make . . . supplementary payments of compensation to all unemployed individuals in the State . . ."

#### INCREASING THE FEDERAL DEFICIT

The payments proposed by S. 2504 would be a new and additional burden on an already unbalanced budget. Estimates of the cost of this legislation have varied, but it seems reasonable to assume that within every State a governor (with the consent of the Secretary of Labor) could designate a labor market area where there existed substantial unemployment.

The pattern of coverage would be national. During the 1960 calendar year unemployment compensation benefit payments made by the various States to unemployed workers totaled \$1,373,114,400; 50 percent of that would be \$686,557,200 more deficit to be added to the budget.

We can see little justification for such an unwarranted expenditure.

#### THREAT TO EXPERIENCE RATING

"Stabilizing employment" by industry has meant financial security for the employee, and high morale among workers and their families generally. Experience rating was written into every State unemployment compensation act to encourage employers to stabilize employment. The system has been effective. Capital investment, product planning, advertising programs, and new product development have been used to stabilize employment.

A single flat tax rate for unemployment compensation would thwart all the good which has resulted from plans to stabilize employment.

A flat grant or dole from the Federal Treasury amounting to 50 percent of the present weekly benefit as proposed by H. 2504 would be contradictory to the expressed legislative intent of the States.

#### DESTROYING THE WILL TO WORK

Quoting the Illinois Labor Bulletin for December 1951, published by the Illinois Department of Labor: "Earnings of Illinois manufacturing production workers averaged \$69.22 per week during October, compared to \$65.17 nationally."

Hourly earnings of production workers averaged \$1.07, an all-time peak.

Illinois pays weekly unemployment compensation benefits of \$27 for 26 weeks. H. 2504 would add \$13.50, making a total of \$40.50 weekly benefits to an unemployed individual.

The \$69.22 State average is not take-home pay. It is gross weekly wages before income tax, social security, union dues, transportation, and incidentals.

Acceptable authorities estimate the actual difference between earned wages and State unemployment payments with the Federal supplement, would be under \$10.

At present, many jobs go unfilled and many unemployed remain idle by consent, as a result of the narrow interpretation given to the legal term "suitable employment." An unemployed person is not required to investigate a job offer if it deviates more than the slightest amount from his highest job experience. The integrity of both the unemployed worker and the State employee would be taxed when wages and the dole so nearly matched.

#### UNREASONABLE PRESSURES ON GOVERNORS AND STATE LEGISLATORS

State governors and State legislators would be subjected to unreasonable political pressures to surrender still more State autonomy to the Federal Government. Page 11, line 4 of section 9, quoting: "The Secretary is hereby authorized to make such rules and regulations as may be necessary to carry out the provisions of this Act."

Groups within the State will importune the elected officials to accept the Federal supplements. They will state there is great need, that the State budget will not suffer.

#### CONCLUSIONS

Unemployment compensation is historically a State and not a Federal function. It is financed solely by employer contributions. State laws are in existence to care for cases of special hardship not limited to the present emergency.

#### JOBS—NOT A DOLE

Unemployment compensation is a negative and unsound approach to the problem of unemployment.

Jobs are the answer. It is the only dignified answer to men who believe in freedom.

An environment which will create work and jobs should be the first concern of our people and of our elected representatives.

The CHAIRMAN. Mr. Dunn—Stephen F. Dunn.  
Mr. Dunn, you may be seated.



**STATEMENT OF STEPHEN F. DUNN, REPRESENTING EMPLOYERS' ASSOCIATION AND FURNITURE MANUFACTURERS' ASSOCIATION OF GRAND RAPIDS, MICH.**

Mr. DUNN. Thank you, Mr. Chairman. I appreciate this very much, this opportunity to be heard. I am filing complete copies of a statement which I will not endeavor to cover in its entirety now.

My full name is Stephen F. Dunn. I am a partner in the law firm of McCobb, Heaney & Dunn, Grand Rapids, Mich.

The CHAIRMAN. You may place your statement in the record.

Mr. DUNN. Thank you.

I am appearing on behalf of the Employers' Association and the Furniture Manufacturers' Association of Grand Rapids, Mich., and also as a management representative on the Michigan State Employment Security Advisory Council.

In Michigan, Mr. Chairman, that advisory council is created by the statute, and consists of eight members, four representing employees and four representing employers, who are appointed by the Governor.

In these capacities I have necessarily maintained close contact with developments in the area covered by this bill. As a management representative on the Michigan State Employment Security Advisory Council I have been in touch with the operation of the Michigan law and with the policy considerations which the Michigan Legislature has weighed in determining the substantive provisions of the Michigan act.

I realize that your committee is fully aware of the contents of this bill, and you have heard only objections to it, so I will not take your time by repeating that material.

We, from Michigan, know that our legislature is in session now. If further benefits are needed that can be determined by democratic processes within our own State; and we know, gentlemen, that we have over \$350 million in the Michigan fund to meet demands when or if needed; that we understand is more money than in the United States Treasury.

The CHAIRMAN. More net money

Mr. DUNN. I am not in any way implying, and I want to make this very clear—I am not in any way implying that higher benefits are necessary or desirable in Michigan. But Michigan is used as a model in the introduction of this bill.

On the contrary, we submit that higher benefits are not desirable in our State. Contrary to the impression created by the proponents of the bill, Michigan is already paying consistently the highest weekly benefits of any industrial State and is now paying a higher average weekly benefit than any State by more than \$2. Michigan's benefits have increased more rapidly than the cost of living and have kept pace with the general increase in wage levels.

While average weekly wages have gone up 78 percent in the 10 years since 1941 the average weekly benefit checks have gone up by 112 percent, and a man with four dependent children can now in Michigan draw benefits of \$35 a week.

Yet, if the Michigan Legislature were to increase the schedule of benefit rates or the dependent's allowance, the Federal supplementary payments would likewise increase accordingly.

For example, should the Moody-Dingell bill be passed in Washington, and the Williams-Kowalski bill in Lansing, benefits of as much as \$84 per week would be paid to some Michigan claimants.

I would like to now give you a few facts about conditions in Michigan which I believe will be helpful to you, since our State is being used as a prime example, in an effort to show a need for this legislation.

I also propose to present to you some practical experience showing the reasons why the Michigan Legislature has, so far, considered it not only unnecessary but also unwise to raise unemployment benefits to any such levels as proposed by this bill.

We submit that one test of the adequacy of unemployment compensation benefits is the frequency with which unemployed beneficiaries resort to public welfare. As a matter of fact, during the month of December 1951 there were only 102 direct relief cases in the entire State of Michigan, where relief was being paid as a supplement to income from unemployment compensation.

The average monthly number of such cases of supplementation for the entire year 1951 was only 62. For purposes of comparison it is interesting to note that during the month of December 1951 there were 911 relief cases in the State of Michigan as compared with 102 where relief was being paid as a supplement to wages earned while working part or full time.

While for the reasons indicated it may not be appropriate to judge the adequacy of unemployment compensation entirely by the number of cases which require supplemental relief, it is possible to judge the seriousness of the unemployment situation by a study of the trends in relief cases.

During 1951 the number of relief cases for the State of Michigan declined by more than 10 percent, from approximately 27,000 to a little more than 24,000, and the December case load was slightly below the average for the entire year.

There is no evidence in these figures that Michigan unemployment benefits are so low as to force a substantial number of beneficiaries to apply for supplementary welfare payments, nor is there any evidence in these figures, any more than in the figures on claims, to support the contention that Michigan is in the midst of an employment problem so serious as to constitute an emergency which cannot be handled by the State.

We submit another test of the adequacy of benefits concerns their basic purposes and the possibilities of abuse.

There is implicit in S. 2504 an entirely new concept of the principles to be followed in setting the level of unemployment-compensation benefits. As recently as December 1950, the Bureau of Employment Security of the United States Department of Labor said in a booklet entitled, "Unemployment Insurance: Purposes and Principles, a Guide for Evaluating the Main Principles of Unemployment Insurance Laws," that—

The weekly benefit is designed to replace part of the current weekly wage loss of eligible workers. The objective is not to meet all of the beneficiary's usual expenses when employed or to meet all his needs when unemployed. To accomplish the purposes of the program, the weekly benefit amounts should therefore be sufficient to cover the nondeferrable living expenses of insured workers. However, in view of the ultimate aim of the program to hasten the return of beneficiaries to suitable employment through cooperation with the Employment

Service and their own efforts, the weekly benefit which a worker receives should not be so high in relation to his recent wages as to weaken his incentive to return to work as soon as possible.

Studies suggest that a benefit of at least 50 percent of weekly earnings is required to enable beneficiaries to cover basic necessities; and that a high proportion, up to 70 percent or more --

and the statement goes on and clearly recognizes the importance of maintaining a significant financial incentive for the employee to work, and suggests a benefit of no more than 50 percent of weekly earnings, except with respect to low-wage earners and workers with dependents.

Now, as far as the Michigan Legislature is concerned, and the same is apparently true in all the other States, there is no intention of making unemployment as desirable a status from a financial standpoint as employment. Leisure time certainly has a value to all of us, and it takes a substantial return to persuade an individual to give up his leisure.

As recently as 1949 and 1950 we had a joint legislative committee in Michigan which was set up to look into the entire subject of our Unemployment Compensation Act, and its administration. This committee decided to start out with fundamentals, so it asked the labor and management members of the advisory council to submit their ideas as to the fundamental principles which should guide the legislature.

The labor and management members of our State advisory council agreed on the following statement of policy:

It is true that the law provides for the collection of taxes from employers to finance the payment of benefits to workers. But that fact does not mean that the only proper standard for amending and interpreting the law is the amount of benefits payable to employees. The law provides for these benefits because it is in the public interest to pay benefits to unemployed workers under certain conditions. Safeguards against abuse are just as important to the public interest as any other aspect of the law.

The management members had this to say in a separate statement to the legislature:

In setting the level of weekly benefit payments the public interest demands that weekly income during unemployment must not be high enough to provide an incentive for idleness for a substantial number of workers. There will always be a few employees whose inability to adjust to industrial life or whose peculiar individual circumstances create a preference for compensated leisure. That group must be dealt with in other ways. But as tax-free benefits begin to approach take-home pay this group grows and begins to include more and more workers whose continued willingness to work is essential to the volume of production which determines our standard of living. When unemployment compensation starts destroying the will to work then it starts to defeat the public interest.

Now, gentlemen, the validity of this point of view can be illustrated from the practical experience of almost any employer subject to the unemployment compensation law; and since employers finance this entire program their interest is not only justified but very desirable.

However, there seldom is any compilation of experience of this type of a sufficiently broad nature to give a broad picture of possible abuses. We have such a compilation in Michigan.

During 1951 a second joint legislative committee was created to investigate abuses among Michigan employees at the horse race tracks in Michigan. In the course of this investigation the committee received evidence developed by a survey of the records of a

group of employees employed in this industry during the period from August 1950 to March 1951.

Since the industry was highly seasonal it probably attracted a high portion of individuals who preferred to work temporarily on a seasonal basis. This is borne out by the fact that of the 48 cases which were reviewed, 34 involved individuals who had done no work other than seasonal work for many years. Twelve of this group were exclusively seasonal twelve of this group of exclusively seasonal workers were men. Between them, these 12 employees, with long records of exclusively seasonal work, drew 163 weekly benefit payments from the Michigan fund. The other 22 cases of exclusively seasonal workers involved women. Between them this group of 22 women drew 274 weeks of benefits from the Michigan fund. The other 14 cases surveyed consisted of individuals whose work histories included substantial experience in other industries. There were 10 men in this group.

Eight of these men completed their series of benefit claims without being referred to any job openings. The other two received a total of five referrals to jobs but were not hired. These 10 men drew a total of 130 weeks of benefits from the Michigan fund.

None of the four women were referred to any job opening. They drew 30 weeks of benefits between them.

These cases demonstrate a number of important facts which I will summarize in concluding--I will be through in a moment. These facts are, first, the so-called work-test in unemployment compensation, which assumes that malingerers will be weeded out by referrals to work and administrative inquiries into availability for work, is totally ineffectual as applied to individuals who have no personal financial incentive or compulsion to go to work.

Second, whether it be because of lack of administrative funds, lack of imagination, or unwillingness to deny benefits, it is apparent that highly dubious cases are paid on a routine basis, without special investigation or determination.

Third, under existing benefit levels, without raising them, substantial numbers of claimants draw benefits under unwarranted or highly questionable conditions.

Now, in conclusion, if Congress now wants to do something constructive about the unemployment compensation program, we recommend rather than this bill, your attention to the State administrator's bill, which is H. R. 4133, and which provides for an allocation back to the States of any annual excess of tax collections under the Federal unemployment tax over disbursements for the cost of administration of the Federal and State agencies.

It also provides for the establishment of a permanent reinsurance fund to underwrite the solvency of the unemployment trust funds of the respective States.

While I am no expert as to the financing of the program, it certainly appears that this proposal would do much to strengthen the position of the States and their funds as well as the security of the entire program.

There is a place in the program for the strengthening of State funds, and we are for such a sound proposal, and in that connection I am referring to the State administrators' bill.

The CHAIRMAN. Thank you very much.

Are there any questions, Senator Butler?

Senator BUTLER. No questions.

Mr. DUNN. Thank you.

The CHAIRMAN. Thank you very much for your contribution.

(The prepared statement of Stephen F. Dunn is as follows:)

**STATEMENT OF STEPHEN F. DUNN, COUNSEL FOR THE EMPLOYERS' ASSOCIATION AND FURNITURE MANUFACTURERS' ASSOCIATION OF GRAND RAPIDS, MICH., AND MANAGEMENT REPRESENTATIVE ON THE MICHIGAN STATE EMPLOYMENT SECURITY ADVISORY COUNCIL.**

Mr. Chairman, and members of the committee, my name is Stephen F. Dunn. I am a partner in the law firm of McCobb, Healey & Dunn, Grand Rapids, Mich. I am appearing on behalf of the Employers' Association and the Furniture Manufacturers' Association of Grand Rapids, Mich., and as a management representative on the Michigan State Employment Security Advisory Council. In Michigan, this advisory council is created by the statute (sec. 3 (a)) and consists of eight members (four representing employees, and four representing employers) appointed by the Governor.

In these capacities I have necessarily maintained close contact with developments in the area covered by this bill. As a management representative on the Michigan State Employment Security Advisory Council, I have been in touch with the operation of the Michigan law and with the policy considerations which the Michigan Legislature has weighed in determining the substantive provisions of the Michigan act.

My work as counsel for the Grand Rapids associations has also brought me in touch with the act, so that I am familiar with its operation and practical effects in our community. In 1917, which was prior to the creation of the advisory council, I was appointed by the Governor to a five-man study commission, for the purpose of investigating the provisions and administration of the Michigan statute. Prior to that time, I served as a member of the Grand Rapids Area Manpower Committee, under the War Manpower Commission. Startling examples of abuse of the benefits provisions, even at the lower levels then existing, were revealed by those bodies.

I do not propose to address myself to all of the features of the bill to which exception might well be taken. Others have doubtless pointed out to you the complete absence of need or justification for Federal intervention in the State unemployment-compensation programs, at an added cost to the Federal Treasury running into hundreds of millions of dollars. They have also made it clear that enactment of this bill would be a repudiation of the judgment of the State legislature and will bring about the inevitable and complete federalization of the program.

However, before discussing some facts about conditions in Michigan, which relate to this bill, I wish to summarize some more general observations:

The bill is similar to proposals advanced for similar reasons, and rejected by the Congress in 1912, 1914, and 1915. These rejected bills, like the present bill, were supported by grossly exaggerated estimates of unemployment and erroneous concepts about the purpose of unemployment compensation.

While the bill purports to deal with the problem of "defense unemployment," its first paragraphs, including section 4 (a), provide for "supplementary payments of compensation to all unemployed individuals in the State." [Italics ours.]

Moreover, the bill would, inevitably, become uniformly operative throughout the country. The only requirement is that the governors of the respective States certify that there exists substantial unemployment "within one or more labor-market areas of his State." Imagine the pressure which would be brought on all governors to make this certification, which would be subject to annual renewals.

Therefore, the bill would clearly override the judgment of State legislatures and would accomplish, by subterfuge, the ambitions of those who would nationalize the State unemployment-compensation systems.

The bill would increase the benefit checks otherwise payable in a State by 50 percent or more. In Michigan, it would increase the "primary weekly benefit rate" by 50 percent, from \$27 to \$40.50, and the dependents' allowances from \$2 to \$4 for each of four dependents. Contrary to the impression created by proponents of the bill, Michigan is already paying consistently the highest weekly benefits of any industrial State, and is now paying a higher average weekly benefit

than any State, by more than \$2. Michigan's benefits have increased more rapidly than the cost of living (and benefits have not decreased during any drop in the cost of living) and have kept pace with the general increase in wage levels. While average weekly wages have gone up 78 percent in the 10 years since 1941, the average weekly benefit check has gone up by 112 percent. And a man with four dependent children can now, in Michigan, draw benefits of \$36 per week.

Yet, if the Michigan Legislature were to increase the schedule of benefit rates or the dependents' allowance, the Federal supplementary payments would likewise increase accordingly. For example, should the Moody-Dingell bill be passed in Washington, and the Williams-Kowalski bill in Lansing, benefits of as much as \$64 per week would be paid to some Michigan claimants.

Under the Moody-Dingell bill, an unmarried Grand Rapids employee who earns \$60 per 40 hour week would receive a tax-free weekly benefit of \$40 while unemployed. This employee's take home pay for working will be no more than \$47 after such deductions as withholding and social security taxes, plus transportation, lunches, and dues or contributions. His cash incentive to work, even at his regular job, is only about \$0 per week. And, what incentive would he have to work at a lower ceiling, established by wage stabilization, offered by another employer, as interim employment?

The practical results of such a situation were sharply demonstrated in Grand Rapids during World War II. Although at first an area of labor surplus, Grand Rapids soon became a No. 1 tight labor market, with help desperately needed by war contractors. One company, with a large parachute division employing a large number of young housewives, only recently in the labor market and receiving unusually high piecework earnings in relation to their skills, laid off most of these employees due to a sudden cut back. Other war contractors, due to the ceilings imposed by the War Labor Board, were unable to hire these people because, while refusing employment at wages below their unusually high piecework earnings, they continued to receive unemployment benefits despite widely publicized protests. Just consider how the Moody-Dingell bill, plus the increases in the State's benefits since World War II, would accentuate such situations and during a period when we are supposed to become strong. Private employment offices in Grand Rapids today report that the refusal of compensation claimants to consider job opportunities while they can draw benefits is an everyday occurrence. We only need look at the facts to prove the undesirable if not disastrous implications and consequences of the Moody-Dingell bill.

Moreover, the availability of matching money as an immediate pressure for unound liberalization of State laws would be followed by an even more powerful pressure at the expiration of the Federal program. Would you expect the States to return to their former benefit scales at the end of the Federal program? Actually, the States would be forced to liberalize their rates by at least 60 percent to meet the standards created by the "temporary" Federal payments.

I should now like to give you a few facts about conditions in Michigan which I believe will be helpful to you, since our State is being used, as a prime example, in an effort to show a need for this legislation. I also propose to present to you some practical experience showing the reasons why the Michigan Legislature has, so far, considered it not only unnecessary but also unwise to raise unemployment benefits to such high levels as are proposed in this bill.

One test of the adequacy of unemployment-compensation benefits is the frequency with which unemployed beneficiaries resort to public welfare while drawing their benefits. This is by no means an infallible indicator of the adequacy or inadequacy of benefits, because unemployment compensation can never be set high enough to keep some families off the welfare rolls. As a matter of fact, during the month of December 1951 there were only 102 direct-relief cases in the entire State of Michigan where relief was being paid as a supplement to income from unemployment compensation. The average monthly number of such cases of supplementation for the entire year 1951 was 62. For purposes of comparison, it is interesting to note that during the month of December 1951 there were 911 relief cases in the State of Michigan where relief was being paid as a supplement to wages earned while working part or full time.

While, for the reasons indicated, it is not appropriate to judge the adequacy of unemployment compensation by the number of cases which require supplemental relief, it is possible to judge the seriousness of the unemployment situation by a study of the trends in the number of relief cases. During 1951 the number of relief cases for the State of Michigan declined by more than 10 percent, from approximately 27,000 to a little more than 24,000, and the December case load was slightly below the average for the entire year. For the city of Detroit, the

case load went through a similar decline, from about 13,000 to a little less than 12,000.

There is no evidence in these figures that Michigan unemployment compensation benefits are so low as to force substantial numbers of beneficiaries to apply for supplementary welfare payments; nor is there evidence in these figures, any more than in the figures on unemployment compensation claims, to support the contention that Michigan is in the midst of an unemployment problem so serious in nature as to constitute an "emergency," which cannot be handled by the State and requires the intervention of the Federal Government.

Another test of the adequacy of benefits concerns their basic purpose. There is implicit in S. 2501 an entirely new concept of the principles to be followed in setting the level of unemployment compensation benefits. As recently as December 1950, the Bureau of Employment Security of the Department of Labor said, in a booklet entitled "Unemployment Insurance: Purpose and Principles, a Guide for Evaluating the Main Principles of Unemployment Insurance Laws," that:

"The weekly benefit is designed to replace part of the current weekly wage loss of eligible workers. The objective is not to meet all of the beneficiary's usual expenses when employed or to meet all his needs when unemployed. . . .

To accomplish the purposes of the program, the weekly benefit amounts should therefore be sufficient to cover the nondeferrable living expenses . . . of insured workers. However, in view of the ultimate aim of the program to hasten the return of beneficiaries to suitable employment through cooperation with the Employment Service and their own efforts, the weekly benefit which a worker receives should not be so high in relation to his recent wages as to weaken his incentive to return to work as soon as possible. . . .

". . . studies suggest . . . that a benefit of at least 50 percent of weekly earnings is required to enable beneficiaries to cover basic necessities; and that a higher proportion, up to 70 percent or more, is necessary for low-wage earners and workers with dependents. To allow an incentive to work, however, the highest proportion of wage loss payable, whether for workers in the lower wage brackets or those with several dependents, should be somewhat less, perhaps 20- to 30-percent less, than weekly earnings."

The foregoing statement clearly recognizes the importance of maintaining a significant financial incentive for the employee to work; and it suggests a benefit of 50 percent of weekly earnings, except with respect to low-wage earners and workers with dependents.

This statement of December 1950 is violently at odds with the present bill and the statement made by its author on January 23, 1952, in his Remarks in Support of the Defense Unemployment Bill.

In his remarks, Senator Moody said that his bill was "conservative." In that it did not propose to make the entire wages and living standards of men in the "standby force" chargeable as a cost to the defense effort. He said that his bill does not go that far, but "it does recognize that the proper minimum standards of living are not met by State standards of unemployment compensation." The provisions of the bill indicate the extent to which Senator Moody proposes to go beyond the standards of 1950, and toward the ultimate objective of paying enough benefits to permit the claimant to maintain his standard of living without drawing on any of his savings, without resorting to other public programs and without being under some pressure to find alternative employment.

As far as the Michigan Legislature is concerned, and the same is apparently true in the other States, there is no intention of making unemployment as desirable a status, from a financial standpoint, as employment. Leisure time has a value to all of us, and it takes a substantial return to persuade an individual to give up his leisure. The amount of financial incentive needed to induce an individual to work varies with his circumstances and personal characteristics. There are always some people who value leisure so highly that the payment of compensation for idleness is sufficient to make unemployment a bargain. The level at which weekly benefits are set determines the size of this group. If, as Senator Moody proposes, State benefits are supplemented to a level sufficient to maintain what Senator Moody might regard a minimum standard of living, the effect will be to substantially increase the size of this group, who find themselves well situated while unemployed.

As recently as 1949 and 1950, we had a joint legislative committee in Michigan which was set up to look into the whole subject of our Unemployment Compensation Act and its administration. This committee decided to start out with the fundamentals, so it asked the labor and management members of the State employ-

ment security advisory council to submit their ideas as to the fundamental principles which should guide the legislature in amending the act.

The labor and management members of the advisory council agreed on a general statement of the public policy which included the following:

"It is true that the law provides for the collection of taxes from employers to finance the payment of benefits to workers. But that fact does not mean that the only proper standard for amending and interpreting the law is the amount of benefits payable to employees. The law provides for these benefits because it is in the public interest to pay benefits to unemployed workers under certain conditions. Safeguards against abuse are just as important to the public interest as any other aspect of the law.

This joint statement was supplemented in separate statements by the labor and management members of the advisory council. The labor statement did not deal exhaustively with the subject of standards for establishing benefit levels, although it did recommend paying benefits at a minimum level of 60 percent of wages. The management members had this to say:

"In setting the level of weekly benefit payments, the public interest demands that weekly income during unemployment must not be high enough to provide an incentive for idleness for a substantial number of workers. There will always be a few employees whose inability to adjust to industrial life or whose peculiar individual circumstances create a preference for compensated idleness. That group must be dealt with in other ways. But as tax-free benefits begin to approach take-home pay, this group grows and begins to include more and more workers whose continued willingness to work is essential to the volume of production which determines our standard of living. When unemployment compensation starts destroying the will to work, then it starts to defeat the public interest.

**WEEKLY BENEFITS SHOULD NOT EXCEED 50 PERCENT OF WAGES**

"There are well defined points beyond which it is not safe to go in setting benefit ratings. As benefits are raised above 50 percent of the individual employee's average weekly wage, the problems of the administrator in excluding malingerers become more and more difficult. The worker compares his benefits with his take-home pay, not his gross wages. After the claimant deducts from his wages his withholding and social security taxes and his expenses of working, tax-free benefits equal to 50 percent of his average weekly wage become a substantially higher percentage of his prospective wages. An ludicrous, but perfectly rational, question arises in the claimant's mind. If, for example, the differential between benefits and take-home pay is \$10 per week, he says to himself, "Why should I work for only \$10 per week?"

"Benefits should not be set higher than 50 percent of the average weekly wage. The worker should self-insure a substantial portion of his wage-loss, so that he will have an effective incentive to cut his losses by returning to work."

The validity of this point of view can be illustrated from the practical experience of almost any employer subject to the unemployment compensation law. However, there is seldom any compilation of experience of this type of a sufficiently broad nature to give a clear picture. We have such a compilation in Michigan.

During 1951, a second joint legislative committee was created to investigate abuses among the Michigan employees of the horse-race tracks in Michigan. In the course of this investigation, the committee received evidence developed by a survey of the individual unemployment compensation claim and Employment Service registration records of a group of employees employed in this industry during the period from August 1950 to March 1951.

Since the industry under examination was a highly seasonal one, it probably attracted to it a high proportion of individuals who prefer to work temporarily on a seasonal basis. This is borne out by the fact that of the 48 cases which were reviewed, 34 involved individuals who had done no work, other than seasonal work, for many years. This was their only occupation.

Twelve of this group of exclusively seasonal workers were men. Four were under 30 years of age, one was 38, one was 46, four were in their fifties, and two were of unknown age, but had been working around race tracks for many years. Eight of these individuals were registered for work peculiar to their seasonal occupation and were not referred to any other jobs. The others showed some experience which qualified them for other lines of work but were not placed. A few of these individuals were referred to job openings, but either failed to apply or were "not hired." Not one of these individuals was disqualified as being unavailable for work or because of having failed to follow through on a referral to an available



job opening. Between them, these 12 male employees, with long records of exclusively seasonal work, drew 163 weekly benefit payments from the Michigan fund.

The other 22 cases of exclusively seasonal workers involved women. Three of these women were in their twenties, six in their thirties, eight in their forties and five in their fifties. Two of these claimants were temporarily disqualified because of unavailability for work, but managed to return to the unemployment compensation rolls and draw out their benefits later on. All of these individuals had been employed at work of a clerical or custodial nature. None of them was successfully referred to other available work. Between them, this group of 22 women drew 274 weeks of benefits from the Michigan fund.

The other 14 cases surveyed consisted of individuals whose work histories included substantial experience in other industries. There were 10 men in this group—two in their twenties, five in their thirties and three in their forties. In this group were included the following skills: Factory production work, account or general office clerk, stock chaser, truck mechanic (20 years' experience), tool grinder, watchman, porter, truck driver, plant protection, and gas station attendant. Eight of these men completed their series of benefit claims without being referred to any job openings. The other two received a total of five referrals to jobs, but were not hired. These 10 men drew a total of 130 weeks of benefits from the Michigan fund.

The four women who had skills in demand outside their seasonal occupations included one of unknown age, one 35 years old, one 40 and one 46. One had experience as a material handler in an industrial plant, two had had experience at unskilled factory work and one had 18 months' experience as a ledger clerk. None of these women were referred to any job opening. They drew 39 weeks of benefits between them.

The period in which these claims were filed, allowed and paid was one of near-peak levels of employment in Michigan. In October, 1930, the number of employed persons in Michigan reached the highest point since World War II. There was a minor decline in employment after October, but by January 1931 recovery was well under way.

It is not contended that these cases are typical of the conditions under which all unemployment compensation claims were being paid at the time. We have no way of knowing how typical they were. But we do believe it is safe to assume that there were many more such cases.

Nevertheless, these cases do demonstrate a number of important facts which are pertinent to the present proposal. These facts are:

First: The so-called "work test" in unemployment compensation, which assumes that malingers will be weeded out by referrals to work and administrative inquiries into availability for work, is almost totally ineffectual as applied to individuals who have no personal financial incentive or compulsion to go to work.

Second: Whether it be because of lack of administrative funds, lack of imagination, or unwillingness to deny benefits, it is apparent that highly dubious cases are paid on a routine basis, without special investigation or determination.

Finally: Under existing benefit levels and existing levels of administrative performance, substantial numbers of claimants draw benefits under unwarranted or highly questionable conditions. Claimants with useful skills remain unemployed for months at a time in periods of heavy demand for labor. So far as appears, they make no adequate effort to secure employment, and the employment service almost completely fails to place them in productive work.

Now it might be observed that this analysis is not pertinent to the present bill, in view of the bill's applicability to the so-called "defense unemployed." There are, however, two reasons why such an observation would have no merit:

First, these cases involve individuals who are satisfied with their benefits at present levels. They show that administration is inadequate to protect the public in such cases. It is obvious that with a higher benefit level in relation to normal earnings many employees who now find it much more satisfactory to work will have crossed the line of indifference into the area of malingering.

In the second place, these cases are pertinent because the provisions of S. 2504 will apply to these people as well as the so-called "defense unemployed." As you know, when Federal supplementation under this bill becomes operative in a State it applies to everyone who is already being paid under the State law.

The following are the comments of another legal practitioner of many years' standing in the trial of unemployment compensation cases:

"1. Under section 28 (c) each unemployed claimant, under the Michigan act, is supposed to be available to perform full-time work. The problem of enforcing this provision has been difficult in the past because the question of availability is

one of subjective mental willingness on the part of the claimant to work. Although he will frequently state his availability, his lack of effort to find a job speaks louder than his words. Obviously, if the benefits to an unpaired claimant were increased from \$27 to \$40.50 a week, there would be very little incentive for this claimant to go out in the open labor market to find a job. Necessity is the most important factor to induce unemployed claimants to find work. This necessity, in my opinion, will be eliminated by the increases proposed under the Moody-Blogell bill.

"2. Section 28 (a) of the act was amended 2 years ago to further strengthen the eligibility provision by requiring that a claimant show that he "is seeking work." Again, we have the problem of the adverse impact that the proposed increases would have on any claimant who is supposed to be seeking work. In order to effectively administer this provision, in the light of the proposed increases, it would appear to me that you would have to carefully screen every claimant to determine if each claimant is making a bona fide effort to obtain work. This will, of course, in turn place an increased administrative burden on the Michigan unemployment compensation offices and will entail an increased cost in administration, if the act is to be effectively administered.

"3. One of the more serious problems that comes to my mind is the wide disparity between the earnings of factory help and those employed in office and clerical capacities. The substantial increase in payment to factory employees might constitute a very serious hardship to nonfactory employers who are seeking to recruit help from factory unemployed people. They obviously would not be able to do so because the average of the weekly wages which they are able to pay (under wage ceilings) is probably at or below the level of the unemployment benefits that the factory claimant receives, or would receive.

"4. Another dangerous situation arises when the governor certifies that there is a probability of increased benefits where substantial unemployment exists in one or more labor-market areas. The existence of these areas, as I understand the bill, would allow unemployment benefit increases not only to the area but also to the entire State. Thus not only people who would lose their jobs from defense disruption, but also all other unemployed claimants in the area, as well as other areas, would obtain the higher benefit rate. Such "wind falls" would definitely contribute to malingering and to a desire on the part of many working claimants to become unemployed, if they realize that they can obtain such substantial unemployment benefits when their unemployment is in no way related to the defense problem."

It has been argued that this bill is necessary to prevent the scattering of skilled help to other localities, so that they will not be available to their regular employers when they get under way with defense production. The present situation is not like World War II when there was a sharp cut-off and a later quick stepping up of employment. This time the transition is much more gradual and a large number of industrial workers will lose no time from work at all.

As a result of this difference, lay-offs will be primarily among the most recently hired unskilled or semiskilled workers. We feel that it is much better for all concerned to encourage these young men to move into productive work, wherever it may be, rather than to deliberately set out to keep them as an idle labor reserve by the proposed payments from the Federal Treasury.

We have no need of Federal assistance of this sort in Michigan. We do not have any unemployment emergency now. We do not expect anything which cannot be satisfactorily handled under existing law. We hope that Congress will permit us to use our productive capacity in such a way that there will be a minimum of inconvenience for labor in Michigan and no unnecessary drain on our unemployment fund. But, whatever may come, we stand ready to take care of our own problems in accordance with our own judgment of what is necessary and proper. We certainly will not welcome the imposition of unnecessarily high levels of benefits which will complicate the already difficult problem of preventing abuse.

The CHAIRMAN. Our next witness is Mr. North.  
Mr. North, you may be seated.

#### STATEMENT OF A. F. NORTH, TREASURER, ALLEN-BRADLEY CO., MILWAUKEE, WIS.

Mr. NORTH. Mr. Chairman, I have a very short typewritten statement of somewhat less than three pages which I wish to submit for the

record and which, with your permission, I will read as the most expeditious way of presenting my views.

The CHAIRMAN. Yes, sir; you may do so.

Mr. NORTH. My name is A. F. North. I am treasurer of the Allen-Bradley Co. of Milwaukee, Wis. I have maintained an interest in our unemployment compensation problems ever since the inception of the Wisconsin State unemployment compensation law adopted by Wisconsin in 1932. My position in my company has brought me into practical contact with this law and in addition I have been a member of the social security committee of trade organizations in the State of Wisconsin for many years. I have been for several years, and am now, a member of the social-security committee of the Wisconsin Manufacturers Association.

My appearance is authorized by the Wisconsin Manufacturers Association, which consists of approximately 1,100 members representing manufacturing firms employing 83 percent of all employees of manufacturing enterprises in Wisconsin. About 300 of these members represent firms employing less than 50 employees. My views likewise represent the views of the Milwaukee Association of Commerce and I have been duly authorized to appear on behalf of this group.

The Wisconsin Manufacturers Association and the Milwaukee Association of Commerce appear in opposition to the Moody bill.

We have been faced with similar proposals for Federal supplementation of unemployment compensation benefits in 1942 when we were converting from peace to wartime production, and again in 1945 when we were reconverting from war to peacetime production. On each occasion, bills declaring that an emergency existed, and requesting the appropriation of hundreds of millions of dollars for the purpose of paying supplementary benefits, were introduced. In each instance, the bills failed, and history shows that such appropriation was not needed; that such an emergency as described by the bills did not exist; and, that the respective States adequately met the problem with which they were faced.

In viewing the entire employment and unemployment problem in this country at the present time, we find that on the whole we have full employment—fuller than the sponsors of the full-employment bill some few years ago ever anticipated. It is incongruous, therefore, that this country and the important bodies of the House and the Senate give consideration to a bill such as is being heard here today.

Surely now is not the time to increase the Federal deficit by additional costs estimated variously from 200 million to a billion.

For the most part, the State unemployment compensation system with experience rating as its bulwark, has operated successfully and has met the problems as they occurred. We believe that they can continue to meet these problems as they occur.

An essential of changing from civilian to a defense economy is a mobile labor force—individuals should be encouraged to go where the defense industry needs them. If unemployment benefits are increased too much, individuals in areas having little defense business will be discouraged from going to defense production areas. When one considers these unemployment compensation benefits are non-taxable for Federal income tax purposes, such an increase does not have to be too substantial.

Incidentally, the situation in the Detroit area, which prompted the introduction of this bill, is considered by many informed people to be more a seasonal fluctuation of transitory nature than an emergency.

An implication of this bill is that no State benefits are adequate and that the Federal Government must step in and increase them. We believe that each State legislature is nearer the citizens of its State and better able to set equitable benefit levels for its particular situation than any Federal authority. We also believe that if the Federal Government can increase benefits now, all indications are it will continue doing this henceforth, and will probably continue to expand its functions to the eventual elimination of the State unemployment compensation systems.

We sincerely believe that this unemployment compensation function is one that can best be administered by the respective States as has been so well demonstrated in the past. If any changes in unemployment compensation laws are to be made, they should and can be made at the State level.

Thank you.

The CHAIRMAN. Any questions, Senator Butler?

Senator BUTLER. Mr. North, it is your opinion that even if an emergency arises that the States will be in a position to take care of it?

Mr. NORTH. I think so; yes, sir.

Senator BUTLER. Thank you.

The CHAIRMAN. Thank you very much for your appearance.

Is there any other witness present who wishes to offer anything for the record this morning? If so, the committee will be glad to hear any other witness at this time.

The only other witness regularly scheduled will not be here until this afternoon.

Mr. Hall, did you wish to add something to your statement in the record?

Mr. HALL. If I may, Mr. Chairman.

The CHAIRMAN. Yes, sir; you may be seated. You have already appeared.

Mr. HALL. Yes, sir.

The CHAIRMAN. We will be glad to have you supplement your statement if you wish to.

#### STATEMENT OF WILLIS H. HALL—Resumed

Mr. HALL. Mr. Chairman and members of the committee, when I appeared here 2 days ago, I presented some factual data to the committee which I thought would be helpful in enabling the committee to arrive at a fair conclusion regarding this legislation.

In answer to a question from Senator Johnson relative to the volume of unemployment in the Detroit area, I stated, "We have normally somewhere between 50 and 90 thousand people unemployed," as a normal situation.

Apparently the presentation of the facts about the employment and unemployment situation disturbed Senator Moody and Walter P. Reuther, of the CIO, and there have been great headlines in the Detroit papers relative to the question of whether or not my statement that present employment is only a little above our average experience is a correct statement.

So, for the information of the committee, I have had a tabulation made from the records of the Michigan Unemployment Commission for the 3 years 1949, 1950, and 1951, and, as you will see from that tabulation, the average unemployment for that entire 3-year period was 80,700 workers, on the average—that is at the bottom of the page, Senator.

The CHAIRMAN. Yes, sir.

Mr. HALL. And that our average employment for this 3-year period was 643,000 workers. That, I think, is statistical substantiation of the response that I gave to Senator Johnson in answer to his query as to whether or not our present situation was more or less normal.

The record will show that in my original presentation I suggested that we were at work in Detroit on a more constructive approach to our problem, and I enumerated for the committee the fact that we were all working cooperatively to put the people back to work, because that is in the best interests of the national economy as against paying money out of the Treasury to keep people in idleness.

On page 223 of the transcript I stated that we were trying to get increases in the amount of subcontracting from other contractors around the country, and that through the cooperation of the defense agencies they had sent a task force to Detroit to see what could be done to put more bits and pieces of this defense program into the Detroit area as against the big elephants that take a long time to get ready; and I concluded with the statement that we were hopeful that the efforts of everyone working cooperatively together that the Defense Department would increase the allocations of material in the second quarter to the automobile industry so that we could produce a minimum of 1,100,000 automobiles.

That, I believe, is the constructive approach to the problem. We said later on, in answer to a question from Senator Moody, that it was our studied opinion that we at Detroit believe that it would be no impact on the defense program to allocate enough copper and aluminum for the automobile industry to produce 1,100,000 cars in the second quarter, and we believe if the administration handling the foreign cartel controls on copper would let the industries go into the foreign markets and purchase copper over and above their domestic allocation that we could find adequate supplies of copper in the world market to produce the 1,100,000 cars that we are asking for.

Since that testimony on Wednesday I have been in contact with people in Detroit who confirmed the fact that there is an adequate supply of copper in the world copper market over and above our domestic allocation that is being offered to the industries of Detroit to meet the situation, if we can get a permit from the Federal Government to import the material.

At no time in my testimony did I want—nor do I believe I did—attempt to minimize the seriousness of having any large group of people out of work in the Detroit area.

If you have even 50,000 people out of work that is a serious economic loss to the Nation, and we should be doing everything that we can constructively to get those people back to work.

To spotlight the situation a little more since these other problems have been brought in at Detroit, I made a tabulation of employment in industry in Detroit in January 1950, and in January 1952.

You will recall that I testified that our employment in January 1950, was 630,000 workers, and our employment in January 1952, was 635,000 workers, and I said that we have more people working in January 1952, than we had pre-Korea.

This tabulation, which I will give you, Senator, puts the finger specifically on our Detroit problem.

Out of the 630,000 workers at work in January 1950, 360,000 of them were motor-vehicle employment, and 58,000 in fabricated-products employment, that is, metal fabricating of products, mostly for the auto industry.

When we get over to January 1952, we have had a decrease below January 1, 1950, in fabricated metal, and in the automobile vehicle manufacturing employment of 38,000 workers, and we have had an increase of 43,000 workers above January 1, 1950, in all other types of manufacturing.

Our contention has been for the past 6 months or longer, with the defense administration in Washington, that the automobile industry has been discriminated against unintentionally in the allocation of materials. We have the situation where practically all other types of manufacturing in the Detroit area and many throughout the United States are having increased employment while the automobile industry was cut back below January 1, 1950. It was cut back even below January 1, 1949, as far as employment is concerned. That is the problem we have been trying to resolve with Washington on the allocation of materials specifically to the automobile industry.

I wanted you to have the benefit of that information, and I will leave this tabulation. I have not had time to have it typed, but the reporter can put it into the record. It does spotlight our problem with the automobile industry, and the need for the allocation of additional materials, so that we can do the normal job at Detroit of producing cars while we are tooling up for the defense production and merge gradually from civilian production into defense as rapidly as the defense plants can be tooled for the job ahead of us.

The CHAIRMAN. Did you put the first table that you gave into the record?

Mr. HALL. Yes, I gave that table first.

The CHAIRMAN. That will be placed in the record.

(The tabulation referred to is as follows:)

Tabulation nonfarm labor force, unemployment and manufacturing employment, Detroit metropolitan area by months for 1949, 1950, and 1951

Date	Nonfarm labor force (in thousands)	Unemployment	Manufacturing employment	Date	Nonfarm labor force (in thousands)	Unemployment	Manufacturing employment
1949-January	1,341.0	63.0	628.0	1950-August	1,428.0	62.0	667.0
February	1,342.0	53.0	618.0	September	1,434.0	53.0	707.0
March	1,348.0	52.0	612.0	October	1,440.0	58.0	777.0
April	1,344.0	52.0	597.0	November	1,452.0	62.0	711.0
May	1,341.0	106.0	620.0	December	1,456.0	67.0	686.0
June	1,341.0	91.0	577.0	1951-January	1,460.0	70.0	705.0
July	1,340.0	95.0	601.0	February	1,464.0	64.0	718.0
August	1,338.0	95.0	612.0	March	1,438.0	61.0	722.0
September	1,336.0	78.0	619.0	April	1,436.0	65.0	724.0
October	1,324.0	84.0	595.0	May	1,436.0	58.0	713.0
November	1,361.0	149.0	600.0	June	1,434.0	63.0	708.0
December	1,368.0	137.0	571.0	July	1,434.0	53.0	661.0
1950-January	1,364.0	86.0	630.0	August	1,436.0	57.0	674.0
February	1,370.0	137.0	572.0	September	1,432.0	55.0	670.0
March	1,374.0	124.0	631.0	October	1,418.0	56.0	654.0
April	1,369.0	111.0	636.0	November	1,414.0	104.0	644.0
May	1,373.0	63.0	678.0	December	1,446.0	121.0	619.0
June	1,428.0	48.0	668.0	1952-January	1,460.0	105.0	634.0
July	1,424.0	45.0	668.0				

<sup>1</sup> Ford strike.

<sup>2</sup> Steel strike.

<sup>3</sup> Chrysler strike.

Note.—Workers on strike are not included in the unemployed totals. Workers unemployed because of strikes in other establishments are tabulated as unemployed.

Average unemployment for the 3-year (1949-51) period..... 80,700  
Average employment for the 3-year (1949-51) period..... 634,000

Source: Planning, Research and Statistics Division, Michigan Unemployment Compensation Commission Labor Market Letter, February 1951 and January 1952.

The CHAIRMAN. We will put the other document, typewritten document, you referred to in the record.

(The document referred to is as follows:)

Comparison of employment in manufacturing industries, Detroit metropolitan area

Industry	January 1950	<sup>1</sup> January 1952	Plus or minus
Food.....	21,000	23,000	+2,000
Textiles.....	4,000	4,000	.....
Lumber.....	2,000	2,000	.....
Furniture.....	2,000	4,000	+1,000
Paper.....	6,000	7,000	+1,000
Printing and publishing.....	14,000	14,000	.....
Chemical, petroleum, coal.....	20,000	22,000	+2,000
Metal industries.....	105,000	103,000	-2,000
Primary.....	28,000	43,000	+15,000
Fabricated products.....	68,000	61,000	-7,000
Machinery (except electrical).....	53,000	78,000	+25,000
Electrical machinery.....	6,000	7,000	+1,000
Transportation equipment.....	362,000	372,000	+10,000
Motor vehicles.....	360,000	328,000	-32,000
Other transport equipment.....	2,000	4,000	+2,000
Other manufacturing.....	29,000	37,000	+8,000
Total.....	630,000	634,000	+4,000

<sup>1</sup> January 1952 employment estimated for all industries except motor vehicles on the basis of December 1951 statistics of Michigan Employment Commission.

Source: Michigan Employment Security Commission.

Note.—January 1952, motor vehicle and fabricated metal employment is 28,000 below Jan. 1, 1950, pre-Korea. All other manufacturing employment on Jan. 1, 1952, was 23,000 above Jan. 1, 1950, pre-Korea.

Mr. HALL. Thank you, sir.

I appreciate this opportunity to give you this additional information, and if there are any questions from anyone, I would be glad to answer them.

The CHAIRMAN. Any questions, Senator Butler?

Senator BUTLER. I have none.

The CHAIRMAN. Senator Moody, did you wish to ask any questions?

Senator MOODY. No. I assume you are going to call me to testify, Mr. Chairman, at your convenience.

The CHAIRMAN. Thank you very much, Mr. Hall.

We are down to you now, Senator Moody, if you wish to be heard.

Senator MOODY. Might I have Mr. Downs of the Michigan Employment Security Commission sit with me, Mr. Chairman?

The CHAIRMAN. You can keep your seat there, if you wish.

Senator MOODY. Mr. Chairman, first I should like to comment briefly on the reaction in Detroit to the testimony which was given here by Mr. Hall as representative of the Detroit Board of Commerce. There are some things that Mr. Hall said that I agree with. For example, I certainly agree that the entire town ought to be a unit in its effort to obtain as much matériel from the National Production Authority as is possible, without handicapping the military effort, to continue normal production; and I might say, that, as Mr. Hall testified the other day, vigorous efforts along that line are being carried forward, both by myself and by others.

There is no question about the fact that there are three phases to this program, Mr. Chairman, and one is the need for getting as much civilian production as is possible. There is the need, as Mr. Hall has just testified, to dovetail the war work and the civilian work, there is no question about that.

Secondly, there is the question of increasing both the amount and the tempo of defense production in the Detroit industrial area.

I would like to say and interpolate here that this thing has turned into a Detroit fight. I am going to testify on the national aspect of it in a few moments, but since there has been some dispute about the local situation there I think I might well talk to that point before the committee, first.

A task force was appointed by Mr. Manly Fleischmann, at my request. That task force was brought under attack. It was attacked on the Senate floor. It was attacked as political.

However, the chairman of that task force, Mr. R. E. Gillmore, the former president of the Sperry Gyroscope Co., who is now vice president of the larger Sperry Corp., is an extremely able man in his private capacity; he has had a great deal of experience doing business with manufacturers in the Michigan area, and he has gone about the task with what I feel to be great vigor. His task is to find out the best ways to increase defense employment in the Detroit area.

Mr. Chairman, as I understand it, a report has been made tentatively to Mr. Fleischmann in which the task force has outlined the situation there—it has outlined some of the authority it feels it needs to do a job, and in the course of which I was informed by one of those sitting in on its meetings that they felt that at least 37,000 of the unemployed in the area would well come under the purview of their responsibility because of direct lay-offs, and that this might run up over a hundred



thousand, which would increase the present level of unemployment considerably, Senator.

The program of the Government, before protests were made by Governor Williams and myself, was to cut civilian automobile production in the second quarter of 1952 to 800,000 automobiles. I do not know whether that would be regarded as normal by anybody out there; I did not think it would, because it was protested by others as well as by us, but it would have been a disaster to thousands and thousands of families in Detroit.

Now, the level of production in the last quarter, Mr. Chairman, is 1,000,000 cars. The ceiling, which was to have been put at 800,000 cars for the second quarter, the permissive ceiling, has been increased to 930,000 cars, but even that is a reduction below the present level, and there is still a question as to whether all of the materials which are necessary to make 930,000 automobiles are going to be made available by the NPA.

Now, the calculation made by the industry and by the union was that every 100,000 cars, one way or the other, means 50,000 jobs. That is a terrible impact on the community, 50,000 jobs. That is more people than are working in a number of the States in the United States, and the question of whether or not a little material one way or the other is allocated by the National Production Authority means the difference of more jobs in one community than are working in several States of the United States altogether.

That is the reason why the Governor and industry and labor and I have made the utmost effort to get just as much material and just as much war work into this area as is possible.

Now, as to the allegation that this is a normal situation, Mr. Chairman, you can prove anything by statistics. But I would like to show you a couple of the headlines in yesterday's paper, which came as a result not of anything that I said here, but of the idea that 105,000 unemployed people in Detroit is a normal situation. I think in a city of about 1,750,000 this statement falls of its own weight. Obviously 105,000 people cannot be normal in a city of that size.

This headline in the Detroit News says, "City, State, angered by jobless charges."

This is a later edition, to be sure of the charges they are talking about: "B. of C. job charge anger city and State."

This article which was written by Mr. Asher Lauren, who I can testify is a first-class reporter, states:

Hall told the Senate Finance Committee Wednesday that the Detroit area has no unusual employment problem, and that its 104,000 idle workers is "normal." The mayor said that he was puffed by Hall's assertions and said, "I cannot understand his position."

I could not, either, the other day. That is the reason I asked him some questions.

This is again quoting the mayor of Detroit, in the Detroit News, which is an accurate newspaper:

Authorities on the subject have informed me that normal unemployment is 30,000, Cobosaid.

That is widely apart from the figures Hall used in Washington. I am not a statistician, Mr. Chairman. I cannot reach into a hat the way Mr. Hall can and pull out a lot of statistics, but I do

know that there are going to be a lot of hungry people in the State of Michigan if something is not done about this situation.

Now, I agree with Mr. Hall that we want to get all the jobs we can and it is the best thing for the country to get them. But when anybody says that 105,000 unemployed people in an American city is normal, I do not know whom he is speaking for, but I would say that that was a position that does not take into consideration the human side of this problem at all.

Mr. Chairman, I have not been able to be here for all of the hearings, interested as I am in this bill, because I have had some other Senate duties to perform. But I have read most of the testimony by those opposed to the bill, and I have been struck by the fact that the approach seems to have been laid down to get the answer that they want. They made the approach, as I see it, exactly on the points that would be most likely to convince the committee that this was not only not necessary but would be dangerous from the standpoint of federalizing the unemployment compensation system of the country.

Mr. Chairman, I believe there are members of this committee who know well my efforts while drafting this bill not to federalize the system. As a matter of fact, it was not until the evening before your hearings, sir, that I found a way to propose that this legislation include a Federal extension of the duration of benefits. And the reason that I had not proposed that previously, although it obviously is one of the most important factors of the situation, was the very reason, Mr. Chairman, that I did not want to interject the federalization issue into this situation.

On that point, Mr. Chairman, you talk about exhaustion of benefits. In December 1950, in Detroit there were 802 families drawing unemployment compensation who exhausted their benefits. In January of 1951 there were 1,035.

Now, this is during the period that Mr. Hall says you have so-called normal unemployment.

In December of 1951, just 2 months ago, there were 3,087 exhaustions. In January of 1952 there were 3,260.

Now, you heard Mr. Hall testify as representative of some business interests in Detroit that he did not think that the legislature should act on this thing. He said he thought that the law now was adequate. Certainly I do not agree with him. I agree with Senator Taft, who said a couple of days ago, that the legislatures should act in this situation.

But, Mr. Chairman, I make this point here to demonstrate the fact that certainly I was anxious to do something about the duration as well as about the amounts in drafting this bill. I did not include the duration factor because I did not want to have a federalized system of standards set up in this bill, which would have been the case had we said that after the State has exhausted its period the Federal Government will take over and pay according to a certain standard.

We decided to put the discussion of the duration on the same basis of percentage of the State's standard as the supplementation of amounts.

Mr. Chairman, the bill as you know calls for administration by the States. It calls for State standards. The payments under the bill are based on a percentage of the State payments, and the increase in duration of the bill is based on the duration of the State payments.

Mr. Chairman, on this point of federalization, Senator Taft said the other day that this would federalize the system. I would like to read to you what Senator Taft said in 1945 when he was arguing to this very point. You will remember, Mr. Chairman, because it was your legislation, that on the point regarding standards of payments the Kilgore bill in 1945 was virtually identical with the bill that I have introduced with 14 other Senators. At that time the same question of whether or not that would federalize the system was made of advocates of the bill that Senator Taft made before me the other day. The other day he said:

What we are doing here is changing the whole unemployment compensation law of the United States for good. In effect, you are federalizing it.

On the same point, in 1945, he said:

Our position is that we are not going to interfere with the State system. We think it is a good system; but we believe that the Federal Government, by reason of the war activity and the cancellation of contracts—

in this case it is the same thing in reverse, the cancellation of the ability to produce civilianwise and the delay between the starting of civilian production and the start of war production—

has brought about such a condition that it is not fair to burden State funds any further with this special emergency.

Then, after Senator Reed asked him whether he would not then have a Federal unemployment compensation system operating in all the States parallel with the State system, Mr. Taft replied:

I would not say that, because what we are doing is making payments which depend in each State on the laws of the particular State.

Mr. Taft said further in 1945:

It is not a Federal unemployment compensation system. Certainly it is a supplemental Federal unemployment compensation payment. There is no doubt about that. I would not say that it would amount to a Federal system because, as I say, it is dependent upon the laws of the States. In every State we follow the laws of the State.

Mr. Chairman, that is precisely what this bill does, and I cannot see how anybody could—certainly I do not see how the Senator from Ohio could—misread the bill. I am sorry he is not here today to help me bring this out.

I understand that there is an underlying feeling among some people from the States, Mr. Chairman, that too much authority may be left in this measure to the Secretary of Labor. As I said in my opening testimony the other day, there are two or three points in the bill that I myself felt might well be subjects for refinement by the committee if the committee would give their consideration to the bill. I have an amendment of my own which I have drafted for the consideration of the committee if that point comes up which would establish more definite standards to be imposed on any governor before he could certify under the bill.

I decided to leave that point open, because I felt that the committee itself, might want to write its own technical standards into the measure. But I would suggest that if the basic underlying objection which has come from some State organizations to this measure is that it would federalize it in the sense of giving any Cabinet officer too much authority, I think that the Congress will take care of that very quickly by the provision which calls for certification under the bill.

So I do not see how that enters into this thing.

I would like to reiterate what I said the other day. The charges that the sponsors of this bill are committed to federalization of the unemployment compensation system, which have been made by some of the organizations that have testified here, are a clear misstatement of facts. I think that the chairman himself may be cognizant of my attitude on that matter, and I am sure that he knows that what I say this morning is true.

You see, what has happened here, Mr. Chairman, is that because the best example of what I am trying to portray here is in the city of Detroit, because I make that my home, because I am a Senator from Michigan, and because the problem there is very serious at this time, a tone has been thrown over this situation which would indicate that it was solely a Michigan problem. Now, it is not a local problem. There are substantial labor surpluses in 18 major areas in 12 States. This is in a period when we have 61 million people employed. It is in the period, I believe, when with few exceptions you would have very close to full employment all over the country had it not been necessary to have these cut-backs.

Now, you will remember, Mr. Chairman, that in 1946 the Senate passed, I believe, either unanimously or very nearly unanimously, a bill called the Full Employment Act, which declared it to be the policy of the Government to try to so tailor its policies as to keep full employment in the country. I personally believe that is not only a desirable goal but a necessary goal, because if we ever plunge down again into a condition where production is stifled and our national income goes down, I believe that carrying the debt and carrying the debt charges and trying to keep intact our fiscal structure, which has been made top heavy because of the demands of war would be a very serious thing.

So entirely aside from the human aspect of the thing, which, of course, would be very serious, we must so far as we can take every possible step to prevent any downward spiral of deflation. That does not mean, of course, that we should not hold prices. We should. But holding prices and having a sharp deflation are very different.

This is not a local situation, Mr. Chairman. Exhaustion of unemployment compensation is a good key to what the situation is in various areas. In 1951, 40.1 percent of the unemployed people drawing compensation in Alabama exhausted their compensation. In Oklahoma that figure was 41.7 percent. In Rhode Island it was 33.8 percent. All around the country this situation has developed. And a very important point which Mr. Hall failed to bring out with regard to the Detroit situation, is that it is true that in the automobile industry there have been seasonal lay-offs, so that at some point during a period there would be a peak of unemployment reaching a rather imposing figure, but that would be a brief proposition while a quick model change-over was going in. The people who were asked to live on their unemployment compensation during that period were back to work in a fairly short time.

Now, in this situation there is a very grave danger that we may have substantial prolonged unemployment, and I might say that I disagree again with the point made by Mr. Hall that the laws in the State are adequate. When one exhausts one's unemployment compensation rights in Michigan after 20 weeks, the relief set-up is such that before

a family can get any help at all they have to sell every asset that they have, Mr. Chairman. If they have been buying a home for years, if they have been buying a car, if they have life insurance that they have piled up for years, that has to be sold before they are eligible to get relief.

That, of course, is not a subject for the Congress, but I want to point out to you that when anyone says that the laws of Michigan on this subject are adequate, and then comes down here to Congress and says, "Don't do anything about it down here because it is a State problem," they are simply not paying much attention to the actual situation in scores of thousands of families in the city.

The fact is, Mr. Chairman, that I do not really believe that the testimony before this committee in opposition to this bill by business spokesmen represents the real opinion of business on a question like this at all. I certainly do not feel it represents the opinion of business in my community. I know too many businessmen who do not take that rigid attitude, that technical attitude, when hunger is involved.

Since an attack has been made on this nationally and since not only the National Association of Manufacturers, but the Michigan Manufacturers Association, which is its Michigan offshoot, have chosen to say that this is a nonexistent situation, or a nonexistent emergency, I would like to read to you, along the line of impeaching the credibility of these witnesses, an excerpt from the September 1950 issue of Fortune magazine, entitled "Is Anybody Listening?" The subhead is, "If the answer is to be yes, business must start doing more listening itself."

This was a review of whether or not certain large organizations, Mr. Chairman, which purport to speak for business in America, as men here have purported to speak for business in Detroit, really speak for business. I am quoting now from this Fortune article, page 81 of the magazine:

Recently Fortune interviewed a sample of top United States management to find out how its individual members saw the problem of communication. Their off-the-cuff comments . . . were somewhat surprising. In startling contrast to the expressions of alarm voiced by many of the organizations--

that is alarm about the future of the free-enterprise system; that is what this article is about--

the average executive did not seem to believe that the people are creeping to ruin.

The article goes on:

What did they think about the spokesman's job being done by the NAM?

Here was the greatest surprise, the box score: 27 percent thought it was doing a good job; 14 percent thought it was so-so; 16 percent declined to answer the question. The remaining 43 percent, some of them, paradoxically prominent members of the NAM, were almost violently anti-NAM. They spoke, as one can see from the box score on the next page, with a vituperation that the CIO could hardly match.

I am talking about the NAM.

The box on the next page, which was referred to in that paragraph, is headed, "Not for attribution." These are anonymous quotations from various businessmen who obviously would not want to say this publicly, but I think that Fortune magazine is a pretty reliable publication, and we have it on the authority of this magazine that the vice president of a steel company said:

Before they try to sell the public, they had better right themselves first. Anything negotiated with the NAM will be discounted by thinking people.

The vice president of a manufacturing company said:

They are so discredited in the public eye that they hurt anything they sponsor.

The vice president of an airline said:

Spokesmen of the vested interests, they talk to themselves.

"Self-serving," said the vice president of an electric company.

I was particularly struck by this quotation by the president of an engineering company, according to *Fortune* magazine:

If what they think is what businessmen think, then I am ashamed of businessmen.

Now, I do not believe, Mr. Chairman, that the average businessman in Detroit, be he a large one or a small one, thinks that it is a normal condition for 105,000 men to be out of work in the community, nor do I think that it is a condition that should be ignored by the legislature, nor do I think that it is a condition that should be ignored by the Congress.

I am sorry, Mr. Chairman, that this phase of the hearings had to take on such a local flavor, because as you know, sir, the whole conception of this bill is based on the fact that a national need, a need to strengthen ourselves and deter any aggressor from attacking us, has made it imperative that we use a large proportion of our metals and our other productive resources for military production. This was a national action. The Congress in dealing with other phases of the mobilization program has taken the position that no segment of the economy, no group of people, or no individual person, if possible, should be required to share an inequitable part of this burden.

I feel that it would be all wrong to have the Government go in as it has had to do and require cut-backs and then to ignore the fact that the Government has had a major part, necessary though it may be, in the creation of this unemployment.

I was so struck, Mr. Chairman, by the opposition to this bill that I had one of my research staff check back to see whether the so-called spokesmen for business that testified against the bill had been wise in their positions on previous social-economic legislation and whether the Congress had taken their advice. I do not believe that the Senate has taken their advice before. I do not see why it should begin now.

I would like to point out, speaking of the NAM, because they appear to have taken a leading part in opposing a good many things, that they opposed minimum wage legislation in 1913 and 1914 and 1916 and 1924, using such phrases as "against the established order." "It encourages incompetence and rewards ignorance."

Now, of course, the Senate saw fit to pass minimum wage legislation, which is now a part of the American fabric of government and economics.

The same organization opposed child labor laws as late as 1924, using phrases like "fatal tendencies," and—

It is the illegitimate expression of perverted love for child men and child women that could find, if it would, more helpful, even if more inconvenient, methods of serving its ends.

That was the reaction of this organization to child labor laws. The Senate, of course, passed child labor legislation.

In 1937 the same organization which is opposing this bill opposed the Fair Labor Standards Act as fascism. In 1934 it opposed the

Securities and Exchange Commission Act as putting enterprise in a strait-jacket.

In 1933, as I remember, my great predecessor, Senator Vandenberg, was instrumental in the legislation which brought the Federal Deposit Insurance Corporation into being. But the position of the NAM at that time was that it laid a needless burden on sound banking. Of course, banks were not too sound in that era, anyway, but nevertheless it was a change; it was something new; it was on behalf of the people and this organization opposed it.

You will recall, of course, that when the social security law passed it was also opposed. I remember seeing newspaper stories at the time stating that this was going to be a dog-tag law, that everyone was going to have, I think they called it, a "New Deal number."

And quoting from an observation at that time:

As the tax burden upon industry for such social service increases, the ability of industry to continue operations and employment has been adversely affected.

The Senate passed that, and all of these progressive social measures, Mr. Chairman, which have the same general philosophy that S. 2540 has, namely, that it is in the interest of Congress and of the Government not to have human suffering in this country. I would also like to point out that while there were some differences between the Kilgore bill and the one now pending, nevertheless the Senate did pass that in 1945, and it was not regarded as anything at that time that would undermine the State system of unemployment compensation.

So I am hoping, Mr. Chairman, that this committee will recognize the fact that not alone in Michigan, but in other pockets of unemployment throughout the country, there is a situation which does impose an inequitable share of the mobilization burden on individual workers and their families.

You heard the witness from South Bend, Ind., point out that with a family of six his grocery bill alone—and they were not having T-bone steaks, as he put it—his grocery bill alone is more than the unemployment compensation that he is drawing.

If there were normal unemployment, as one might call it in Detroit, model change-over unemployment for a brief duration of time, the I should say, of course, this is a State problem; it is up to the States to decide what is an equitable standard. But when you have a serious and widespread condition of joblessness which may continue in the case of many families for months, resulting from the national need to arm against Red Russia, I do not see how Congress can possibly ignore the Federal responsibility in that situation, and I hope it will not.

Thank you very much.

The CHAIRMAN. Thank you very much, Senator.

Mr. HALL. Mr. Chairman, might I just make a couple of references to the testimony? I do not wish to enter into a debate, as I advised the chairman the other day, but since the Senator has made so many references to my testimony and to the State legislature of Michigan, I would like to quote from yesterday's Detroit News that the speaker of the house of representatives in the State legislature at Lansing, Mr. Victor A. Knox, has announced that the objective of the Republican leaders in the legislature is to extend the weeks of compensation under Michigan law from 20 to 26 weeks. That decision was reached after

a meeting of the Republican leaders who are in control of the Michigan legislature.

No. 2, Senator Moody made light of the tabulation of actual figures put into the record on unemployment, and sitting on his right this morning is Mr. Downs, who represents the CIO and who represents the Michigan Unemployment Security Commission, and here is a quotation from the Detroit Times of February 21 quoting the Michigan Unemployment Security Commission, its own staff, that the average unemployment for the years 1949, 1950, and 1951 was 97,000 per month.

My tabulation, Senator, that I put in this morning, indicated that the unemployment was only 80,700, but here is a report from the official Michigan commission indicating average unemployment at 97,000 over the past 3 years. Now, they went on to say that the MFSC, which is the Michigan Unemployment Security Commission, points out that it is not a "normal" figure because at no time during the period have we had normal times.

If we have not had normal times, Mr. Chairman, in the 18 months prior to Korea and the 18 months since Korea over that long 3-year period, I do not know when we will ever have normal times in this country.

The Senator made other references to the concern at Detroit. He forgot to put one further reference which agitated Detroit earlier, and that was that the Senator himself, following my testimony, took it upon himself to write to the president of the Chrysler Corp., the Ford Motor Corp., and the General Motors Corp., and the smaller motorcar companies and said:

I wonder if you would take the time to reply to me stating what the opinion of the automobile industry is as to the need for more materials, in view of Mr. Hall's statement that we have no unemployment problem

Certainly the record must be clear, Senator, that I made no statement that we had no unemployment problem. I said that we were working cooperatively with the industry and everyone to get materials to aid the automobile industry, and I believe that it is manifestly unfair on the part of the Senator of the United States when a witness appears before a committee of the Senate to give testimony, to immediately challenge or impute to the sponsors of that witness back home that he has misrepresented the situation.

One other thing. The Senator, I thought, was making quite a debate which normally you would make in a political campaign when he started to debate with the National Association of Manufacturers, who are absent from here, but he in speaking of the Kilgore bill on August 7, 1944, writing under the name of Edson Blair, in Barron's National Business and Financial Weekly, said—

Senator Moody. May I interrupt?

Mr. HALL (continuing). Obviously it would lead—

Senator Moody. Mr. Chairman, may I interrupt at that point?

This article that Mr. Hall is about to read appeared under a joint byline of myself and another gentleman, and the part that he is about to refer to is written by the other gentlemen. But I am perfectly glad to have it read in the record.

The CHAIRMAN. Very well.



Mr. HALL. I would be glad, Mr. Chairman, since it had Senator Moody's name written over the heading of it, and if he wishes to disavow it at this time, that is quite all right, but he said, or under his title it said:

And, obviously, it would leave with an incalculable number of workers the vicious myth, backed by Government sanction, that a substantial proportion of the Nation's producers can rest on their flanks and from somewhere will come the wealth needed not only to support those who create it but also those who create nothing, at a "comfortable" figure.

He was very complimentary, Mr. Chairman, to the distinguished chairman of this committee, when he said:

The opponents, sparked by the bipartisan leadership of the Senate Finance Committee, George of Georgia, and Vandenberg of Michigan, put it this way:

"How can any worker in the lower brackets be expected to work when he can draw more from the Government for not working?"

I will leave that for the record, Mr. Chairman.

I am sorry, sir, to have had the Senator from Michigan inject all of these personal references in this matter. It is a matter of great importance, Senator, to the whole people of the United States.

Thank you, sir.

The CHAIRMAN. The committee will understand that.

Senator MOODY. Mr. Chairman, may I make a little comment?

The CHAIRMAN. I do not think that we will need to have a debate here, Senator Moody. I do not believe that we will get very far.

Senator MOODY. No. But I would like to correct the record on couple of points, if I may.

The CHAIRMAN. Very well, if there is some point you wish to bring up.

Senator MOODY. I would like to point out first that there is nothing in this bill before the committee which indicates that people would draw more for not working than for working.

The CHAIRMAN. We understand what the bill is, Senator Moody. Of course, the committee will go into that.

Does someone else wish to put something in this record at this time?

Mr. TEPLow. Mr. Chairman, may I make just a statement for 2 minutes? My name is Leo Teplow, associate director, industrial relations division, National Association of Manufacturers.

The CHAIRMAN. Yes, sir; you may make a statement if you wish to.

#### STATEMENT OF LEO TEPLow, ASSOCIATE DIRECTOR, INDUSTRIAL RELATIONS DIVISION, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. TEPLow. I merely wish to make the statement that it is highly regrettable that in a hearing of this kind, and in view of the dignity of this committee, that the sponsors of this bill should have seen fit to attack one of the organizations appearing to testify on that bill. I would like to point out that we have not charged the sponsors with any false motives, that we have attempted to discuss this bill on its merits, which we have done; and it is ill-befitting the dignity of this committee to quote anonymous sources attacking any of the organizations appearing here. Thank you, sir.

The CHAIRMAN. Thank you, sir. I think that you can depend on the committee to evaluate properly the entire record when it is made up.

The committee will stand in recess until 2:30 this afternoon.

(Whereupon, at 11:55 a. m., the committee recessed, to reconvene at 2:30 p. m., this same day.)

## AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Mr. Reuther, will you come forward.

I see you have a prepared statement. That statement, of course, will be read by the full committee. Many of them are out of the city, and this being a holiday, I do not expect others to come in, so you may as well proceed. You are the only witness left today on the calendar.

You can put into the record any factual statement that you wish to put in, any data, or you can speak to the problem in any way you wish.

## STATEMENT OF WALTER P. REUTHER, PRESIDENT, UAW-CIO

Mr. REUTHER. Thank you.

I would like to submit for the record my prepared statement, and then I would like to elaborate that orally, if I may.

The CHAIRMAN. Yes, sir; you may do so.

Mr. REUTHER. I am appearing here today both as president of the UAW-CIO and as vice president of the National CIO.

Mr. Murray, president of the CIO, had hoped that he might find it possible to appear in support of S. 2504, but that was not possible.

Mr. Emil Kievo, who is chairman of the social security committee of the CIO, also expresses his regrets at not being able to testify personally.

Following my statement I would like, if you would permit, to have Mr. Bishop, who is vice president of the Textile Workers, CIO, submit a statement as to the peculiar problems that they are experiencing in textiles.

The CHAIRMAN. Yes, sir; we will be very glad to have that.

Mr. REUTHER. And Mr. Block, who is vice president of the International Union of Electrical Workers, CIO, would like to present a brief statement as to the problems in their industry.

The CHAIRMAN. Yes, sir; we will be glad to have that.

Mr. REUTHER. And there are several other witnesses who will present extremely brief statements that will show this problem of unemployment is not a localized problem. It is not a problem of any given State or city but it is really general throughout the country and affects many of the basic industries.

The CHAIRMAN. We will be glad to have their testimony go in the record.

Mr. REUTHER. Thank you.

I believe, on the opening day of this hearing you characterized the problem of unemployment better than I could do it when you said the problem of unemployment was terrifically horrible. I think that is a very good definition of unemployment, because there is no experience

that is so completely devastating and demoralizing and destructive as when thousands of workers who want to work are denied that opportunity.

In a free society I do not think there is any single experience that is so completely destructive as mass unemployment; and in the auto industry, with which I will deal specifically, we have around 200,000 people laid off.

In the city of Detroit we have got around 107,000 people walking the streets. Now, the textile industry is having a similar experience. Clothing, radio, and electrical, the paper industry, and many other industries are having proportionate unemployment in their respective industries.

Now, while I am going to talk about Michigan as a problem, I am going to do so to illustrate a much broader problem, because New York has a great deal of unemployment, and so have Illinois, Indiana, Pennsylvania, New Jersey, some of the New England States, Texas, some of the Southern States. Unemployment is a general thing throughout the country.

I will use Michigan merely as an example to illustrate the kind of problem that workers are faced with.

In the auto industry, unemployment is essentially the result of the fact that automobile and truck production schedules have been cut back from a level of 8,000,000 cars and trucks in 1950 to a rate of 5,000,000 in the first quarter of 1952, so that there has been a reduction of 3,000,000 cars and trucks. The unemployment that Michigan is experiencing—and other parts of the country are having unemployment because of cut-backs in automobiles—is the result primarily of the fact that the Government has found it necessary to take away critical materials. Steel, aluminum, and copper are the three basic materials taken away from industries producing civilian goods.

The mobilization agencies have felt it necessary to restrict the production of civilian goods because these materials are needed for the production of defense end products which we need to make ourselves sufficiently secure to meet the threat of Communist aggression in the world.

We have got what we call defense unemployment because, if the defense agencies had not taken away this material, our people would be working, and other industries that depend upon the auto industry for their employment would be working. The defense unemployment is essentially the byproduct of the fact that the defense agencies have taken away these critical materials and compelled the civilian industries to curtail their production schedules.

Now, things can get even worse than they are now. In the second quarter of 1952 the National Production Authority has allocated less materials than it did in the first quarter.

In the first quarter we have a quota for a million passenger cars and 250,000 trucks.

In the second quarter of 1952, the National Production Authority has only allocated enough copper to make 800,000 automobiles, so that there you have got a reduction of 200,000.

NPA has allocated a little more aluminum and more steel. But copper is the controlling factor, and they have only allocated enough to make 800,000 cars. So 200,000 people currently laid off in the auto industry will increase in the second quarter when we get these

further cuts in our production schedules required because of the reduced allocation of these critical materials.

We figure that for every reduction of a hundred thousand passenger cars there are about 50,000 workers laid off. That is in the auto industry proper and the parts industry that feeds the auto industry certain parts and equipment. So the situation is going to get worse and not better.

I think that we can say, in all sincerity, Mr. Chairman, that we in UAW-CIO and the national CIO and the other CIO unions have been working at this problem. We did not just suddenly wake up last week to the realization that we had a problem.

We will make available for the members of your committee a detailed calendar of the things that we have been doing going back to 1945, to try to break the early bottlenecks. We just do not have enough of these basic metals, and the other things that we have been doing, to try to mobilize the economic strength of America. It gives us no satisfaction that we are able to say, "We told you so." It does not make for one less unemployed worker in Detroit, nor does it minimize the hardship; but the facts and the record will prove conclusively that if the things that we proposed had been done we would not now be faced with this very serious and catastrophic unemployment situation.

To be specific, immediately after the outbreak of fighting in Korea we urged both industry and the Government to begin to take practical steps to coordinate the placement of defense work parallel with the reduction of civilian schedules so that we could avoid the unemployment.

Unfortunately, there was too much of a business-as-usual attitude existing. That kind of planning was not done. Now we are faced with this very serious situation.

I think it ought to be clearly understood that when we support this bill calling for the Federal supplementation of State unemployment compensation benefits, we do that not as matter of first choice. I think that every worker in America who is unemployed would like a job. I think he would like a right and an opportunity to earn a livelihood for himself and his loved ones.

He does not want to live on unemployment compensation, even if it were made more adequate. He would prefer a job. And I think that if you increased unemployment compensation benefits so that they were more nearly adequate, so that they more nearly met the economic needs of keeping body and soul together, of keeping food in the stomachs of your children, and clothes on their backs and a roof over their heads, even if you made these benefits more nearly adequate, you would still find the overwhelming majority of American workers saying, "I don't want a hand-out; I want a job. I want to earn a living; I want the dignity and the status and the personal satisfaction that comes with earning your own livelihood."

People who say that, if you increase the benefits so that they are more nearly adequate, you will discourage workers from wanting to work are, I believe, failing to understand the true character of the American people. America got to be the great country it is because millions of Americans helped build the things that made America great; millions of workers made it possible.

Here is the Detroit Free Press, one of the daily papers, dated Friday, December 21. On the front page is the headline, "Three thousand clamor for shoveling jobs. Call police to quell near riot."

We had a heavy snowfall in Detroit; they put a little notice in the paper that they would need some people to shovel snow; 3,000 unemployed workers showed up, and they had to get 90 policemen out to break it up because they were fighting to get into the office where they could get a job to shovel snow and make \$1.44 an hour. What is the feeling when people are willing to fight to get into an office to shovel snow in the dead of winter? Nobody can say they do not want to work and that, therefore, if you give them enough to feed their children halfway decently, that that will destroy their incentive.

No one can say that who knows anything about the real attitude of the worker who is unemployed.

Recently there appeared in the Detroit Times and the Detroit Free Press stories of two suicides of workers. One of them left a note saying that he had taken his life because he couldn't find a job to support his family, and where the sister of the young man who took his own life said that for days and days and days he was completely demoralized because he could not get a job, because he felt hopeless and useless. Now, that is the kind of feeling that unemployment brings to people.

I would like to submit that, Mr. Chairman, for the record.

(The items from the newspapers referred to are as follows:)

[Information from Times, January 24, 1952]

Bobby B. Gage, 23, 26763 West Hale, Inkster, was found in Rouge Park with a bullet hole in his head, case closed as suicide. Mrs. Kulka, 35, his sister, with whom he lived, said he had been despondent because of losing his job in an auto plant in December.

[From Free Press, January 14, 1952]

Michael Karsibar, 51, 3106 Fastlawn, found dead in basement of home by wife Mary and son Steve, 18. Note saying he was despondent over being out of work at auto plant for several weeks.

Mr. REUTHER. You cannot measure your unemployment in statistics alone. Mr. Hall can come down here from the Detroit Board of Commerce and he can juggle statistics one way with a sleight-of-hand trick, but unemployment has got to be looked at in terms of the human equation, not as a mechanical statistical fact.

I say that if you look at unemployment in Detroit, in Michigan, in New England, in Pennsylvania, in Indiana, and Massachusetts, all over the country, you have got to measure it in terms of hungry children, in terms of heartbreaks, in terms of hardship, because that is what it means. The Federal Government is primarily responsible for the unemployment. This is not just the ordinary kind of an unemployment situation that we have when the auto industry has a model change or there is a temporary seasonal slump in some given industry or some section of our country. This unemployment, this defense unemployment, is the result of the fact that the Federal Government, through its duly elected representatives in Washington, has decided that to meet our commitments to ourselves and the free world we have got to arm in the face of this threat of Communist tyranny. Because of those decisions automobile workers are walking

the streets. Otherwise they would be making automobiles. Workers doing other things would be employed in their normal civilian occupations if the Government had not made this decision to divert a sizable portion of our materials and our economic resources to the production of defense products.

Therefore, we believe that it is a Federal responsibility to help take care of this special kind of emergency situation which grows out of the fact that the defense agencies have created this unemployment.

We believe also that the cost of this defense unemployment is a normal part of the cost of defending freedom.

The Government has had to take on a lot of responsibilities that we normally would like to avoid. We are doing a lot of things in Washington that if we were living in a decent peaceful kind of world society we would not be doing. But we are doing these things because they are necessary to defend freedom in the world, and we chalk up the cost of all these things to the total cost of defending freedom. We try to spread the cost of defending freedom among the people of our country so that each segment of our economy can carry its proportionate share. Everybody knows that the cost of defending freedom is high; everybody ought to be willing to pay his share of the cost of defending freedom.

When it comes to industry, the Government has recognized the fact that, if an industry has to go through a period of reconversion, adjusting its production schedules to meet the military requirements of our situation, it will cost something. The Government has made provisions for special certificates of necessity whereby they get special tax amortizations. They get rebate provisions whereby they can compute their tax bill over a longer period of time. You have got all sorts of things to take care of the special problems of industry in the transition period. That is done because the philosophy is that no industry, no given company, no given group of companies, ought to pay an abnormal portion of the cost of defending freedom by being compelled to absorb the economic cost of the dislocation that the defense program creates.

Now, all we ask is that the same philosophy, that same fundamentally sound principle, be applied to wage earners.

If the General Motors Corp. can get tax certificates of necessity, and United States Steel can get them and other companies can get them because the Government recognizes the special problem that grows out of the emergency period, then why shouldn't workers who are laid off because of the same defense mobilization program also be protected?

Failure to do so means that you are asking those individual workers and their families and their wives and their children to carry a disproportionate share of the costs of defending freedom. That is why we believe that the kind of unemployment here is different in character from the regular kind of unemployment that comes out of seasonal shifts in the business index or model changes and that sort of thing that is always going on in a normal economic situation.

The cost of helping workers to meet the problem of defense unemployment in this transition period is really very little compared to the total cost of defending freedom. The Congress has already appropriated around a hundred billion dollars for the total program of mobi-

lization. The best figures that we can get is that this supplemental unemployment compensation will cost—I mean the Federal legislation that we are supporting would cost—around \$200 million. And, of course, if we do a good job of putting these people back to work quickly, and that is what we would prefer having done, it will cost much less.

When you compare a hundred billion dollars appropriated for the mobilization program to \$200 million, the amount here involved is a very small amount.

It is less than the cost of the new supercarrier which has been proposed. It is proposed that we build one each year for the Navy.

It seems to me that that is a very small amount of the total costs of defending freedom. When you look at the cost of the last war, all computed, it will cost the American people around \$985 million per day for every day that the war was fought. That means that this bill to give workers and their families some help during the conversion period until they can find jobs, either in civilian production or in defense production, will cost about what one-fifth of 1 day fighting the last war cost. That is a very small fund by comparison with these other things.

There is a factor here that far transcends the question of economics and cost. We are fighting a war against some powerful forces in the world, they are ruthless. If they succeed, they will destroy every decent human value that America has fought for years to defend and advance. The way we see it, this struggle between freedom and tyranny, between democracy and communism, is fundamentally a struggle for men's hearts and men's minds and their loyalties. We cannot win that fight, we cannot win as our allies the hundreds of millions of people whose support we need if we are going to defeat the forces of Communist tyranny, if we appear before the world merely as an America that has the economic and the material strength to mobilize a tremendously powerful productive economy, a great military force, but fails to demonstrate that in addition to military strength, in addition to economic resources, we have the moral leadership to match that physical and material strength.

The people of the world are going to judge us more by what we do to help people, to help workers and their families in this period. They are going to be much more impressed with how America discharges its moral responsibility to people than they are by the production indexes in the steel industry or in any other aspects of our economy. They are going to say, "Sure, America is the strongest of the free nations of the world; sure, America has a greater steel capacity, has a greater productive capacity in these other fields, but the way you judge a nation is not by its material wealth but by its moral fiber, by its willingness and its ability to translate material values into human values, into moral and spiritual values." Fundamentally this is the kind of thing that we have got to do if we are going to impress and convince the rest of the world that we are really trying to defend these basic human values that we talk so nobly about.

Here is a situation where hundreds of thousands of workers have been laid off. They know their unemployment is the direct result of mobilization policies; they know that if it had not been for the Government mobilization policies they would still be working. The people in the Chevrolet plant in Flint would still be making Chevros.

lots; the people in the Ford plant would still be making Fords; people in the radio industry would still be making radios and television sets, and that is true right across American industry. So here is a situation where their unemployment grows directly out of the mobilization policies of the Federal Government, and we believe, therefore, that the Federal Government has an economic and moral responsibility to do something about this by way of supplementing the State unemployment compensation benefits.

The other day Mr. Hall, secretary of the Detroit Board of Commerce, came down here and said that unemployment in Detroit was normal.

He came up with a set of figures by a sleight-of-hand trick, by taking abnormal periods and then juggling them.

If Mr. Hall had gone back to 1932 he could have even said that we not only do not have normal unemployment, but we have got a labor shortage.

Everything is relative, and he tries to juggle these figures to make it look as though we really do not have a problem in Detroit.

I maintain that when you have 107,000 workers in a city walking the streets, you have got a serious problem, and if it were 106,000 instead of 107,000 or 108,000 instead of 106,000, the individual worker whose children are hungry gets no consolation out of Mr. Hall's statement that they read in the paper yesterday that it is a normal situation, because to be normally hungry is not a good experience, and there are people in Detroit who are not able to give their children the things that they need.

It is obvious that we have got something that is not, you can say, normal unemployment. We have got abnormal unemployment, and we have got it for the simple reason that the Federal Government has taken away these amounts of scarce materials.

I would like to just cite a few of these examples to give you some idea of the tremendous amount of these things that have been taken away from the auto industry, in particular.

The difference between what we were doing in 1950 and what we were doing in the first quarter of 1951 in terms of carbon steel is 5 million tons less steel a year.

We are getting 89 million pounds less copper; we are getting 48 million pounds less aluminum. Then you get into these little factories—and there are hundreds of them—which make the nuts and the bolts and the fasteners; they are not General Motors, they are little companies who feed these small things to General Motors and Ford and Chrysler and the big companies. In this year, based upon our production schedules for the first quarter, as compared to production schedules for 1950, we will use 16 billion less nuts and bolts. That is a lot of work, that is a lot of jobs in a lot of little factories.

You take springs. We will use 480 million less springs.

Take spark plugs. There will be 20 million less spark plugs; wheels; 16 million less wheels.

And on copper, I think this illustrates how much less copper we are fabricating and manufacturing in the finished products, and it gives you some idea. The auto industry will use 2 billion linear feet less wire this year than in 1950, or 391,000 miles, or enough wire to go around the world 15 times at the equator.



Putting that into finished products means a lot of jobs, and we have got that many less jobs.

When Mr. Hall tries to juggle the figures to make it look as though it is normal, he is playing with the bread and the butter of a lot of hungry women and children in the city of Detroit and the State of Michigan.

Now, Mr. Hall took January 1950, which was an abnormal month, when there were lay-offs and there was a strike situation, and other reasons why the industry was down. He found the figure of 88,000. But if he wanted to give you a true picture of what our situation was, in October 1948, there were only 34,000 unemployed; in June 1950 there were 48,000; in October of 1950 there were 28,000.

Now, 28,000 and 107,000 are figures between which there is a tremendous difference. Yet Mr. Hall deliberately and willfully came down here to make it appear as though we did not have a serious unemployment problem in Detroit and, therefore, there was no need to act to pass legislation to supplement the State unemployment benefits.

Mr. Hall also deliberately falsified the record to try to make it appear that these unemployed were floaters. He said they were fellows who just sort of drifted into town for the boom, and they will drift back to their old homes, and, therefore, there is no problem. That again is not in keeping with the facts.

In the Murray Body Co., which is one of the big companies making bodies for the automobile industry, there are people with 18 years of seniority who have worked in those plants for 18 years, who were laid off.

In the Motor Products plants where they make moldings, trimmings and that sort of thing for automobile bodies, people with 18 years are laid off.

In the L. A. Young plant, which is also a parts and accessories plant, people with 15 years were laid off.

At Bohn Aluminum, where they make aluminum pistons and aluminum castings, people with 10 years were laid off.

In the Ford plants in Detroit where we have an over-all, what we call area-wide seniority agreement—in other words, if a worker is laid off in one plant and they are hiring workers in another plant, he moves into the other Ford plant based upon his length of service—in that seniority pool there are people with 10 years' service who were laid off in the Ford Motor Co., and what is true in Detroit is true throughout Michigan.

In the Auto-Lite plant in Bay City, people with 10 years of service have been laid off.

In the Hayes Body plant in Grand Rapids, Mich., people with 9 years' service have been laid off.

So what Mr. Hall says, that this is just a floating population proposition of people who just drifted into there a short time back and who will drift back to where they came from, is not true. People with from 10 to 18 years of service in these factories are walking the streets in Detroit and other cities right this very minute.

Now, the tragedy of the situation and the thing that you cannot, that honest people cannot, understand is that in December Mr. Hall of the board of commerce in the city of Detroit was beating his chest and making a lot of noise about this unemployment, that was tragic.

and was critical. He said that we had to do something about it; and yet there were only 90,000 unemployed then.

Now, Mr. Hall comes to Washington and says that there are 105 or 106 thousand, and it is not critical; it is "normal."

From a Detroit paper yesterday, the Detroit News, I would like to quote this:

It was recalled at the city hall today that when Cobo—  
that is Mayor Cobo—

sent telegrams last June 30 to President Truman and Defense Mobilizer Charles E. Wilson and other officials appealing for more defense contracts, the mayor did so at the urging, among others, of Hall, of the Detroit Board of Commerce. The board of commerce at that time was quoted as saying that Detroit faced a critical situation with an expected 90,000 jobless by December.

Now, in December with 90,000, it was critical and serious; in February, with 107,000, it is not critical; it is normal. Now, why?

► Because Mr. Hall is playing a very clever game with the welfare of the women and children of Detroit. When he comes to the Government agencies for materials to make possible higher production schedules that affect the profit position of the companies he represents, he is perfectly willing to use the poverty and the hunger and the heartbreaks of the unemployed workers and their wives and their kids. He is willing to use that to support his arguments with the Government agencies to get more materials for more production.

But when we come down here to ask Congress to take action to help alleviate the hardship and the heartbreaks of these tens of thousands of unemployed workers and their families, Mr. Hall then does not want to talk about unemployment being critical, because he is opposed to doing anything about alleviating hardship. He is perfectly willing to use the hardship to advance his own special interests; he is not willing to face honestly the hardship and do something about it.

Now, how serious is the unemployment in the State of Michigan? The national average is 3.3 of unemployment. In Michigan there are 172,000, roughly, unemployed, which is 7.2 of the labor force. In Detroit there are 107,000, which is 7.3, and if you will look around some of the other communities in Michigan, Flint has 7.3; Grand Rapids, 6.3; Bay City, 8.6; Port Huron, 7.6; Benton Harbor, 5.8; the Upper Peninsula, 8.7. This is compared to the average for the United States.

You get New York State and you get cities in New England, New York State, and Pennsylvania in the East, Indiana and Illinois, that have comparable problems.

But to say that in the city of Detroit where 1 out of every 13 workers is walking the streets, to say that that is a normal situation, is admitting that we in America believe that 1 out of 13 workers has not got a right to work for his livelihood.

I say, just get a copy, a translation, of the Communist publications out of Moscow; get a copy of Pravda and Izvestia, and you will see that they will make the most, as every Communist publication throughout the world will make the most, of what Mr. Hall said before your committee.

They have been writing stories—the newspapers in Detroit have carried reports on the Russian papers—saying that Detroit is the

city of the unemployed, of the forgotten man; and when Mr. Hall says it is normal for 107,000 people to be walking the streets, that is meat for the Communist meat grinder; he is playing right into their hands, because the Communists day after day after day keep pounding away at the basic idea that a free economy cannot solve the problem of unemployment. Our job is to prove that a free economy can solve the problem of unemployment.

This sort of blind selfishness that is reflected in the attitude of Mr. Hall, who is willing to play blind, selfish economics with the hunger of unemployed workers and their kids, is what strengthens the Communists in this struggle that we are engaged in all over the world.

If you take the figures for retail sales in the city of Detroit you get a pretty good picture of what is happening. Comparing December 1950 with December of 1951 the average retail sales in the United States dropped 6 percent. In Detroit they dropped 14 percent, more than double the national average.

In Dearborn, which is a suburb of Detroit, in which the big Ford Rouge plant is located, it dropped 22 percent, as compared to 6 percent.

Now, workers just do not quit eating because they want to. They do not quit buying the things they need just because they want to. They are quitting buying these things in Detroit and Dearborn and hundreds of other cities throughout America because they have not got the money, and we can create a very serious economic situation if this thing keeps piling up.

Subtracting their State unemployment compensation benefits, workers in Detroit still are losing over \$5,000,000 a week in wages. Where do they spend these wages? They spent them in the grocery stores, in the butcher shops, in the shoe stores, and the clothing stores, buying the things they need, and business, of course, is affected by this cut.

On December 29, we had a meeting in the office of Mr. Charles Wilson, the Defense Mobilizer, and the Governor of Michigan came down, the mayor of Detroit came down, Mr. Wilson, president of General Motors, was there, Mr. Breech, the executive vice president of the Ford Motor Co., was there, and Mr. Colbert of the Chrysler Corp., all these people were there.

What we were saying unanimously was that we are in trouble in Detroit, we are in trouble in Michigan, and we are in trouble in other places. We said, "You have got to do something about this unemployment problem."

On that occasion, Mr. Breech, the executive vice president of the Ford Motor Co., said that the unemployment situation was critical and that action had to be taken. Mr. Wilson of General Motors said the unemployment situation was an economic and social crime.

And yet Mr. Hall says it is perfectly normal, that there is no problem whatsoever.

Mr. Hall is also trying to say that the State unemployment compensation benefits are adequate in Michigan and, therefore, the Federal Government need not do anything about it. I would like to point out briefly what the State benefits are really like in terms of the needs of the people.

Michigan is among the highest with respect to State benefits. We have a \$27 base benefit for a single worker if he qualifies for the maximum amount. We have also a \$2 per dependent up to four children. You can get \$8 on top of that, making a total of \$35 per week for a family of six.

Now, the average wage in Detroit is around \$76. So that means a worker with six in the family is \$41 short of what he would get if he were working in the plant, if the Government had not taken away his job because of the mobilization program.

Now, the BLS has worked out a budget for the city of Detroit: It is a minimum budget, it is not inflated; it is a very minimum budget of \$71.60 for a family with two children. It does not include income tax, occupational expenses, et cetera. Making the proper adjustments, that would come to \$80 for a family of six, which is the family with four children. So that such a family would be getting over \$45 less than what the BLS says is a minimum family budget.

Now, taking the \$35 a week, which is the maximum you can get if you have got six in the family, that is 83 cents per day per person with which to buy food, clothing, pay for your rent, medical care, school supplies for the children, and all the other things.

A pound loaf of bread now costs in Detroit 17 cents; hamburger yesterday—I checked before I left—was 79 cents a pound; butter is 92 cents a pound in the big chain markets; milk is 23 cents a quart.

Now, if you gave a person to live on all day a half-pound of hamburger at 40 cents, a quart of milk at 23 cents, a half-loaf of bread at 8 cents, and 1 ounce of butter at 5 cents, that is 76 cents, and he would have 7 cents left over to buy all of the other things he needs, clothing and rent and medical care, and so forth. That is in Michigan, which is among the highest of any State in terms of benefits.

The Moody-Dingell bill that we are supporting is an attempt to try to supplement these inadequate State benefits. To apply the Moody-Dingell bill to the Michigan unemployment compensation structure, you would add to the \$27 base rate \$13.50, which would mean \$40.50; you would add to the \$8 family allowance another \$8, which means \$16 or a total of \$56.50 for a family of six. To get that much money if the Moody-Dingell bill were law, and you were supplementing the State benefits in Michigan, you would have to have four children or six in the family—and that gives you \$9.41 per week per person, or \$1.34 per day per person.

Now, I just ask anyone in his right mind who will be honest with himself, Mr. Chairman, to go into a grocery store in the city of Detroit, in a butcher shop, and see how much he can buy per day to feed an adult or a growing child for \$1.34. Yet it is said that if you pass this bill people will get too much, that you are going to take away the incentive, that people will not want to work. That is just so much nonsense, because anyone who gets \$1.34 a day to feed, clothe, house, and buy medical care for an adult or a child, and has an opportunity to work, is going to grab at that opportunity to work because, obviously, you cannot live on that amount of money even if this bill were passed.

In addition to the fact that the State benefits are wholly inadequate, in Michigan, you get them for only 20 weeks. In the 12-month period ending January 31, 1952, 43,000 workers in Michigan had already

exhausted their claims. They are being exhausted at the rate now of more than 7,000 per month. That rate will increase. So you have got not only the problem that the benefits being offered by the State unemployment compensation structure are inadequate, but that they are being exhausted. That means that people who cannot live on what they are getting are going to get even less when they are exhausted and when this total economic burden is thrown upon the communities a city like Detroit, a city like Flint, will go bankrupt because its tax structure cannot carry the economic load of feeding 107,000 families, it just cannot do it. You will bankrupt these communities.

Why should Detroit be bankrupt because the Federal Government needs steel and copper and aluminum to make aircraft and other implements of war? We did not make that decision; that decision is a Federal decision, and the responsibility for meeting the problem that flows out of that decision is a Federal responsibility.

Now, Mr. Cooper, representing the Michigan Manufacturers Association, came down here and played the same theme song that Mr. Hall played. But he said, among other things, and I quote, "Michigan benefits have increased faster than either wages or living costs during the last 10 years."

Obviously, Mr. Cooper was trying to say that the State governments have been very liberal, they have seen to it that the unemployment benefits at the State level were increased faster than the increase in the cost of living and the increase in wage standards. But that is not true and I would like to point out that here again there has been a deliberate and willful job of distortion of the facts in order to gain a selfish advantage.

In 1939 the Michigan maximum benefits were 52.7 percent of the average weekly wage. In 1951 they were from 35.2 to 45.6.

In Ohio in 1939, the maximum benefit was 54.3 percent of the average wage, and in 1951 it was 40 to 47 percent of the average wage.

I would like to submit these for the record so that you can get a list State by State.

The CHAIRMAN. Yes, you can put them in the record.

Mr. REUTHER. That benefits have slid further and further behind because of the inflationary situation.

The CHAIRMAN. Yes.

(The documents referred to are as follows:)

Opponents of this bill have stated that benefits have kept pace with increasing wages: Frank E. Cooper, of the Michigan Manufacturers' Association, stated: "Michigan benefits have increased faster than either wages or living costs during the last 10 years."

The facts are:

In 1939 the Michigan maximum benefit was 52.7 percent of average weekly wages. In 1951 from 35.2 percent to 45.6 percent.

In Georgia: 1939 maximum benefit was 87.1 percent of average weekly wage and in 1951, 39.8 percent.

In Ohio: 1939 maximum benefit was 54.3 percent and 40 percent to 47 percent in 1951.

In Minnesota: 1939 maximum benefit was 97 percent and 44.7 percent in 1951.

In Pennsylvania: 1939 benefit was 69.5 percent and 41.9 percent in 1951.

In Oklahoma: 1939 benefit was 52.7 percent and 35.5 percent in 1951.

In New Jersey: 1939 benefit was 55.1 percent and 37.2 percent in 1951.

In view of these facts, Mr. Cooper owes an apology to this committee for his attempt to mislead and confuse.

UNEMPLOYMENT COMPENSATION

Ratio of maximum weekly benefit amount in unemployment insurance, July 1939 and February 1952, to average weekly wage in covered jobs, July-September 1939 and April-June 1951, by States

State	Maximum weekly benefit amount		Average weekly wage in covered jobs		Ratio (percent) of—	
	July 1939	February 1952	July-September 1939	April-June 1951	Maximum July 1939 to average weekly wage July-September 1939	Maximum February 1952 to average weekly wage April-June 1951
Total, 48 States			\$28.70	\$64.73		
Alabama	\$15	\$72.00	17.33	52.65	54.6	41.8
Alaska	15	20.00-45.00	20.41	102.25	40.6	20.3-45.9
Arizona	15	20.00-25.00	24.47	53.12	51.3	31.7-41.2
Arkansas	15	22.00	18.77	44.41	66.1	34.2
California	15	25.00	29.92	70.04	60.1	35.7
Colorado	15	22.75-28.80	24.20	60.73	61.7	37.3-48.0
Connecticut	15	24.00-34.00	27.01	68.45	54.8	34.9-52.3
Delaware	15	25.00	25.80	53.71	54.1	29.2
District of Columbia	15	20.00	23.56	60.48	58.7	33.1
Florida	15	20.00	18.60	53.04	60.6	37.7
Georgia	15	20.00	17.23	50.20	57.1	30.5
Iowa	15	25.00	17.70	52.29	54.7	46.9
Idaho	15	25.00	22.05	52.30	51.6	42.9
Illinois	15	25.00	24.80	71.21	55.6	35.1
Indiana	15	27.00	25.94	69.14	57.8	39.1
Iowa	15	25.00	22.54	60.12	60.5	43.3
Kansas	15	28.00	22.73	62.17	65.0	44.7
Kentucky	15	24.00	21.67	54.80	69.2	42.3
Louisiana	15	28.00	20.11	54.84	69.5	46.4
Maine	15	25.00	20.31	54.98	73.9	45.5
Maryland	15	25.00-33.00	22.18	57.40	64.8	41.6-57.5
Massachusetts	15	28.00	25.83	60.74	56.6	41.8
Michigan	15	27.00-33.00	20.35	75.77	62.7	35.2-45.6
Minnesota	15	28.80	24.12	60.66	62.2	41.2
Mississippi	15	20.00	18.47	44.78	67.0	44.7
Missouri	15	25.00	24.70	56.99	60.1	33.9
Montana	15	20.00	24.09	55.89	65.5	42.4
Nebraska	15	24.00	22.89	55.84	65.7	38.3-54.7
Nevada	15	25.00-37.00	24.43	64.24	70.3	51.5
New Hampshire	15	28.00	21.33	60.88	65.1	37.3
New Jersey	15	25.00	27.22	64.86	72.4	42.8
New Mexico	15	28.00	20.43	58.26	60.5	42.7
New York	15	30.00	29.82	70.22	68.6	68.3
North Carolina	15	30.00	16.96	69.78	69.1	44.9-54.7
North Dakota	15	28.00-31.00	21.70	55.64	69.3	40.00-47.1
Ohio	15	26.00-32.00	27.61	70.05	64.3	34.4
Oklahoma	15	22.00	24.48	68.47	61.3	33.5
Oregon	15	25.00	26.41	70.41	62.7	45.0
Pennsylvania	15	30.80	24.94	62.44	60.1	48.0
Rhode Island	15	25.00	22.03	59.65	69.5	41.9
South Carolina	15	20.00	15.19	50.91	68.7	40.0
South Dakota	15	22.00	21.88	44.14	68.6	39.9
Tennessee	15	22.00	18.26	53.82	77.9	40.9
Texas	15	20.00	22.96	58.58	65.4	32.6
Utah	15	27.50	22.84	58.45	70.1	47.0
Vermont	15	25.00	22.74	57.34	68.0	43.6
Virginia	15	20.00	20.20	54.18	74.3	38.9
Washington	15	30.00	25.34	68.00	55.9	42.7
West Virginia	15	26.00	28.55	67.56	58.7	37.0
Wisconsin	15	30.00	27.47	67.82	54.6	44.4
Wyoming	15	26.00-31.00	23.18	56.55	77.5	42.7

1 When 2 amounts are given, higher includes dependents' allowances except in Colorado where higher amount includes 25 percent additional for claimants employed in Colorado by covered employers for 5 consecutive years with wages in excess of \$1,600 per year and no benefit received. In the District of Columbia same maximum with or without dependents. Maximum augmented payment to individuals with dependents not shown for Massachusetts since any figure presented would be based on an assumed maximum number of dependents (highest paid \$61).

Mr. REUTHER. Now, people come before your committee and try to say that they are opposed to this legislation that is pending before your committee because they believe that this is an attempt to federalize the unemployment-compensation machinery and destroy this wonderful machinery that has been established at the State level.

Nothing could be further from the truth. We know precisely what the State structures are, and this bill will not destroy the State structures, nor is it a first step toward the federalization of that part of our social-security structure.

This is an attempt to supplement the State structure. All of the machinery of administration is intact at the State level; the benefit structure is the basis for the benefits under this bill; the eligibility rules as to whether you qualify or are disqualified, all flow from the State rules. The people who are raising the argument that this is an infringement upon the State structures and an attempt to undermine those and federalize the systems are willfully using misrepresentation as a smoke screen to hide their real objection which is that they are opposed to helping hungry people.

It is a strange thing, Mr. Chairman, that when the Federal Government gives consideration to provisions in our tax legislation so that the corporations can get certificates of necessity—I think around \$14 billion worth having been issued—making it possible for people to write off the costs of new plant expansion against their tax bill, you do not find Mr. Hall coming to Washington and saying, ‘Now, wait a minute, Mr. Chairman, you are infringing upon a State’s right. We would like to do that back in Michigan. Let the State of Michigan work out with the General Motors Corp. this problem of tax amortization with respect to their new plant building expansion.’

Oh, no, they do not come anywhere near Washington. If they do come down, they come down here to support having the Federal Government do that kind of job.

When you worked on your tax structure rebates so that they could carry back their taxes over a long period of time, Mr. Hall and Mr. Cooper did not come from Michigan and say that you should not do that, that you were infringing upon State’s rights. They did not say, ‘Let us do that back in Michigan; let us do it in Pennsylvania; let us do it in Illinois.’

Oh, no. If they came down here they came down here to strengthen the forces who were trying to get you to move further in that direction. You can get a whole long impressive list of instances in which the Federal Government has recognized special economic problems as they affect industry and in which the Federal Government has initiated action to meet that problem, and not one of these people has ever raised a finger to say that it is wrong, ‘You are transgressing States’ rights.’

But the minute the Federal Government tries, or is even being requested, to meet a responsibility which is the Federal Government’s because the problem grows out of a Federal Government decision on mobilization, these people forget the fact that they are being taken care of by the Federal Government, and come down here to try to block getting treatment to help people feed their hungry children.

We do not want in this legislation to upset the State structures. We are merely trying to get legislation that will supplement and build on those State structures more nearly adequate provisions to meet

people's needs in terms of food, clothing, housing, medical care, and these other things. We believe that these people who come down here and tell you that they oppose it because it is an attempt to federalize the thing are just hiding behind that charge, because this bill does not propose to interfere with the State structures.

I think that the hypocrisy in Mr. Hall's position is revealed very quickly, because when he is asked, "Well, if this is not a Federal responsibility and it is a State responsibility, do you believe that you ought to increase the benefits in the State, at Lansing, where the State legislature meets?" Mr. Hall says, "No, I am opposed to increasing them there, too."

Now, why is he not honest with us? Why does he not come down here and say, "I am against any improvement in the economic status of the unemployed. I do not think they are entitled to more; I do not care whether their kids are hungry."

Why does he not say that honestly?

He hides behind this States' rights proposition. But when you pin him down he is opposed to relief in Washington and he is opposed to relief in Lansing. He is opposed to relief anywhere because he does not want to help the unemployed meet their problems.

It is easy for a person like Mr. Hall who gets his pay check every month, whose children are well fed, and when they need a doctor at Mr. Hall's home, they can afford to call a doctor. They do not call the dairy up and say, "Don't leave any more milk here; we can't afford it."

But when you get 83 cents a day you have got a problem. I think that the person who appeared before your committee on Monday, I believe Mr. Ray Badger, of South Bend, he was a Studebaker worker, as you probably recall—

The CHAIRMAN. Yes, sir.

Mr. REUTHER (continuing). Who talked about feeding a family on the \$27 a week they get in the State of Indiana—I say that Mr. Badger is like the hundreds of thousands of other unemployed workers, they are the experts on the problem of unemployment.

A person who has never been unemployed, who has never missed a pay check, he just cannot know what it is like to be unemployed and to have your hungry kids look at you and wonder why you cannot put something on the table for them to eat and why you cannot get a doctor when their mother is sick. Yet here is a fellow like Hall coming down here who has the brazen hypocrisy to say that we do not need relief; everything is normal in Detroit, everything is wonderful. There are only 107,000 families who are hungry.

I say if you want to play the Communist game, if you want to destroy America, that is the line to take. If we could really get into the inner chambers of the Kremlin when Joe Stalin or the Politburo are discussing their basic strategy of how they may defeat the free world, we would find that they are counting as heavily on the strategy of using the blind selfishness of people like Mr. Hall as they are on anything else, because every time selfish people go down that road they make the kind of propaganda that the Communists know how to exploit.

What we have to do is to save America from that blind selfishness. We have got to save Mr. Hall, in the bargain, because if he and his kind of people keep driving down that road, we are going to lose our



freedom in the world. We have got to prove that American democracy can solve the problem of unemployment. And, while we are working to solve unemployment, we have got the moral sense of responsibility to help these people meet their problems of feeding their children until we can get them a job.

If a fellow came to me and said, "I don't want to work. Will you go to Washington and see if you can get me a hand-out?" I wouldn't raise a finger for that kind of a person, and no one else would with a sense of self-respect, but we are not talking about that kind of people. We are talking about hundreds of thousands of workers who would do anything—3,000 of them fought to shovel snow. That is true.

If you had an announcement in the paper tomorrow that there were a hundred jobs available in a factory, you would have 10,000 people in line for it. Can anybody say that people who will get up—some of these people stayed all night in line so that they would be first in line in the morning—to get a job shoveling snow for one day—this was not a steady job—they stayed in line all night to get a job shoveling snow 1 day at \$1.44 an hour don't want to work? And yet Mr. Hall would have you believe that if you raised the unemployment compensation by this bill so that workers could give their children a little more food and a little warmer clothing you would destroy the incentive, and all you would get in Detroit is a bunch of lazy people who won't want to work.

These workers want to work making the good things of life that we need in our economy, and they like a job making the weapons that we need to make our country strong.

Now, the labor force in Detroit, the labor force in Flint, the labor force in all of these other industrial cities, the skilled manpower that knows how to run these factories and these machines, represent a tremendous asset to our country. If these workers are scattered because they have got to go all over the country shifting about, breaking up their families, we are going to dissipate that tremendously valuable production asset, because you cannot assemble skilled workers overnight. At some of these new war plants they are building, where they had to try to get skilled manpower in a tight labor area, they can tell you of the very difficult problems they are having.

Mr. Chairman, this is a very critical problem. It is not just another seasonal unemployment situation. This is not a normal unemployment problem that grows out of seasonal factors or model changes, and so forth, as Mr. Hall would have you believe.

This is defense unemployment. It comes at a time where it is much more difficult to meet the problems of unemployment as a wage earner than when you have got a general depression. What we have is a lot of little depressions. You have got one in Detroit, one in Flint, you have got them in New England, in Pennsylvania, in Illinois; you have got it in Texas, you have got them in the South.

When you have a general depression wages are depressed but prices also are depressed, so that you have both a depressed income and a depressed expenditure. But these workers who are living in these little isolated depressions are paying inflated prices, and so that makes their unemployment situation that much more severe and that much more critical.

The Government has a task force set up to try to get work in Detroit, and try to get work into Flint and to try to get work into those

other distressed labor areas. We are doing everything we can. And unless and until those Government agencies can find an answer, and can find jobs for these people, either by more material for civilian production or defense work, I say that the Federal Government has a moral and economic responsibility to help these people in this transition period to get over the problem created by defense mobilization policies just as Congress in its wisdom has found it advisable and proper to help corporations in this transition period.

It is that kind of simple fact. The amount of money involved is insignificant, but the benefits are tremendous, because here you will demonstrate that America is not only strong in terms of productive power, not only strong in terms of military strength, but America has the sense of moral and social responsibility to meet the needs of people. If we do that, America will be stronger economically, politically, militarily, and morally, to meet the challenge that lies ahead.

Thank you.

The CHAIRMAN. Thank you very much Mr. Reuther. You may put into the record whatever matter you have that you have not yet handed to the reporter.

Mr. REUTHER. I would like to ask at this time, Mr. Chairman, if you would be good enough now to hear Mr. Bishop, who is the vice president of the Textile Workers Union, CIO, to discuss his problem.

The CHAIRMAN. Yes, sir.

Senator MOODY. Mr. Chairman, might I ask one question of Mr. Reuther?

The CHAIRMAN. Yes, Senator.

Senator MOODY. Mr. Reuther, do you consider the present level of unemployment in Detroit normal or anything like normal?

Mr. REUTHER. The level of unemployment in the city of Detroit now is extremely abnormal, on the high side, and everyone who has talked about this problem in the last 6 months has said so. Mr. Wilson, the president of General Motors, has said so; Mr. Breech of the Ford Motor Co. has said so; the Chrysler Corp. has said so. The State government has said so. The mayor of Detroit has said so. Mr. Willis Hall has said so, excepting at the moment he finds it convenient to change his position.

Senator MOODY. Did you say that Mr. Willis Hall has said so?

Mr. REUTHER. He did. Mr. Willis Hall back in December was making a great deal of noise saying that the unemployment situation in the city of Detroit was extremely critical and we had to do something to alleviate it.

The CHAIRMAN. Mr. Reuther has been over that ground.

Senator MOODY. Yes, I know that.

Mr. REUTHER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Reuther. There is not any question of doubt about unemployment in your industry; that is, your chief industry and the allied industries there. It extends everywhere that you have an assembly plant. Chevrolet and Ford in Atlanta have laid off people. Fortunately, of course, they have a labor demand in perhaps a higher percentage for the men who have to go out of work there. It works a hardship on them there.

Mr. REUTHER. The problem is more acute where you have a concentration.

The CHAIRMAN. Where you have a concentration; yes.

Mr. REUTHER. Take Flint. I suppose that 90 percent of the workers in the whole community work in the auto industry. In South Bend, Ind., you have a very high percentage of the workers in the total community.

The CHAIRMAN. That, of course, is not true in Atlanta.

Mr. REUTHER. No; in Atlanta you have a widely diversified employment.

The CHAIRMAN. You have a widely diversified employment opportunity, and there is more opportunity to absorb it.

Mr. REUTHER. But even if you have a very small amount of unemployment, as far as the individual worker is concerned, if he is hungry, knowing that there are not too many fellows hungry with him is very little consolation.

The CHAIRMAN. You are right about that.

Thank you.

(The prepared statement of Walter P. Reuther is as follows:)

**STATEMENT OF WALTER P. REUTHER, PRESIDENT, UAW-CIO, FOR THE UAW-CIO AND FOR THE CONGRESS OF INDUSTRIAL ORGANIZATIONS**

Mr. Chairman and members of the Senate Finance Committee, my appearance here today is for the UAW-CIO and also for the Congress of Industrial Organizations, at the request of Mr. Emil Rieve, president of the Textile Workers Union and chairman of the CIO social security committee, who regrets that he cannot be in Washington at this time.

In addition to the presentation I will make, officers and representatives of other affiliated CIO unions will file statements describing unemployment conditions among their members and in their States that urgently require enactment of this legislation.

We ask the committee to give full consideration to the supplemental statements presented here today by the Amalgamated Clothing Workers Union-CIO, the Textile Workers Union of America-CIO, the International Union of Electrical, Radio and Machine Workers-CIO, the United Furniture Workers Union-CIO, the United Paperworkers Union-CIO, and the Plaything, Novelty and Jewelry Workers Union-CIO.

Each union has facts to present about serious unemployment in its industry.

**200,000 JOBLESS IN AUTO INDUSTRY; 43,000 HAVE EXHAUSTED BENEFITS**

In the auto industry, which during World II was a major part of the arsenal of democracy, approximately 200,000 workers, able, willing, and eager to turn out defense and essential civilian production, have lost their jobs. In the State of Michigan, more than 43,000 unemployed workers have already exhausted their unemployment compensation benefit rights in the past 12 months, and it is predicted that large-scale unemployment will continue for many months. Subsequently, as defense pipelines are filled and military and civilian production changes to meet developing conditions, further dislocations can be expected, even with substantial improvement in defense mobilization policies and administration now promised.

We want to set forth the need, as we know it, for this emergency legislation at the very earliest possible moment; the justification, as we see it, for this legislation.

We propose to answer certain charges, objections, and arguments that have been launched against the bill, some of them through misunderstanding, others apparently as part of a deliberate campaign of misrepresentation employing the fright technique in lieu of discussion based on facts.

**CIO AND UAW-CIO'S RECORD IN PROMOTING FULL PRODUCTION**

In coming before this committee in support of S. 2504, we believe we do so with clean hands, with a record of which we are proud. As evidence, we offer a summary of the CIO record in attempting to break materials bottlenecks and insure maximum strength in peace, defense, or war. We also offer the Committee the Record of the UAW-CIO on the Job Front, prepared for our recent national

conference on defense unemployment, held in Washington, D. C., January 13 and 14, and attended by 600 accredited delegates from local unions throughout the Nation.

Without burdening your record, we invite the members of the committee to read the outline record of our unflagging effort, started before the end of World War II, to keep America strong, fully employed, fully productive, and with an expanding economy adequate to meet the challenges of peace, defense, or war:

#### *For the CIO*

At its 1944 convention—before the end of World War II—the CIO adopted a reemployment plan, calling for peacetime full employment through the maximum utilization of the resources of an expanding economy.

In the period following VJ-day, the CIO called for the expansion of our basic steel and electric power industries. "Full production, full employment and full utilization of our economic and natural resources must be our continuous goal," stated the 1946 CIO convention.

The establishment of a Missouri Valley Authority and a St. Lawrence seaway, we pointed out, was essential for the continued forward momentum of the economy.

Shortly after the start of the Korean war, the CIO executive board adopted a detailed statement of economic policy. We called for vigorous programing and planning of the mobilization effort in order to break bottlenecks before they arise. Again we emphasized the urgent need for expanding our basic industrial capacity.

#### CIO ADVOCATED MATCHING CONTRACTS WITH SURPLUS LABOR AREAS

Ever since Korea, the CIO has been in the forefront of the fight for an effective over-all stabilization program, based on the principle of equality of sacrifice. Had we stabilized the economy—and avoided the impact of inflation—some of the current economic dislocation could have been avoided.

Again and again, the CIO has proposed proper planning of the mobilization effort, dovetailing of material curtailment orders with defense production, and the placement of defense contracts in areas of existing manpower and facilities.

The CIO convention, held last November, stated:

"Procurement policies for the effective execution of the mobilization effort should flow from planned defense production programs. They should be based on the placement of defense contracts in areas of existing plants and manpower, with special attention given to prevailing labor standards.

"Area of substantial unemployment at present must be given priority by procurement authorities for the placement of Government contracts."

#### *For the UAW-CIO*

The first entry is July 4, 1945, a proposal to keep war plants on a stand-by basis, producing civilian goods and adaptable to a quick shift to defense production.

On July 21, 1947, we called for an expansion of steel capacity to provide a minimum of 100 million tons by 1950 and 120 million tons by 1953. The spokesman for the American Iron and Steel Institute opposed this program, declaring that steel capacity was already in excess of need and that by 1953 we would need only 78 million tons capacity.

#### BEFORE AND AFTER KOREA UAW-CIO URGED BREAKING OF BOTTLENECKS

One month later, August 20, 1947, we again urged expansion of production capacity of steel and other basic metals. President Truman incorporated this proposal in his January 1948 message to Congress.

In March 1949, as chairman of the CIO housing committee, I proposed a program to "provide homes for people, jobs for prosperity, and planes for peace" by utilizing idle Government-owned aircraft plants for the mass production of low-cost housing. Had this been done the Nation would have had aircraft plants fully manned with trained manpower able to shift quickly to volume production of military aircraft following the Korean outbreak.

On July 20, 1950, 26 days after the Communist attack on South Korea, we warned both Government and industry that material shortages would create widespread dislocations and mass unemployment unless—

(1) Production of basic materials was increased; and

(2) Curtailment of civilian production was coordinated with the placement of defense contracts.

With the exception of several small auto companies, industry brushed off our proposal for a joint conference, stating that we were unduly alarmed about the question of economic dislocation and growing unemployment.

#### AN EIGHT-POINT PROGRAM FOR DEFENSE MOBILIZATION

Thereafter, step by step and again and again we have offered proposals that materials bottlenecks be broken, production expanded, and essential civilian and defense production closely geared to prevent loss of production and employment. Last January 13 and 14, when our National Conference on Defense Unemployment was held in Washington, D. C., we urged on the Federal Government the following eight-point program:

1. Enact a Federal unemployment compensation bill. Defense mobilization policies are responsible for lay-offs. Congress has acted to protect corporations; it must act now to protect laid-off workers and their families.

2. Continue essential civilian production until defense jobs are available. Keep people at work making the things we need. Rush defense jobs into civilian production plants to balance curtailment in civilian production.

3. Dovetail defense work in civilian plants. Make defense jobs available earlier. Minimize the need for new machines and new plants by fully utilizing existing plants for both defense and civilian production.

4. Place defense contracts on a negotiated basis. Stop saving pennies by competitive bids and wasting millions of lost productive man-hours through unemployment. Put the jobs where the workers are.

5. Break the machine-tool bottleneck. Use the tools we have to make the tools we need. The automobile, truck, and agriculture implement plants can build Bullards, mills, lathes, and other machine tools.

6. Establish a technical task force on critical materials. Stop the waste of critical materials which is robbing workers of their jobs. Save critical materials by finding satisfactory substitutes.

7. Initiate Nation-wide scrap campaign. Collection of copper, aluminum, and steel scrap in the back yards and alleys in America means putting people to work in the plants of America.

8. Free the American economy from the stranglehold of monopoly and scarcity. Expand basic productive capacity of copper, aluminum, steel, and other scarce materials. Stop wasting critical metals by nonessential plant construction.

CIO has consistently advocated and worked for an expanding economy freed of material and other bottlenecks, stronger in peace, defense, or war.

In asking now for the enactment of S. 2504, we want to emphasize that we do not consider this a substitute for other necessary positive steps to insure full production and full employment. No one will be more delighted than our members if the executive branch and Congress move into high gear and bring about improvements that will bring about full production and employment and thereby make the protections afforded by S. 2504 wholly unnecessary.

#### WHAT S. 2504 DOES AND DOES NOT PROPOSE TO DO

Not since the blind men described an elephant after touching various parts of its anatomy from trunk to tail has there been such a wide and unfounded variation as have come to light in descriptions of S. 2504. It has been often and widely described as being, possessing, threatening many evil things of which it is innocent.

As we read S. 2504, it is designed and intended to make possible the payment to workers unemployed through no fault of their own during the present national emergency combined State and supplemental Federal unemployment compensation payments more nearly adequate than present State benefits to maintain the living standards of such workers and their families at a minimum American level.

The undeniable inadequacy of present State benefits is shown in table I, attached to this statement, which compares those benefits with the cost of the stripped-down standard of living represented by the BLS city workers family budget.

S. 2504 does not assure unemployment compensation payments equal to take-home pay. We believe such payments would be justified, considering workers' needs and the fact that every worker unemployed today should be fully employed in either defense or essential civilian production in order to meet in full strength the inexorable and ruthless challenge of Communist aggression.

While S. 2504 proposes to meet national responsibility through Federal action, such Federal action is made contingent upon State initiative. Only after a State has exercised this initiative through its elected Chief Executive certifying to the

United States Secretary of Labor that substantial unemployment exists in areas within his State would S. 2504 become operative in the State.

#### IN THIS EMERGENCY, S. 2504 ACCEPTS STATE SYSTEM AND INITIATIVE

And then, Federal supplemental payments, to be disbursed by the State along with payments of State benefits, are wholly dependent upon State laws and regulations as to eligibility, disqualification, extended waiting periods, amounts and duration of weekly benefits, and applications of the "suitable work" test on penalty of being cut off from further benefits if such work is refused. This bill does not interfere with, restrict, or in any way change State provisions or their administration.

We want to underline the fact that, in giving our support to this bill in its present form, we are settling to one side to meet an emergency situation, but not abandoning, fundamental principles and policies in unemployment insurance relating to minimum Federal standards and to a uniform national system of adequate unemployment insurance.

S. 2504 is shaped in the hope that by avoiding and settling to one side the issues of States' rights and State initiative and standards of administration, the Congress will meet present needs promptly insofar as they can be met by Federal aid and incentive to a State system.

#### CHARGES OF "FEDERALIZATION" ARE SPURIOUS

It is important that this be kept in mind since the arguments which have been presented against this measure during the course of these hearings are for the most part based on the so-called issue of States' rights. Charges have been made that the enactment of S. 2504 would federalize our present unemployment compensation systems. The committee will recognize such appeals as spurious and irrelevant since the bill clearly provides for making the needed payments to unemployed workers only when the Chief Executive of a State requests such aid and even then payments are made through the State agencies, in accordance with agreements entered into with the State.

S. 2504 does not restrict but encourages States to expand their unemployment compensation systems as to coverage, amount, and duration of primary and dependents' benefits. It does so by providing that, following a Governor's certification, Federal funds will be supplied to the State agency in amounts sufficient to match each dollar in primary benefits with 50 cents and to match dependents' benefits dollar for dollar for whatever duration the State now provides or may provide. Thus, for every dollar improvement in the inadequate primary benefits now paid, the workers themselves and the grocers, the butchers, the landlords, the doctors, the dentists, the insurance companies, the banks, and the entire business life of the State can get an additional 50 cents infused into that State's economic bloodstream. And for each additional State dollar in dependent's benefits a Federal dollar will be added.

#### AS PREVENTIVE MEDICINE, S. 2504 IS CHEAPER AND WISER

Is this bad? Is this dangerous? We think not. We prefer preventive medicine in the economic field; it is cheaper and wiser to maintain health than to cure the ravages of galloping economic malnutrition in a city, State, or nation.

S. 2504 has been misrepresented as encouraging idleness by providing unemployment compensation benefits that, though limited to 65 percent of weekly wages for workers without dependents, and to 75 percent for workers with four or more dependents, are alleged without any proof whatever to provide "larger weekly benefits than real wages for some workers." Certainly, as we well know, that was not the intent of the sponsors of this bill.

We have not been able to discover any instance, real or under any reasonable hypothesis, in which combined benefits, limited as provided in section 4 (b) (3), would yield the unemployed worker, with or without dependents, more than his take-home pay or "real wages."

It was to make sure that no worker would get as much as take-home pay that the sponsors put these percentage limitations into the bill.

If it can be shown that in any instance likely to occur outside a statistician's nightmare such maximum payments would amount to more than take-home pay, the committee can easily safeguard against any such unintended occurrence by inserting a proviso that, in addition to the percentage limitations, in no event shall combined State and Federal payments exceed take-home pay.

## THE CAUSES AND EXTENT OF UNEMPLOYMENT IN THE EMERGENCY

Under existing State benefit schedules, many lower-paid workers, with and without dependents, receive benefits which exceed the top percentage limitations in S. 2504. This bill would establish, through Federal supplementation, relationships between benefit rates and earnings levels for higher paid workers more nearly approximating the relationships which now exist under State laws for lower-paid workers. The staff report of the House Ways and Means Committee in 1940, in considering the question of whether benefits which provide a uniform percentage of wage loss to all workers would make unemployment too attractive to higher paid workers, pointed out that "it is not clear" why the will to work of a higher paid worker would be dulled by compensating him for a reasonable percentage of wage loss while an individual who receives less in wages would not be so affected.

S. 2504 is urgently needed because in many States and industrial areas the economic dislocations of the national emergency since the Communist attack on South Korea have brought about large-scale unemployment, or have aggravated unemployment that had set in prior to January 24, 1950, or have prevented action to reduce and eliminate such unemployment, in line with the moral responsibility which the Congress undertook when it enacted the Employment Act of 1946.

According to the latest report of the Bureau of Employment Security, there were as of last month 18 major labor market areas of substantial labor surplus, and 5 smaller areas which also had substantial surpluses.

Among the largest of these areas are New York City, Detroit, Providence, Grand Rapids, and Flint. They include areas in 12 States: Massachusetts, New Hampshire, Rhode Island, New York, New Jersey, Pennsylvania, Maryland, Michigan, Indiana, Illinois, Texas, and North Carolina.

In addition, there were exactly 100 other areas which had what the Bureau of Employment Security terms a "moderate labor surplus." These 100 areas include such large metropolitan centers as Boston, Newark, Philadelphia, Pittsburgh, Birmingham, Mobile, Savannah, Memphis, Nashville, Knoxville, Chattanooga, Akron, Minneapolis-St. Paul, New Orleans, Galveston, Houston, Fort Worth, San Antonio, Salt Lake City, Phoenix, Los Angeles, San Francisco-Oakland, Seattle, Tacoma, Spokane, and Portland, Ore.

The list of 100 areas also includes many smaller labor markets where unemployment percentage-wise is of real concern to the communities as well as the Nation.

Among the 174 major production areas of the Nation, fully 118, or more than two-thirds, are classified as areas of labor surplus. There are centers of unemployment in every part of the country--North, South, East and West. These 123 labor surplus areas (including the 5 smaller areas of substantial surplus) are located in 33 States and the Territory of Hawaii.

## BENEFITS AS PERCENTAGE OF WAGES HAVE DROPPED SINCE 1939

S. 2504 is needed because, although eligibility, amount and duration of unemployment compensation benefits vary widely among States, in no State do they remotely approach adequacy for workers and their families accustomed and entitled to an American standard of living (see table I).

In making this statement we assume that Congress has foresworn, once and for all, the doctrine that part of the cure for depressions is to put the workers of America through the economic wringer.

Thirteen years ago average benefits were nearly half of average weekly earnings; today they are less than one-third of weekly earnings. And, according to what we are told about price trends in the next 18 months, the buying power of these benefits will shrink.

Until the opponents of S. 2504 testified before this committee, we had found no one who would say in so many words that workers continuing in involuntary unemployment because of national policies in defense mobilization and imperfect administration should be content and try to make do with present State benefits, inadequate as they are in amount and duration.

Instead, many of those who oppose S. 2504 suggested that action should be left to the State legislatures.

The hard economic-political fact is that to tell workers this is to offer them a stone when they and their families need bread. Action by State legislature to improve benefits as to amount and duration is possible in some States, not in all States in which there is substantial unemployment.

UNITED STATES GOVERNMENT HAS RESPONSIBILITY; ACTION WILL STIMULATE  
STATE ACTION

But even if a State legislature could or would act, we are considering an emergency situation which was not created by the States of Michigan, New York, or Indiana. The States of Michigan, New York, and Indiana did not individually decide to shift the national economy from peace to defense. Nor did the States of Georgia, Maine, Virginia, or Oklahoma decide to cut back on the amount of raw materials which could be used for the production of less essential items. All these and other accompanying decisions were made by the United States acting through its legislative and executive branches. The unemployment and the cost arising therefrom are therefore the responsibility of the Federal Government.

Action to improve benefits and extend duration is more likely in all States if the Federal Government—which is responsible for the unemployment because Congress, defense mobilization authorities and the military procurement agencies have ignored basic national policies, including the commitments in the Employment Act of 1916—will now step up to its obligation by making supplementary benefits available as provided in S. 2501.

The need is great. It grows greater day by day as the savings of hundreds of thousands of American families are depleted, as benefit rights are exhausted, as debt is incurred, as needed food, clothing, health, and educational services are forfeited and as these unemployed read of new series of upward price adjustments and rich corporate profits both before and after taxes.

S. 2501, in our opinion, proposes a bare minimum program for weathering the economic dislocations and resulting unemployment during a national emergency that may last a generation.

Enactment will make it possible for States to act, with the help of the Federal Government, to maintain the standard of living of workers who are trained, ready and willing to work but who cannot find employment because of dislocations in the national economy during the emergency.

The States are free to accept or reject this help.

The legislature of each State is free to improve or to refuse to improve the unemployment-compensation benefit structure; the people of each State are free to urge the legislature one way or the other.

A PROPOSAL MADE IN GOOD FAITH TO GET EMERGENCY ACTION QUICKLY

Although the products made by the workers we represent are sold in national markets under national price structures, and although most of the essentials of life which they must buy are priced on a national scale, we are here today to propose in good faith that, in this period, and for this period only, we will try to make the best of the existing State unemployment-compensation laws, with all their variations as to eligibility, amounts, and duration of benefits and their varying application of the "suitable work" standard written into the Federal law.

We sincerely hope that you will speedily recommend and the Congress will enact this legislation for the emergency, leaving to a later day the debate over uniform Federal standards and an outright national system of unemployment insurance.

This is not a matter of political or economic theory. The issue is one of human need for survival, for health, and for security of the individual worker and his family in a free society such as ours.

FOUR REASONS FOR ENACTING S. 2501 NOW

S. 2501 is essential to a stable economy during the present acute and dangerous emergency.

We and our allies are jointly engaged in a world-wide contest now going on between totalitarian enslavement by Communist imperialism and the explosive liberating force of the democratic idea that the least individual human being has divine value.

In undertaking this supreme effort, we cannot afford to allow economic and social sinkholes of depression and unemployment to develop within our Nation and among our people.

To achieve success with the least expenditure of time, lives, money, and materials, we should be employing every available worker. Were we able to do this, we would be thousands of lives, billions of dollars, and years nearer the goal of a



free and peaceful world. And the need for S. 2504, except on a stand-by basis, would not exist. But our defense mobilization planning, policies, and administration as yet appear unequal to this job.

In some quarters it is proposed to use unemployment and destitution to force workers to move about the country in search of jobs. This amounts to a proposal to use hunger of workers and their wives and children as an instrument of national defense mobilization policy.

Old problems of unemployment are ignored and grow worse; new soft spots of unemployment appear.

Neither old nor new areas of unemployment can be ignored, postponed, or disposed of by inadequate measures, except at heavy cost to our economy, to the welfare, health, and strength of millions of our citizens.

This tragic and dangerous toll hits the children from whose ranks—to put it on the basis of armed strength—we must draw the young men for the Air and Ground Forces, the Navy, and the Marines in the unknown number of years to come before we have world peace. And from their ranks also must come much of the scientific brains, the productive know-how, skill, and strength and the standards of humanity without which the greatest armed strength that 160 million citizens of the United States of America can put together would be sacrificed in an onslaught by Communist aggression utilizing the regimented manpower and material resources of an expanding perimeter of satellite nations.

We must make and keep ourselves strong in terms of every last human being's health, welfare, dignity, and hope for the future. We must do this to have full productive strength year in and year out, for the duration of the contest, in both military and civilian production, for our own defense and for the aid of our allies in both military defense and in the continual strengthening of their own economies and the strengthening of their social and political life.

This is a total job, a total mobilization that as we must do as free people, under our Constitution, as citizens through our elected legislatures and Congress.

S. 2504 is, of course, not the whole job. But it is an essential part of that job. If we seek to evade this challenge, if we allow unemployed workers and their families, whose sons and brothers may be in Korea, to be economically submerged during this emergency, while some corporations and high-income individuals are maintaining and even improving their economic condition, then we will have inflicted grave injury upon our own economy and the morale of the American people; we will have weakened our position in the world, in the eyes of watchful people everywhere who day and night measure and balance and decide between the performance of democracy and the untested promises of a cynical Communist propaganda machine employing upside-down standards of morality and behavior.

So we have four reasons for urging enactment of S. 2504: It is economically wise; it is socially desirable; it is morally right. And finally, precisely because this is so, we need this action as part of our defensive and offensive armor and program in the unceasing world-wide contest for the minds, hearts, and loyalties of mankind.

#### UNEMPLOYMENT MEANS INCOME DROP OF 64 PERCENT IF SINGLE, 53 PERCENT IF WITH DEPENDENTS

We ask the committee for a moment to look at our economy from the point of view of a worker, who when employed, is paid, let us say, \$75 per week and who, assuming he lives and worked in Michigan, is entitled to weekly benefits of \$27, if without dependents, and allowances of \$2 for each dependent child up to a maximum of four, making his possible total maximum weekly benefit for himself and all dependents \$35.

At the moment he is laid off, his income is slashed by 64 percent if he is without dependents or 53 percent if he has four or more dependents. (In many States the cut is deeper.)

He has housing, rented or being purchased; he and his family have some roots in the community; their children are adjusted in school.

Now all this is threatened because of defense mobilization policies. We include in mobilization policies not only cut-backs of scarce materials, curtailment of certain lines of production and construction, restrictive credit policies which we consider discriminatory and unfair, but also price inflation and tax increases that for lower incomes are almost at World War II levels, while higher incomes are taxed more tenderly in terms of net income left after taxes.

What this worker wants first and most is his job back, with his accrued seniority, accrued pension rights, and other very real values won in years of work, of organization, and collective bargaining.

## SHUT-DOWNS AND IDLENESS NOW SEEM "CRIMINAL NONSENSE"

It does not make sense to this unemployed worker and his family to be advised to leave their community, to leave a modern factory, mill, or shop that is built, fully equipped and ready either for defense or essential civilian production, and to start over somewhere else, pulling up his family's roots and planting them again elsewhere, if and when he finds new employment.

To an unemployed worker fully aware of the need for productive strength in this emergency, it seems criminal nonsense, an offense against national security, to break up a productive complex of skilled, willing, and patriotic workers, of efficient plant, machinery, and managerial know-how, particularly when each day the press and radio report our production shortcomings in military and civilian goods.

## SOME CONSIDERATION GIVEN OTHER GROUPS AND INDIVIDUALS

Moreover, it is like salt in an open wound for such workers, suffering degradation of their family living standards and disruption of their life plans, to see at the same time the consideration accorded other segments of the economy and individuals, for example:

(1) Accelerated amortization on more than \$12 billions of new plants, a considerable number of such plants having peacetime uses and profit possibilities and whose construction was primarily intended and designed prior to Korea for such civilian purposes;

(2) The split-income provisions of the present tax law which amounts to \$2.6 billions in tax relief for higher-income individuals;

(3) Depletion allowances on oil, gas, coal, and many other natural resources, including oystershells;

(4) Family partnerships that recognize infants as "working partners" for tax purposes;

(5) Carry-back and carry-forward tax provisions;

(6) Stock-option tax provisions;

(7) Premiums assured to high-cost operations in order to get essential production;

(8) Subsidies given airlines, merchant marine, and shipbuilding;

(9) Government insurance of home loans that provides a rich gravy train for lenders, speculative builders, and other branches of the real-estate business;

(10) The price and profit protection given manufacturers, wholesalers, retailers, and farmers under the Defense Production Act.

We recognize the fact that reasons can be advanced for many of these and other "incentives." But they cannot stand up under any single moral standard of equality of sacrifice unless, at the same time, workers and their families thrown into unemployment during this emergency are given at least enough income to maintain themselves at a minimum American standard of living.

## WHERE WERE CRIES OF "STATES' RIGHTS" WHEN OTHERS WERE BEING HELPED?

When we provided for financial assistance to corporations and when we enacted other legislation to assist other segments of the economy, no State came to Congress and said "Keep your hands off; that is our job, that corporation was incorporated in Delaware or Michigan or Maine." No representative of a manufacturers' association or chamber of commerce came in and pleaded with the Federal Government to let the States meet the problem. Now that you are considering legislation which deals with human beings whose unemployment is due to defense mobilization policies, the States say "That is sacred ground. Don't touch that. There is no Federal duty here."

We reject and we hope the committee will reject the double standard that would supply Federal aid to corporations and deny it to human beings, waiving States' rights in one instance and citing them as a pretext in the other.

## NOT AN EXPENDITURE, BUT AN INVESTMENT

To the extent that those responsible for defense mobilization policies are unable to provide full employment, that is, full utilization of existing productive plant and manpower, the obligation in S. 2504 will cost some money. To the extent, however, that action is taken to implement both such proposals as we have made and the announced official policies relating to manpower, S. 2504 will cost little and will be at hand ready for use if and when new need arises. At most, the cost of S. 2504 will be an infinitesimal part of the total costs of defense. Looked at as

an insurance, as essential maintenance of the human element in our productive resources, more important than expenditures for the safeguarding and maintenance of physical plant and machinery, the greatest conceivable expenditure would be no expenditure at all but rather an investment. S. 2501's largest probable cost would be a small fraction of the costs of measures already enacted by the Congress to assist other groups in the economy during this emergency.

The peoples of the world who are our indispensable allies in the struggle to preserve democracy will not be overly impressed or inspired by what we do to maintain or enhance the profits of corporations in the transition to a defense economy. They will be greatly reinforced in their devotion to democracy by the example of a great nation which, even while engaged in a multi-billion-dollar rearmament program, attends to the needs of families whose welfare is threatened by the dislocations of defense mobilization.

Prompt enactment of S. 2504 will help to make us strong both at home and among the nations of the world.

TABLE I.—Maximum weekly unemployment-compensation benefits compared to the Bureau of Labor Statistics city worker's family budget for an unemployed worker's family of 4 persons, December 1951

State	Maximum weekly unemployment-compensation benefit		Unemployed city worker's family budget <sup>1</sup>		Weekly budget deficit, family of 4	Maximum benefit as a percent of family budget
	With no dependents	Family of 4	City	Amount		
Alabama.....	\$22.00	\$22.00	Birmingham.....	\$71.35	\$49.35	30.8
Arizona.....	22.00	22.00	Mobile.....	66.62	41.62	30.0
Arkansas.....	21.00	21.00				
California.....	22.00	22.00				
	25.00	25.00	Los Angeles.....	73.23	48.23	31.1
Colorado.....	25.00	25.00	San Francisco.....	73.71	48.71	31.9
Connecticut.....	28.50	28.50	Denver.....	70.73	42.23	40.3
Delaware.....	24.00	24.00				
District of Columbia.....	25.00	25.00	Washington.....	74.23	54.23	26.9
Florida.....	20.00	20.00	Jacksonville.....	71.75	51.75	27.9
Georgia.....	20.00	20.00	Atlanta.....	73.33	53.33	27.3
	20.00	20.00	Savannah.....	68.27	48.27	29.3
Idaho.....	25.00	25.00				
Illinois.....	27.00	27.00	Chicago.....	71.44	44.44	37.8
Indiana.....	27.00	27.00	Indianapolis.....	66.96	39.96	40.3
Iowa.....	26.00	26.00				
Kansas.....	28.00	28.00				
Kentucky.....	24.00	24.00				
Louisiana.....	24.00	24.00	New Orleans.....	65.27	40.27	38.3
Maine.....	23.00	23.00	Portland.....	68.96	43.96	36.3
Maryland.....	23.00	23.00	Baltimore.....	71.33	42.33	40.7
Massachusetts.....	23.00	23.00	Boston.....	71.83	42.83	40.4
Michigan.....	27.00	27.00	Detroit.....	71.60	40.60	41.3
Minnesota.....	25.00	25.00	Minneapolis.....	70.63	45.63	35.4
Mississippi.....	20.00	20.00				
Missouri.....	23.00	23.00	Kansas City.....	64.77	41.77	37.4
Montana.....	25.00	25.00	St. Louis.....	66.90	44.90	33.8
Nebraska.....	24.00	24.00				
Nevada.....	25.00	25.00				
New Hampshire.....	25.00	25.00	Manchester.....	68.81	40.81	40.7
New Jersey.....	26.00	26.00				
New Mexico.....	25.00	25.00				
New York.....	30.00	30.00	Buffalo.....	69.52	39.52	43.2
	30.00	30.00	New York.....	69.50	39.50	43.2
North Carolina.....	30.00	30.00				
North Dakota.....	25.00	25.00				
Ohio.....	25.00	25.00	Cincinnati.....	70.31	40.31	42.7
	25.00	25.00	Cleveland.....	68.52	38.52	43.8
Oklahoma.....	22.00	22.00				
Oregon.....	25.00	25.00	Portland.....	68.65	43.65	36.4
Pennsylvania.....	30.00	30.00	Philadelphia.....	70.25	40.25	42.7
	30.00	30.00	Pittsburgh.....	71.60	41.60	41.9
	30.00	30.00	Scranton.....	68.29	38.29	43.9
Rhode Island.....	25.00	25.00				
South Carolina.....	20.00	20.00				
South Dakota.....	22.00	22.00				
Tennessee.....	22.00	22.00	Memphis.....	71.40	49.40	30.8

See footnotes at end of table, p. 283.

TABLE 1.—Maximum weekly unemployment-compensation benefits compared to the Bureau of Labor Statistics city worker's family budget for an unemployed worker's family of 4 persons, December 1951—Continued

State	Maximum weekly unemployment-compensation benefit		Unemployed city worker's family budget <sup>1</sup>		Weekly budget deficit, family of 4	Maximum benefit as a percent of family budget
	With no dependents	Family of 4	City	Amount		
Texas .....	\$20.00	\$27.00	Houston .....	\$73.67	\$53.67	27.1
Utah .....	27.50	27.50	.....	.....	.....	.....
Vermont .....	25.00	25.00	.....	.....	.....	.....
Virginia .....	20.00	20.00	.....	69.79	42.79	28.7
Washington .....	30.00	30.00	Richmond .....	71.83	51.83	27.8
West Virginia .....	25.00	25.00	Seattle .....	71.21	41.21	42.1
Wisconsin .....	30.00	30.00	Milwaukee .....	74.21	44.21	40.4
Wyoming .....	25.00	31.00	.....	.....	.....	.....

<sup>1</sup> Bureau of Labor Statistics, City Worker's Family Budget, brought up to date by Bureau of National Affairs. Includes cost of goods, services, and rents only, for an unemployed wage earner, his wife, and 2 children. Excludes income taxes, old-age insurance, occupational expenses, and life insurance premiums.

Source: Daily Labor Report, Jan. 31, 1952, p. B-3.

The CHAIRMAN. You may be seated, Mr. Bishop, and we shall be glad to hear you. Will you please identify yourself?

#### STATEMENT OF MARIANO BISHOP, VICE PRESIDENT, TEXTILE WORKERS UNION OF AMERICA, CIO

Mr. BISHOP. My name is Mariano Bishop, vice president of the Textile Workers Union of America, CIO.

The CHAIRMAN. The Textile Workers?

Mr. BISHOP. That is correct, sir.

The CHAIRMAN. Very well.

Mr. BISHOP. I think that Mr. Reuther has covered the situation insofar as the unemployment situation is concerned very, very well, and I should like to make a few brief remarks as it affects the textile industry throughout the country.

We have presented a statement with certain charts showing how the defense program has affected our industry. In appearing before this committee in behalf of the Textile Workers Union of America, CIO, we want to urge approval of Senate bill 2504. We believe that liberalization of benefits for the unemployed is a necessary step in establishing the principle of equality of sacrifice among all segments of the population.

The mobilization program has had a far-reaching effect upon textile workers. This is no startling development. We had expected that the policies that have been created in connection with this gigantic national effort would reach into most of the facets of our lives. We knew there would be shortages of materials and restrictions upon manufacturers. We anticipated that orders to simplify and standardize equipment relating to our national defense needs would curtail work in many various branches of industry.

We expected that changes in orders and specifications would have immediate repercussions upon employment and that there would be lay-offs as a result of these decisions. We recognize that these results

to some extent are unavoidable and that they must be borne temporarily for political, strategic, and military reasons, but we insist that the cost of these changes in our national economy cannot and must not be borne solely by one segment of our population.

As these dislocations have occurred, the burden has fallen, in the major part, upon workers, particularly textile workers. Business and industry, as was pointed out by Mr. Reuther, have been protected through existing provisions. For instance, employers can average their profit returns and claim benefits under the carry-back provisions of the tax law. Many other devices exist for cushioning the blow of mobilization upon business and industry.

But workers, aside from the low standard of unemployment benefits, in the light of the present day cost of living, have completely inadequate protection against such shocks. They must be aided. They need more generous protection during this period when public policy deliberately affects their economic well-being.

The mobilization program, of course, is designed to strengthen the defense of the Nation as a whole. Since its benefits are to be shared by all, the sacrifices should also be shared by all. The equity of this principle of uniform treatment has been recognized by the mobilization director, Mr. Wilson, in his announcement that he will seek to direct military orders to depressed areas.

The mobilization authorities recognize that a sound country cannot be built with one-half of it depressed and the other half employed beyond the limits of current facilities and manpower resources. We are encouraged by this approach, for it will mean more balanced use of our resources and manpower, and equalization of employment opportunities. But this in the final analysis is a long-range program. It does not solve the crisis facing unemployed workers at this very moment.

We in the textile industry know whereof we speak. We have felt the full impact of the mobilization program, and the current economic set-back which has stricken soft goods industries.

Employment in the textile industry has dropped by 9.3 percent between February 1951, and December 1951. Mr. Reuther testified that the national average is 3.3 percent. That represents a loss of jobs by approximately 150,000 textile workers. Man-hours have dropped by 12.4 percent during that period. These are not reductions in total employment and total man-hours. But actually hundreds of thousands of additional textile workers have been laid off and are jobless. During the last eight months of 1951 when unemployment became chronic, 392 out of every 1,000 workers were separated from their payroll.

Turn-over was great in the textile industry, not because there was an abundance of jobs, but because a great number had jobs of short duration. Responsible for these short terms of unemployment in most cases were the closing of some mills. Only yesterday in West Virginia, one plant, which is the only plant in the town, closed down. They were making automobile upholstery, and they had to close the plants down because there is no business, and those people are totally unemployed.

It is probable, therefore, that some 225,000 to 300,000 workers who were on payrolls as of March 31, 1951, have since lost their jobs.

The uneven impact of unemployment is demonstrated by the fact that 10 textile communities are now classified as areas of substantial

labor surplus. Five of these are in New England. Three are in Pennsylvania, and one each in Maryland and North Carolina. The high rate of unemployment, therefore, is characteristic of textile communities, both in the North and in the South. Seventeen textile areas with substantial textile industries have moderate surpluses of labor. These include three in New England, four in North Carolina, two each in Alabama, South Carolina, and Tennessee, and one in Pennsylvania, New York, New Jersey, and Georgia.

One of the hardest hit communities in the United States is Lawrence, Mass., where unemployment is close to the 20 percent mark. In other Massachusetts cities, similar high levels of unemployment exist. In November 1951, Lowell, Mass., reported 8½ percent ratio of jobless workers; North Adams reported 7.2 percent; Fall River, 6 percent; and New Bedford, 5.4 percent.

Even more significant is that in these five cities the total unemployment claims of workers who were insured was 18,354, whereas total unemployment was 24,650 in November 1951. The difference here is a rough measure of the degree to which people have exhausted their claims to unemployment insurance. It is also a rough measure of the long duration of their unemployment. The textile industry has been affected and has had unemployment throughout the country for approximately 11 months.

In this period of labor shortage, it is highly intolerable for us to waste such human resources. It is obvious that we must bend our efforts to rehabilitate those individuals into fully qualified workers, which most of them are. Their only reason for giving up claims in the market is the scarcity of jobs. We have too much work to do in this country to tolerate conditions which do not put to use all able-bodied people. We cannot afford a set-up wherein productive work is not provided for them.

Therefore, we strongly urge an increase in the unemployment insurance benefits provided in Senate bill 2504. This bill provides a necessary step to improve the benefits of jobless workers so that they may be better maintained during the period of enforced idleness. If we do this, they in turn will be in a better position to produce effectively when industry revives and new military contracts are channeled into their areas.

We have attached to our statement tables showing the maximum weekly payments and maximum compensable weeks of employment per year in the major New England, Middle Atlantic, and Southern States. In the Northern States, the weekly benefits tend to range from \$25 to \$30 a week. In the Southern States, they range from \$20 to \$22, but in North Carolina the maximum is \$30. In two States, Connecticut and Massachusetts, dependency benefits are paid.

We show in our statement earnings of textile workers in important textile States. We show what those earnings are. These figures indicate the fact that the addition of a 50 percent benefit will still leave benefits below the 65 percent limit set by the present bill.

Senate bill 2504 is a necessary step to establish the principle of equality of sacrifice during our national emergency. It is a way for the Nation to recognize that the persons bearing the first and immediate cost of our mobilization program will be protected from the excesses of this inequality of impact. It should be coupled with the immediate implementation of the Mobilization Director's defense

manpower policy, to assure that contracts are quickly directed to areas with large pools of unemployed workers.

We strongly urge that jobless workers be made active participants in our mobilization program. They can and must be given an opportunity to share in the Nation's productive work. They can help the Nation expand its productivity.

In this era of human and material shortages, we can hold our human reserves by providing them with adequate benefits to maintain their full vigor and qualifications as workers during their transition from unemployment to full employment.

We strongly support the bill, Mr. Chairman.

Thank you.

The CHAIRMAN. Thank you very much, sir.

Are there any questions, Senator Moody?

Senator MOODY. No, thank you, sir.

The CHAIRMAN. Thank you very much.

Mr. BISHOP. Thank you.

(The prepared statement of Mr. Bishop is as follows:)

STATEMENT BY MARIANO BISHOP, VICE-PRESIDENT OF TEXTILE WORKERS UNION OF AMERICA, NEW YORK, N. Y.

We endorse Senate bill S. 2504 for the liberalization of the unemployment benefits for the unemployed. The present mobilization program has had far-reaching effects upon all of us and we expect it to extend into most facets of our life. We appreciate there will be shortages of materials and restrictions on manufacture. Orders for simplification and standardization will curtail work on many different branches of industry. Frequent changes in orders and specifications will have their immediate repercussions upon employment as layoffs are likely to follow immediately upon these decisions.

Broad considerations of economic, political, strategic and military interest may properly dictate these decisions. But the costs of these changes cannot be borne solely by the persons immediately affected. They are costs which must be generally recognized and the persons affected must be aided. Already many provisions exist to assist business in such cases. For one, employers can claim benefits under the carry-back provisions of the tax law and thereby average out their profit returns. More generous protection is necessary for workers during this period when public policy deliberately affects their economic well-being.

Since the mobilization program is designed to improve the defense of the nation as a whole, and the benefits are to be shared by all, the sacrifices should be as equal as is practical. The persons adversely affected by our mobilization program should be aided in making the adjustments. Unemployment insurance benefits provided for them should be increased to allow for easier adjustment.

The victims of these programs include not only those affected by restrictions on the availability of materials but also those more dislocated by these programs.

The mobilization controls extend far beyond the restrictions on the use of raw materials. They include credit restrictions, monetary and banking policies, tax programs, types of governmental expenditures, price and rent regulations, as well as wage and salary rules, programs for housing, and the determination for the location of new industrial structures. The industries and employments adversely affected by these economic policies have been as much victims of the designs of our mobilization program as those rendered unemployed by the decisions determining the allocation of raw materials. For in fact the producers of many consumer hard goods have suffered not only from the restrictions on raw materials but also from controls on credit. It is probable that markets have shrunk below the output goals set by the basic allotments of steel and copper. All workers affected by the current mobilization program should be treated alike. The unemployment stemming from the economic controls is as obviously related to our mobilization program as that arising from the policies allocating raw materials.

The equity of this principle of uniform treatment has been recognized by Mobilization Director Wilson in his announcement that he will seek to direct military orders to depressed areas. After considering the need for a more rational allocation of military orders, the mobilization authorities recognized that a sound country could not be built with one-half depressed and the other half employed

beyond the limits of current facilities and manpower resources. They have determined to spread Government work to depressed areas. Included among the latter are communities in which large proportions of the unemployed are usually engaged in the production of consumer goods, both soft and durable. Their unemployment follow upon economic policies enunciated by the control authorities. No distinction is being made as between depressed areas with an excessive volume of unemployment due to shortages of material and those suffering from a decline in their markets. Military orders will be spread to allow for the balanced use of our resources and manpower. The orders will seek to equalize employment opportunities. Thereby a better balance will be established throughout the country.

We in the textile industry have felt the impact of these mobilization programs and the current economic setback. Employment has dropped from February 1951 through December 1951 by 127,000 persons, or 0.3 percent. Manhours have failed by 12.4 percent during that period (table I). These are the net reductions in employment and total man-hours. But actually hundreds of thousands of additional textile workers have been released and have remained unemployed. During the last 8 months of 1951 when unemployment became chronic, 392 out of every 1,000 employees on the payroll were separated. That does not mean that only 608 of the persons on the payroll on March 31, 1951, are still on the payroll. It does mean that of those on the payroll and those hired during this period, who numbered 262 per thousand on the payroll, 392 per thousand were separated. A great number had short jobs. Turn-over was great not because of the abundance of jobs but because of the shortness of the work period, the closing of some mills and the opening of some new ones, and the efforts of management to sift out its employees. It is probable therefore that some 225,000 to 300,000 of the employees on the payroll on March 31, 1951, have lost their jobs.

The uneven impact of the unemployment is exhibited in the fact that 10 textile communities are now classified as areas of substantial labor surplus (table II). Five of these are in New England, three are in Pennsylvania, two in Maryland and North Carolina. The high rate of incidence of unemployment is characteristic therefore of textile communities both in the North and the South. Seventeen textile areas with substantial textile industries have moderate labor surpluses. These include three in New England; one each in New York and New Jersey; one in Pennsylvania; four in North Carolina, and two in Alabama; one in Georgia; two in South Carolina; and two in Tennessee.

One of the hardest-hit communities in the United States is the city of Lawrence, where unemployment is close to the 20-percent mark. In other Massachusetts areas, similar high levels of unemployment exist. In November 1951, which is the date of our last survey (table III), Lowell, reported a ratio of unemployed of 8.5 percent; North Adams reported 7.2 percent; Fall River, 6 percent; and New Bedford, 5.4 percent.

Even more significant is that in the 5 cities the total claims of insured unemployed was 18,254 whereas total unemployment was 24,650 in November 1951. The difference is a rough measure of the degree to which people have exhausted their claims to unemployment insurance and the duration of their unemployment status. Another group of thousands of workers have been unemployed so long that they no longer consider themselves as normal parts of the employment market.

In this period of labor shortage, it is highly intolerable for us to waste such human resources. We must bend our immediate efforts to rehabilitate these individuals into fully qualified workers, which most of them are. Their only reason for giving up claims in the market is the scarcity of jobs. We have too much work to do in this country to tolerate conditions which do not preserve for us all able-bodied people and provide productive work for them.

Immediately we urge the rise in unemployment-insurance benefits as provided in S 2504. This bill provides a necessary first step to improve the benefits of the unemployed so that they may be better maintained during the period of enforced idleness and therefore be in better position to produce when industry revives and new military contracts are directed to their areas. We are attaching herewith the maximum weekly payments and maximum compensable weeks of unemployment per year in the major New England, Middle Atlantic, and Southern States (table IV). In the Northern States, the weekly benefits tend to range from \$25 to \$30 per week. In these Southern States, they cluster about \$20 and \$22; but in North Carolina, the maximum limit is \$30. In two States, Connecticut and Massachusetts, dependency benefits are paid.

Actually, earnings of textile workers in the respective important textile States are shown in our table IV. It indicates the fact that the addition of the 50 percent benefit will still leave benefits typically below the 65 percent limit set by the present bill.



We urge approval of the present bill as a necessary step to establish the principle of equality of sacrifice among all the participants in the common program for the defense of our way of life. To the extent that we raise these benefits to more adequate levels, we recognize that the persons bearing the first and immediate costs of our mobilization program will be protected from the excesses of the inequality of impact. We must supplement these benefits with immediate implementation of the Mobilization Director's Defense Manpower Policy No. 4 to assure the immediate award of contracts to areas with large pools of unemployed. They must be made active participants in our mobilization program. They can and must be asked to share in the Nation's productive work. They can help expand our productivity. In this era of human and material shortages, we can hold our human reserves by assuring them adequate benefits to maintain their full qualifications as workers during the transition from unemployment to full employment.

TABLE I.—Employment and average weekly man-hours in the textile mill products industry by State, February and December 1961

State	Employment <sup>1</sup>		Average weekly man-hours		Percent change February 1961-December 1961	
	February	December	February	December	Employment	Man-hours
	Thousands	Thousands	Thousands	Thousands		
United States <sup>2</sup> .....	1,264.0	1,177.0	54,661	46,726	-8.3	-12.4
New England <sup>3</sup> .....	284.6	244.4	10,167	8,442	-12.4	-16.7
Maine.....	37.8	35.4	( <sup>4</sup> )	( <sup>4</sup> )	-7.9	( <sup>4</sup> )
New Hampshire.....	31.9	18.7	874	759	-10.5	-12.2
Vermont.....	3.2	4.2	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Massachusetts.....	128.5	108.7	4,087	4,087	-14.9	-19.8
Connecticut.....	40.2	38.2	1,664	1,441	-10.0	-13.4
Rhode Island.....	65.2	48.0	2,342	2,145	-18.7	-15.6
Middle Atlantic <sup>5</sup> .....	206.1	268.4	7,266	10,008	-18.3	-18.4
New York.....	84.7	84.1	3,273	3,297	-11.2	-14.9
New Jersey.....	68.8	54.3	2,724	2,215	-17.5	-18.7
Pennsylvania.....	141.7	117.4	4,068	4,496	-17.2	-30.7
Delaware.....	2.0	2.6	( <sup>4</sup> )	( <sup>4</sup> )	-16.4	( <sup>4</sup> )
South <sup>6</sup> .....	664.5	630.8	26,441	23,379	-3.1	-10.8
Maryland.....	11.6	9.7	( <sup>4</sup> )	( <sup>4</sup> )	-16.4	( <sup>4</sup> )
Virginia.....	42.7	41.2	1,726	1,586	-3.5	-8.1
North Carolina <sup>7</sup> .....	241.0	222.0	9,712	8,268	-7.9	-14.0
South Carolina <sup>7</sup> .....	126.8	137.5	4,816	4,294	-1.7	-9.0
Georgia.....	114.8	110.4	4,799	4,416	-3.8	-8.0
Alabama.....	54.8	53.1	2,269	2,000	-3.1	-9.2
Tennessee.....	39.5	36.6	1,600	1,463	-7.4	-9.2
Texas.....	9.8	10.3	426	434	4.1	.7
Louisiana.....	2.7	3.1	( <sup>4</sup> )	( <sup>4</sup> )	-1.2	( <sup>4</sup> )
Arkansas.....	2.2	2.0	92	81	-13.1	-12.0
Midwest <sup>8</sup> .....	28.0	26.1	1,166	998	-21.9	-13.7
Indiana.....	6.4	6.4	256	216	-15.6	-14.8
Illinois <sup>9</sup> .....	12.1	12.6	563	512	-8.2	-17.3
Missouri <sup>9</sup> .....	2.7	2.8	123	137	-10.8	-10.6
Minnesota.....	4.9	4.6	197	141	-28.8	-28.4
Far west: California <sup>10</sup> .....	8.2	7.9	333	287	-12.2	-13.8

<sup>1</sup> Wage and salary workers.

<sup>2</sup> Data include States not shown separately.

<sup>3</sup> Maine and Vermont are not included in man-hour data because they are not available.

<sup>4</sup> Not available.

<sup>5</sup> Delaware is not included in man-hour data because information is not available.

<sup>6</sup> Employment and man-hour area totals are for those States for which such data are available. Maryland and Louisiana, which are included in employment totals are excluded from man-hour totals because data are not available.

<sup>7</sup> December data not available, figures are for November 1961.

<sup>8</sup> Production workers.

<sup>9</sup> Employment and man-hour area totals are for those States for which such data are available; these are shown in the table.

<sup>10</sup> Area totals are for State of California, the only far west State which reports such data.

Source: State departments of labor and U. S. Bureau of Labor Statistics.

TABLE II.—*Distribution of major textile labor market areas according to adequacy of labor supply, January 1958*1. Areas of substantial labor surplus:<sup>1</sup>

Fall River, Mass.  
 Lawrence, Mass.  
 Lowell, Mass.  
 Manchester, N. H.  
 Providence, R. I.  
 Altoona, Pa.  
 Scranton, Pa.  
 Wilkes-Barre-Hazleton, Pa.  
 Cumberland, Md.  
 Asheville, N. C.

2. Areas of moderate labor surplus:<sup>1</sup>

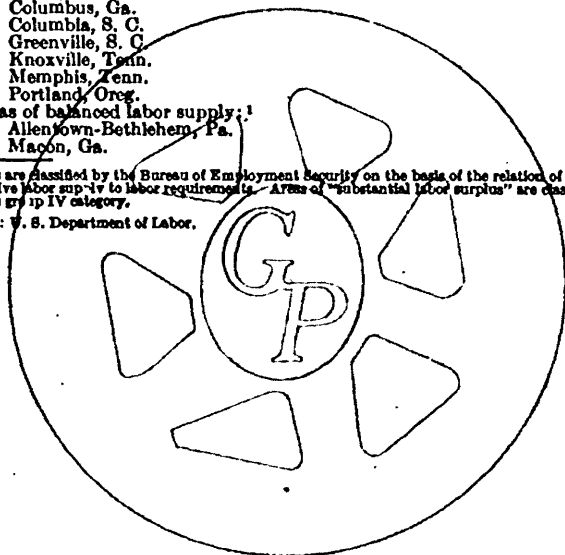
New Bedford, Mass.  
 Springfield-Holyoke, Mass.  
 Worcester, Mass.  
 Paterson, N. J.  
 Utica-Rome, N. Y.  
 Philadelphia, Pa.  
 Charlotte, N. C.  
 Durham, N. C.  
 Greensboro-High Point, N. C.  
 Raleigh, N. C.  
 Gadsen, Ala.  
 Montgomery, Ala.  
 Columbus, Ga.  
 Columbia, S. C.  
 Greenville, S. C.  
 Knoxville, Tenn.  
 Memphis, Tenn.  
 Portland, Oreg.

3. Areas of balanced labor supply:<sup>1</sup>

Allentown-Bethlehem, Pa.  
 Macon, Ga.

<sup>1</sup> Areas are classified by the Bureau of Employment Security on the basis of the relation of current and prospective labor supply to labor requirements. Areas of "substantial labor surplus" are classified in the Bureau's group IV category.

Source: U. S. Department of Labor.



## UNEMPLOYMENT COMPENSATION

TABLE III.—Estimated unemployment in Massachusetts textile areas unemployment as a percent of estimated labor force, October and November 1951

	October 1951	November 1951
<b>Lowell area:</b>		
Labor force.....	51,830	51,690
Unemployment.....	4,800	4,400
Ratio.....	9.3	8.5
Total claims, middle week of month <sup>1</sup> .....	3,098	3,107
<b>Lawrence area:</b>		
Labor force.....	58,930	59,090
Unemployment.....	12,000	11,100
Ratio.....	20.4	18.8
Total claims, middle week of month <sup>1</sup> .....	19,723	18,192
<b>New Bedford area:</b>		
Labor force.....	74,400	74,400
Unemployment.....	4,350	4,050
Ratio.....	5.8	5.4
Total claims, middle week of month <sup>1</sup> .....	3,905	3,408
<b>Fall River area:</b>		
Labor force.....	63,658	63,400
Unemployment.....	5,200	5,800
Ratio.....	8.2	6.0
Total claims, middle week of month <sup>1</sup> .....	4,353	3,049
<b>North Adams area:</b>		
Labor force.....	18,250	18,190
Unemployment.....	1,400	1,300
Ratio.....	7.7	7.2
Total claims, middle week of month <sup>1</sup> .....	947	500
<b>Maynard area:</b>		
Labor force.....	2,000	2,000
Total claims, middle week of month <sup>1</sup> .....	89	124

<sup>1</sup> Claims for partial unemployment have been excluded.

<sup>2</sup> Commencing with the October and November claim totals given above, signatures have been excluded from those individuals who were actually working on their first week of "staggered" employment after a week or more of unemployment. For the week ending Nov. 24 and Oct. 20, some 1,077 and 1,311 such signatures have been excluded from the claims totals in contrast to all previous reports when such signatures were included. The claims totals given above do include the following initial claims which are generally filed by those who were at work in the prior week to which the continued claims apply: Nov. 24, 1951, initial claims; Oct. 20, 1951, initial claims.

Source: Massachusetts Division of Employment Security.

TABLE IV.—Maximum weekly unemployment compensation benefits and maximum duration of weekly payments in selected States (as of Dec. 1, 1951)

Area and State	Maximum weekly pay- ment	Maximum compensable weeks of un- employment per year	Average weekly earn- ings, textile mill products industry
<b>New England:</b>			
Maine.....	\$25	20	(1)
New Hampshire.....	28	26	\$58.46
Vermont.....	28	26	(1)
Massachusetts.....	33	23	58.39
Connecticut.....	24	26	60.89
Rhode Island.....	25	26	60.53
<b>Middle Atlantic:</b>			
New York.....	36	26	54.86
New Jersey.....	25	26	64.87
Pennsylvania.....	30	26	53.24
<b>South:</b>			
Virginia.....	20	18	51.21
North Carolina.....	30	26	46.13
South Carolina.....	20	18	48.51
Georgia.....	20	20	43.40
Alabama.....	22	20	47.34
Tennessee.....	22	22	48.43

<sup>1</sup> Not available.

<sup>2</sup> \$25 for workers with dependents in Connecticut; \$31 in Massachusetts.

<sup>3</sup> \$30 for benefit years beginning Dec. 31, 1951.

<sup>4</sup> November 1951 figures.

Source: Social Security Bulletin, December 1951.

The CHAIRMAN. Is there anyone else?

Mr. BLOCK. Yes, sir.

The CHAIRMAN. You wish to make a statement also?

Mr. BLOCK. Yes, sir.

The CHAIRMAN. Will you please identify yourself for the record?

**STATEMENT OF HARRY BLOCK, VICE PRESIDENT, INTERNATIONAL UNION OF ELECTRICAL WORKERS, CIO, AND PRESIDENT, PENNSYLVANIA INDUSTRIAL UNION COUNCIL**

Mr. BLOCK. Mr. Chairman, my name is Harry Block, vice president of the International Union of Electrical Workers, CIO, and president of the Pennsylvania Industrial Union Council.

Mr. Chairman, ours is a new industry as far as industries are known in the electrical industry and covers the electronics field, and is of vital importance to the war-production and defense-production program.

As of the end of 1951, some 11 percent of our members were laid off; Most of this unemployment had already gone into the 6 months' period, and with the cut-back in copper, especially, the amount of unemployment is even going to grow.

Two of the most important reasons for this unemployment are the reduction in the allocation of critical material, copper especially, secondly the failure of the procurement agencies to offset with defense orders the cut-back in civilian production.

Because it is a new industry, certain skills that have been accumulated in that industry that will go into radar and other electronic devices of the defense program will be lost, especially if the manpower goes from the Philadelphia-Camden area, the Chicago area, and the Indianapolis area, into other fields where new plants are being built.

The three areas designated, Philadelphia-Camden, Chicago, and Indianapolis, are really the heart of the electronics radio-television industry, as they are known today.

We have been told by the bureaus that 80 percent of the copper will go for defense orders and into stockpiling, leaving approximately 20 percent for civilian production. Twenty percent for civilian production means that at least 15 percent more of the industry will be laid off, and that amount of manpower lost to the area.

Unless we maintain this manpower in the area, the copper shortage will become even worse because of spoilage when the trained worker leaves the particular area.

The cut-back in television and radio, not because of overproduction, but due to the cut-back in materials, has a far-reaching effect upon employment in wood and rubber and glass, because they all make up component parts of the electronics industry, and the displacement there goes far afield.

In Pennsylvania, we have a maximum of \$30 a week without dependent allowance as unemployment compensation. The average increase in Pennsylvania under the Moody bill will not be 50 percent of the State figure, but will actually amount to approximately 30 percent of the State figure, because a worker earning \$60 a week, receiving \$30 under the State law, could only, under the bills 65 percent maximum, receive a total of \$39 instead of \$30 plus \$15, or a total of \$45.

Taking an across-the-country average, it would still approximate between 30 and 35 percent because of the double checks, both on the dollar ceiling and the percent ceiling.

The Pennsylvania situation not only covers electronics as such, but also covers steel, and change-overs in the steel industry. In changing furnace types, we find that in small towns that are strictly steel towns, approximately four plants are being laid off due to reconversion, and sometimes 2,000 out of a total of 3,000 are laid off in one steel plant.

We find that in the small towns, especially, when these lay-offs occur, and when the purchasing power is not large enough, that homes are lost, insurance policies are dropped, the grocer does not get paid, and eventually it gets down to the farmer, the storekeeper, the doctor, all not being paid, and being directly hit by the lay-off.

Most of the States pay between one-twentieth of the highest quarterly wage and one twenty-sixth of the highest wage in unemployment compensation benefits. In a field where the average wage is approximately \$60 a week in the electronics industry, with rent and food prices being what they are, the 65 percent figure, which gives a figure of approximately \$39 a week, is a little less than what is actually needed to pay rent and supply just half of the necessary food in a family of four.

The International Union of Electrical Radio Machine Workers and the Pennsylvania CIO Council ask for the adoption of Senate bill 2804, not on the basis that it will assist the worker in maintaining a decent standard of living, but merely that it will alleviate some of the suffering that is now going on, and will, as stated by the other speakers, bring about some kind of equalization of sacrifice both on the part of industry and labor.

Thank you.

The CHAIRMAN. Thank you, sir.

(The prepared statement of Harry Block is as follows:)

#### TESTIMONY OF HARRY BLOCK, VICE PRESIDENT, IUE-CIO

As of the end of 1931, there were over 47,000 unemployed in the industries covered by IUE-CIO. Of these about 15,000 were in radio, television, and related industries, 8,000 in appliances and lamps and 24,000 in household electrical equipment. This is equal to about 11 percent of the total employment of 450,000 that existed in these sectors a year ago.

Most of this unemployment has lasted at least 6 months, and in the case of the latter two groups it is growing. What happens to the unemployment in the radio-TV industry may be determined in a substantial degree by the current changes in military procurement for electronic items.

In the main, this unemployment has been created through the operation of the defense program and because of Government orders and regulations. To a large degree, the unemployment is due to three major causes:

I. The reduction in allocation in critical material to consumers electrical goods. This in turn has been due to the shortage of metals, principally copper.

II. The failure of the procurement agencies to properly allocate defense orders so that the reduction in production of consumer goods would be offset with sufficient increased defense requirements.

III. The failure of consumer buying power due to high prices and taxes; also, the bad judgment and greed used by many producers of consumers goods in first frantically overproducing and then just as frantically cutting production throwing thousands of employees out of work.

The facts regarding these points will be indicated. It is sufficient to say that since this unusual and prolonged unemployment has been created by and through Government action and activities, it is a responsibility upon Government to help to alleviate the situation. We wish to make it perfectly clear that we do not consider the provisions of the present bill as any substitute for returning these unemployed

workers to useful and gainful employment. That responsibility in our opinion, especially in this present critical period, is the paramount one. But unless and until that is done, those who are made unemployed should not be required to themselves bear the burden of this unemployment. As workers they have paid for their share of the defense program in additional taxes and in the increased cost of living. They should now receive some of the protection that is required as a result of the operation of the defense programs.

#### I. MATERIALS ALLOCATION

The copper problem is the key and virtually the limiting factor in the shortage of critical materials. It is largely responsible for unemployment in our industry. The supply of copper available to this country is 200,000 tons of copper a year less than what was available during World War II. Of this reduction, there has been a drop of 160,000 tons in the domestic production—a drop from 1,120,000 tons in 1942-43 to 960,000 in 1951. As a result of this drop in domestic production and imports, the allocations of copper to the consumer durable goods in our industry has been reduced to 35 percent of the level of the first half of 1950—a cut of 65 percent. While that period showed better production and employment than 1949, the first part of 1950 itself was still a period of some unemployment.

The electrical industry is the largest consumer of copper in the country, using about 30 percent of the Nation's supply. Copper is our life-blood for production and employment and these drastic reductions in copper supply have been a major cause of the current unemployment. The failure of copper supply to match even the levels of 1942-43 is due mainly to the greed and selfishness of the three monopolistic copper producers and the ineptitude, timidity, and failure of our Government agencies to secure increased supplies.

Phelps-Dodge, Anaconda, and Kennecott produce about 80 percent of the Nation's domestic supply. Anaconda and Kennecott are the chief owners of the Chilean mines which is our chief source of overseas production. The failure of these companies to increase domestic supplies is due in our opinion to a form of sit-down strike in which they have been attempting to drive a hard bargain with the Government in terms of subsidies to themselves, increased prices and exorbitant guarantees of profits. They have been successful to date in halting for a year any program of aid to the smaller high cost mines and until recently they had convinced Mr. Jess Larson, head of the Defense Minerals Administration, of the virtue of refusing to utilize funds made available by Congress for assisting small high cost mines.

While it is true that the subsidy program has now made a halting and timid start among the high cost small mines, the large producers are campaigning unceasingly for another price increase, this time of 3 cents a pound, as a condition for all-out production.

In 1942-43 we produced 1,120,000 tons of copper a year and the domestic price to these large producers was 12 cents a pound. In the intervening years, the labor costs of mining 1 pound of copper has increased a little over 1 cent and it is likely that the total cost of producing a pound of copper has increased no more than 3 to 4 cents. But the domestic price of copper has increased by 12 cents or 100 percent. As a result, these three great controllers of the copper industry are making net profits after taxes two to three times as great as in 1942-43 with a small production of copper. Kennecott in 1951 made a net profit after taxes  $2\frac{1}{2}$  times as large as in 1942-43 and earned nearly 10 percent on the stockholders investment. Phelps-Dodge's net after taxes increased by more than 4 times and the company is now giving the stockholders a 100 percent stock dividend this year after lush cash dividends. With  $24\frac{1}{2}$  cents a pound for copper they are obviously doing extremely well and should be capable of expanding production without further subsidies.

Starting back in October 1950 our union raised this problem with the defense production officials and we have raised it unceasingly ever since. We have demanded that the Government work out a program that would assure the full production of all copper possible, both in the large, low cost and in the marginal mines, and we should not have this sit-down strike on the part of the great producers.

A pound of copper goes a long way in our industry. For example, 10 workers can be employed with 1 ton of copper a year in the radio-TV industry; 6 workers with 1 ton on domestic electrical appliances.

The reduction of 160,000 tons a year in domestic supply since 1942-43 is 4 times as much as the entire electrical household and appliance industry, including radio and television used in 1947 and which employed 300,000 people. In other words, the 160,000 tons a year lost was enough copper to provide 1,200,000 man-

years of work. None of the experts are willing to predict any real improvement in the copper picture in less than another year. We, thus, have a long term unemployment problem to cope with and that requires national action. We insist that the workers in our industry should not be made to pay for the unemployment that has resulted from the failure of both industry and Government to secure an adequate supply of copper.

#### II. PROCUREMENT POLICY

A substantial part of the present unemployment is due to the failure of the procurement agencies to properly allocate defense contracts and of the prime contractors to properly allocate subcontracts.

After all, with the exception of perhaps 2 or 3 percent of our supplies that go to the stockpile, the scarce materials which are taken away from civilian work go to defense production. Under a perfectly functioning system, if each company and plant would have returned to it for defense production the scarce materials that were taken away from its civilian production, there should be very little unemployment.

While we do not expect such a perfectly operating system, we do believe that the disproportion between reductions of civilian work and the increase in defense work in various plants has been far too great. While facilities, manpower and equipment lie idle in some plants, scarce materials are being used to construct entirely new plants, recruit and train entirely new labor forces, all resulting in a waste of manpower and materials. Furthermore, large companies who are getting the lion's share of defense contracts, have been unwilling to subcontract sufficiently to spread this work into plants whose civilian production has been cut back. For example, we are informed that expenditures for military items will be running at the rate of \$52 billion a year as compared with \$10 billion a year, fiscal '51. This is an increase in expenditures of \$37 billion a year, and is equal to practically the total spent by the American people for consumers durable goods including autos and housing in the boom year of 1930. In other words, the increase in military spending is equal to the entire amount spent for all of our consumers durable goods and all of our housing.

With such a tremendous increase in spending, certainly it should be expected that there would be no unemployment in these industries—that there would be enough defense orders to reemploy the people affected. Yet in our part of this field alone there are 47,000 unemployed.

A case in point has come from part of our own industry, the electronics industry. There have been many complaints that the shortage of production of electronics equipment has been holding back the whole defense program. Yet it is in this field where some of the most glaring illustrations occur of the waste of manpower and facilities.

The radio and television industry already has plants, facilities, manpower, technical skill, capable of producing a large part of the electronic equipment needed. Thousands of people in this industry are unemployed today and facilities are underutilized. Yet entirely new plants are being erected with the use of scarce materials and entirely new work forces are being trained. There is simply no relationship between the location of the trained manpower of the radio and TV industry and that of the military electronics program.

For example, Chicago, which has 19 to 20 percent of the radio-TV and parts labor force, got only 8 percent of the military contracts. The Philadelphia and Camden area, that has 12-13 percent of the radio-TV manpower, got only 10 percent of the military contracts. Fort Wayne, which has 3-4 percent of the radio and TV manpower, got only .06 percent of the military contracts. Yet Los Angeles, which has only about 2 percent of the radio-TV manpower, got 10 percent of the military contracts.

Of the \$4 billion for procurement of military electronics articles placed in fiscal '51, less than 8 percent went to the radio-television industry. Companies which had not been in the industry at all received about 20 percent of the defense orders.

The Government has aided in this terrific waste by issuing with the utmost liberality certificates of necessity which provided a handsome tax exemption to build new plants. In Bowling Green, Ky., the Westinghouse Co. closed and abandoned a plant which was built only during the last war for making of electronic tubes. Several hundred people were thrown out of work. Yet the Government has issued \$30 millions in tax amortization certificates to the Westinghouse Co. for the building of new plants to make electronic tubes in entirely new areas.

We do not object, in fact, we approve, of the policy to expand our industrial capacity. But we maintain that it makes no sense to throw out of work people

who could be producing defense goods while entirely new and unnecessary plants are constructed out of the materials which could have kept these people at work.

The same situation exists in the other consumer goods parts of our industry which had been making refrigerators, washing machines, small electrical appliances, etc. Reports from all over the country, show that thousands of these workers are unemployed, drawing a miserable unemployment compensation and are prevented from usefully producing the things we need.

Starting toward the end of 1950, shortly after the defense program got under way, our union warned the agencies of Government against these dangers. We called them to the attention of the Munitions Board, the DPA, the NPA, the ODM, to committees of Congress. In spite of these warnings, the dangers we pointed to, of large-scale unemployment in the midst of a defense boom, exist and has continued for months.

### III. FAILURE OF CONSUMER BUYING POWER

The unemployment that exists at present in consumer goods industries is obviously not all due to the defense program. Thousands of workers are unemployed in textiles, clothing, shoes, and other soft goods nondefense industries. Here, it is acknowledged, the problem is one of a failure of consumer demand. This failure of consumer demand in turn threatens parts of our own industry.

Propaganda that the defense boom has substantially raised the standard of living of workers is simply not true. In the main, workers have been hard put to it to keep abreast of rising living costs and taxes. For example in spite of a raise of \$11 a week in wages—from \$50 to \$67—the average worker in manufacturing had a spendable income in December 1951 that was only 30 cents a week higher than in January 1950. By spendable income, we mean the income after Federal taxes in January 1950 dollars. In other words, even without considering the increased impact of local sales and other taxes, the average worker could spend only 30 cents a week more in December 1951 than in January 1950. In our own electrical machinery industry, in spite of an increase of \$12 in gross weekly earnings—from \$58 in January 1950 to \$70 in December 1951—the spendable income increased by only 73 cents a week.

Secretary of Labor Tobin has pointed to the fact that there are 20 million workers and many of these are in our own industry whose wages have not even kept pace with the increased cost of living. These workers cannot even buy as many goods as they did in January 1950.

In the meantime, workers have hanging over them about \$20 billions of installment payments which is a heavy burden on their pay checks.

While it is true that savings are running at a rather high rate, every report of the Federal Reserve Board has demonstrated the fact that the vast bulk of these savings are held by the groups of incomes of more than \$5,000 a year. In 1950 for example, according to the Federal Reserve Board, the 10 percent of our population with the largest incomes has 73 percent of all the net savings. In contrast the 70 percent of the people at the bottom spent more than they earned.

The net result of all this is that 15 million workers in manufacturing who are barely keeping abreast of the January 1950 levels cannot buy the clothing and textiles and shoes to keep workers in those industries employed. In turn, the ability of clothing and textiles workers to buy consumer durable goods is restricted.

To the extent that price and tax increases have wiped out increased purchasing power and even reduced it among millions of workers, Government policy is responsible for a part of the current unemployment.

At the same time, many producers of consumer durable goods in an effort to take advantage of the situation in 1950 overproduced. They had expected to sell their goods at high prices in a sellers' market before price controls could be made effective. This no doubt contributed to the slump that took place in the middle of 1951 from which we have not fully recovered. Many consumers reacted violently against the rising prices, others found that the imposition of price controls made panic-buying unnecessary and still others found that the rapid increase in the cost of food and rents prevented them from expanding their purchases of other goods.

### IV. NEED FOR THE CURRENT BILL

At the present time unemployment compensation benefits provide a maximum of about 50 percent of a worker's weekly wages, but never above a given dollar figure. According to many surveys, the cost of food and rent alone amounts to



more than 50 percent. In other words, present unemployment compensation benefits are not adequate to provide enough for even food and rent. If unemployment continues over any period of time, the weekly deficits in order to provide the basic necessities of life will more than wipe out any savings most families may have.

For a worker in the electrical industry with average wages of \$70 a week (equivalent to \$58 in January 1950 terms) the present bill would provide a maximum of \$40 if he had two dependents, depending upon the State. This is little more than enough for food, rent, and the minimum essentials of family maintenance. Forty-nine dollars a week at current prices and considering the increased taxes is equivalent to only about \$40 on the basis of January 1950 prices and taxes.

In the national survey of State benefits released by the United States Department of Labor entitled "Significant Provisions on State Unemployment Insurance Laws September 1, 1950," it was shown that the benefits paid by States range from one-twenty-sixth of the wage of the highest quarter to one-twelfth of the wage of the highest quarter. Where the standard of one-twenty-sixth is used the amount added to the workers benefit under this bill will be 33 1/3 percent. Where the one-twelfth is used the additional amount would be correspondingly less. The overall figure would be certainly less than \$10.50 a week, that would be needed to make up to 50 percent of the national paid-out average. In States that had a maximum payment of \$30 a week and a worker earned \$60 a week the additional amount under this bill which provides for 65 percent maximum would be about \$9 a week. Where \$21 per week is the benefit maximum the 50 percent increase would be \$10.50 a week.

Workers displaced through no fault of their own should at least be given the same consideration as businessmen that received tax deductions in years when their profits do not equal certain standard figures. Workers do not have the carry-back and carry-forward provisions of businessmen nor do they get tax-exemption certificates. We believe that the provisions of the present bill are in reality very modest since the total that the person could get would be limited in most cases by the level of State payments in dollars per week rather than by the 65 percent ceiling that is in this bill. Even under this bill workers could not maintain themselves and their families for any length of time by this additional unemployment compensation. But it might be the means of keeping certain skills and industry in an area until defense orders have taken up the slack.

In our opinion, the provisions of this bill would have a salutary effect in prompting and pushing government officials to provide means for the reemployment of able-bodied unemployed workers. It will be found that putting defense contracts into areas of heavy unemployment is much cheaper than paying additional unemployment compensation benefits. It would be a means by which the provisions of Defense Manpower Policy No. 4 for the placement and procurement in areas of labor surplus is really made effective. In turn, the additional unemployment compensation provided for by this bill will create purchasing power to help the sorely distressed clothing, textile, leather, and other soft goods industries.

Since the unemployment in our industry and a substantial part of that of many others is due in large measure to governmental policies and actions in the fields of defense contracts, materials, allocations, prices, and taxes, the victims of this unemployment should not be required to bear the burden of it upon their own shoulders. The additional benefits requested under this bill should be considered and as a national charge--a large part of which should be added to the defense costs.

We consider this bill, however, as only a temporary and stop-gap substitute for revision of the entire unemployment compensation structure, which should require a Federal system with more adequate benefits. The need for this bill and the present unemployment situation clearly demonstrates that the unemployment locally is in so many cases the result of policy by Government or industry on a national level. Therefore, action to alleviate it must also be on the national level.

**The CHAIRMAN.** Is there anything else?

**Mr. REUTHER.** Mr. Chairman, I would like to present Mrs. Katherine Ellickson, who is the secretary of the CIO social-security committee. She has several statements to file, and several other people will file statements.

**The CHAIRMAN.** You may have a seat, Mrs. Ellickson. We are glad to have you here. Do you wish to make a statement?

**STATEMENT OF MRS. KATHERINE ELLICKSON, SECRETARY, CIO  
SOCIAL SECURITY COMMITTEE**

Mrs. ELLICKSON. No, Mr. Chairman. I am not making a statement myself, but I would appreciate an opportunity to have some other CIO representatives say a few words each. They have come representing CIO international unions and State union councils that are particularly affected by unemployment. Each has prepared a statement to be filed. We realize that you do not want to take the time, and we do not want to ask you to take the time, to hear the complete statements, but we would appreciate an opportunity in each case to have the statements incorporated as a part of the record.

The CHAIRMAN. They may be filed and placed into the record, and the witnesses may supplement their statements.

Will you please introduce them?

Mrs. ELLICKSON. Yes, I will be happy to do that.

This is Mr. William Belanger, the president of the Massachusetts State Industrial Union Council, who is also prepared to speak for the entire New England situation, which, as you know, is a serious one.

**STATEMENT OF WILLIAM BELANGER, PRESIDENT, MASSACHUSETTS  
STATE CIO INDUSTRIAL UNION COUNCIL**

Mr. BELANGER. Mr. Chairman, my name is William Belanger, and I am president of the Massachusetts State CIO Industrial Union Council, and also have been authorized by our other CIO councils of our other States in New England to say a few words for them here today.

Mr. Chairman, in New England, we face a very serious problem today. During the latter part of 1951, 50,000 jobs were lost. We have presently 7 out of 23 areas that are considered substantial unemployment areas in the country that exist in New England.

During January 1952, the month past, 150,000 filed claims for one or more weeks of unemployment. In Massachusetts, we have 80,000; in Rhode Island, 26,000--and that is the smallest State in the Union; Connecticut, 20,000; Maine, 12,000; New Hampshire, 9,000; Vermont, 3,000.

The critical areas are Providence, Pawtucket, R. I., areas; Manchester, N. H.; New Bedford, Fall River, Brockton, Lowell, and Lawrence, Mass.

The CHAIRMAN. Are those textile centers?

Mr. BELANGER. The Providence area is textiles-jewelry; Brockton, Mass., shoes; Manchester, shoes and textiles; Lowell, Lawrence, Fall River, New Bedford happen to be textiles.

The unemployment-compensation claim load is 35,000 higher than a year ago.

The CHAIRMAN. Now, is that directly due to the defense program, or does the defense program contribute to it directly?

Mr. BELANGER. The defense program does contribute to it because the dislocation of our economy during the emergency period has affected such areas as Bridgeport, New Haven, and Hartford, Conn.; and there they have a machine-tool industry and durable goods industries.

Now, the rough estimate of total unemployment in New England as a whole could be between 200,000 and 250,000, which means that 30 or 40 percent have exhausted claims. You see, the first figure I gave you is those that had filed claims.

The CHAIRMAN. Yes, I understood.

Mr. BELANGER. In Lawrence, Mass., for instance, with 12,000 workers, there are 6,500 that have exhausted their claims. Rhode Island is very hard hit.

In addition to this, we find that at the end of December 1951, there were 16,046 active public-welfare cases, and so we come before you to lend our support to S. 2804, because we believe it will liberalize our unemployment-insurance benefits as provided in that bill.

The CHAIRMAN. Thank you, sir, very much.

(The prepared statement of Mr. Belanger is as follows:)

STATEMENT OF WILLIAM BELANGER, PRESIDENT OF THE MASSACHUSETTS STATE CIO INDUSTRIAL UNION COUNCIL

Unemployment in New England is most severe. We are suffering from the contraction in consumer demand which has hurt our textile, shoe, and consumer-goods industries. We have also witnessed a sharp curtailment of employment from the limitations on raw materials to consumer-goods industries as in the case of the jewelry industry.

The unions in these industries have appealed to the Federal Government for immediate aid. They want employment. The Textile Workers Union of America has urged acceleration of the military-procurement program to help tide over the period of low-consumer demand. The jewelry unions have asked the Government to award them Government contracts of the type which they can meet. Emergency action is necessary to revive the entire area. In the meantime we have urged the governors of the New England States to consider the long-term problems of the region so that a strong movement for expansion of new employments in the region may be immediately started.

We, in New England, are suffering from the absence of an enterprising management. The older families of New England have allowed their manufacturing industries to decline in efficiency. The third and fourth generations have abandoned their holdings and have diverted their interests to newer industries in other parts of the country. They have failed to modernize their plants. They have lost touch with the advances in good management.

The foundations and trusts which preserve these great fortunes of New England seek safe and conservative investments and are not enterprising. They have gravitated to life-insurance companies of which we have many in New England and to investment trusts which had their start in New England.

They have left a large void in the region. New enterprise has not started easily since the holders of capital were not interested in the region. They either preferred to clip coupons or develop other regions. The westward movement of New Englanders has stimulated other areas but left our region behind.

The older financial groups have also repressed the newer ethnic groups in New England and held them back from becoming significant factors in the economic life of the region. Economic opportunities have been limited for these newer groups. A few have broken through and have attempted to revive older enterprises or start some newer ones. Unfortunately, the banking interests have even discouraged those who have attempted to rebuild the textile companies since they have insisted that new capital should be invested in the South and not in New England. These banking interests have assisted the speculators and second-hand machinery dealers and liquidators to buy out the older facilities and later to exploit our tax laws to liquidate these holdings, with the consequence that mill towns have seen mills close and their employment shrink. As a result, New England economic development has languished.

In the face of these developments, the workers have been helpless. They have protested. They have urged lower power rates; they have insisted on more efficient operations of government. They have asked for aids to small business. They have insisted that research institutions be established to develop the resources of New England and aid the enterprisers find new resources.

The CIO in New England has been in the forefront of promoting regional developments of various types. We encouraged the Council of Economic Advisers to appoint a group of economists to study the New England economy. We have aided the National Planning Association to establish a committee of New England to encourage the region's economic development.

We are ready in all cases to stimulate and aid, and approve of steps for the region's economic growth. It has opportunities. It has trained and ambitious human resources; it has the varied talents of millions of highly educated and talented persons. These people want the opportunities and the United States must provide them.

The region suffers from its desertion and neglect by those who have garnered their riches from it. These difficulties have been compounded by the mobilization program. The restrictions on buying, the high taxes, the high food prices, the removal of rent ceilings, the award of Government contracts to other regions, as well as the encouragement of home ownership with its long-term mortgages, have led to the reduction of consumer buying. This type of contraction of employment cannot be differentiated from that resulting directly from the curtailment of supplies as in the jewelry industry.

We, therefore, believe that this is the opportunity to aid the region maintain the working qualities of its people. They are ready and able to participate fully in the rearmament program. Many come from countries where dictatorship has taken a real toll. They either have known or have heard of the persecution of members of their families and friends by dictators. They are devoted to the freedoms and opportunities which they have enjoyed here. They want more opportunity through new employment.

It is necessary to help the group until new employments develop in their communities and while they seek them in new places. New England workers must receive special recognition from this Nation for it is their labors which have provided the profits and dividends to the older New England financial groups who invested in other regions of the country. The financial fortunes of New England were built upon the low wages, long hours and inufferable conditions found in the older mills. These privates in American industry deserve consideration in this period when public policy has narrowed purchasing power to limit the consumption of textiles and shoes and to restrict the amounts of jewelry which is being manufactured. They should not be depressed by the current high costs of living. The more liberal insurance benefits can help them tide over this period.

New England has some of the most depressed areas in the country because the unemployment in the textile, shoe, and jewelry industries cumulate in this area and necessarily generate new clusters of unemployment in the service industries. During the year 1951, New England lost 50,000 jobs. New England has 6 areas of substantial unemployment out of the total of 23 in the entire country. A seventh area, New Bedford, is likely to be added soon. The present areas of substantial unemployment are Brockton, Fall River, Lawrence, and Lowell, in Massachusetts; Providence, R. I., and Manchester, N. H.

During January 1952, 150,000 individuals filed claims for one or more weeks of unemployment. They were as follows:

Rhode Island .....	26,000
Massachusetts .....	80,000
Connecticut .....	20,000
New Hampshire .....	9,000
Maine .....	12,000
Vermont .....	3,000

The claim load is 35,000 higher than a year ago.

A rough estimate of total unemployment in New England at the present time would be between 200,000 and 250,000, many of whom have exhausted their benefit rights under unemployment insurance. For example, in the city of Lawrence, Mass., the estimate of unemployment is 12,000. Of this number, 6,930 are currently collecting unemployment insurance. The cumulative exhaustions since April 1, 1951, in the current benefit year were 6,579. Some of these have gone back to work and others have retired from the labor force, but a large segment of the total of 6,579 are still unemployed, available for work, but have no benefit rights accruing to them under unemployment insurance. A similar situation is true in Lowell and Brockton. In New Bedford and Fall River, the total unemployment looms large and the percentage of those collecting unemployment insurance is proportionately large. This is due to the fact that the heavy declines in New Bedford and Fall River have been fairly recent.

While the situation in Connecticut is the reverse of that in the other five New England States so far as total employment is concerned, there are still pools of unemployed in the durable-goods and machine centers of the State. For example, Bridgeport has a total unemployment of 3,400 people, and of that number 2,523 are collecting unemployment insurance. In this area, 1,022 of the unemployed have exhausted their benefits. Hartford has a total unemployment of approximately 2,700, and New Haven an unemployment of approximately 2,500.

The Providence-Woonsocket-Pawtucket area in Rhode Island has probably been the worst hit area in New England. The estimate of unemployment in Rhode Island runs from 35,000 to 50,000 with 28,000 currently collecting unemployment insurance benefits; 30 percent of those covered in the program in that area have already exhausted all their benefits.

Attached to this statement is a table showing the total unemployment, total insured unemployment, and cumulative benefit exhaustions, for key cities in Massachusetts and Connecticut (table I).

We are also attaching a list of the recipients of public welfare in four Massachusetts cities in December 1951. In these four cities with a labor force of 250,000, 30,300 persons were unemployed, of these about 21,000 were entitled to unemployment-insurance benefits. The remainder had already exhausted their benefits. In addition, in these communities, in December 1951, there were 10,016 active public-welfare cases. Of this number 12,232 were on old-age assistance representing generally persons who had been released from employment and unable to support themselves. There were 2,185 cases of general relief. There were 1,322 cases of aid to dependent children and 317 cases of aid to disabled. These are the tools of unemployment which we would like to minimize through the proposed legislation.

The unemployment-insurance laws of New England provide maxima of \$24 per week in the case of Connecticut, \$25 per week in the case of Maine, Massachusetts, Rhode Island, and Vermont, and \$28 in the case of New Hampshire. The State of Connecticut pays \$3 for each dependent up to one-half of the weekly wage. In this case, the present bill will be most beneficial in raising the ceiling to 65 percent of the weekly wage for persons without dependents and 75 percent for those with four or more dependents. The State of Massachusetts pays \$2 per each dependent child but sets a maximum the average weekly wage.

These benefits when compared with actual earnings definitely establish their inadequacy and the need for supplementation. These weekly benefits in States without dependency allowances are typically well below 50 percent of the average earnings in the State (table III). The addition of the 50-percent supplementation will bring benefits typically to about 65 percent of the average weekly earnings in the States.

We urge your committee to recommend the adoption of the bill designed to liberalize unemployment-insurance benefits as provided in the present bill.

TABLE I.—Total and insured unemployment, and cumulative exhaustions in Massachusetts and Connecticut cities

Area	Total unemployment <sup>1</sup>	Insured unemployment	Cumulative exhaustions <sup>2</sup>
Frocton.....	3,000	1,686	1,707
Lewist.....	4,700	2,831	2,793
Lawrence.....	12,000	6,930	6,879
New Bedford.....	5,630	4,000	1,845
Fall River.....	8,000	4,800	1,708
Hartford.....	2,700	1,374	912
Bridgeport.....	3,400	2,523	1,622
New Haven.....	2,500	1,876	837
New Britain.....	1,000	600	302
Waterbury.....	1,800	1,181	639
New London.....	650	631	227
Stamford-Norwalk.....	3,100	1,481	327

<sup>1</sup> Approximate.

<sup>2</sup> People who have since Apr. 1, 1951, exhausted in current benefit year. Some have gone back to work or retired from labor force.

<sup>3</sup> Heavy decline fairly recent.

TABLE II.—Number of public welfare recipients in Massachusetts cities in December 1961

December 1961	Old-age assistance	Abl to dependent children	Disability assistance	General relief
Jaycees .....	2,652	122		843
Lowell .....	2,544	703		579
Fall River .....	2,637	470	67	658
New Bedford .....	2,795	718	217	614
Total .....	12,222	1,322	287	2,156

TABLE III.—Maximum weekly unemployment compensation benefits, maximum duration of weekly payment, and average weekly earnings in New England States

Area and State	Maximum compensable weeks of unemployment per year	Maximum weekly payment	Average weekly earnings, total manufacturing (Nov. 1951)
NEW ENGLAND			
Maine .....	20	\$24	\$50.68
New Hampshire .....	26	28	53.68
Vermont .....	20	25	44.65
Massachusetts .....	21	125	59.95
Connecticut .....	26	121	68.90
Rhode Island .....	26	25	60.53

\* \$36 for workers with dependents in Connecticut; \$51 in Massachusetts.

The CHAIRMAN. Who is the next?

Mrs. ELLICKSON. Mr. Chairman, this is President Harry Sayre, of the United Paper Workers of America, CIO.

The CHAIRMAN. Mr. Sayre, you may have a seat.

### STATEMENT OF HARRY D. SAYRE, INTERNATIONAL PRESIDENT, UNITED PAPER WORKERS OF AMERICA, CIO

Mr. SAYRE. Mr. Chairman, I would like to insert in the record a statement on behalf of our organization.

The CHAIRMAN. Yes, sir. You may do so.

(The prepared statement of Harry D. Sayre is as follows:)

#### STATEMENT OF HARRY D. SAYRE, INTERNATIONAL PRESIDENT, UNITED PAPER WORKERS OF AMERICA, CIO

The current unemployment situation in various areas of the United States affects and includes major branches of the paper industry.

Workers in the container division of the industry, particularly those employed in corrugated box manufacture, have been severely hurt by this condition. As a direct result, serious cuts in employment and income have been sustained by paperboard mill workers.

Aggravating this situation is the fact that for the most part centers of paper industry unemployment coincide with those areas classed as labor surplus regions by the Department of Labor.

Paper workers laid off as a result of present industry conditions face the bleak prospect of searching for jobs in areas of labor surplus.

As in most heavy industry, the working force of the paper mill or paper converting plant is not mobile. Paper workers are unable to shift to areas of labor shortages. Furthermore, it can be readily demonstrated from past experience that it is not to the advantage of our mobilization effort to have experienced paper workers leaving this vital industry during a period of employment lag.

The current unfortunate combination of circumstances has the net result of wreaking a real and substantial hardship on unemployed paperworkers. We submit that this hardship is a direct result of the shift from civilian to military emphasis in many segments of our economy. The shift to defense production is part of our national mobilization effort. It is a national effort with concomitant national problems. Area unemployment is one of those national problems, a major problem.

It is obviously unfair and impractical to expect specific States to bear the cost for remedying this situation. Unemployment in one State caused by shifting to defense production is a national problem, the cost of which should be borne by all of the States.

Present provisions of various State unemployment compensation laws fall woefully short of the mark in ameliorating the situation as it is today. Paper workers unemployed during this "lag" period face a stringent cut in living standards.

Employees in the container and paperboard sections of the industry are normally above average in pay for United States industry as a whole. National hourly average for the paper industry (according to Bureau of Labor Statistics and Bureau of National Affairs figures) is \$1.40. By a conservative estimate, average weekly earnings of paper industry employees prior to lay-off, was between \$60 and \$80 with the median figure above the midpoint. It is obvious, therefore, that present unemployment compensation allowances, even the most liberal do not provide a minimum subsistence allowance for unemployed paper workers.

Continuation of unemployment, even for a relatively short period, means loss of homes, eyeflans, repossession of cars, refrigerators, radios, and so forth. Widespread conditions such as these can have a recurrent depressive effect upon the economy creating even further unemployment.

In the paper industry we face the prospect of the employment situation becoming worse rather than better. Thousands of paper workers are presently sharing short hours by agreement with management. Paper industry employers are reluctant to sever relationships with their experienced work force. These employers are also interested in seeing that their liabilities under compensation laws do not increase.

This cannot continue indefinitely as there is bound to be pressure from top non-union workers, who have every justification, to bring shift hours up to normal. These employees will have reached the conclusion that there is no sense in all "starving" together on industry's payroll when some could get longer hours by the balance "starving" on unemployment compensation.

Employment in the paper industry sharply reflects national and regional industry employment pictures. Trends in paper containers and paperboard are a barometer of future conditions in other industries. Used for packaging and shipping, ordered prior to the manufacture of hard goods, the paper container and related paper industry products suffer immediately when there is a slump. Cut-backs in the use of critical metals and other materials which have caused unemployment in various industries are felt first by unemployment in paper. This is borne out by the fact that our most significant unemployment area is in Michigan and the Middle West with proportionate slumps in other labor surplus areas.

The United States Government's defense program and its decisions have contributed in a large part to the present critical unemployment situation. This being true, and the facts are evident, it follows that the Government must assume the responsibility of correcting the basic cause while providing reasonable relief from present hardships of unemployment.

The United Paperworkers of America, CIO therefore earnestly urges the Senate Committee on Finance to immediately and favorably report out of committee, S. 2504.

Our union stands ready to supply the committee with any statistical data we have available on industry employment conditions.

Mr. SAYRE. I would like to supplement that with a few observations. It takes roughly 100 pounds of paper to construct the average automobile. Due to the cut-backs in the auto industry, occasioned by the mobilization effort, it has resulted in serious unemployment in our industry. The cut-back affecting generators, auto parts, radio parts, television parts, directly affects the paper industry, because all of those component parts of all of those items, these hard consumer goods, are usually contained in paper containers, cartons, corrugated boxes, and things of that nature.

The present estimate is that the paperboard industry, which is the basic material used for paper containers, is something more than 16 percent below capacity. During World War II the industry was operating at something like 110 percent of capacity. These figures demonstrate that the reduced production directly affects employment in the industry.

This has been brought about directly by the defense effort. We do not quarrel with the decisions that have been made in that respect. A week ago last Friday, I was a guest of the Defense Department at the Pentagon, and many generals and admirals explained the circumstances to us - several labor representatives - they pointed out something that is no secret, that the target date of the mobilization effort has been extended into the future.

They stated that this has been a calculated risk. The net result of that change insures the fact that the unemployment compensation in the paper industry is not going to be rectified by increased defense production.

During World War II, there was no lag such as exists at the present time. As quickly as we changed from consumer goods, the lag in our industry was taken up by production for the war effort. That is not true at the present time. The example that Mr. Reuther gave of the cut-back of 20,000,000 spark plugs means almost the same equivalent in the cut-back in the number of cartons needed for spark plugs, and the result will be that people who manufactured the cartons and people who manufactured the paperboard that went into those cartons are going to be unemployed.

Now, we have never been an exponent of the trickle-down theory of economics, but we feel that the basic result of the unemployment situation in our industry, as in other industries, is that certain evils are almost bound to trickle down to the economy and the rest of the population.

So, in conclusion, on behalf of our organization, the people that I represent in the paper industry who are definitely and drastically affected by these circumstances, we feel that the least that the Congress of the United States can do is to support and enact the bill, S. 2504.

The CHAIRMAN. Thank you, sir, for your statement.

Mrs. ELLICKSON. Mr. Chairman, Miss Gladys Dickason, vice president of the Amalgamated Clothing Workers of America, has prepared a statement. Unfortunately, she could not be present here. As you know, she is very familiar with conditions in the South.

However, Mr. Reier, of the Amalgamated Clothing Workers is here to file her statement, and I believe he will just say a few sentences about the situation in that industry.

The CHAIRMAN. You may file the statement.

Mr. REIER. The statement has been filed, sir.

**STATEMENT OF GLADYS DICKASON, VICE PRESIDENT, AMALGAMATED CLOTHING WORKERS OF AMERICA, CIO, PRESENTED BY ERWIN REIER, ASSISTANT COUNSEL**

Mr. REIER. My name is Erwin Reier, and I am assistant counsel for the Amalgamated Clothing Workers of America.

At the outset, I wish to urge the immediate enactment of S. 2504. All major clothing markets in the United States have been severely



hit as a result of the current recession. The auto workers, the textile workers, the paper workers, are not buying clothing. The clothing workers cannot buy clothing.

As a result the clothing workers cannot buy food. As a result of all this, the clothing workers have been hit, the auto workers have been hit, and the farmer has been hit. We have submitted in our statement a table showing the decline in production and the consequent decline in unemployment in the clothing industry.

Illustrative of this decline is a figure shown that the production of men's clothing for December 1951 is 33.1 percent less than it was for the corresponding period of 1950.

There are similar declines for the cotton garment industry.

It is manifest that the unemployment insurance benefits currently paid by the States are inadequate in terms of today's living costs. New York State, which until recently, until the recent amendment by the legislature, had a very liberal unemployment insurance law, paid an average of \$22.70 during the calendar year of 1951. Such a benefit does not afford the unemployed clothing worker or the unemployed worker in New York even the barest minimum.

The serious unemployment situation today we believe results from the dislocation due to conversion. We do not concede that this dislocation is inevitable. In fact, we believe that if a good many of the planks in the CIO platform had been adopted, the present dislocation could easily have been avoided and that America could have converted to defense production with an absolute minimum of dislocation.

Therefore, we feel that a good deal of the unemployment that exists today is a result of the Federal policy. As a result, the cost of bearing such unemployment must be a Federal responsibility.

We have not come here today urging the federalization of unemployment insurance. We merely believe that the Federal Government should bear its share in the cost of unemployment. We believe that no part of the American economy can be jettisoned without affecting every other portion of the economy. We cannot jettison the clothing industry or the auto industry without affecting every other part of our total effort.

I should like in conclusion to urge, sir, the speedy enactment of the pending legislation.

The CHAIRMAN. Thank you, sir.

(The statement of Gladys Dickason is as follows:)

**TESTIMONY OF GLADYS DICKASON, VICE PRESIDENT, AMALGAMATED CLOTHING WORKERS OF AMERICA, CIO**

My name is Gladys Dickason and my address is 13 Union Square, New York, N.Y. I am a vice president of the Amalgamated Clothing Workers of America, CIO.

I desire to express my appreciation to the committee for this opportunity to appear before it and to present the views of the Amalgamated.

I wish at the outset to make clear to the committee that we of the Amalgamated endorse S. 2504 and request its immediate enactment with the technical and perfecting amendments to which I shall make reference. Since Senator Moody in his testimony before this committee on Tuesday, February 19, elaborated upon the specific provisions contained in the bill, no useful purpose would be served by my submitting an outline and description of the bill's terms. Therefore, aside from describing the major inadequacies of the bill, I shall make no further reference to the precise terms contained in the bill.

The Amalgamated Clothing Workers of America, along with other CIO affiliates, has consistently urged mobilization of the resources of our productive might in order that the free world might be prepared to stand off any threat of Communist

aggression. We have realized from the outset that a mobilization program of this broad character requires some sacrifice on the part of every sector of the national community. Implicit in the statement "equality of sacrifice" however, is the fact that while every group must make its sacrifice for mobilization, no group within our economy shall be called upon to make a disproportionate sacrifice. Unfortunately, however, the facts bear out our belief that since the outbreak of hostilities in Korea, the workers of America have been subjected to disproportionate and needless sacrifices. It is certain that these burdens which have thus been inflicted upon the workers which we seek to have removed.

Distress and unemployment as a consequence of the mobilization program have been most marked in the consumer goods industries, particularly in the men's clothing and cotton garment industries.

Illustrative of the extent of the decline of production in men's clothing and consequent unemployment are the following figures recently released by the United States Bureau of the Census. The Bureau of the Census reveals that the barometer of production in the men's clothing industry, the volume of apparel cuttings, show that beginning in the month of April 1951 cuttings began to fall off sharply from the corresponding period in 1950. In fact, in the month of October 1951, cuttings of men's suits ranged 60.7 percent lower than in the corresponding month of 1950.

At this point, I refer the Senators to the table which I have attached to my statement setting forth in detail a comparison of the average weekly cuttings of men's suits, overcoats and topcoats between the years 1950 and 1951. I also draw your attention to the table showing the marked decrease in the production of men's cotton garments for the first 11 months of 1951 as compared with the first 11 months in the year 1950.

This decline in production and resultant also in unemployment in the consumer goods industries is attributable to the upward spiral in food prices and rents, a spiral which has severely restricted and limited the purchasing power of the consumer to such an extent that he is unable to buy consumer goods. The inflationary spiral that has accompanied mobilization and the de-location which has marked the conversion from the production of peacetime goods to the production of defense materials have served to create widespread unemployment of the workers in the consumer goods industries.

The enactment of H. 2504 would demonstrate to the workers unemployed as a result of the mobilization program that the Federal Government, recognizing in some measure its responsibility for their plight, is now at long last taking steps to alleviate their distress. That Federal action is essential is made plain by the following survey of State unemployment insurance laws.

It requires no elaborate statement on my part to demonstrate that if the minimal requirements of health and decency are to be preserved among the unemployed workers, workers unemployed as a result of the mobilization program, they must have unemployment benefits to supplement the existing State unemployment benefit schedules. I am sure that it is well known to you that the States have not even made a pretense of attempting to have unemployment benefit schedules keep pace with the galloping cost of living. But to set down today's cost of living and the present State unemployment benefit schedules in parallel tables demonstrates how unrealistic so-called State benefit schedules have become. In this connection the following table graphically sets forth the glaring inadequacy of State unemployment benefit schedules under present conditions:

State	Maximum weekly benefit	Average weekly benefit for 1951
1. Illinois.....	\$26	\$22.77
2. Maryland.....	25	19.03
3. Massachusetts.....	26	23.71
4. New Jersey.....	26	22.46
5. New York.....	25	22.70
6. Ohio.....	26	21.84
7. Pennsylvania.....	26	21.98

<sup>1</sup> Maximum benefit increased to \$27 per week for claimant beginning benefit year on or after Apr. 1, 1952.

<sup>2</sup> Maximum benefit increased to \$30 per week for claimant beginning benefit year on or after Jan. 1, 1952.

<sup>3</sup> Does not include additional weekly benefits for dependents. Maximum benefit increased to \$28 per week for claimant beginning benefit year on or after Jan. 1, 1952.

<sup>4</sup> The above-named industrial States have been selected for comparison purposes because it is in these States that a majority of clothing workers work and live.

The cost-of-living budget in cities in these same States present a marked contrast.

City	Month	Estimated cost of maintaining of a "modest but adequate" budget for families of				
		1 person	2 persons	3 persons	4 persons	5 persons
1. Illinois Chicago	November	\$2,055	\$2,810	\$3,537	\$4,192	\$4,710
2. Maryland Baltimore	October	1,899	2,122	2,438	2,845	3,090
3. Massachusetts Boston	November	2,070	2,811	3,438	4,164	4,713
4. New York						
Buffalo	October	1,808	2,097	2,411	2,814	3,041
New York	November	1,993	2,731	3,435	4,011	4,604
5. Ohio						
Cincinnati	do	2,020	2,784	3,481	4,097	4,627
Cleveland	do	1,994	2,690	3,382	3,977	4,494
6. Pennsylvania						
Philadelphia	do	2,010	2,756	3,473	4,073	4,627
Pittsburgh	do	2,070	2,817	3,549	4,173	4,721
Scranton	do	1,943	2,682	3,378	3,994	4,480

1 Estimates in January 1942 by the Bureau of National Affairs based on official U. S. Bureau of Labor Statistics figures.

The inadequacy of weekly benefits currently paid by the States is further demonstrated by an examination of the precise extent to which such benefits compensate the clothing worker during his periods of unemployment. In New York City, for example, the unemployed clothing worker, receives as his average weekly benefit less than 37 percent of his average weekly wage.

Moreover, the actual uncompensated loss to the unemployed worker cannot be estimated solely on a week-by-week comparison of benefits and earnings. An analysis on a weekly basis presupposes a full week of benefits for each week of unemployment in the year. This assumption is contrary to fact. In each of the States in which the principal men's clothing markets are located, unemployed clothing workers must serve a waiting period during which no benefits are paid to him. Furthermore, the duration of benefits is so limited in each of these States that many of the clothing workers exhaust the statutory benefit periods during prolonged periods of unemployment.

The foregoing graphically demonstrates that State unemployment insurance benefits are grossly inadequate to compensate in any appreciable degree the unemployed clothing worker for his loss of gainful employment. Indeed, these figures show that not only is the unemployed clothing worker denied benefits which approximate his earnings but such benefits fail to afford him the bare minimal necessities.

Moreover, if we are to continue to maintain a high level of prosperity, it is essential that our Government provide for the unemployed worker whose job has been denied him because of the Government's activities. That each industry in our economy lives by virtue of the well-being of every other industry is no longer subject to dispute; the unemployed clothing worker in Baltimore adversely affects the economic welfare of the farmer in Texas. No segment of the economy, no industry can be jettisoned without imperiling the entire economy.

If we are to give positive support to the thesis that only through the democratic processes can a free people realize economic and social justice, immediate measures must be taken to alleviate the distress occasioned by the mobilization program. It would ill behoove a nation to urge that it act in the name of freedom and in economic equality to all mankind when, if in the very struggle for the attainment of such objectives, it would callously throw thousands of workers upon the dole.

Finally, it should be noted that Congress has on several occasions during the immediate past seen fit to legislate in favor of special groups on the ground that by so doing it was furthering the mobilization program. Thus, Congress in the name of the mobilization program has enacted legislation which furnishes assistance to the business community in the form of accelerated tax amortization, purchase and resale of vital materials, direct loans to business, loan guarantees, commitments to purchase at specified floor prices, and Government financing of part of the cost of exploration for materials. In addition, the Government has provided direct aid for small business by the establishment of the Small Defense Plants Administration. Certainly, legislation such as S. 2504 which would help to maintain a high level economy by keeping large numbers of skilled employees off the

dole is in furtherance of the mobilization program and in conformity with the democratic concepts which we serve; the preservation of pools of skilled manpower is clearly vital to the defense effort.

Before concluding, however, I would like to point out one major respect in which R. 2501 falls to achieve its announced objectives.

Section 4 (b) (3) limits the payments of supplementary benefits for the weeks in which the unemployed worker is eligible for benefits under the State unemployment insurance laws. It should be noted that the period of eligibility is of variable duration in many States, and that an unemployed worker may under certain State laws be eligible for benefits for as little as 1 week in a 52-week period. Even in those States where the period of eligibility is of fixed duration, the benefit periods provided are inadequate in terms of prolonged unemployment.

In conclusion, let me say that the passage of R. 2501 shall give renewed proof to the wage earners in our country and to wage earners throughout the world of the vitality of our democratic process, a process which we urge all other peoples to adopt. We shall give evidence that our representative form of government, ever conscious of the needs of the people, meets these needs without temporizing or compromising. We shall give evidence that in our democracy freedom, unemployed through no fault of their own, do not become charity wards but are aided by their Government to weather such periods of distress with dignity.

*Average weekly cuttings of men's suits and overcoats and topcoats, by month, last 3 quarters, 1950 and 1951*

Month	Suits, including summer weight			Overcoats and topcoats		
	Average weekly cuttings		Percent change, 1951/50	Average weekly cuttings		Percent change, 1951/50
	1950	1951		1950	1951	
April.....	456,000	414,000	-9.4	100,000	99,700	-0.4
May.....	498,700	390,000	-21.0	100,000	129,000	+19.1
June.....	369,000	365,000	-1.5	151,000	124,000	-17.7
July.....	276,700	197,000	-28.4	68,700	67,000	-3.5
August.....	492,000	373,000	-24.3	144,000	136,000	-5.4
September.....	410,700	334,000	-18.7	149,000	122,000	-18.2
October.....	321,000	257,000	-20.7	162,000	91,000	-44.4
November.....	477,000	305,000	-36.0	170,000	85,000	-49.1
December.....	485,700	328,200	-33.1	168,500	76,000	-54.2

Source: U. S. Department of Commerce, Bureau of the Census, *Facts for Industry, Men's Apparel*

*Percent changes in production of men's cotton garments for the first 11 months of 1951 compared with the first 11 months of 1950*

Garment:	Percent
Dress shirts.....	-12.6
Sport shirts.....	-3.6
Pajamas.....	-2.9
Work shirts.....	-5.1
Work trousers.....	-11.7
Bib-overalls.....	-19.3
Dungarees and waistband overalls.....	-13.5

Source: U. S. Department of Commerce, Bureau of the Census, *Facts for Industry, Men's Apparel*

Mrs. ELLICKSON. Mr. Chairman, we have Mr. Harry Kranz, legislative director of the New Jersey CIO Council, who has prepared a statement which he wishes to file, which is relevant to the testimony that was given you yesterday by the New Jersey Manufacturers' Association, I believe it was. But Mr. Kranz can speak for himself on that.

The CHAIRMAN. Yes, Mr. Kranz. You may file your statement with the reporter.

## STATEMENT OF HARRY KRANE, LEGISLATIVE DIRECTOR, NEW JERSEY STATE CIO COUNCIL

Mr. KRANE. Mr. Chairman, I would like to summarize the two high points in the statement which I directed to the testimony given to your committee yesterday by Mr. Harold Hawkey, who was secretary of the Employers' Association of North Jersey, in opposing this bill.

One of the points made by Mr. Hawkey, who is well known in New Jersey, incidentally, as a constant pleader for special privilege for the few, was that the Atlantic City area, which is in group 4 and which has the highest amount of unemployment, could result in the entire State, if the Governor saw fit and if the Secretary of Labor approved, being designated as an area to which supplementary Federal benefits would come, the implication being that in the rest of the State everything was fine; it was only this small seashore resort with seasonal unemployment that was affected.

That is contrary to the facts. Today as of the beginning of February, there were close to 100,000 unemployed workers in New Jersey. The estimates are that by the end of February, the figure will reach 130,000 unemployed workers in our State, the highest since the end of World War II.

Of the five labor markets in the State, one is group 4, the highest unemployment category, and three of the remaining four are group 3, with heavy unemployment in particular cities in those depressed areas, particularly the Paterson area, Newark, and Camden.

So we do have widespread unemployment in New Jersey. It is not just a seasonal condition at the seashore.

The CHAIRMAN. What are the industries in those cities?

Mr. KRANE. The ones that are particularly dominant in the Paterson area are the textile and garment industries. In the Newark area there is a cross section of industry, including automobile assembly plants. Both major Ford assembly plants have been shut down in New Jersey since shortly before Christmas, as a result of the parts not coming into the State for construction of the cars. And I might mention that the State agency forecasts that in the coming months, there will be severe lay-offs still to come in three prime industries, electrical, metal working, in general, and automotive, particularly, that we will have increased lay-offs in those industries due primarily to the defense program.

The second point made by Mr. Hawkey that I would like to comment on was his statement to the committee that if you provide up to 65 percent wage replacement for the worker without dependents, by a 50 percent supplement through the Federal Government, you will be removing the incentive to work, and he gave the committee some fantastic example where the possible benefits might come within \$2 or \$3 of actual take-home pay, a very unusual circumstance, to say the least.

But what I would like to bring to the attention of the committee is Mr. Hawkey's past record in arguing similar matters, not only before Congress, but before our State legislators. As the CIO's legislative representative in New Jersey, I have first-hand familiarity with Mr. Hawkey's arguments. When our legislature, for example, raised the percentage replacement figure to 59 percent, where it is today,

he argued that that was too high, that that would remove the worker's incentive to work. The legislative committee last week recommended an increase from 59 to 60% percent wage replacement. Mr. Hawkey has now told the legislature in New Jersey that that is too high, that will remove the worker's incentive to work. Mr. Hawkey pointed out that over a period of 10 or 12 years the New Jersey benefit level has been increased from \$15 in 1939 to the current \$26. He did not tell the committee that at each increase from \$15 to \$18 to \$22 to \$26 he each time appeared before legislative committees in New Jersey and said that that increase in the maximum would be destroying the incentive of the worker to find work, and was too high, the same exact argument he tried to peddle before your committee yesterday.

He is now despite the legislative committee's recommendation of an increase from \$26 to \$30 again testifying and arguing before the New Jersey Legislature against the increase on the grounds that it will remove the incentive of the workers in New Jersey to find work, to increase the maximum benefit level.

There are other points in my brief which I will not touch upon except to close with this comment, that apart from the obviously fallacious Federal-State relationship argument, which is raised by industry representatives, such as Mr. Hawkey, it seems to me one of the real reasons for their opposition to this bill is not so much that they are opposed to an increase in benefits, although they do oppose it, as the fear that they will not have the bargaining power which they do in the State legislature. In return for an increase of \$4 or \$5 in benefits in New Jersey or other States, they get a lowering of the benefit standards. They get increased penalties put into the law on a State-by-State basis, and today even with the proposed increase to \$30 in New Jersey they are trying to insert additional deprivations into the law so that they would prefer to have even a \$29 benefit level—which would come to New Jersey under this bill—enacted by the State where they can get provision to deprive more workers of the benefits rather than have Congress do it through the Moody bill retaining the present State standards.

Our CIO Council in New Jersey wholeheartedly supports this bill and urges its prompt enactment by Congress.

The CHAIRMAN. Thank you, sir.

(The prepared statement of Mr. Kranz is as follows:)

STATEMENT OF HARRY KRANZ, LEGISLATIVE DIRECTOR, NEW JERSEY STATE CIO COUNCIL

I am here to record the wholehearted support of the more than 200,000 CIO members in the more than 400 local unions affiliated with the New Jersey State CIO Council to H. 2504.

While other CIO representatives have discussed, or will discuss, the merits of H. 2504, I will devote my attention to an analysis of a statement filed with the committee yesterday by Harold Hawkey, Secretary of the Employers' Association of North Jersey in opposition to this bill.

Mr. Hawkey, who is well known to the people of New Jersey, is an impassioned pleader for special privilege for the few, based his arguments against H. 2504 on three very simple premises—and I emphasize the word simple.

His first argument was that high unemployment in a single labor market area such as currently exists in Atlantic City, N. J. (which has been classified as a group IV labor surplus area) could lead to the governor applying for Federal supplementary benefits which would be payable to all the unemployed workers in the State. The implication of Mr. Hawkey's testimony was that only Atlantic

City is currently affected by heavy unemployment in New Jersey and that conditions elsewhere in the State do not merit supplementary benefits.

This is not true. Insured unemployment in the State at the end of January 1952 totaled nearly 100,000 and provisions by the State unemployment compensation agency and others were that more than 130,000 workers would be unemployed in New Jersey by the end of February. Insured unemployment in January 1952 for the State as a whole was at its highest point in several years.

This unemployment was not due solely, as Mr. Hawkey would have you believe to seasonal fluctuations at the seashore. It was due in major part to heavy and sustained lay-offs in the garment and textile industries, to complete shut-downs of the two major Ford assembly plants in New Jersey and to increasing lay-offs in metalworking industries curtailed by defense production authorities.

The prospects are for further lay-offs in the metalworking, electrical, and automotive industries in the coming months because of a curtailment of materials to these industries by the defense production authorities.

Mr. Hawkey's second argument against the bill is that a replacement of 65 percent of the wage loss sustained by a single worker (and presumably 75 percent for the worker with maximum dependents) is too high and that it would remove their incentive to work. This is no new argument with Mr. Hawkey. When the New Jersey Legislature provided for replacement of 80 percent of the high quarter earnings of claimants, Mr. Hawkey also argued before the legislature at that time that a 50 percent replacement was too high and would remove their incentive to work.

A committee of the New Jersey Legislature has just recommended that 60 1/2 percent of the wage loss of all claimants be replaced. Although Mr. Hawkey says he favors State action in these matters, his association is already lobbying before the State legislature their opposition to the 60 1/2 percent replacement on the grounds that it is too high and would remove all incentive to work.

Mr. Hawkey says that the States themselves have the power to legislate increased benefit rates and that in New Jersey, the maximum weekly benefit rate has been increased from \$15 in 1939 to \$26 currently. He is correct in this statement but what he does not tell the committee is that at every single step when the benefits were increased from \$15 to \$18 to \$22 to \$26, Mr. Hawkey appeared before the legislature and opposed it on the grounds that the maximum benefits were too high and would remove the claimants' incentive to work.

Mr. Hawkey says that an increase in the New Jersey maximum to \$30 "has been proposed and is probable." While this is probably true, it is also a fact that Mr. Hawkey and his association have bitterly opposed the increase above \$26 and are concurrently fighting against it in the State legislature on the grounds that the maximum is too high and would remove the claimants' incentive to work.

Mr. Hawkey's final argument against S. 2504 is on the general basis of States' rights and the fear that this bill might conceivably lead to increased Federal control over State unemployment-compensation program "to the point where they are completely federalized."

As a careful reading of S. 2504 will show, this argument is completely fallacious. There would be no Federal interference with the provisions of State laws regarding eligibility or disqualifications. The sole effect of the bill would be to augment by 50 percent within individual limits based on past earnings of the claimant. The maximum weekly benefits of unemployed workers in those States where the governor and the secretary of labor felt such action was essential.

In short, what Mr. Hawkey is concerned about is not federalization, which is nowhere implied or apparent in this bill, but an adequate benefit amount to unemployed workers. He has tried to peddle before Congress the same outworn and fallacious arguments which he has been peddling with great success before the New Jersey Legislature for more than a decade. He—and men like him—have sold their shabby merchandise to State legislators making it essential that Congress act on a program which has not received proper action in the States and can only be solved by adequate Federal legislation such as S. 2504. We hope that Congress will not "buy" Mr. Hawkey's warmed-over, second-hand, outmoded concepts, but will pass S. 2504.

I might mention in conclusion that the current proposals to increase benefits in New Jersey are accompanied by a number of additional restrictive provisions which the employer's association and the chamber of commerce hope to see adopted in New Jersey in return for the benefit increase. Their real motive, therefore, for opposing S. 2504 is not so much for fear of the benefit increases as a desire to barter on a State level further restrictions which would deny benefits

entirely to thousands of claimants. They would prefer to grant a \$39 maximum benefit level in New Jersey in return for restrictions which would bar most workers from collecting any benefits, rather than a \$39 benefit for New Jersey under S. 2504 which retains all of the present State restrictions on benefits but does not add to them.

We urge your committee and Congress to reject the arguments of the Employers' Association of North Jersey and to enact S. 2504 at the earliest possible moment.

Mr. ELLICKSON. Our last representative, Mr. Chairman, is Mr. Bernard Raskin, research director of the New York State Industrial Union Council.

The CHAIRMAN. You may have a seat, Mr. Raskin.

Have you furnished the reporter with the statement?

Mr. RASKIN. Our complete statement has already been submitted, Mr. Chairman.

The CHAIRMAN. Very well, sir.

#### STATEMENT OF BERNARD RASKIN, DIRECTOR OF RESEARCH, NEW YORK STATE CIO COUNCIL

Mr. RASKIN. I would just like to point out on behalf of the New York State CIO Council that we have in New York State now more than 280,000 unemployed. With their dependents this probably represents over 1 million men, women, and children.

The unemployment-insurance benefits in the State, with a maximum of \$30 and an average last month of \$23.04, are completely inadequate to protect these men, women, and children against extreme privation or to prevent a breakdown in their morale. They are also inadequate to prevent the dispersion of necessary reserves of skilled workers, that is, workers that will eventually be necessary because facilities are being expanded in the State.

Therefore, Mr. Chairman, the New York State CIO supports S. 2504, and urges its prompt enactment.

Thank you.

The CHAIRMAN. Thank you, sir.

How does your unemployment in New York compare with your unemployment at the outbreak of the Korean conflict?

Mr. RASKIN. It is --

The CHAIRMAN. Is it up?

Mr. RASKIN. It is up over June of 1950.

The CHAIRMAN. That is what I mean; June 1950.

Mr. RASKIN. It is up approximately 15 percent.

The CHAIRMAN. Up 15 percent?

Mr. RASKIN. Yes.

The CHAIRMAN. Thank you, sir.

(The prepared statement of Mr. Raskin is as follows:)

#### STATEMENT ON BEHALF OF THE NEW YORK STATE CIO COUNCIL, BY BERNARD RASKIN, DIRECTOR OF RESEARCH

The New York State CIO Council supports S. 2504 and urges its prompt enactment.

This organization has, from the beginning of the national emergency, urged prompt and effective mobilization of our country's military, economic, and moral strength to meet the threat of Communist aggression.

From the beginning we have also maintained that mobilization policies if they are to succeed, must be formulated on the basis of equality of sacrifice.

The process of converting a large share of our resources from civilian to defense purposes has created large islands of unemployed workers and idle machinery.



Workers thrown out of their jobs as a result, with only the unemployment-insurance benefits presently available to help them and their families through the period of unemployment, without question are forced to bear a disproportionate share of the burden of sacrifice.

There are more than 280,000 unemployed workers in New York State at this time. By far the greatest proportion of these workers can attribute their unemployment either to (1) shortages of materials and defense program restrictions, or (2) to sharply reduced consumer purchasing caused by the upward spiral of prices which in turn stems directly from defense mobilization.

The average weekly unemployment insurance benefit in the State during January 1952 was \$23.01.

Our concern, in supporting this legislation, is for workers and their families and for the national interest. We support S. 2504 because-

I. It is necessary to protect the physical health and well-being of unemployed workers and their families.

II. It will help in the effort to maintain adequate reserves of skilled workers in areas where production is temporarily suspended due to change-over to defense production.

III. It is necessary for maintaining the morale of workers in this period of grave national emergency.

I. The unemployment-insurance-benefit scale in New York State, ranging from \$15 to \$30 weekly is clearly inadequate to provide workers with real protection against privation during periods of unemployment.

The program is supposed to provide benefits equal to one-half normal wages. The maximum benefit in New York today does not equal one-half of average wages in manufacturing industry. The average benefit last month barely equaled one-third the average wage of \$67.04.

The inadequacy of these benefits is even more glaring when contrasted with living costs in our cities today.

There can be no question but that our unemployment-insurance-benefits do not provide unemployed workers with the protection they need and should have.

II. Facilities for defense production in New York State are still expanding. New plants are being built. Many plants have laid off workers temporarily while converting to defense production. Others are operating well under capacity due to shortages of materials, supplies, and equipment. The maximum capacity of these plants will eventually be essential to the defense program. But unemployed workers cannot always wait for that time. Lacking the protection of adequate unemployment insurance, they must in many cases seek employment in other areas.

Supplementary unemployment-insurance benefits, such as are provided for in this legislation, will decidedly improve the chances of maintaining necessary reserves of skilled labor in important producing areas.

III. As much as it needs tools, guns, and food, our defense program needs the firm resolve of the people.

We are faced with idleness in the midst of mobilization and want in the midst of plenty.

The destructive and tragic effects of this irony on the morale of unemployed workers should require no documentation.

The breakdown of morale is aggravated by the scrupulous concern which has been shown for business and industry in order, not only to relieve them of burdens, but to assure them of gain as a result of the national mobilization.

Provision has been made for corporations to pass on the cost of new plants and equipment to the public through rapid amortization. Taxes can be carried forward or backward as best suits their balance sheet. Price regulations permit them to pass on to the consumer any increase in their costs regardless of profits.

However, our case for necessary increased consideration for American workers is not based on the excessive consideration which has been given to a large part of American business and industry.

On all counts: As protection against privation, as a deterrent to the dispersal of necessary reserves of skilled labor, and as protection against doubt and disillusionment among workers, the unemployment insurance program in New York State, as elsewhere, is inadequate.

Its deficiencies are clearly injurious to the national interest in this period of national emergency.

The supplementary benefits provided under the terms of S. 2504 will serve to alleviate the effects of these deficiencies. The New York State CIO Council,

therefore, urges this committee to report favorably on this legislation with minimum delay.

Mrs. ELLICKSON. Mr. Chairman, I have these two additional statements to file on behalf of two of our international unions that have been hard hit by unemployment. One of them centers in New England. One statement is for the Playthings, Jewelry, and Novelty Workers International Union, CIO, and I will file the statement on behalf of that organization.

The CHAIRMAN. You may file it. But how have they been hit by the defense? I thought that the defense program always called for the precision workers, and took them out of the jewelry business.

Mrs. ELLICKSON. As this statement explains, Mr. Chairman, they are hit because of the fact that their materials are taken away for defense purposes.

The CHAIRMAN. They have lost some of their materials, also?

Mrs. ELLICKSON. Yes. And a very large proportion of their workers are in small plants, as the table in the statement indicates.

The CHAIRMAN. I know how the small plant is hit. For instance, in the case of a plant making metal window frames, out of aluminum, when they cut off the aluminum some of those little plants down in my State had to go out of business.

Mrs. ELLICKSON. And apparently in this particular industry if it were an all-out defense program, as it was in World War II, these plants would be fully occupied at present because their plants would have been converted to war work.

The CHAIRMAN. Yes, I understand.

Mrs. ELLICKSON. But this industry is caught by the fact that it is partly defense and partly not.

The CHAIRMAN. Yes; I understand that. But I did not think that the defense program itself was taking too many of the precision machine workers out of the jewelry, watch, and other related businesses.

Thank you very much. You may put that statement in the record. (The statement referred to is as follows:)

**STATEMENT IN BEHALF OF PLAYTHINGS, JEWELRY, AND NOVELTY WORKERS INTERNATIONAL UNION, CIO, BY ALEX BAIL, SECRETARY-TREASURER**

Mr. Chairman and members of the committee, our union represents large numbers of workers in the jewelry, toy, and novelty industries. We welcome this opportunity to support this measure which would supplement unemployment compensation benefits under State laws with Federal funds, in certain cases where workers are unemployed during the national emergency. This is a step which has been too long forthcoming. It commends itself now to the urgent needs of large groups of workers throughout the country and, especially, to the needs of workers in our industries, at the present time.

Our members work in consumer goods industries which for the most part function marginally in comparatively small factories against a background of scarce materials, consumer resistance to the product, and inability to effect a rapid or meaningfully scaled transition to the present requirements of the Government for large equipment, or to its immediately anticipated needs for subcontract war work.

The result of this unhappy conjunction of economic factors has visited such serious dislocation on our industries that it is impossible to envisage any over-all solution. Under such circumstances, attention and action must be channeled in the direction of immediate alleviation of growing hardships. A direct and most needed avenue for such action is the allocation of supplementary Federal funds for unemployed workers.

In this connection, I should like to invite the attention of the committee to some of the appalling effects of recent governmental planning, no matter how essential, upon workers in the low- and medium-priced costume jewelry industry. Here the problems have been most quickly telescoped and have taken their most intense form. However, they are only different in their time of occurrence and not in their essential character from the problems it would not be unreasonable to expect in the toy and novelty industries in the coming period.

#### I. THE NATURE OF THE JEWELRY INDUSTRY

The low- and medium-priced jewelry industry—costume jewelry, men's jewelry, emblematic jewelry, religious jewelry, watch accessories, industrial jewelry—processes base metals into popular-priced utility items. It uses brass as its principal raw material and often combines tin, nickel, lead, and zinc with gold and silver. The present scarcity of its basic raw materials for civilian production need hardly be overstressed. The industry is basically retrograded in its methods. Recent attempts have been made toward a mass-production technology. However, the constantly changing "high fashion" nature of the product and the very small average size of plant facility compels a large proportion of hand to machine labor.

#### II. SOME ALARMING UNEMPLOYMENT DATA FOR THE INDUSTRY

The industry centers around the Providence, R. I., and the Attleboro, Mass., area. The 20-mile radius around Providence, R. I., is known as the jewelry center of the world. The entire industry in all localities has some 48,000 employees and 38,000 of these work in the Providence-Attleboro areas. It has been estimated that some 90 percent of the population of Attleboro and North Attleboro are dependent upon jewelry for their livelihood. The jewelry industry is the second largest employer in Rhode Island. More than 25 percent of the population of Providence, R. I., is dependent upon the jewelry industry and this figure is conservative if indirect dependence is considered.

The entire Providence area normally employs about 150,000 in manufacturing, textiles accounting for some 50,000 and jewelry for some 40,000. The total labor force in the area, including manufacturing and nonmanufacturing labor, approximates 350,000. Of these 350,000 some 150,000 are classifiable as primary workers employed in manufacturing and the remaining 200,000 as secondary workers dependent upon the primary manufacturing workers pay.

The very serious problems of lay-offs, unemployment, and lack of business in the textile industries—the first largest employer in the New England areas—fill the daily headlines and need not be further belabored before this committee. The constant movement of textile manufacturers away from comparatively retrograded New England factories to more modern plants and lower southern wage scales against a background of a precipitous decline in business of those not moving, has left large groups of unemployed in its wake. The entire area is rightly called a distress area.

Cut-backs in scarce materials and the general decline in business in the jewelry industry intensified lay-offs and unemployment. The United States Employment Service report for October 1, 1950, showed that lay-offs since the spring of that year were in excess of 5,000 people and they have continued to date. Last Thursday, February 14, 1952, for instance, the Taunton Daily carried the following article:

#### "IDLE PAY CLAIMS UP 940 FROM 1951—1,403 AREA JOBLESS ON SECURITY ROLLS

"A total of 1,495 unemployment claims on file at the Taunton employment office for the week ending January 26, represents an increase of 940 claims over the corresponding week in 1951, it was disclosed today by the division of employment security.

"Unemployment payments throughout the State for the first 4 weeks in January totaled \$5,247,543, compared to last year's total of \$3,951,775 for the same period, an increase of 33 percent, it was announced.

"Increases in unemployment claims were recorded as Attleboro, 613; Fall River, 4,594; New Bedford, 2,340; and Brockton, 455."

In November total unemployment in the Providence area was estimated at \$3,600 and of these 25,700 were claiming employment security benefits. It is significant that this figure is more than double the figure of 15,800 for February of last year.

## III. THE SPECIFIC IMPACT OF ALL THESE FACTORS ON EMPLOYMENT

The industry is not dispersed. If it were, the unemployment figures might be slightly less alarming. However, workers in these areas are without mobility for there are no jobs elsewhere in the community.

A recent United States Employment Service report is pointed in this regard:

"The existing supply of labor, resulting as it has mostly from curtailments in the light industries, would be well adapted to, and adequate for filling the possible future labor demands of these same industries. But the metal trades, particularly in any of their classifications calling for skilled males or those with special physical qualifications, such as for heavy labor, would undoubtedly have much difficulty in filling their worker needs out of this unemployed pool. This pool has been quite thoroughly drained of such workers. The much larger portion of the unemployed that still remains would do very well within their own industries or occupations, and as such they would represent an ample labor supply for such purposes, but for such purposes only."

The Honorable Dennis J. Roberts, Governor of Rhode Island, in a letter to Mr. Manly Fleischmann, administrator of the National Production Authority, dated November 30, 1951, addressed himself to the urgency of the situation, against a background of materials shortages:

"I regret that circumstances prevent me from describing to you in person the present situation confronting the State of Rhode Island. While the solution of the present unemployment situation is not presently in sight, the far-reaching effect of our unemployment situation is all the more alarming in an economy which has experienced less than average expansion in the past few years.

"The prospect of an additional 10,000 jewelry workers being thrown on unemployment rolls, which have already swollen to 33,000, would present a truly critical situation. The inability of other industries to absorb unemployed workers will cause a decrease in income to individuals of over \$150,000 per week, based on present average weekly earnings in the jewelry industry. Our unemployment compensation program could not be expected to make up more than approximately half of this total loss. It is not necessary to impress upon you the seriousness of a wage loss of such proportions, except to indicate that Rhode Island's present economy is not prepared to resist this type of injury.

"If 10,000 jewelry workers are forced to accept extended periods of unemployment, the unemployment insurance benefits up to \$3½ million would be required and this would seriously impair our employment security reserves, which are now down to \$24 million.

"It is also necessary to point out that many of these unemployed jewelry workers will, if material shortages persist, as now appears inevitable, eventually find it is necessary to turn to the general public-assistance rolls. Obviously, this would place a serious additional burden on the revenues of the State and local governments. The inevitable effect of such a move on the abilities of the industry to support their Government by taxes would further aggravate the situation.

"While the slack caused by decreased material allocations might be taken up by the receipt of defense contracts, it has been demonstrated over the past 2 years that the jewelry industry, with its present facilities, does not readily adapt itself to this phase of the defense program. There is little doubt that the jewelry industry is essential to the economy of the State of Rhode Island. As Governor of the State of Rhode Island, I cannot impress upon you too strongly the importance of providing continued employment to the workers of the jewelry industry."

## IV. WHILE LESS INTENSE, THE PROBLEM IS SIMILAR IN OTHER AREAS

The bulk of the relatively few jewelry industry workers, not in the Providence-Attleboro areas, are concentrated in New York. While the mobility of unemployed jewelry workers in the New York area is greater than in the New England areas because of the greater possibility of absorption in other industries, the employment outlook in the industry itself is very poor for the same reasons. To aid ourselves and this committee, our representatives contacted more than half of some 60 medium-priced jewelry firms to explore the reasons for recent lay-offs. Pertinent excerpts from this first-hand report point up the seriousness of the situation:

"A majority of more than 60 shops have been contacted regarding the unemployment problem faced by them. The great majority of employers blame business conditions—lack of orders—as necessitating lay-offs. A few blame both business conditions and shortage of materials. A small number blame the situation solely on the shortage of materials.

"The following are illustrative of practically every one of our watch case, bracelet, and jewelry shops:

"Lelaune Manufacturing Co., Inc., manufacturers of costume jewelry, in answer to our question regarding the unemployment situation, stated that they normally employed 50 workers, but due to shortages of materials were forced to lay off about 20 of its workers.

"An even more serious situation exists in Murray Simon Co., manufacturers of costume jewelry. The company normally employs about 100 employees, but within the past 10 days has been forced to lay off approximately 85 workers. This company attributes the lay-offs to lack of orders and to shortages of materials.

"One of our biggest watch case and novelty jewelry shops, D. Ornstein & Sons, normally employs about 175 workers but within the past week was forced to lay off about 85 workers.

"Swiss Watch Dial Co., Inc., normally employs about 200 and is now working with approximately 75 employees. This company manufactures watch bracelets and watch dials.

"The above illustrations can go for the great majority of our jewelry shops—the chief problem seems to be shortage of materials and lack of orders and the outlook is pretty dark."

#### V. DEFENSE PRODUCTION OFFERS NO SOLUTION

The following circumstances intensify the problems of earning a living for jewelry workers in the jewelry center areas already extremely high in unemployment. No ready solution is in sight nor have any salutary immediate or long-term programs for alleviating the seriousness of the situation been advanced. Conversion to defense production which suggests itself as a possibility in other industries and offers a solution in many is without significant help to the jewelry industry. This unhappy result is not accidental but is basically anchored in the economics of the industry at present:

(1) The defense program for World War II, starting in 1941, was a full scale all out effort. It was able to use practically all of the country's production facilities. Our present defense program intends to use only a relatively small percentage of the Nation's productive capacities at this time or in the immediately foreseeable future.

(2) The procurement arms of the Government are now confining their interests to large scale heavy equipment production of the character of ships, tanks, and guns or major equipment component parts. From a broad production point of view, such a program necessarily confines the jewelry industry to such subcontracting work of a secondary nature as may trickle down to it.

(3) Even though the subcontract work would be on minor components of production, large scale conversion of plants, equipment, and machinery would be essential before the jewelry industry could put itself in a position to accept such work even were it offered in significant volume.

(4) Prime contracts are, for the most part, unlikely at the present time or in the future because of the serious limitations of the production facilities of the industry. For instance, 50 percent of the firms in the industry have less than 25 employees. The latest Census of Manufacturers Report (1947) estimates that there were some 1,039 jewelry manufacturers in the greater Providence area which then employed some 40,559 workers. Employment in the area was centered in small factories with less than 100 workers as shown in the following breakdown:

	1 to 100 employees	100 to 500 employees	500 to 1,000 employees	Over 1,000 employees
Number of establishments.....	968	61	8	4
Number of employees.....	18,881	11,495	4,300	4,913

While the total of employees has increased since 1947 the same pattern of dispersal among many small marginal plants prevails today.

(5) The reduction by allocations of necessary base metals for the industry and the inability to secure defense contracts is a most vicious circle. The accumulation of enough capital, industrywise, to make any rapid or extensive conversion of plant facilities is made impossible. During World War II, 70 percent of the production facilities of the jewelry industry were converted to war work. Yet, less than 5 percent of the jewelry industry's production facilities is now being

used for war work. Even this 5 percent is concentrated in those few plants of sufficient size and with sufficient reserves of capital to manage the required scale conversion of facilities. This is not unlike World War II when approximately 40 percent of the war work performed in the industry was done by 7 or 8 firms which were able to employ over 500 workers.

Task forces have been sent into the industry by the NPA to initiate corrective measures. However, the economics of the situation suggests persuasively that relief is not to be expected, for the present or the near future, through conversion to defense production.

These are realistic predictions of the industry's limited expectations and potential from a defense point of view based on present governmental mobilization plans. However, the objective circumstances may well change as it may become necessary to implement our foreign policy by further all-out mobilization. Should these objective circumstances change at a rapid tempo, or should the tendency for all-out mobilization become intensified, slight should not be lost of the fact that during World War II the jewelry industry was able to contribute 70 percent of its production facilities to defense work. The industry has been able to estimate that of this 70 percent defense work, 60 percent was of a sub-contract type and 10 percent of a prime contract nature. These proportions are significant in showing that the specialized techniques of the skilled workers in the jewelry industry were and are adaptable to defense production on the sub-contract level. This, conjoined with the special nature of the plant facilities, strongly suggests the desirability of maintaining as intact as possible this working force. The present bill, S. 2504, proposes to extend the periods of duration for payment of compensation which under the present mobilization emergency are woefully short in many States.

Additional Federal funds and the extended period of payment will affect in some measure the maintenance of these skills as a potential working pool which can be drawn upon during the mobilization emergency.

#### VI. CONCLUSION

The Congress has enacted legislation helpful to various segments of economy during this period of dislocation due to rapid conversion to defense production. From a general over-all viewpoint, administrative agencies have been set up to help small business. The tax laws have been amended to encourage the building of new plants and the acquisition of equipment. The Defense Production Act has helped manufacturers, wholesalers, and retailers with their price problems. This is a measure which, as I have said before, commends itself very strongly to the needs of the workers in all industries left essentially unprotected by the dislocations visited on the economy by the conversion program and is of especial need to the workers in our industries.

For the foregoing reasons, we earnestly urge this committee's favorable action on S. 2504.

Mrs. ELLICKSON. I also have a statement submitted by the United Furniture Workers of America, an industry that has been hit both by the shortage of materials and also by the fact that inflation and other economic dislocations have interfered with the normal operation of the industry.

The CHAIRMAN. Very well.

(The statement referred to is as follows:)

#### *Statement of United Furniture Workers of America, CIO*

Directly and indirectly, furniture and bedding workers have been affected adversely by the defense program and by economic dislocations arising from the present national emergency.

At the outset, it should be emphasized that the UFWA-CIO and its members wholeheartedly support the Nation's defense effort in this period of grave crisis. But the UFWA-CIO believes in the principle of equality of sacrifice, believes that all hardships forced on the Nation by the defense effort should be borne equally by everyone. Sacrifice should not be demanded of workers and workers alone.

What has happened in furniture and bedding clearly shows that while workers have been hard hit, manufacturers have enjoyed record-breaking profits. Profits before taxes of furniture and bedding manufacturers in 1951 hit an all-time peak

and were 390 percent higher than in 1949. By contrast, some 45,000 production workers have lost their jobs in the past 9 months and other tens of thousands are working part time.

Some of this unemployment can be traced directly to Government material curtailments. Reductions in metal supplies caused production cut-backs and unemployment in the spring, baby carriage, piano, and upholstery branches of our industry. Indirectly, the television cabinet branch of the industry all but closed down as the result of the sharp reduction in television production. Wood furniture suffered as the result of the dislocations caused by the inflation generated by the defense program, an inflation which is not being held in check by the inadequate legislation enacted by Congress.

The net result of these developments is that some 15 percent of all furniture and bedding workers are unemployed and that other tens of thousands are only working part-time. Moreover, the latest Government restrictions on new home building will cause an additional 25,000 workers in our industry to lose their jobs.

Unemployment has become a major problem in bedding furniture centers like Illinois, New York, Indiana, Michigan, and California. This problem will become aggravated until the defense effort is over the hump and until steps are taken by the Government to eliminate the unnecessary dislocations that have arisen out of poor planning and management of the defense program. National action by the Federal Government is needed now to help the hundreds of thousands of workers in our industry and other industries who are unemployed.

These American workers have not become unemployed because they are not willing and eager to hold down jobs. They are the victims of planlessness in the defense effort and the failure of Government officials to utilize their industrial skills in behalf of the Nation.

These unemployed workers are important human capital. This human capital should not be wasted and these workers should not be made to bear the brunt of the sacrifices called for by the defense program. Until the bugs in the defense program are eliminated, these unemployed workers should be given assistance so that their homes are not endangered and their morale is not harmed.

We in the UFWA-CIO, along with the entire CIO, therefore, call on Congress to enact S. 2504, the bill to supplement State unemployment compensation benefits during the period of the national emergency. In our opinion, this is just legislation not only for our own unemployed members throughout the United States, but for all the hundreds of thousands of workers who have lost their jobs as the direct or indirect result of economic dislocations arising from the national emergency.

While the job has to be done of eliminating the causes of this unemployment, which is largely unnecessary, the unemployment must not become the forgotten men and women of the defense effort. A strong America needs strength at home as a first essential. The members of your committee can assure strength at home by reporting out S. 2504 and pressing for its early enactment.

Mrs. ELLICKSON. I believe Mr. Reuther has a few words to say in conclusion on behalf of the CIO.

Mr. REUTHER. Mr. Chairman, I just wanted to thank you first for the promptness with which you called these hearings, and for your personal willingness to sit through this long session here at a time when most of your colleagues are out doing other things. We appreciate it most sincerely.

The CHAIRMAN. I am very glad to do it, Mr. Reuther.

Mr. REUTHER. Thank you.

The CHAIRMAN. I have been very much interested in the whole social-security program. We have not done as much as you thought we ought to do, but we have done something.

Mr. REUTHER. We are going to keep after you. We are making a little progress each year.

The CHAIRMAN. Yes, sir.

Mr. REUTHER. Thank you ever so much.

The CHAIRMAN. Thank you very much. Thank you for your appearance.

Mr. Reporter, there are certain documents consisting of letters and statements that I wish to insert in the record at the end of today's proceedings. One is a statement by Mr. Frank S. Shy of the Association Industries of Rhode Island, Providence, R. I.; then there is a statement of the Honorable Clark H. McNeal, a representative from the Iowa State House of Representatives; one from Mr. A. L. Wildermuth, Advance Aluminum Castings Corp., Chicago; one from Mr. C. L. Griffith of the Griffith Laboratories, Inc., Chicago; and one from Mr. Harlan Reinsberg, El Dorado Chamber of Commerce, El Dorado, Kans. All of these statements are in opposition to the bill, and they will be entered at the end of today's hearings.

(The letters referred to follow.)

ASSOCIATED INDUSTRIES OF RHODE ISLAND, INC.,  
Providence, R. I., February 10, 1952.

HONORABLE WALTER F. GEORGE,  
Chairman, Senate Committee on Finance,  
Senate Office Building, Washington, D. C.

DEAR SIR: Associated Industries of Rhode Island wishes to be placed on record as being opposed to the so-called Moody-Dingell bill (S. 2551 and H. R. 8174) which would provide for additional unemployment compensation payments from Federal funds. This bill is another attempt on the part of those who favor federalization of unemployment compensation to gain a foothold. In and of itself, of course, the bill does not federalize the unemployment compensation system, but it provides for a small dose of federalization which might ultimately lead to complete federalization.

The provisions of the bill would become operative in a State when its governor certifies that "within one or more labor market areas of his State, there exists substantial unemployment . . . with no prospect of immediate reemployment . . ." provided the Secretary of Labor agreed with the governor's certification. Once, however, that the governor and the Secretary of Labor so certified, the provisions of the bill would become operative not only in the areas affected but in the entire State and it would apply not only to those who the bill states should be helped, namely, those who have been thrown out of employment due to conversion of industry to defense purposes, but to all unemployed even though they had no connection with defense industries. In those States where the bill became operative, the Federal Government would then pay to every unemployment compensation claimant in the State an amount equal to 50 percent of the benefit which he was drawing from the State fund. In addition there are certain dependents' allowances which would be paid in the case of persons having dependents.

Unemployment compensation benefits should never be set too close to wages, as there must be a sufficient differential maintained in order to furnish some incentive for the unemployed to seek and accept work. It is not sufficient that the benefits are less than actual wages because it must be remembered that benefits are tax-free, and accordingly, there are no Federal withholding or social security taxes to be taken out. Furthermore, an unemployed worker does not incur expenses for transportation, etc., which a worker has to incur. By raising benefits by 50 percent and by granting dependency allowances, as this bill would do in the States where it became operative, the incentive to an unemployed worker to seek and accept work would be largely lost.

The bill has been advanced by some of its sponsors as a bill to relieve the situation in Detroit which has been caused by the laying off of workers due to conversion of automobile plants to defense production. The sponsors have cited the fact that many thousands of workers in Michigan have exhausted their benefits. As the bill does not extend the duration of unemployment compensation payments, it would not help those who have exhausted benefits. It would merely increase the benefits of those entitled to draw benefits and would pay them amounts which would make it profitable in many cases for them not to seek employment.

It is submitted that this bill is not needed. There is no widespread unemployment in the United States, although there is, of course, more than average unemployment in certain areas, including Rhode Island and probably Michigan. It would be a mistake, however, to adopt a bill such as the Moody-Dingell bill



which would provide Federal funds not only for those areas but for any State in the country whose governor might certify that in one area in his State there was abnormal unemployment. The pressure upon the governors would be too great for most of them to resist with the result that unemployment compensation benefits would be increased by 50 percent in practically all parts of the Nation.

We are confident in Rhode Island that with the adoption of a sound merit rating law and the tightening up of the benefit provisions, Rhode Island can solve its own unemployment compensation problems without grants from the Federal Government. We are sure that Michigan can do the same under its law and with its large reserves.

The argument has been made that the cost of benefits for unemployment caused by conversion should be borne by the Federal Government as a cost of the defense program. Whatever benefits are paid now under the law of a State where industry is being converted to defense activities will be financed by higher unemployment taxes on employers who will soon be primarily engaged in defense production work. Such cost will be borne by the Government and thus the cost of replenishing the State fund will automatically become a cost of the defense production program.

We believe that the enactment of the Moody-Dingell bill would be an irrefragable step toward permanent and complete federalization of the unemployment compensation program. The bill provides for the financing of unemployment compensation in part by Federal money, whereas up until now each State has completely financed its own program. As soon as the Federal money became available on a matching basis in a given State, there would be pressure upon the legislature to increase the level of State benefits in order to bring in more Federal matching money. As a practical matter the Federal grants could probably never be withdrawn from the States. If there was an attempt to withdraw Federal funds, there would be pressure to increase the State benefits to the level of the combined State and Federal benefits. Since some States could not finance such high benefits without substantially increasing their taxes, there would be a strong demand for the Federal Government to continue permanently to pay at least part of the cost of unemployment compensation payments. From the history of Federal grants-in-aid, it is clear that if the Federal Government should permanently share unemployment compensation costs, it would demand a large voice in the administration of unemployment compensation programs and would insist upon minimum standards. The States would then be reduced to acting as mere agents for the Federal Government in disbursing the money without any real say as to the amount of benefits to be paid, the amount of taxes to be collected or the methods of administration. In substance, if not in name, we would have complete federalization.

For the foregoing reasons Associated Industries of Rhode Island strongly urges that the Senate Committee on Finance disapprove the Moody-Dingell bill.

ASSOCIATED INDUSTRIES OF RHODE ISLAND, INC.  
By FRANK S. SHY, *President*.

STATE OF IOWA HOUSE OF REPRESENTATIVES,  
*Des Moines, February 18, 1952.*

Senator WALTER F. GEORGE,  
*Senate Office Building, Washington, D. C.*

DEAR SENATOR GEORGE: This letter is to urge you to kill Senate bill 2504 known as the Moody-Dingell State unemployment benefit plan, when your committee acts upon it. We have gone far enough down the road to socialism without adding insult to injury. I would appreciate hearing from you regarding the above.

Sincerely,

CLARK H. McNEAL.

ADVANCE ALUMINUM CASTINGS CORP.  
*Chicago, Ill., February 20, 1952.*

Mr. WALTER F. GEORGE,  
*Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.*

DEAR MR. GEORGE: Through newspapers and other sources we have been advised of the hearings now being conducted on the Moody bill (S. 2504).

After careful consideration, we believe this bill would only increase the aggravation which now exists in the employment of help to run our factories. This is not an unfounded statement in that I have personally been responsible for the employment of personnel of our plant which employs over 600 factory employees. In recent years I have been told by prospective employees they would rather stay home and receive unemployment compensation rather than work. To add to the amount of unemployment compensation will only increase this tendency to make employment less desirable than to stay home and receive benefits.

The statement has been made that these benefits are to tide the employee over a slack period. This country has become the great Nation it is because Americans who founded it believed in the principle of freedom—freedom in all of its phases, except those which would be detrimental to their fellow men. To plan ones economy to provide for periods of short income or other adversities has been a principle taught for many ages and can be well exemplified by our parents' training us to put away a part of our childhood income (birthday gifts, allowances, etc.) in the "piggy banks" to be used in the future. Why is it now necessary to guarantee a man the help of a doctor, income during slack periods, and all of the other things the Government is attempting to provide if the man does not have the fortitude to want to provide for them himself. If these provisions are continued and increased as the trend seems to be, it is this writer's opinion that this great country, The United States of America, is doomed to fall in the same manner as we have seen other great nations fall which have followed the policies we are now attempting to follow.

It is our sincere hope that you will consider this bill H. 2504 in all its particulars and will do all in your power to prevent its becoming compulsory legislation.

Respectfully yours,

ADVANCE ALUMINUM CASTINGS CORP.  
A. L. WILDERMUTH, *Personnel Manager.*

THE GRIFFITH LABORATORIES, INC.,  
Chicago, Ill., February 18, 1938.

HON. WALTER F. GEORGE,  
*Senate Office Building, Washington, D. C.*

DEAR MR. GEORGE: I am concerned to note that those persons who are interested in building up centralized authority in Washington to give away the taxpayers' money are again pushing a program to give Federal control to unemployment compensation programs through bills H. 2504 and H. R. 6174.

The unemployment-compensation law as now administered in most States is a racket. In Illinois the regulations have been tightened up so that it is less of a racket than it used to be.

I know by experience that a good many employees have left their employment voluntarily to go on vacations financed by unemployment-compensation insurance.

In general the public has a mistaken idea that the funds from which they are drawing their unemployment compensation are Government funds and that they have a perfect right to draw them and that there is no moral deterrent on their part to take the money even though they could have employment if they wanted to, but they prefer to take unemployment compensation instead of working, particularly since the funds are not subject to income tax.

Now the idea that caused the passing of the Unemployment Compensation Act in the first place was laudable but unfortunately too many people who are not entitled to draw the funds do draw them which is to the detriment of those who are out of work through no fault of their own and who are entitled to them.

I am positively opposed to any change in the payments which tends to make it more profitable for an employee to draw unemployment compensation than to work. Also I am advised that the bills are discriminatory in that under identical situations an unemployed worker in Michigan could receive as much as \$21.50 from Federal funds in addition to his State benefits, which would total \$56.50 per week tax-free, and that under the same circumstances in the State of Illinois the unemployed worker would receive only \$13.50 from the Federal funds.

Secondly, all relief should be centered in the States where each State group can see to the proper meeting of the citizens of the State. When relief is depersonalized by having it centered in Washington it is bound to become a give-away scheme because the people who give have no responsibility to the source of money and the people who receive feel that the funds are coming from some far-away point and

do not realize that somebody local has to foot the bill. We positively should have less centralisation in Washington and more decentralisation to the States. The trend has been to Washington for too many years and we must stop it.

The idea that people in Washington can spend the taxpayer's money better than he can personally or that his local representatives can personally is a false assumption and should be proved wrong before our economy is destroyed.

Yours very truly,

G. I. GRIFFITH.

EL DORADO CHAMBER OF COMMERCE,  
El Dorado, Kans., February 18, 1938.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SENATOR (GEORGE): I have just been reading a summary of the legislation proposed by the Moody-Dingell bill (S. 2504 and H. R. 6174) and I want to register my personal opposition to this proposed legislation.

I realize that our mobilization program and the scarcity of basic materials for our normal production has caused some misplacement of labor, and undoubtedly, hardships here and there. However, I am convinced that this remains a State problem rather than the shifting of the responsibility to the Federal Government.

The bill seems to be designed primarily for the benefit of the State of Michigan. Undoubtedly, Michigan does have an unusual employment situation at the present time because of the necessary curtailment of metal for automobile production. However, this bill if passed would theoretically mean the end of State control and operation of unemployment compensation programs. This theory and practice is one in which I cannot agree. In my opinion we need to strengthen and not weaken the control of and administration of programs of this sort on a State level.

War and the preparation for war causes hardships on every hand and it is unfortunate that this need creates instances of unemployment. However, I am firmly convinced that many of these individuals could find sources of employment to fill this temporary interruption of their regular employment if they would apply a little more individual initiative and less inclination to listen to their leaders urging them to make demands upon their Federal Government for temporary support.

State unemployment compensation reserves which now have reached an all time high should be adequate to take care of those who cannot transfer their talents to other sources without transferring the responsibility to the Federal level.

Will you please make this opposition known to members of your committee for consideration of this proposed bill?

Very truly yours,

THE EL DORADO CHAMBER OF COMMERCE,  
HARLAN REMBERG, *Manager*.

The CHAIRMAN. I would also like for the record to show that communications in opposition were received from the following chambers of commerce, which have been placed in the committee file: Ottumwa, Iowa; Dumas, Tex.; Buffalo, N. Y.; New London, Conn.; Grand Rapids, Mich.; Fullerton, Calif.; Van Nuys, Calif.; Gulfport, Miss.; Moline, Ill.; Columbia, S. C.; Newark, N. J.; Poughkeepsie, N. Y.; Lake City, Minn.; Alexandria, La.; O'Fallon, Ill.; Chicago Association of Commerce and Industry; Lebanon, Ind.; Fargo, N. Dak.; Boston, Mass.; Taneytown, Md.; Carroll, Iowa; Meridian, Mo.; Iola, Kans.; Twin Falls, Idaho; East St. Louis, Ill.; Lansing, Mich.; St. Louis, Mo.; Santa Ana, Calif.; Liberal, Kans.; Daytona Beach, Fla.; Deadwood, S. Dak.; Tyrone, Pa.; Jersey City, N. J.; Lancaster, Pa.; Topeka, Kans.

Other letters and data subsequently supplied for the record will be included at this point.

UNITED STATES SENATE,  
COMMITTEE ON LABOR AND PUBLIC WELFARE,  
February 28, 1952.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: I am very happy to add my views to those previously expressed in support of H. 2604, a bill to provide emergency supplemental unemployment compensation for workers temporarily unemployed as a result of our defense program. I subscribe heartily to the objectives of this bill of which I am a cosponsor.

The most effective testimony I can give in support of this measure is based upon the experience I have had with and facts presented by representatives of New York industries and labor groups.

We in New York face a situation where, according to available figures, there may be 300,000 unemployed in a very short time. The last estimate I have seen sets the number of unemployed in New York at 250,000. The number is growing daily. A large part of this unemployment is due to the defense effort. It is due to the shortage of critical materials and the resulting curtailment of production of civilian goods.

If I may, I should like to refer to two specific industries—construction and clothing. The construction industry in New York is in a critical state. I have been active in seeking relief for that industry. We are getting some action, which I hope will help a little. It cannot completely remedy the situation because there just isn't enough steel, aluminum and copper to meet military requirements and civilian requirements too. We recognize this. We realize that somebody is going to be hurt, and we are willing to carry our share of the load. My only feeling is that New York should not be called upon to make a disproportionate sacrifice in comparison with other areas.

Unemployment in the construction industry alone is causing a heavy drain on the unemployment insurance fund in New York State. That, however, is not the real point of my remarks. It is not the drain on the fund that concerns me most deeply at this moment, but the severe impact on the standard of living of the men who have been thrown out of work. These men and their families who have been accustomed to a fair standard of living now suddenly have no work through no fault of their own. Unemployment compensation benefits under present laws are inadequate to meet the minimum requirements of living for these men and their families.

I have recently received a report on still another industry which is being hard hit—the men's clothing industry.

Production in the men's clothing industry is measured by the volume of cuttings in the clothing plants. United States Bureau of Census figures on cuttings of men's suits in the United States reveal that production has declined substantially since April 1951. A comparison of production in the latter part of 1951 as compared to production for a comparable period of 1950 reveals that in October 1951 the average weekly cuttings for men's suits in the United States was 50.7 percent lower than in the same month in 1950. In November 1951 the cuttings were 26 percent less than in November 1950 and in December 1951, they were 33 percent lower than in December 1950. Cuttings of overcoats and topcoats for the same period followed a similar pattern.

It must be borne in mind that because of the method of production in the men's clothing industry there is a time lag between the time of the cutting and the time of the stitching of men's clothing garments. The overwhelming majority of production workers are employed in the stitching department. Therefore current figures on unemployment do not reflect the extent of the decline of production in the men's clothing industry.

It is significant, however, that in November 1951, the latest figure available from the New York State Department of Labor, employment in the men's clothing industry in New York was 37,200 as compared to 44,700 for the same period in 1950. This represents a decline of 16.8 percent in employment. Because of the nature of production in the men's clothing industry as explained above (i. e., the lag in time between the cutting and stitching of the garments) unemployment figures for the current period when available will undoubtedly be much greater.

I have dealt at some length on the clothing industry because it is one where the results of unemployment have been studied and where the figures I have cited have been made available.

Unemployment insurance benefits paid by the States while theoretically geared to prevailing wage levels in the States have lagged further and further behind actual wages paid. Because of this lag unemployment insurance benefits do not compensate the worker for a substantial part of his loss of earnings due to unemployment. The inadequacy of benefits is revealed even more clearly in light of the distressed conditions in the men's clothing industry where prolonged periods of unemployment for many clothing workers are common.

The average benefit for all workers in New York during the calendar year 1951 was \$22.70. Assuming therefore that the unemployed clothing worker in New York City, the largest men's clothing market in the State, received the average benefit during his period of total unemployment, he received less than 37 percent of his average weekly wage.

It is evident that an unemployed worker cannot support himself and his family on a weekly benefit of \$22.70 in light of today's economic conditions.

If we were to measure the extent to which unemployment insurance compensates the unemployed clothing worker for his loss of earnings on an annual basis, thereby taking into consideration his waiting period and period of unemployment after he exhausts his benefit, such worker is probably compensated for less than 25 percent of his loss of earnings due to unemployment.

Since it is evident that little hope can be expected from the States in the way of increased benefits and since the distress in the clothing industry is in large measure due to the dislocation in the economy caused by conversion to defense production, the unemployment insurance benefits paid to unemployed clothing workers by the States must be supplemented by the Federal Government.

Having referred to two specific industries, I would like to say generally that the businessman cannot get scarce materials in sufficient quantity to maintain his customary volume of production. He seeks and, unfortunately in New York, seldom finds an opportunity to produce defense items which would authorize him to use allocated materials. There are altogether too many businessmen who find both of these highways closed. He must then unwillingly drop off employees whenever he can no longer carry the burden of their expense.

The businessman's outlook is indeed bleak, but the discharged employee finds himself hopelessly beset by a pack of economic worries with which he is completely unable to cope. His rent and his food bills, his taxes and the demands of his family continue to confront him with monotonous regularity. True, the benefits he receives from the State Unemployment Commission are of some help, but in these days of ever-rising costs they are scarcely enough to keep body and soul together.

What then should we do? Should we turn our backs on the worker and let him fend for himself to the best of his ability at a time when our economy is expanded and prosperous almost beyond belief? Or, should we attempt to provide relief for the worker unemployed through no fault of his own, his employer or the consuming public? If we believe that he should be helped, and I will not admit that anyone could feel otherwise, where should the responsibility for assistance be placed? In the opinion of the sponsors of the bill, this responsibility should be assumed in part, at least, by the same agency through whose direction the dislocation was necessitated—the Federal Government.

A prominent Member of the Congress has said that to solve this defense dislocation and unemployment, we should provide jobs for the unemployed. That I agree would be the perfect solution, but where is that solution? I can assure this committee that I, in conjunction with the other Members of the New York congressional delegation, have left no stone unturned in our efforts to provide employment in New York. We have held numerous conferences with NPA officials in an attempt to get allocations of critical materials for the construction and other industries. We have been in almost constant contact with procurement agencies, urging that New York businessmen receive a share of defense contracts. We have attempted to devise means whereby the agencies administering Korean relief and rehabilitation could utilize surplus stocks of clothing now in warehouses in New York.

I repeat we have done everything we can and we shall continue to do so. But in the absence of complete and perfect success, I feel that we must provide stopgap aid to prevent real hardship for the unemployed. S. 2504 is the best approach yet devised. I urge that the committee give it real consideration.

Very sincerely yours,

HERBERT H. LEHMAN.

UNITED STATES SENATE,  
COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS,  
February 21, 1952.

HON. WALTER F. GEORGE,  
Senate Finance Committee,  
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: I regret very much my inability personally to testify before your committee in behalf of S. 2501, a bill which I am cosponsoring with Senator Moody and a number of our other colleagues. I do wish, however, wholeheartedly to join in support of Senator Moody's plea for early favorable action by your committee. In my judgment, existing payments to unemployed workers under State unemployment insurance laws are inadequate.

The responsibility of our Federal Government with regard to this problem is clear to me since the existing defense emergency has exaggerated the unemployment problem.

You and the other members of the Senate Finance Committee are to be commended for the promptness with which you have addressed yourself to the growing problem of unemployment, and for the speed with which you set hearings. I know that in the course of those hearings you have shown a sympathetic understanding which will gratify the hearts of those who are unemployed today and the members of their families.

I trust that the Senate Finance Committee will consider and report out favorably our bill, S. 2504 in such form as will substantially meet the purpose for which it was introduced.

Sincerely yours,

HUBERT H. HUMPHREY.

FEBRUARY 26, 1952.

To: Senate Finance Committee, the Honorable Walter F. George, chairman.  
From: National Association of Refrigerated Warehouses, Inc., J. P. Johnson, president.  
Subject: A brief constructively opposing principles and enactment of Senate bill 2504.

The undersigned, Jerry P. Johnson, is president of the National Association of Refrigerated Warehouses, with headquarters in the Tower Building, at Washington, D. C. This association consists of 443 public refrigerated warehouses with a total of approximately 320,000,000 cubic feet of space, distributed throughout the entire United States, with an investment exceeding \$1 billion.

We are unequivocally opposed to the principle expressed in S. 2504, now before your committee, and are convinced that under the guise of furthering the defense effort, it is in effect a determined move to undermine State unemployment compensation systems and is the first step toward complete Government control covering unemployment aid. It is not, and should not be considered, an emergency measure. It can only result in nationalization of the unemployment program. It can accomplish nothing except to send us further down the path of the welfare state.

If the Federal Government feels that it has an obligation to workers who may be temporarily displaced from their work on account of the defense program, let the Government assist them in finding other employment, not attempt to liberalize the unemployment benefits. Such a system has already proved that it results in malingering and further unemployment because of the "hand-out philosophy." Such a system destroys initiative and industriousness on the part of the individual.

It is recalled that the House Ways and Means Committee in reporting out certain social legislation (unemployment legislation certainly falls within that category) in 1939, officially stated:

"With limited funds available for this type of insurance protection, individual savings and other resources must continue to be the chief reliance for security."

Is the mind of the Congress changing?

Likewise, it is recalled that this committee, the Senate Finance Committee, in its report on 1950 social legislation stated that it recommended certain changes because of its "impelling concern to take immediate effective steps to cut down the need for further expansion of public assistance."

What is this but an attempt at further expansion?

It must be quite obvious that this bill, S. 2504, and the many identical bills introduced in the House of Representatives, are only window dressing in a political

election year, designed to liberalize and expand this particular form of public assistance, in furtherance of a Federal plan to supplant the present working systems, which have previously been determined by State legislatures. The principle of this legislation is bad. The individual States should be far better qualified to handle problems of this kind, and certainly the cost, as well as the humanitarian phases, not to forget the control, should not be undertaken by the Federal Government.

It is respectfully urged that this bill, H. 2504, and any subsequent alleged improvement thereof, be disapproved by your committee.

Respectfully submitted,

J. P. JOHNSON,

*President, National Association of Refrigerated Warehouses.*

THE DAIRY INDUSTRY COMMITTEE,  
Washington 6, D. C., February 21, 1939.

The bill provides for an increase, at Federal expense, in the unemployment compensation benefits payable under State unemployment compensation laws. The Federal supplementary unemployment compensation payments are made part of the cost of defense mobilization. The Federal supplementary payments may be made to the unemployed whether or not their unemployment is due directly or indirectly to the defense mobilization.

Four findings are set forth in section 2 of the bill, for adoption by the Congress, to wit:

I. That mobilization of the Nation's productive resources for the defense of the United States and dislocations in the economy during the national emergency have caused, directly and indirectly, large numbers of persons in certain areas to become unemployed.

II. That a large amount of such unemployment is among workers whose skills are and will be essential to the defense efforts of the Nation and its security.

III. That the present benefits provided under State unemployment compensation laws are both inadequate and unfair to workers suffering such unemployment.

IV. That alleviation thereof is essential to defense mobilization and must be considered to be part of the cost of the defense program.

These proposed findings, because of their serious nature and disturbing implications, should not be made or accepted by Congress without a thorough study of the facts.

Mobilization, according to Webster's Dictionary, means "to assemble for use and put into movement or circulation."

If findings I and II were adopted by Congress, such action would be tantamount to saying that the Nation's productive resources had not been efficiently and completely assembled for use or put into movement or circulation. It is common knowledge that the United States Department of Labor and employers engaged in defense work in many areas throughout the country are looking for thousands of workers, skilled and unskilled. Appeals are made daily in newspapers and over the radio for workers to fill jobs. In these circumstances it seems axiomatic that, if there is substantial unemployment in any labor market area anywhere in the Nation, it would be infinitely more sensible and in the interest of the Nation's defense to bring together the unemployed individuals and the jobs that are waiting for them than to pay such unemployed individuals in certain labor market areas more money than is payable under their State unemployment compensation laws, in order that the said unemployed may remain idle in said areas. The payment of additional money to the unemployed "whose skills are and will be essential to the defense efforts" would merely encourage them to remain idle and do nothing for the defense effort and nothing constructive for themselves.

Under the provisions of this bill, in most instances, the unemployed would be receiving almost as much in nontaxable unemployment benefits for doing nothing as they received in wages, after taxes, for their work in support of the defense effort. State unemployment benefits plus Federal supplementary unemployment benefits, if the emergency lasted long enough, would be the narcotic to lull the workers into a sense of security and scuttle the defense effort. The bill would tend to retard and to defeat rather than to promote the defense effort.

The Federal supplementary unemployment benefits provided for in the bill are not for unemployment due directly or indirectly to the defense effort. All that is necessary for an individual to receive the Federal supplementary benefits equal

to 80 percent of the amount payable to the individual under his State unemployment compensation law, is for the governor of the State to certify and for the Secretary of Labor to find that in "one or more labor market areas" of the State there exists substantial unemployment. The bill does not disclose what is meant by "labor market area" or "substantial unemployment." If a State law provides for unemployment benefits for an unemployed individual's dependents, then the Federal supplementary benefits may go up to 75 percent of the weekly wages received by the individual where he has four or more dependents. Assuming, however, that in one labor market area of a State there is substantial unemployment due directly or indirectly to the defense effort and the governor of the State certifies and the Secretary of Labor finds such to be the fact, then State unemployment compensation benefits plus Federal supplementary payments are to be made "to all unemployed individuals in the State." This provision of section 4 of the bill, we submit, clearly indicates that the Federal supplementary benefits are not confined to the unemployed who may be unemployed because of the mobilization of the Nation's productive resources and the dislocations in the economy during the national emergency.

The facts as reported in the Social Security bulletins published by the Federal Security Agency in January 1951 and January 1952 do not support a substantial increase in unemployment. Table No. 18, entitled "Employment Security," on page 28 of the Social Security Bulletin of January 1951 states that as of November 27, 1950, the average weekly number of beneficiaries in all of the States in the system was 650,630, whereas the same table, entitled "Employment Security," on page 27 of the Social Security Bulletin of January 1952 reports that as of November 27, 1951, the average weekly number of beneficiaries in all of the States in the system was 712,810, or less than a 10 percent increase.

Finding No. III, that present benefits provided for under State unemployment compensation laws "are both inadequate and unfair" to workers suffering unemployment, should not be adopted by the Congress especially since a brief review of the Federal-State unemployment compensation system will indicate that the State unemployment compensation laws have been steadily liberalized. As a specific illustration of this liberalization, in the State of Michigan, as of November 27, 1950, for the year preceding such date, the average weekly payment of benefits was \$22.84, whereas in the State of Michigan for the year preceding November 27, 1951, the average weekly payment of benefits was \$27.08, or over 18½ percent increase in the average weekly benefits in the year (Social Security Bulletin January 1951, p. 28; January 1952, p. 27). Furthermore, it has always been understood that the States were to be independent in connection with the enactment and administration of unemployment compensation laws. If the Federal Government is to pay out of its Treasury the supplementary benefits and charge the cost to defense mobilization, then it is obvious that a Federal standard would be forced on the people of a State and they would not, therefore, be making and controlling their State unemployment compensation law. There would be interference by the Federal Government through the rules and regulations the Secretary of Labor is authorized to make (see 9).

These rules and regulations covering the substantial supplementary benefit payments provided for in the bill would, we submit, be the entering wedge for the Federal Government to take over State unemployment compensation laws. Several times in the past 13 years attempts have been made by one approach or another to bring about this result. Each time the attempt has been rejected by the Congress. This present attempt, under the cloak of defense effort, should likewise be rejected by this honorable committee. The proponents of the bill may deny any such attempt and cite in support of their position that under the bill nothing can happen until and unless the Governor of a State takes the initiative. One answer to such a denial is that a Governor is a human being too and if in one area of his State an unfortunate temporary unemployment situation prevails, there may be sufficient pressure to have the Governor so certify in order to obtain substantial additional benefits for the unemployed. If additional benefits are to be paid under a State law, let the people of the State decide what the amount and duration of the unemployment compensation benefits should be.

The fourth finding proposed is that where there exists substantial unemployment "alleviation thereof is essential to defense mobilization."

From the earliest days of the Federal Social Security Act to the present time two fundamentals have been accepted almost unanimously.

1. That unemployment compensation laws have two purposes—alleviation and prevention, the "larger purpose" being the prevention of unemployment; and



¶ 2. That unemployment is not to be made attractive by having the benefits under unemployment compensation laws equal or approach too closely to wages for employment.

The best way to alleviate any substantial unemployment situation in any labor market area is to fill the many vacant jobs, in connection with the defense effort, with the unemployed individuals.

Respectfully submitted.

THE DAIRY INDUSTRY COMMITTEE,  
By TIMOTHY J. MAHONEY,  
Chairman, Subcommittee on Social Security.

FEDERATION OF BUSINESS MEN'S ASSOCIATIONS, INC.,  
Washington, D. C., February 28, 1952.

CHAIRMAN, FINANCE COMMITTEE,  
United States Senate, Washington, D. C.

DEAR SIR: At the regular monthly meeting of the federation, held in the board room of the American Security & Trust Co., the following resolution was adopted:

*Resolved by the Federation of Business Men's Associations, Inc., in its regular meeting assembled this 20th day of February 1952, That bills Senate 2504 and House 6174 be opposed by Congress of the United States and that all good Americans urge their Congressmen and Senators to vote against such bills now pending before both Houses; that small and large business send resolutions to Congress opposing such bills; and*

*Resolved further, That copies of this resolution be sent to the appropriate committees of both Houses of Congress, the President of the United States, and to such other organizations as the president of this federation deems advisable.*

I might comment that the adoption of this resolution was unanimous.

Yours sincerely,

KATHRYN M. EVERHART.

WRISLEY SOAPS AND TOILETRIES,  
February 18, 1952.

Hon. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SENATOR: In news which comes to my desk from various services, I notice companion bills S. 2504 and H. R. 6174 designed to increase weekly unemployment compensation benefits under the guise of its being a Federal responsibility because of the defense emergency.

First of all let me say that it is time that we as a people and our representatives in public offices, as a whole, should begin to realize that unemployment insurance set up as an insurance program can best be handled by each individual State knowing its own problems. Second, unemployment insurance should merely be a stopgap to tide a man over until other work is available. This legislation would defeat the very purpose of insurance in that the proposed Federal payments on top of the present State payments would give an unemployed worker an amount which could create considerable abuse. In the State of Illinois in the last few years, I believe the unemployment compensation law has been operated for the purpose for which it was intended, and unemployed workers have been stimulated to find work knowing that they could not receive compensation unless they were absolutely entitled to it.

The cost of such a program, contrary to the modest estimate of the sponsors of the bill, would add considerable millions to our already overburdened tax situation and possibly even billions of dollars. Who is to say but what the pressure upon State legislatures may not be such that individual States would increase their State benefits in order to get larger shares of Federal benefits under this particular legislation. There would be no end to the cycle of upward spiraling costs and benefits. Instead of an unemployment insurance program, I believe such legislation would constitute a welfare program and add to the present long list of welfare programs until we would become a welfare state such as England with the sad results we have noticed in recent years.

This type of legislation also would eventually eliminate the State unemployment compensation systems and turn them over to Federal handling. It is claimed that it is necessary because of the critical defense unemployment. I have noticed

articles in the papers recently of unemployment, particularly in the Detroit area, as being critical. Yet in looking at the reports from the State of Michigan I find that since January 1 claims in the city of Detroit have dropped approximately 22 percent and for the State of Michigan as a whole, approximately 16½ percent. This certainly belies the statement that there is critical defense unemployment in this State. Further the claim that the Federal Government has the responsibility to make additional payments is a subterfuge. Each State should determine its own benefits and handle its own unemployment compensation system. For instance, the Michigan Legislature is now in session and it is up to that body to determine its own needs. A State bill being considered by the Michigan Legislature if combined with the Federal proposed bill would provide weekly payments as high as \$84 per week to some of the Michigan claimants. What is the sense to such a law enacted?

Instead of keeping our labor supply mobile, such legislation, if enacted, would cause an unemployed worker to stay put just as long as his benefits lasted and not seek employment in critical areas where labor was needed. The history of similar Federal bills has been that once the bills are enacted, they usually stay on the books and constitute a continuing tax burden, as witness the many emergency tax measures that were put through during World War II, many of which still have not been removed from the books.

I therefore urge you to use your good office to keep this legislation from being passed.

Sincerely,

ALLEN B. WRISLEY Co.,  
S. J. WOODRUFF,  
*Personnel Manager.*

PERFECTION GEAR Co.,  
*Harvey, Ill., February 21, 1952.*

Senator WALTER F. GEORGE,  
*United States Senate, Washington, D. C.*

HONORABLE SIR: I am writing with reference to a bill introduced by Senator Moody, of Michigan, S. 2504. This bill, if passed, would enable the Governor of any State to declare that substantial unemployment exists in their State with no prospect of immediate reemployment, in which event the Secretary of Labor would be privileged to receive Federal funds with which to increase the unemployment compensation by 50 percent or more.

We believe the unemployment compensation law is the most abused law on the statute books of our respective States, at the present time, without the additional emoluments this bill would provide. There are thousands of strong healthy men and women who connive to beat the benefits of this law. They would rather receive the dole than work for an honest living. When an employee in Illinois can now receive in excess of \$40 per week for 26 consecutive weeks, tax-free, why should they try to work for the small additional sum they could earn with tax deduction. We find innumerable cases where employees are receiving unemployment compensation and working at all kinds of odd jobs which are not reported and in that way earn considerably more money than they could in legitimate employment.

It is true that there will be situations where unemployment will exist for periods of time in one location, but usually there exists a shortage of labor at the same time in other locations. In the past, it was perfectly natural for men and women to migrate from one State to another when employment petered out in one spot and where a demand existed in another. This situation kept every individual alert to his own responsibility to produce his own living and employment compensation was instituted to ease that transition period.

We contend that this additional bill is totally surplus, unnecessary, and would work a great injury to the principles that have made America great, and to the taxpayers, who are already carrying too great a burden.

We furthermore think that each State should shoulder the full responsibility of looking after its own welfare.

I have implicit confidence in your good judgment and I am submitting these views for your consideration from the standpoint of an American citizen who is well posted on the subject through first hand experience, which is the best teacher.

If convenient, I would appreciate an expression from you on this subject.

Very truly yours,

PERFECTION GEAR COMPANY,  
D. H. DASKAL, *President.*

STATEMENT OF W. B. O'BRIEN, SECRETARY, TAX COMMITTEE, NATIONAL COAL ASSOCIATION, WASHINGTON, D. C.

The National Coal Association is the trade association of the bituminous coal-mine owners and operators in the 28 coal-producing States of the Nation. The organization represents approximately 75 percent of the commercial bituminous-coal production in the United States.

The National Coal Association is opposed to the enactment of S. 2504. The grounds for that opposition are, briefly stated, as follows:

(1) Additional unemployment compensation benefits are unnecessary.

(2) S. 2504 would make unemployment benefits so nearly equal to take-home pay that in many instances the incentive to work would be destroyed, thereby removing from the Nation's labor supply a large number of workers.

(3) The program envisioned by S. 2504 would cost the taxpayers of the Nation in the neighborhood of \$1 billion per year, at a time when the Nation is laboring under deficit spending and an economic structure already burdened with taxes so high we have reached the point of diminishing returns.

(4) S. 2504 would inevitably result in federalization of the unemployment-compensation program—a large step down the road to completely centralized government by bureaucracy.

(1) Additional unemployment compensation benefits are unnecessary: The proposed legislation is sailing under false colors. The bill gives the impression that its effect is to grant increased payments to workers who have become unemployed because of the mobilization for defense. However, it provides for increased benefits for all recipients in a State where the governor certifies and the Secretary of Labor finds that there exists substantial unemployment within one or more labor-market areas. In other words, in a short time the increased payments would be applicable to all workers.

The bill states that "the present benefits provided under State unemployment-compensation laws are both inadequate and unfair to workers." The charge of inadequacy falls in the face of the fact that present and prospective State unemployment levels are much more favorable, and State unemployment-compensation benefits are much more liberal, than was the case in either the conversion or reconversion periods of World War II. Benefit levels have more than kept pace with increases in the cost of living.

If present levels are unfair, S. 2504 would do little to correct them. The supplementary payments would not be such as would level up benefits of comparable classes of unemployed wage earners over the country, but instead would accentuate the differences in maximum benefits payable to comparable high-paid wage earners in different States. Because of the percentage of salary limitations, no supplemental payments, or only relatively small supplemental payments, would be made to medium and low-wage persons under S. 2504.

The sponsors of this bill seem to base their claim for its necessity on the State of Michigan. It has already been shown to the committee in the present hearing that Michigan has in its unemployment compensation fund at the present time some \$353 million, and instead of being depleted the fund has increased some \$15 million during the past 6 months.

(2) S. 2504 would make unemployment benefits so nearly equal to take-home pay that in many instances the incentive to work would be destroyed, thereby removing from the nation's labor supply a large number of workers.

It is generally accepted that unemployment benefits should not be so high that they will destroy the incentive to work. This is especially true at the present time, with the Nation striving for maximum production in order to safeguard its existence.

A \$70 per week man with two children and a wife has deducted from his pay for income-tax withholding \$3.90 per week, and for social-security taxes \$1.05 per week. With carfare and other work incidentals conservatively estimated at \$3, he nets around \$62 per week when working.

If unemployed, he loses this \$62 but receives payments from (1) unemployment insurance, and (2) income-tax rebates. For example, if unemployed 12 weeks during the year his tax rebate would average about \$9.60 per week of unemployment (instead of being liable for a tax of \$191 for the year, he would be liable for a tax of only \$29 if employed for 40 weeks instead of 52; the difference of \$162 must be reduced by the \$46.80 which would have been withheld for tax purposes, leaving a rebate of \$115.20 to be spread over the 12 weeks of unemployment). In addition, under the pending proposal, his State benefits, in a suffi-

ciently liberal State, would be so supplemented as to provide him a total of as much as \$48 per week. Thus with an actual net loss of \$62 per week he would have \$48 per week in benefits and an average of about \$9.80 per week in tax rebates during his unemployment, or a total of \$57.80. This would leave about 10 cents an hour, or \$4.20 per week, difference between working and not working over the 3 months in question.

An individual without dependents receiving \$70 per week in wages has \$11.60 weekly withheld for income taxes, and usually \$1.05 for social security which, with \$3 work expense such as carfare, would leave him a net of \$54.35. If he were unemployed for 12 weeks, his tax rebate would be about \$3.20 per week of unemployment. His weekly State benefits in States like New York would be \$30, and his Federal supplement would be \$15, thus providing a net of \$48.20 per week when idle as contrasted with a net of \$54.35 when employed.

A citizen of Alaska with a weekly wage of \$95 would have withheld \$8.70 per week for income tax if he had three dependents. With work expenses and social security deducted, he might net \$82 or \$83 per week. If unemployed 12 weeks his tax rebate would average out at about \$9.80 per week. His benefit under Alaska law would be \$48, and his Federal supplement would be \$21. Thus his total tax rebate, State benefit and Federal supplement would amount to almost \$79 per week when he is not working as contrasted with perhaps \$4 more per week if he works full time.

These few illustrations point out how near this proposal would bring us to the never-never land—never want and never work. In theory that land sounds ideal, but it is our belief that before we enact proposals such as S. 2504 we should call upon the proponents of the welfare-state principle to explain who, in that happy land, will produce the clothes we wear, the food we eat, and the weapons we need to defend ourselves.

(3) The program envisioned by S. 2504 would cost the taxpayers of the Nation in the neighborhood of \$1 billion per year, at a time when the Nation is faced with deficit spending and an economic structure already burdened with taxes so high we have reached the point of diminishing returns.

In 1950, the total unemployment compensation benefit payments for the whole country were \$1.4 billion. S. 2504 would have the Federal Government match 50 percent of the primary benefits, plus 100 percent of the benefits for dependents. In view of the irresistible pressure that will be exerted upon the Governor of every State to grab for his State its share of the Great White Father's bounty, it is reasonable to assume that within a very short time the application of the plan would be universal. On a 50 percent basis, this would cost the Federal Government \$700 million per year. Indirect inflationary costs must be added, since the proposal would result in reduced national product through destruction of the incentive to work.

It is true, of course, that in some cases the percentage of salary limitation would prevent the Federal Government from giving a full 50 percent of State payments. However, this would be more than offset by the amendment which has been offered, to extend payments by 50 percent *timewise*.

Further, the amount of payments required by the Federal Government would inevitably be increased through a larger number of persons responding to the lack of incentive to work, and through failure on the part of State governments to resist political pressure to increase the Federal grants through increasing State payments.

(4) S. 2504 would inevitably result in federalization of the unemployment compensation program—a large step down the road to completely centralized government by bureaucracy.

In the past Congress has many times wisely rejected proposals to federalize the unemployment compensation program. The union sponsors of this legislation are committed to complete federalization of the program. While S. 2504 in itself provides for no direct Federal control over State legislation, it would cause a tremendous increase in the pressure upon State legislatures to increase the levels of State benefits, to bring in more Federal matching money. At the expiration of the Federal matching program, it cannot be expected that the States would be able to return to their former benefit scales. Instead, they would be forced to increase levels by at least 50 percent to replace the Federal matching money. Doing that would necessitate substantially increasing the employer tax rates, with a resultant strong demand from employees and many employers for the Federal Government to continue permanently to share the cost of unemployment compensation payments. Once the Federal financial participation is established

on a permanent basis, it follows as the night the day that we will be unable to prevent Federal control over such State matters as the amount of benefits to be paid, the conditions of payment, the amount of taxes to be collected from employers, the method of assessment, and the methods of administration.

We believe Congress should reject S. 2504; there is no need for it; it is dangerous to our national economy, and it will reduce our ability to defend ourselves.

HARRISBURG STEEL CORP.,  
Harrisburg, Pa., February 26, 1952.

The Honorable WALTER S. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: We are very much alarmed about the possibility of the Defense Unemployment Compensation Act of 1952 (S. 2504 and H. R. 6174) being enacted into law and urge that you give the following your serious consideration.

As the proponents of the bill admit, it was introduced to alleviate one single and specific condition which temporarily exists in the Detroit area. The proponents are contending that the unemployment situation in Detroit was caused by the transition to defense production and is so serious that Federal legislation is required to provide relief. Apparently their claim is unfounded as the seasonal change-over in car models contributed considerably to the unemployment picture in that area. Furthermore, unemployment benefit claims in Detroit, we understand, are far below the peak reached in the winter of 1949-50.

Therefore, we cannot conceive a necessity for the Congress of the United States to consider legislation to alleviate a temporary condition for a select group. There are many periods of total unemployment in various industries due to seasonal and other conditions. However, even under the proposed legislation employees in such instances would not enjoy relief due to the fact that their periods of unemployment may not be caused by production transition under the Defense Production Act, although the circumstances may be more distressing than the present situation in Detroit. We contend, therefore, that the proposed bill would result in discrimination and inequity among the American populace.

To the best of our knowledge there are no defense-caused employee dislocations in the State of Pennsylvania, but there are several regions with chronic unemployment that could be used as the basis for requesting Federal funds. In any event, the workers involved would be in as much need for relief as the automobile workers. In fact, they are in more need of relief because they do not, and have not, enjoyed the earning power that the automobile workers consistently enjoyed.

Although the proposed bill is offered as a temporary measure, it opens the door to Federal domination of State operated unemployment compensation programs. Once that door is opened there is grave doubt that it will ever be closed. The proponents of the proposed bill claim that the cost to the Federal Government would be small in relation to the total cost of the defense program. They are, however, only accounting for the cost of benefits to their own individual group to relieve the condition which exist at the present time. We predict that on a Nation-wide basis the cost would approximate over a billion dollars in the next year.

We contend that the matter is a problem for the State government and that there is no need whatsoever for the Federal Government to enact additional legislation to supplement State benefits. Certainly there is no need to enact legislation which would cost the Federal Government and the taxpayers additional millions of dollars per year and above all we feel it is a grave mistake to further expand Federal control. We sincerely urge, therefore, that you exert every possible effort to defeat the proposed bill.

Yours very truly,

HARRISBURG STEEL CORP.,  
J. T. SIMPSON, President.

## STATEMENT OF LOUIS C. RABAUT, M. C.

In connection with the hearings on the House-passed bill, H. R. 4394, to provide pension increases for service-connected veterans, I would like to suggest an amendment which would grant a reasonable statutory rate of compensation, which I am sure the committee in its wisdom and discretion can determine, for the permanently and totally service-connected disabled veterans who are classified as unemployables. I feel that these veterans are deserving of sufficient compensation to maintain a decent standard of living, and I feel that it is the obligation of the Government to pass legislation to enable them to do so. Of the veterans classified in this category, I would like to cite one specific case that has been brought to my attention, a resident of the Fourteenth District of Michigan.

Julian Rybleky, 2130 Beniteau, Detroit 14, Mich., entered the United States Navy on September 30, 1942, was ordered to active duty on November 21, 1942, was honorably discharged on August 9, 1946. While operating a pontoon tug at Guam, his left leg was crushed between the tug and the barge, resulting in an infection and causing a multitude of further complications, including lymphedema, psychoneurosis, osteoarthritis, myocardial insufficiency, cleatrix, hernia, and he was discharged from service on report of medical survey by reason of elephantiasis. He filed a claim for compensation prior to his discharge from service and appealed and reappealed his case a number of times, finally resulting in a total current and retroactive increased rating of 100 percent for service-connected disabilities, effective from August 10, 1946, now receiving the maximum compensation of \$150 per month. This veteran has been considered unemployable by the Veterans' Administration since his discharge from service, but due to his 13 years of association with the Chrysler Corp. prior to entering the service, he was given a sitting-down job on bench work. He remained on this work for only about 5 weeks, as he was in constant pain and it was impossible for him to remain on the job. He has been unable to work since that time.

Amputees and paraplegics under the law are entitled to additional compensation, extra benefits, and they are physically able in many cases to supplement their pension by gainful employment, and they are also able to accept the benefits of education and training. I believe that they are deserving of all of these benefits, but I also believe that veterans classified as unemployables should receive additional benefits to allow them more than a mere existence. Veterans, such as Mr. Rybleky, have sick bodies and broken spirits, many with incurable diseases and nothing to look forward to. They cannot work to supplement the meager compensation meted out by the Government; they cannot receive education and training privileges which are available to other veterans; they cannot obtain a loan on a home; and they are not eligible to receive automobiles, although many of these unemployables find it difficult to move around.

It is a curious twist in the law which makes "fish" of one and "fowl" of another of these veterans. Because we insist on considering the physical injury and defect in itself in arriving at the compensation to be paid, we have lost sight of the end result and effect on the individual. I feel that this is an arbitrary distinction without foundation in logic or fact. Our national laws relating to veterans otherwise display an outstanding awareness of the human values in the sickness and suffering which is the lot of many of those who came to the defense of their country, and I believe that we should adhere firmly to that standard in the case of these unemployable veterans who have 100-percent service-connected disabilities. I urge most forcefully upon this committee that they be granted a statutory rate of compensation bearing a reasonable and logical relation to their condition so that they can maintain a decent standard of living in the realization that their country is grateful for their sacrifices.

The CHAIRMAN. The hearing will be adjourned subject to call.  
(Whereupon, at 4:15 p. m., the committee adjourned, subject to the call of the Chair.)