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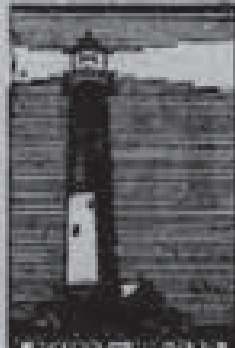
Unemployment insurance, literature related to,
1930-1931, undated.

The Columbus Citizen

(A SCRIPPS-HOWARD NEWSPAPER)

Owned and published daily (except Sunday) by
The Citizen Publishing Co., 34 N. Third-st.EDWARD A. EVANS,
Editor.CHESTER MACTAMMANY,
Business Manager.

CHARLES I. FISCHER, President.



Full reports of the United Press, United News, United Financial and Citizen State wires, Scripps-Howard Newspaper Alliance and Newspaper Enterprise Association. Member of the Audit Bureau of Circulations.

Home Edition by mail, \$8 a year plus zone rate postage. U. S. D. edition by mail out of the city and in Ohio where there is no Citizens carrier service, \$8 a year, \$2.25 six months, 40c one month.

"Give Light and the People Will Find Their Own Way."

It Is Not "The Dole"

FRIGHTENED by that bugaboo, "the dole," four members of the Ohio Senate's Labor Committee have smothered the Reynolds unemployment insurance bill by voting to postpone its consideration "indefinitely."

What these four gentlemen—Senators Gillen of Jackson county, Espy of Cincinnati, Lloyd of Portsmouth and Scott of Ross county—failed to understand, and what an unfortunately large number of other Ohioans fail to understand, is the important fact that unemployment insurance is not "the dole."

The dole is what we have now.

The money paid out to the unemployed by our Community Funds is the dole.

The money paid to the jobless from our city treasuries is the dole.

The appropriation made by the Legislature to feed and clothe children who are hungry and cold because their parents are out of work is the dole.

The bonds that cities will issue under the Pringle bill for relief of the unemployed will be a dole.

. . .

BUT the principle of unemployment insurance is the direct opposite of the dole. Under the plan proposed by the Reynolds bill, employers and employees would contribute to an insurance fund. The state would contribute nothing except the cost of administering the system, as it administers the industrial accident insurance system.

Employees, having contributed to the fund in good times, could draw limited benefits from the fund in bad times. They could draw these benefits, not as charity, but as a right, and thus they could maintain their self-respect.

Employers, having contributed to the fund in good times, could look to it to keep their workers going when bad times threw them out of jobs. They could expect the insurance to maintain purchasing power and so to make business depressions less severe.

. . .

TREMENDOUS pressure has been brought against the Legislature to kill the unemployment insurance plan. This pressure has come from business interests which, we believe, are short-sighted and mistaken in their attitude.

Why do so many business men oppose the setting-up of a system by which industry, including the employees themselves, can provide limited insurance against the risks of unemployment?

There are various reasons. Among them should not be overlooked certain social prejudices that have nothing whatever to do with the economic side of the matter.

Some of the most unrelenting opponents of unemployment insurance do not object to relieving unemployment, so long as the relief is conspicuously branded as charity; so long as the workers who receive it are kept in an attitude of grateful subservience.

Some of the fiercest opposition to unemployment insurance springs from a deep-rooted class consciousness that desires to have the differences which separate classes magnified rather than diminished.

It would be unfair to ascribe this motivation to all the opponents of unemployment insurance. But it is one active and powerful influence, even though many of the people whom it actuates would be unwilling to admit it or to recognize it in themselves.

We admire the courage and vision of the two members of the Labor Committee who voted against scrapping the Reynolds bill. They are Senator James A. Reynolds of Cleveland and Senator Louis J. Eberle of Athens.

. . .

ONE chance remains for the enactment of unemployment insurance legislation by the present General Assembly. A bill identical with the Reynolds bill has been introduced in the House by Representative Horace E. Keifer of Springfield.

We dare to hope that those members of the House who still have it in their power to give this bill a chance for full consideration will be more statesmanlike and less timid than the majority of the Senate Labor Committee.

Cleveland

UNEMPLOYMENT INSURANCE IN GREAT BRITAIN

- 1.- With certain exceptions, the plan applies to workers over 16 yrs. of age in all industries save agriculture and private domestic service. The insurance and banking industries have separate special schemes of their own.
- 2.- Contributions are payable by employers, employed and the Exchequer, the rates for an adult male being 8d (16¢), 7d (14¢), and 6d (12¢) respectively. Lower rates apply to women and young persons.
- 3.- Benefit is payable at the following weekly rates:
- | | Males | Females |
|--|--------------|--------------|
| Persons of 21 yrs. and over.... | 17s (\$4.08) | 15s (\$3.60) |
| " " 20 yrs. of age..... | 14s (\$3.36) | 12s (\$2.88) |
| " " 19 yrs. " " | 12s (\$2.88) | 10s (\$2.40) |
| " " 18 " " " | 10s (\$2.40) | 8s (\$1.92) |
| " " 16-17 " " " | 6s (\$1.44) | 5s (\$1.20) |
| An adult dependent..... | 7s (\$1.68) | |
| Dependent children up to 14 (exceptionally 16) yrs.... | 2s (48¢) | |
- 4.- No benefit is paid for the first week of unemployment.
- 5.- The principal conditions for the receipt of benefit are:
- a) The payment of 30 contributions during the last 2 yrs.;
 - b) Making a claim for benefit & proving continuous unemployment;
 - c) Being capable of & available for work;
 - d) Genuinely seeking work & unable to obtain suitable employment.
- 6.- Benefit is not limited in proportion to the number of contributions previously paid, nor is it restricted to a given number of wks. in a period, but after 13 wks. have been drawn in a period of 6 months the claim is referred to a court of referees for review; moreover the "30 contribution rule" has to be satisfied at the commencement of each quarter.
- 7.- A claimant is disqualified for the benefit if he loses his employment by reason of a stoppage of work due to a trade dispute at his place of employment, or if he has left his employment voluntarily without just cause, or has been dismissed for misconduct.
- 8.- Benefits may be administered by Associations on behalf of their members.
- 9.- Industries may set up supplementary schemes, but may not contract out of the general scheme.
- 10.- The normal machinery of administration: insurance officer, courts of referees and umpire.

German Unemployment Exchange and Unemployment Insurance Act passed July 16th. 1927

I. Basis of Support

Cost of administering and maintaining the insurance system made by equal and compulsory contributions of employers and employees. Maximum payments may not exceed 3% of wages or 1½% from each side.

II Scope of the Law

Membership in the unemployment insurance system is compulsory for most persons covered by the health and salaried employees insurance schemes. Exemption from compulsion to insure is granted to certain agricultural, forestry and fishery workers.

III Eligibility to Benefits.

Eligibility for benefits obtain only after a person has during a year worked 26 weeks in a compulsorily insured occupation.

The foremost condition of eligibility is ability and willingness to work.

IV Duration of Benefits

Title to benefits normally lasts 26 weeks. Exceptions to the 26 weeks rule are allowed.

Assistance may be extended to the partially employed. Assistance to the unemployed may be extended through grant of emergency unemployment allowances. This special form of aid is designed for periods of peculiarly unfavorable labor conditions.

V Rates of Benefits.

Rates of benefits vary according to the wage classification. The wage of the individual is based upon the average wage he receives for the three months of employment prior to day of application for benefits.

To facilitate calculation, average weekly wages for the three months' period are grouped into eleven classes. The lowest includes ten marks or less and the highest sixty marks and above. For each class a representative wage is set. Benefits are reckoned in percentages of the representative rate. The lowest income generally receives 75% and the highest 35% of its representative wage.

During his eligibility the unemployment insurance system also maintains the workers' contributions to other forms of social insurance.

Administration of the System

Administration is placed in the hands of an autonomous body, the Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung. The Reichsanstalt is organized into local, district and national offices. The local office places applicants, gives vocational guidance and pays unemployment benefits. There are 361 local offices they are united under district labor offices of which there are 13. The central national office is in Berlin.

The president of the Reichsanstalt is appointed by the President of Germany. The Reichsanstalt has

- (a) A board of directors which is responsible for the conduct of the entire organization
- (b) An administrative council which regulates the labor market and decides matters concerning contributions to the unemployment insurance fund and rates and methods of paying benefits.

Each district labor office has an administrative committee which makes rules and determines policies governing that district.

Each local labor office also has an administrative committee which concerns itself with the work of that unit.

Each body is made up of equal representation from employers and employees.

Courts of reference or appeal are established both in the local units and in the district units. A court of final appeals is attached to the federal insurance bureau which is the court of appeals for all types of social insurance.

F. L.

The "Wisconsin" Plan for Unemployment Insurance.- The Wisconsin plan represented in the Huber and Heck bills accepts the idea that unemployment is in a large measure preventable, - with proper handling of our credit system and with good industrial management. The point of view is optimistic; the plan aims at prevention of irregular work and unemployment.

The State of Ohio holds employers responsible for compensation for industrial accidents. The Wisconsin plan also holds industry responsible for irregular employment, for broken work and fractured pay envelopes. It is expected that such a measure would interest management in the regularization of industry.

The measure proposed in Wisconsin was modeled upon the Workmen's Compensation Law. It proposed to give compensation to workmen laid off because of lack of work. The compensation was to be one dollar a day for not more than thirteen weeks in one year. The hazard and the cost of administration was to be born solely by the employer through the mutual insurance companies, supervised by the State Industrial Commission. Special provisions were inserted so that the firm or the industry which ran irregularly would pay larger premiums than the firm or the industry which regularized its work. To be eligible for compensation under the Wisconsin proposal, an unemployed worker must prove that he has been employed by one or more employers under the bill for not less than a total of twenty-six weeks in the last two years; he must file his claim with the employment office and continue to report from time to time. Compensation is to be paid only if the worker is available for work and while he is unable to obtain suitable employment. The worker is not eligible for compensation if he has voluntarily left his last employment without reasonable cause. An unemployed worker may, however, refuse as unsuitable any employment in which the conditions are less favorable than those which prevailed in his usual employment or in any position vacant because of a strike or lockout. Refusal of employment on these grounds does not disqualify an employee for compensation.

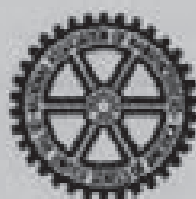
Senators from Cuyahoga County:

John R. Davis
Keith Lawrence
Bernard J. McCluskey
Bart T. McIntyre
James Metzenbaum
W. J. Zoul



PUBLIC UNEMPLOYMENT INSURANCE

**A Factual Analysis
Prepared by a Joint Committee
of the
National Association of Manufacturers
and
National Industrial Council**



**Issued from Headquarters
11 West 42d Street
New York City**

March, 1930

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Single copies may be had without cost by anyone interested by communicating with the National Association of Manufacturers headquarters; quantities at cost.

Foreword



THE National Association of Manufacturers was organized in 1895 primarily to promote the domestic and foreign trade interests of American industry. In 1907 the Association organized the National Industrial Council as an ally in its program of service. While the Association is composed of individual manufacturing concerns, the Council is made up of all the state manufacturers associations and approximately 300 local and national trade organizations. The concern of the Association and Council with problems in the field of employment relations began in 1902 and has steadily continued and grown.

The Association was one of the first bodies in the nation to become interested in a constructive solution of the problem of workmen's compensation insurance. A special investigation committee was sent abroad in 1910 to study foreign experience in this field and a year later the Association officially endorsed and advocated legislation providing for compensation insurance for industrial injuries.

In 1915 the Association's committee preceding the present Employment Relations Committee was appointed for the specific purpose of studying such questions as public unemployment insurance and public old age pensions. Our interest in these subjects has continued without abatement since that time and a vast amount of statistical data has been gathered.

This memorandum on the subject of public unemployment insurance has been prepared jointly by committees of the Association and the Council after a very thorough and comprehensive investigation and study. It brings together for the first time a mass of data on this interesting subject and a digest of both foreign and domestic experience touching economic and industrial relations. The contents of this memorandum bear directly upon the question of both the expediency and practicability involved in insurance legislation proposals which are being currently advocated. The data is here compiled and presented for purposes of timely and helpful enlightenment on the subject and is especially intended to be of service to the great body of our industrial citizenship as well as to legislators, student bodies, economists and the American press. I commend its careful and thoughtful reading to all who have any interest in this subject which is now engaging such wide attention.

JOHN E. EDGERTON,

*President, National Association of Manufacturers,
Chairman, National Industrial Council.*

Introductory Statement by the Joint Committee



THE 1929 meeting of the National Industrial Council recommended establishment of a joint committee with the National Association of Manufacturers to consider public unemployment insurance. Subsequently, Mr. John E. Edgerton, as Chairman of the National Industrial Council and President of the National Association of Manufacturers, appointed a committee composed of:

George F. Kull, Secretary, Wisconsin Manufacturers Association.

Noel Sargent, Manager, Industrial Relations Department, National Association of Manufacturers.

A. V. Williams, Secretary, Minnesota Employers Association.

The following analysis is submitted as the report of the committee. We observe growing interest in the questions of unemployment and unemployment insurance; we feel that because of the far-reaching and wide-spread ramifications and effects of the problems involved careful and extended study is necessary. It will be gratifying if the present analysis stimulates further constructive interest on the part of industrial leaders and contribute to a better understanding of the social and economic factors involved.

GEORGE F. KULL

NOEL SARGENT

A. V. WILLIAMS

This report has also been read and approved by Mr. S. M. Stone, President of the Colt's Patent Fire Arms Manufacturing Company, in his capacity as Chairman of the Employment Relations Committee of the National Association of Manufacturers.

QUESTION—Should the Different States Enact Unemployment Insurance Laws?

Present Action Not Advisable

(1) The Committee on Education and Labor of the United States Senate after holding hearings on various phases of unemployment in its report submitted February 25, 1929, declared (Senate Report 2072, 70th Congress, 2d Session):

"We think it is generally agreed by the witnesses that at the present time the following conclusions would be drawn from the evidence:

"Government interference in the establishment and direction of unemployment insurance is not necessary and not advisable at this time.

"Neither the time nor the condition has arrived in this country where the systems of unemployment insurance now in vogue under foreign governments should be adopted by this Government."

(2) It would be extremely inadvisable to consider adoption of legislation dealing with this subject until we have more exact information as to the existence and extent of any real problems which may exist in the various States. This is particularly true in view of the fact that the 1930 Federal Census will compile data on the subject. This will include the obtaining of data on the following points:

Usual Occupation.

Present, or last occupation if now employed.

Did individual hold a job during the week covered (presumably that ending April 26, 1930)?

Was it a part-time job?

If person held no job or received only part of a week's pay was the cause:

Illness or accident?

Vacations, holidays or personal reasons?

Shortage of material?

Strike or lockout?

Bad weather?

Slack work?

If without a job—

Is he able to work?

Looking for a job?

How long out of a job?

Reason for being out of work?

The American Federation of Labor evidently feels that additional data is needed prior to any action on the subject, for at its 1929 convention it declared the gathering of data on unemployment as part of the 1930 census "will prove of immense value in that accurate unemployment figures will be

made available, the nature and scope of unemployment will become clearer than it is at present, and the opportunities for dealing effectively with this vexing problem will be correspondingly greater."

(3) We should also have available more complete information as to the operation of unemployment insurance laws in foreign countries. This information is now being compiled by the Industrial Relations Counselors of New York City, who will issue during 1930 a series of analytical studies of unemployment insurance in England, Germany, Belgium, Holland, Denmark and Switzerland. They will also publish separate studies by other authorities of such acts in Poland, France, Italy and Austria. It would be most unwise to enact any legislation in this country until we have comprehensive data, which we know is now being compiled, on the operation of such laws in foreign countries, as well as the data to be gathered in our 1930 census on the extent of unemployment in the United States.

Proposals Rejected by States



THE Senate Committee on Education and Labor in its 1929 report above referred to said:

"Fifteen bills dealing with unemployment insurance have been introduced in six State legislative bodies since 1915, and none of them has been successful. Probably the so-called Huber bill, introduced in the Wisconsin Legislature, came nearest to adoption, and its author, Dr. Commons, advised your committee that it 'was as dead as anything could be.'"

With reference to the character and extent of previous and present State legislative proposals the following observations seem pertinent:

(1) Unemployment is not a condition local to any section of the country;

(2) Nor is it confined to any particular industry, occurring in the construction industry, hotels, stores, offices, domestic service and agriculture, as well as in manufacturing;

(3) Those employed in one industry are entitled to the same degree of consideration as those in any other, suffering in the same measure from lack of work;

(4) Yet none of the bills proposed appear to have attempted to cover all employments. Farm laborers have been exempted from coverage in all bills. State, municipal, town and village employes were exempted in all bills. Various other bills have provided the following exemptions (United States Senate 1929 Hearings on State Resolution 219, with Senate Report No. 2072, pages 443-456):

If employed by employers having less than three, five or six workers.

If employed in canneries.

If employed in home work.

If not a manual worker.

If employed in domestic service.

If working in interstate commerce.

The problem of the unemployed worker is one in which we are all interested. Among the phases which must be considered in any really constructive legislation we find:

- (1) Effect of competition from various states if burdens are imposed on industry in particular states;
- (2) Discrimination against resident labor (laborers coming from other states would be given preference since floating labor is not covered in most of the proposed laws);
- (3) Discrimination against both manual and non-manual workers normally employed by small operators, tradesmen, etc.;
- (4) Difficulty which laws would impose against those seeking short periods of employment;
- (5) Discrimination in all proposed laws against agricultural workers;
- (6) Discrimination in many laws against office and other non-manual workers.

Only the New York and first Massachusetts bills provided for joint contributions by employers, workers and the State. The second Massachusetts bill and the bills proposed in Wisconsin, Pennsylvania, Minnesota and Connecticut all put the cost entirely on the last employer. Of the foreign bills we believe only the Russian Act so provides. Yet it is obviously true that employers do not regulate employment opportunities—these are provided by the public through its purchases—if the public demand changes an entire industry may suffer, even though its management is as intelligent and capable as that of other industries. Yet the advocates of unemployment insurance in America insist that employers alone must pay the cost—they do not point out that this added tax or insurance would lessen rather than increase employment opportunities.

Costs Involved—Should We Consider Them?

EMPLOYERS do not object to taxes which are productive in character—but they cannot be expected to favor new taxes which will simply increase production costs and the difficulties of competition. Col. George Pope, then President of the National Association of Manufacturers, well put the principles involved when he declared in 1916 (U. S. Bureau of Labor Statistics Bulletin No. 212, p. 851):

"Personally I believe there is a keener sense of social responsibility among the great body of manufacturers than ever before, and I venture to suggest that the truth of this assertion is not minimized by the unwillingness of the manufacturer to embrace every new scheme of alleged social benefit that is proposed. New charges thrust suddenly upon industry are not translated with equal ease into the cost of production of all kinds of commodities or of all forms of manufacture. A monopoly readily meets any new charge, but as we descend from that condition to forms of sharper competition we not only find new difficulties in adding sudden charges, but we find the further difficulty that undue costs in the retail price of articles may seriously contract their consumption. I do not say this to militate against any sound proposal of social benefit because it necessarily

carries new costs. I say it because it is the part of wisdom not only to be willing to pay for reform but to understand where its burden will fall, that we may not be disappointed and chagrined if social experiments, undertaken without due preliminary inquiry, fall back, where no sound policy should permit them to fall, upon the wage earner, either through reduced wages or lessened opportunity for employment."

English experience indicates that unemployment insurance may tend to create unemployment—or at least to prevent or delay any remedy for bad employment situations existing in specific industries and localities. And the burden of unemployment insurance and other so-called public "social services" has been so great upon industry that it has been necessary to consider resort to drastic reductions in local taxes upon industry in an endeavor to stimulate production. In the United States we find Secretary of Labor Davis declaring that "excessive taxation" tends to reduce wages and prevent "unbroken employment"—in other words, to create unemployment. Yet unemployment insurance advocates recklessly seek to add to the taxes now imposed upon industry—a proposal which both logic and experience demonstrates will tend to magnify any existing disease instead of curing it.

Cost Involved—American Estimates

(1) We assume an industrial population which would be covered of 20,000,000 and an average unemployment of 8 per cent or 1,600,000. If we adopt the German basis of 50 per cent employment during a year to be eligible for unemployment benefit, reduced to 25 per cent at times, we know from English experience that 17 per cent of claimants are unemployed over half of the time and an additional 50 per cent over one-fifth of the time. Supposing one-third of the latter become eligible for benefits under the various reductions which would be allowed, this gives a total of one third of the "normally unemployed" or about 535,000 who would always be on the benefit list. Further assuming that benefits will average \$1 a day every day (the minimum "starter" now asked by the advocates of unemployment insurance) this would give a daily payment of \$535,000 and yearly costs of \$195,275,000.

Bills introduced in Wisconsin and Massachusetts proposed benefits of \$1.50 daily, which would give a yearly cost of about \$293,000,000 (and it must be borne in mind that no state proposal has covered *all* employments or workers; if they were covered the costs presented in this section would be much greater).

It is not unreasonable to suppose that the advocates of such legislation will ultimately insist upon rates equal to those in the Workmen's Compensation Laws. Such benefits may safely be placed, for the entire country ("Workmen's Compensation Problem in New York State," National Industrial Conference Board, 1927, pp. 36-38), at 60 per cent of weekly wages with a maximum weekly wage allowance of \$20 (we are quite conservative here since the Wisconsin bill proposes a limit of 65 per cent of usual wages, the Connecticut bill 67 per cent-75 per cent, and the Massachusetts bill 60 per cent—none stipulating any maximum weekly usual wage). On this basis benefits would be \$12 weekly, or, on a seven-day basis, \$1.71 daily—which would bring the cost to approximately \$334,000,000.

(2) The English act insures 12,000,000 industrial workers and the German 17,000,000; in the United States probably 20,000,000, at least event-

ually, would be covered by insurance. Applying these two foreign experiences to the United States we get the following results applied to all United States coverage (details are given later):

(a) On the basis of German experience the yearly cost of unemployment insurance would be \$300,000,000;

(b) On the basis of English experience the yearly cost would be \$540,000,000.

(3) H. F. 630 introduced in the 1927 Minnesota legislature proposed compensation of \$1 a day for not over 13 weeks in each year, provided applicant had been "employed within the State for at least 26 weeks during the two preceding years"—13 weeks a year. The act provided for insurance through insurance companies or self-insurance. The Minnesota Employers Association estimated as follows (unpublished brief):

"Taking the net figures of 390,000 persons and multiplying that figure by \$800 as an average annual wage, the total payroll upon which insurance premiums would be based would be \$312,000,000. The estimated rate for this type of insurance would be from 4 per cent to 5 per cent (see National Industrial Conference Board Report No. 51) or \$32 per year per person at a rate of 4 per cent, or a total of \$12,480,000 per annum."

On the other hand it was estimated that the benefits paid would be \$4,259,000 a year.

(4) A commission appointed by the Massachusetts Legislature made an investigation in 1922 and 1923 and in its report (unanimously opposed to such insurance) estimated (House Document No. 1325, p. 7 and supplement) that the cost of unemployment insurance in Massachusetts would range from \$6,985,000 in a normal year to \$19,050,000 in a year of severe depression (based on statistics covering the years 1908-1922).

(5) The Wisconsin Manufacturers Association estimated that the cost under the Huber bill, prepared by Dr. Commons, would range from \$2,360,000 to \$4,250,000 yearly.

Special Note—The American Association for Labor Legislation, advocates ("Standard Recommendation") "a system of unemployment insurance, supported by contributions from employers." The Huber bill in Wisconsin assessed the cost entirely against the employers. Dr. Commons, author of the bill, apparently based this upon a belief that employes should have a "legal right of action" against employers by whom they are "laid off" (*Christian Science Monitor*, February 9, 1929). Russia appears (International Labour Office 1925 Bulletin on "Unemployment Insurance," p. 92) to be the only important foreign country in which *employers alone* pay the costs of unemployment insurance. Such proposals are based on the economic fallacy that increased burdens upon industry will stimulate enterprise; they tend in fact to increase the difficulties of competition and reduce employment. This is true whether of direct contributions to unemployment insurance funds or indirect contributions in the form of taxes—even where the Government contributes from its Treasury to such funds productive industry bears the chief burden of the necessary taxes.

Costs—English Experience



HE financial costs of unemployment insurance and relief in both England and Germany reveal that our estimated American costs are, to say the least, quite conservative and that the burdens steadily increase.

J. H. Thomas, Minister for Employment in the English Labor Government, recently estimated that since 1918 to the beginning of 1929 the expenditure on unemployment insurance was \$3,250,000,000 (roughly estimating the English Pound at \$5), of which about one-fourth was contributed by the Government and the remainder by workers and employers. (*New York Times*, December 9, 1929; *London Morning Post*, October 2, 1929).

The total expenditure due to unemployment during the ten years since 1918, said Mr. Thomas, was:

Unemployment insurance	\$3,250,000,000
Poor Law relief	500,000,000
Government expenditures	545,000,000
	<hr/>
	\$4,295,000,000

Total government expenditure was thus \$545,000,000 plus \$812,500,000 or \$1,357,500,000.

Confessing the failure of unemployment insurance and public expenditures to give constructive relief, Mr. Thomas said:

"Yet with all that colossal expenditure, we are entrusted with the formidable task of still dealing with nearly a million and a quarter unemployed. Tested by every experience to date, for every \$5,000,000 of public money spent, work is not provided for more than 2,000 persons directly and 2,000 indirectly. That is the answer to people who assume that pouring out money is a solution for the unemployment problem."

Over ten years the average English expenditure on unemployment insurance has been \$325,000,000, covering 12,000,000 workers—about \$27 yearly per worker. At this rate the American charge upon the manufacturing industries would be over \$216,000,000.

Costs—German Experience



HE German unemployment insurance act went into effect October 1, 1927, at a time when employment in nearly all branches of industry was good, based on a contribution of 3 per cent of workers' wages, half paid by the employers and half by the workers. Subsequent unemployment, however, was much more severe than had been anticipated, with the result that the Federal Government had, by March 31, 1929, made total loans to the Insurance Fund of about \$62,500,000 (figuring the Mark at 25c.), and has been obliged to increase the total contribution to 3½ per cent of wages.

The total care for the unemployed, including public works expenditures and special benefits, etc., as well as regular unemployment insurance, in 1928 and for the first six months of 1929 was (*Der Arbeitgeber*, Novem-

ber 1, 1929) \$569,550,000 of which the cost of administration during the same period was \$34,700,000 or a little over 6 per cent (longer experience of other countries reveals an average of 10 per cent administration cost in unemployment insurance funds). The total receipts were \$529,475,000—a deficit of over \$40,000,000. These receipts were divided as follows:

Contributions by employer and workers.....	\$307,225,000
(unemployment insurance)	
Contributions by Federal Government.....	169,800,000
(Divided—Unemployment insurance..\$68,750,000)	
"Crisis Support"	40,750,000)
"Welfare for the Unem-	
ployed creating values" 34,075,000)	
Special welfare—	
First half of 1929.....	26,225,000)
Contributions of the State Government	31,250,000
(1928 "Welfare for the Unemployed	
Creating Values")	
Contributions of the communities	10,175,000
("Crisis Support")	
Other receipts	8,050,000
(Unemployment insurance)	
Other receipts	2,975,000
(Miscellaneous)	
	<hr/>
	\$529,475,000
This represents expenditure on:	
Unemployment insurance	\$384,025,000
Other unemployment relief and projects.....	145,450,000
Administration (Deficits contributed by Federal	
treasury)	34,700,000
Unspecified	5,375,000
	<hr/>
	\$569,550,000

About 17,000,000 industrial workers are covered in the German unemployment insurance; the expenditure for 18 months was about \$33 per worker or at the rate of \$22 a year, of which about \$15 was for unemployment insurance as such. Expenditure at only this amount would cost the manufacturing industry of the United States \$120,000,000.

Alternative Solutions for the Problem



F it is demonstrated that a real unemployment problem exists, it is not necessary to shift responsibility to our political governments, since there are, in actual fact, several other methods of dealing with phases of unemployment.

Before we resort to legislative enactments and taxation it is the part of wisdom to encourage more extensive application over a considerable period of years of other means of preventing and alleviating unemployment; some of these we now briefly set forth. But we are not to be understood as recommending any single one of the following methods or plans—there is no

panacea and only careful study in each industry and plant can determine the methods best suited to the particular conditions.

(1) *Unemployment insurance in industry.*

Ten companies have established such plans for their own plants of which eight are still in full operation—Columbia Conserve Company, Dennison Manufacturing Company, United Diamond Works, Crocker-McElwain Company, Manning Paper Company, S. C. Johnson and Sons, Leeds and Northrup Company, Procter and Gamble Company. (*Survey*, April, 1929, pp. 57-59.)

Of six joint or employer-union schemes established five are still in operation—Cleveland Ladies Garment Workers, Chicago Amalgamated Clothing Workers, New York Cloth Hat and Cap Industry, Lace Industry of Kingston, Scranton and Wilkes-Barre (*Ibid*).

(2) *Dismissal wage.*

An increasing number of large industrial concerns pay what is termed a "dismissal wage" to long-service employees who have not been employed long enough or are not old enough to be eligible for company pensions. Such payroll separation may be due to:

- (a) Mergers;
- (b) Location changes;
- (c) Changes in product;
- (d) Changes in method and processes.

We cannot say that there has been any general consideration of such problems but there is "a growing feeling of responsibility on the part of industry toward employees whose separation is forced" by such circumstances (G. W. Vary, Superintendent of Relief Department, Bethlehem Steel Company, in American Management Association "General Management Series No. 89," p. 3).

When transfer to other departments or plants or work is impossible and employees are not eligible for pensions methods such as the following have been used:

(a) Reduced pensions are provided. Thus an employee with fifteen years' service who would have been eligible for a \$50 monthly pension in five more years might be given a pension of \$37.50. If the pension plan is itself actuarially sound and solvent then such arrangement is feasible.

(b) Full or part pay for a limited time to assist the employee in adjusting himself.

(c) Lump sum cash payments usually based on the wages received and length of service. The tendency is toward the lump sum method as compared with the limited time installment method. It is claimed the lump sum method has these advantages: (x) All rights of the employee are terminated; (y) The employee will make more efforts to adjust himself if he does not continue to receive payments from his former employer. "The solution for unemployment compensation appears to lie in the dismissal wage. It recognizes the industry's responsibility to the employee, for a period deemed suffi-

cient for readjustment to another occupation, and puts definite limits on that obligation." (Bryce M. Stewart of Industrial Relations Counselors in *Survey Graphic*, April, 1929, p. 71).

(d) Giving of adequate advance notice where possible to employees who must be removed from the payroll. Thus the International Harvester Company when forced to close the Weber Wagon Works notified employees in February, 1928, that their jobs would end some time between April 1 and July 1 (Cyrus McCormick, Jr., in *Survey Graphic*, April, 1929, p. 31; Mr. McCormick describes method by which "every single employe" was given "an opportunity to work in some other operation," long-service men being transferred to "the Harvester plants nearest their homes.")

(e) Insurance rights continued for a specified length of time.

(f) Endeavors to place such employees with other firms.

(g) Several companies have plans of unemployment insurance which cover many contingencies such as we have mentioned.

In closing down a small specialty plant of the Bethlehem Steel Company the following treatment was given long-service employees (Vary address, pp. 7, 8):

(a) Employees eligible for pension were pensioned.

(b) Employees 45 years of age and over with 10 or more years continuous service given one week's pay for each year of service.

(c) Employees with fifteen or more years continuous service were given, regardless of age, one week's pay for each year of service.

(3) *Stabilization of industry and employment.*

The United States Senate Committee in its report declares:

"Little consideration is given to the accomplishments such as we find in the field of stabilizing employment."

"Undoubtedly there are not sufficient industrial leaders who are interested as yet, but there is cause to believe they will be, and simply because of economic pressure. It seems reasonable to assert, from the testimony taken during this survey, that the employer who does not stabilize his employment and thus retain his experienced workmen is the employer who is going to fail."

"Stabilization has been sought and obtained in various ways. * * * The testimony is fairly convincing that stabilization can be accomplished in industries which were once regarded as being seasonal in their every aspect."

"Your committee cannot leave this subject without suggesting that consideration be given to the benefits of stabilized production—the finer morale of the workers, the better workmanship, the increased production, the lowered costs of production, and the elimination of the cost of training the unskilled recruits."

Some of the methods used by different companies to secure these results are described in "The Regularization of Employment" by Professor Feldman of Dartmouth. (See also Production Executives Series Bulletin No. 37 of the American Management Association.)

(4) *Planned Public Works to Stabilize Employment.*

Upon this matter the Senate Committee in its 1929 report said:

"No one disagreed with the suggestion that the Government and all other public agencies should so order their public works that they would offer a buffer in time of unemployment. * * * There should be no delay upon the part of the various Governments, Federal, State, City, and other minor sub-divisions in the adoption of such plans. There are minor objections to this scheme but your committee is convinced they can be overcome without difficulty."

(5) *Stabilized Dollar.*

A considerable, and increasing, number of financiers and economists believe that business would be stabilized if we put our currency on a stable basis which would insure regularized purchasing power for the dollar.

(6) *Unemployment Insurance through Insurance Companies.*

The Metropolitan Life Insurance Company in 1919 and in 1923 urged the legislature of New York to amend the insurance laws so as to permit it to write unemployment insurance. The legislation was not adopted and has not since been presented. The Company at that time contemplated unemployment insurance on the Group plan only. There was no settled experience upon which to base the project, but that Company was then willing, and we understand it is still willing, to do some experimental work in developing unemployment insurance to cover the employes of American employers, if the New York Legislature should see fit to pass the necessary amendatory laws.

If insurance companies are willing to sell unemployment insurance just as they now sell group insurance and plant pension annuities—and if one company led the way others would certainly follow—it would seem logical to give to them and to industry and to workers the opportunity offered. Why not give them this right instead of trying to force enactment of legislation to provide such insurance through taxes and politically controlled funds? Upon this subject, Mr. Hoover, when Secretary of Commerce, addressing a meeting of Metropolitan Life Insurance Company executives declared:

"Unemployment insurance in the hands of a great institution such as yours, is not socialism. Insurance in the hands of the Government is the encroachment of bureaucracy into the daily life of our people. * * * Here remains the one great field in which insurance can be employed scientifically, founded on a basis of actual savings, contributed to by the employer, and in which you can provide one of the greatest safeguards to our social stability." (Quoted on page 460 of Hearings on Senate Resolution 219, with Senate Report 2072, 70th Congress).

(7) *Reduced taxation on industry.*

In an address at Cleveland in 1928, Secretary of Labor Davis declared (U. S. Bureau of Labor Statistics Bulletin No. 501, p. 169):

"We would do well, too, in studying the matter of employment, to remember the evil effects of excessive taxation. Every dollar needlessly extracted from industry in taxes cripples business and helps to reduce the funds available for wages. One section of our country contains many manufacturing plants which are far from prosperity because of taxation, State and municipal, that puts them under undue strain. They cannot pay more than subsistence wages, they cannot guarantee unbroken employment."

The practical value of reduced taxes, rightfully applied, on industry as a means of stimulating employment is further attested by Professor Henry Clay of the University of Manchester ("The Post-War Unemployment Problem," pp. 121-124). Yet public unemployment insurance schemes add to the burden upon industry instead of reducing such load.

The principle of "de-rating," the term employed in England, is that the levying of local taxes on the tools (buildings, equipment, etc.) of production is unsound. National income taxes are levied on a basis of profits; local property taxes are a primary charge upon production costs, being levied irrespective of profits or losses. Elimination of the local taxes will aid depressed plants and those subject to extreme competition, and will reward efficiency of management in more prosperous establishments.

To stimulate plants to renew operations when shut down the laws of Austria provide that textile manufacturers pay taxes only for periods when their mills are running. (February 15, 1929 bulletin of the National Association of Cotton Manufacturers.)

(8) *Seasonal Wage Adjustments.*

In certain industries, the practice being quite general in the building trades of many cities, higher daily wages are paid in seasonal industries to compensate for periods of seasonal unemployment.

Theory of Public Unemployment Insurance Unsound

(1) Mr. Hoover, addressing the President's conference on Unemployment in 1921, declared:

"In the other countries that have been primarily affected by unemployment as a result of the war, solution has been had by direct doles to individuals from the public treasury. We have so far escaped this most vicious of solutions that can be introduced into government."

(2) Certainly unemployment insurance as proposed seems to violate the principle enunciated by R. H. Tawney ("Acquisitive Society," p. 167), when he declared—in another connection—"the abolition of payments that are made without any corresponding economic service is thus one of the indispensable conditions both of economic efficiency and industrial peace." Professor F. G. Peabody of Harvard, perhaps the foremost American student of the ethical and social principles of the Christian religion, declared ("Jesus Christ and the Social Question," page 330) that "the permanent remedy (for unemployment) is not alms, but work." And, as we shall later see, the expe-

riences of England demonstrates that "alms" or "doles" from the Public Treasury (English expenditures are becoming to an increasing extent public "doles" instead of "insurance" to which recipients have contributed) tend to increase, instead of diminish, unemployment.

(3) Harold Cox, famous British publicist, well says in his book on "Economic Liberty":

"Most of us have long ago learned that in order to get wages a man must offer work which somebody wants, and must take the trouble to discover that somebody. If he fails to do this, he is not justified in asking Parliament to force other people to pay him a wage for doing something which they do not want done. Possibly many people might be willing, as they certainly ought to be willing, to give him a helping hand. The duty of the strong to help the weak, of the fortunate to help the unfortunate, is instinctive in us because we are human beings. The beasts of the forest have no such instinct; they are pitiless to one another. But this duty that men feel, because they are men, is not discharged, it is not even recognized, when the State compulsorily takes from Tom, Dick, and Harry part of the wages which they earn, or part of the property which they possess, and hands the money over to some individual whom they perhaps have never seen. There is no trace of human kindness in such a transaction as this. The whole proceeding is impersonal and mechanical. It cannot possibly create any feeling of comradeship, or of sympathy with suffering. On the contrary, it may easily create a bitter sense of injustice and wrong. Therefore, on moral grounds, there is nothing whatever to be said in defense of the Socialist proposal that people who have failed to find work—including those who have not looked for it—should be provided with wages by the State at the expense of men who have been more persistent or more fortunate."

"The position will be made clearer by taking a simple illustration. Suppose that an extra tax of £100 a year is imposed upon a well-to-do citizen in order to obtain money for paying wages to the unemployed, and suppose that the well-to-do citizen finds that the most convenient way of meeting this extra burden is to get rid of one of his gardeners. It then becomes obvious that the supposed remedy has done nothing to remove the evil of unemployment. One unemployed man has brought into employment, one gardener has been thrown out of employment."

"That is what always happens, and always must happen. Every penny of public money raised by taxation comes out of private pockets, and therefore every plus of public expenditure is accompanied by a minus of private expenditure. At the very best, government expenditure, whether for the benefit of the unemployed or for any other purpose, only shifts employment; it takes away work from the persons who would have been employed by private individuals, and gives work to the persons selected for State employment."

"We cannot create additional employment unless simultaneously we create individual wealth with which to pay for it."

"We can only diminish that evil by improving the organization of industry so that work is made less irregular, and by increasing the efficiency of labor so that more wealth is produced."

"The wealth production of this country is very seriously diminished by the prevalence of the absurd theory that a man who works hard is keeping another man out of a job. If this were true, then it would follow that the best way in which a workman could help his comrades would be by doing no work at all, which leads to the absurdity that constant employment will be secured for everybody when nobody does any work. The fallacy, of course, arises from forgetfulness of the fact that the wealth produced by the work of one man constitutes the wages of another, and that the real employers of the working classes are, in the main, the working classes themselves. The more wealth each workman produces the greater is the sum available for the wages of other workmen. Unfortunately, the absurd theory above referred to is not only widely held, but widely acted upon. Many workmen, when paid by time, deliberately make a rule of doing, not the maximum which their strength and health would reasonably permit, but the minimum which will pass muster with the foreman. The amount of labour power thus annually wasted and lost forever is incalculable."

(4) Professor Solomon Blum, of the University of California, while generally sympathetic to individual social insurance proposals, in his "Labor Economics," declares:

"One of the main question in connection with any type of social insurance is how far it has been effective in preventing the occurrence of its contingency. In its favor it is argued that (1) unemployment insurance achieves this preventive effect through its general tendency toward regularization; (2) the community expenditure is somewhat stabilized as between good times and bad, and this should have a steadying effect on the business cycle; (3) the contributions from employer, worker, and state make it to the interest of all parties to reduce the amount of unemployment; and (4) the administrative employment exchanges will facilitate and expedite the flow of labor and will furnish the information and statistics which are at present lacking. This latter claim is the most justifiable; against the others it may be urged that (1) regulation of expenditure is too slight to be effective; (2) premiums are largely unaffected by the amount of benefits, since merit rating is impossible, and (3) it has always been to society's interest to control unemployment and the cycle. The British laws also contained specific provisions to this end, but they were too elaborate to be retained in the Act of 1920. The chief of these were refunds to employers for workers retained forty-five weeks in the year and to employees over sixty who have not exhausted their contributions; they do not appear in the present law."

Unemployment Insurance in Foreign Countries



THE following nineteen countries have laws providing some manner of unemployment insurance or subsidies:

Austria, 1920	Italy, 1919
Belgium, 1920	Luxemburg, 1921
Bulgaria, 1926	Netherlands, 1916
Czecho-Slovakia, 1921	Norway, 1906
Denmark, 1921	Poland, 1924
Finland, 1917	Queensland, 1922
France, 1905	Russia, 1922
Germany, 1927	Spain, 1919
Great Britain, 1911	Switzerland, 1924
Irish Free State, 1920	

German Unemployment Insurance

The German Government experimented from 1919 to 1927 with various forms of unemployment relief, and did not until the latter year pass an unemployment insurance law. It has, consequently, been in operation too short a period to permit any extensive conclusions to be drawn. But the following observations are certainly of interest ("Unemployment Insurance in Germany," by Dr. Mollie Ray Carroll, written in May, 1929), particularly since framers of the German act made special endeavor to avoid faults revealed by the experience of other countries:

(1) Employers and workers contribute equally—not over $1\frac{1}{2}$ per cent of wages paid by each side, a total of 3 per cent of wages. But the Ministry of Finance may make loans to the system if the reserve funds are not sufficient to meet payments due. (From January 1st to June 30, 1930, the rate of contribution is to be $3\frac{1}{2}$ per cent, half paid by the employer and half by the worker.)

(2) Workers are eligible only after an individual has worked 26 weeks in an insured occupation during the year, but, where considered necessary, this may be reduced to 13 weeks.

(3) Benefits vary according to number of dependents and amount of average wage previous to unemployment. Thus, for a worker with two dependents the range is from 80 per cent for the lowest wage group down to 45 per cent for the highest wage group.

The importance of taxation burdens as a cause of unemployment is seen in the fact that it was expected German wholesale tobacco dealers would be forced to release 100,000 workers during February as a result of new duties recently imposed by the Government (*New York Times*, January 9, 1930).

Despite the great care exercised in framing the German act its financial status has steadily gone from bad to worse—it has proved inadequate to meet a problem it has not helped to improve. The details of the financial debacle are recorded elsewhere in this memorandum.

English Unemployment Insurance

The lesson of the English system is not by any means such as to justify the United States in following the same path. Thus, the following points are brought out in "Unemployment Insurance in Great Britain," by Felix Morely, prize essay in the annual Hart, Schaffner and Marx annual contests:

- (1) Unsound financially; unable to meet the first crisis it was forced to meet.
- (2) Increasing liberalization of the act and extensions of benefits removed the original insurance aspect.
- (3) Failure to meet the problem of unemployment relief, despite such extensions.
- (4) Heavy administrative expenses.
- (5) Usefulness of employment exchanges as agencies for placing of unemployed almost destroyed by gigantic clerical burdens placed upon such exchanges in connection with the unemployment insurance provisions.

According to Dr. Wolman, well-known labor union economist, unemployment insurance in England acts to "retard the revival of English industry" and in "perpetuating the existence of areas of unemployed labor"—the remedy perhaps worse than the disease—or at least continuing and expanding the disease. Addressing the 1928 meeting of the American Economic Association, Dr. Wolman declared (*American Economic Review*, March, 1929, Supplement):

"It requires only a cursory examination of the American industrial situation since 1922 to conclude that any obstruction to the free movement of labor within the country might easily have produced a depression of major proportions. While there is still a wide difference of opinion among students of the question regarding the amount of absorption that has actually been achieved, no one can doubt that it surpassed the expectation and forecasts of most of us. It is certainly impossible to explain the levels of business activity of the years 1923, 1926, and 1928 without assuming that the millions who were released since 1919 from the manufacturing, transportation, and coal mining industries had since, in large part, found employment elsewhere."

"All of this, obviously, stands in sharp contrast to the English situation. By this I do not mean to say that the divergent course of American and English business since the war is, in whole or in part to be explained by the English adherence to a universal system of unemployment insurance; but only that certain fundamental features of the English scheme have probably acted to retard the revival of English industry and to conceal at least some of the forces that contribute to business revival."

"To these conclusions I am driven with great reluctance. The formal administration of the English system of unemployment insurance is one of the most efficient jobs of administration that it has ever been my good fortune to observe; and the fidelity and skill of the personnel associated with it is a tribute to the excellence of

the English civil service and to the public spirit of English citizens. The difficulties lie, as I see them, in the basic principles of the system and in the administrative practices that grow out of these principles."

"If we may judge by the American experience of the past years, we must look forward to a progressively changing industry, marked by the successive disintegration of old crafts and their replacement by the new. To have placed insurmountable obstacles in the way of this development, would have resulted in seriously handicapping the prosperity of both new and old industries in the United States. Where there is control over industry, wise social policy and practice would consist in breaking the fall, so to speak, or in prolonging the period of transition so as to give those who suffer from the change the time and the opportunity to adjust themselves to the new state of affairs. But it can readily be seen with what rare insight and acumen and political skill those charged with the administration of such devices must be endowed."

"Yet it is, in my judgment, precisely at this point that the administration of unemployment insurance encounters its most critical difficulties. The elaborate rules and practices that have grown up in the English system around the notion of suitable employment, wherein eligibility to benefit turns on the availability of almost the right kind of a job, are bound in the long run, to delay or obstruct that free absorption of labor which is a prerequisite to business activity. It would seem to me to be doing no violence to the record of experience to say that the successful management of widespread systems of unemployment insurance involve, in modern industrial countries, complete overhauling of the doctrine of suitable employment and of its corollaries."

"A problem much more puzzling arises out of the practice of paying unemployment benefits greatly in excess of the limits set in the original Act. The cause of this practice is, of course, the general unemployment in the country and the distress of the unemployed. The payment of extended benefits, made possible by borrowings from the government, has without doubt had the effect of confusing the character and purpose of the unemployment insurance and of imparting to it more of the aspect of poor relief than it can afford to have. The device of extended benefit and the procedure of more or less arbitrary definition of unemployment, would seem to join in perpetuating the existence of areas of unemployed labor."

Professor Henry Clay in his recent work "The Post-War Unemployment Problem," substantiates the foregoing observations of Dr. Wolman, stating:

"Measures directed to removing obstacles to redistribution of labor would include some reconsideration of the Unemployment Insurance Scheme. * * * It is the special method of dealing with temporary unemployment that may be delaying transfer. * * * This system has been prolonged as year succeeded year of unemployment, and has had the effect of substituting intermittent and irregular employment for regular work in industries in which such conditions were formerly rare." (pp. 117-119.)

A special committee of the Liberal Party in England, including such eminent individuals as J. M. Keynes, Lloyd George, Ramsay Muir, B. S. Rowntree and Sir John Simon, in 1928 admitted ("Britain's Industrial Future," p. 277):

"It seems to be true that the system has to some extent checked that mobility of labor which must be secured if changes and fluctuations in industry are not to result in serious local unemployment."

Another American observer, C. M. Crayton, State Superintendent of the Free Employment Offices Division of the Illinois Department of Labor, declared in 1928:

"The British law of 1911 covered only seven industries—building, construction, shipbuilding, engineering, vehicle construction, iron foundries, and sawmills. In 1916 a temporary plan extended benefits to munition workers. In 1920 like benefits were extended to all classes except agriculture, domestic service, Government work, and public service including railroads. The State pays one-third, and of the remaining two-thirds the employer pays slightly more than the worker. Up to 1920 the plan had accumulated a reserve of \$100,000,000. By the end of 1922 that amount had vanished and the fund was indebted to the Government for nearly \$150,000,000."

"So you see that while unemployment insurance is all right in theory, it has not been very successful in actual practice, and to-day, after 17 years of unemployment insurance, there are a million and a half workers in England taking the dole, practically objects of charity." (U. S. Bureau of Labor Statistics Bulletin No. 501, p. 98).

Professor William A. Scott, of the Economics Department of the University of Wisconsin, as the result of personal observation of the English system in operation is not so keen about unemployment insurance as his colleague Dr. Commons. Mr. Scott declares (*Milwaukee Journal*, January 7, 1923):

"Even as early as the summer of 1921 a thoughtful visitor could not escape the conviction that it was slowly but surely pauperizing the unemployed, weakening their incentives to work and creating in their minds the belief that the state owes them a living and can be made to give it to them if a sufficient amount of political pressure be applied."

"Could one reasonably expect any other consequences from unemployment insurance? It gives wages without work, not a large wage probably, but one at least adequate to support life, and it is designed greatly to diminish, if not entirely to remove, the dread of unemployment. With human nature what it is and in the complicated society of the present day in which even specialists do not always find it easy to trace the consequences of acts and measures, is that safe? Are not the consciousness of the necessity for work and the dread of the consequences of unemployment necessary incentives to labor? Could one reasonably expect men to search for work or to take advantage of facilities for finding work supplied by society,

or even to take disagreeable work when it is offered them, or to give their best service when they are employed, if the dread of unemployment were removed or very greatly lessened?"

"It should be remembered that unemployment insurance does not touch, or even aim at the removal of the causes of unemployment. It is medicine for a disease already contracted and far advanced, an opiate to deaden the patient's pain, and like all opiates is likely to do more harm than good except in extreme cases."

"The entire disappearance of involuntary unemployment is a dream that will not be realized before the millennium. The seasonal character of some industries and the ups and downs in the activities of all industries can never be entirely eliminated. There will never be a time when successful business men can dispense with the accumulation in good times of reserves to tide over the business in bad times and when laborers and every other class of employe can hope to avoid financial difficulties without saving in times of full employment funds for use in periods of partial or total unemployment."

"Such reserves and such savings are the only unemployment funds that are not socially dangerous and that can be unqualifiedly recommended. There will always be business concerns and employes that lack the foresight or the ability to accumulate such reserves and to make such savings. They belong to the class of the poor who are always with us and are cases for treatment by the agencies for private and public charity."

Following consideration of the evils of unemployment the head of the British Salvation Army in a foreword to the 1923 Annual Report of the Social Work of that organization, said:

"But I am led sometimes to wonder whether what is called the dole—that is, the indiscriminate distribution of money for which no labor is given in return—is not almost, if not quite, as great a misfortune. I do not think it is possible for the ordinary reader of these lines to imagine the moral decline, the mischievous influence over all alike, which spring from this evil influence. For once, at least, we see how a remedy may be worse than the disease."

The harmful social effects of the English unemployment insurance system are thus described by Rev. J. C. Pringle, Secretary of the London Charity Organization Society (*Social Service Review*, June, 1928):

"Insurance has not proved a successful device for dealing with unemployment in Great Britain. I do not think anyone could have predicted the reactions of the people to it. They have proved unsatisfactory. * * * The people do not feel themselves better off in consequence of this measure."

"Bringing a little cash, it has robbed the recipient of the sense of security his own arrangements once gave him. In the aggregate it has tended to create what the Roman legislators in similar circumstances called a proletariat, with the typical restless unhappy mentality."

"The fact that he is entitled to the dole reinforces every motive he may have for leaving any particular piece of work. * * * It strengthens his natural unwillingness to make a change of occupation or place."

We submit also the views of a sympathetic friend of social insurance, Mrs. Sidney Webb, who in the Sidney Ball Lecture for 1927 (Oxford, November 21), declared:

"The Poor Law itself—that is, the relief of destitution—has, by 1927, got into a condition closely analogous, only on a vaster scale, to that of the old poor law in 1832. In nearly all large industrial districts we have now an indiscriminate and unconditional relief of the able-bodied, whether they are only in partial employment or wholly out of employment; * * * This method of dealing with unemployment has been complicated by the fact that the scales of relief which have been laid down even by the Ministry itself are plainly in excess of the Unemployment Benefit on the one hand, and the lowest current rate of wages on the other. Thus, we are at present subsidizing, out of the Poor Rate, even with the sanction of the Ministry itself, not only the demoralizing system of casual labour, but also the sweating employers and inefficient labourers, and whole industries that cannot stand on their own feet, whilst maintaining not a few persons who do not even honestly seek for work. The total cost of Poor Relief in all its forms now reaches the gigantic sum of fifty million pounds annually, as compared with fourteen millions in 1906 and seven millions in 1834.

"Now, I think the present state of things is intolerable; and if it is permitted to continue will bring about national disaster. For, as I have already pointed out, pauperism—that is, relief out of public funds—may itself become a disease of society."

Another harmful social and economic effect of public unemployment insurance is presented by Sir William Beveridge, Director of the London School of Economics, in the 1930 Sidney Ball Lecture (Oxford University, February 7, 1930):

"The real danger of unlimited relief of unemployment lies not in the fear of demoralizing individual workmen, but in the fear of demoralizing governments, employers and trade union officials so that they take less thought about prevention of unemployment. Once it is admitted in principle that either under the guise of insurance or in some other form, genuine unemployment can be relieved indefinitely by the simple device of giving money from a bottomless purse, prevention is only too likely to go by the board. The thoughts and time of Governments and Parliaments may be absorbed, as they have largely been absorbed during the past ten years, in successive extensions and variations of the relief scheme. The fear of causing unemployment may, as Mr. Rowe and Professor Clay have suggested, vanish from the minds of trade union negotiators and lead to excessive rigidity of wages and so to unemployment. Industries practicing casual employment—like dock and wharf service and building—or practicing perpetual short-time—

like cotton—may settle down to batten on the taxation of other industries or of the general public, in place of reforming their ways."

Such statements by friends of unemployment *insurance* are most significant; they reveal that in practice unemployment is publicly subsidized.

"What is Wrong with England?"

Under this title Sir Philip Gibbs in the February 8, 1930, *Saturday Evening Post*, declares:

"One has to be careful when one asks what is wrong with England. The remembrance of history should be a check to calamity howlers. Yet all is not right. At the time I write these words there is a Labor Government in power." * * *

" 'The Labor Government,' says one of its critics, 'is aiming at two opposite objectives—to diminish unemployment and to bribe the elector. To achieve the first they must reduce taxation. If they continue to pursue the second, unemployment must multiply. They will be overwhelmed in due course by the inexorable pressure of economic reality.' " * * *

"During the past ten years seven hundred million pounds have been poured into poor relief in Great Britain. That vast treasure has been utterly unproductive. If spent on creating new work, developing new resources, getting jobs done which want doing, it would have produced new wealth and stimulated the spirit of the nation. But all it has done is to keep people patient with idleness and to encourage them in the belief that they will be kept comfortable, or at least alive, even if they never do a stroke of honest work. It is helping to kill the initiative of the younger crowd. It is a policy of pauperizing a nation. It is producing a horde of scroungers—those who would rather be lazy on a little than earn a better living by sweat of body. The main mass of British workingmen still want work rather than charity. It is amazing and splendid that so many have kept their pride against all odds. But there are youths in England now, living at home with their parents—I had to do with one not long ago—who will lay off a job after a week or two because they are fed up with work, and will then take a holiday and draw the dole again for pocket money. That kind of thing is death and damnation to any nation."

"The Conservative Government under Stanley Baldwin knew all that, but hadn't the courage to strangle this devil of the dole by a leadership which would insist upon some kind of work for any kind of pay. The Labor Government, prodigal in promises to the under dog, had no sooner come into office than they produced a bill to increase the benefits of the dole, especially to young persons, and to eliminate a clause in the old conditions which insisted that applicants should be 'genuinely seeking work.' They proposed to give unemployment pay of fourteen shillings a week to boys unemployed after school age—so that they should start life with free money. It was to add twelve million pounds to the annual budget, already

intolerable, and that limit, insisted upon by Philip Snowden, Chancellor of the Exchequer, who had to provide this additional taxation, was fiercely contested by forty members of the left wing of the Labor Party, led by James Maxton, the mock-Marat of the social revolution, who were contemptuous of such paltry additions to their great ideal of full maintenance to workless folks. They are filled with admiration and envy for the conditions under a Labor Government in Australia, where men down tools with the cheerful prospect of getting from two pounds ten to four pounds ten a week as out-of-work pay, with the result that in 1929 a coal strike lasted ten months, involving many other trades, and the timber trade was practically at a standstill for seven months."

"I'm all for the fun of life myself, though I don't get much of it. But it has to be paid for, and at the present time there are many people in England who want all the fun without paying for it. It has never been done yet in the history of any nation. In this world to-day competition gets fiercer, and the struggle for life is going to be harder, I'm afraid, and even in England there must come a limit, as I have said, to the taxation of those who have made a bit of money by hard work for those who want a bit with less work."

Unemployment Insurance One Unit of a Complete System

IT is a serious mistake for anyone to believe that we can logically consider unemployment insurance alone—no more can we logically consider as separate entities or proposals such matters as old age pensions or sickness insurance. They are all *forms of social insurance* and *part of a complete system of social insurance*.

Complete public social insurance is said to provide (Johnston, "Citizenship in the Industrial World," p. 220) "security" against risks of:

- Unemployment
- Industrial accidents
- Industrial diseases
- Non-industrial accidents
- Ill-health
- Disablement
- Maternity
- Old Age
- Death

P. Tecumseh Sherman, former New York State Commissioner of Labor and for over a quarter of a century a student of these problems, has well said (address at 1929 annual meeting of National Association of Manufacturers):

"Since public old age pensions have thus proven to be unsatisfactory wherever they have been tried, we should stop wasting time in considering old age pensions, take up at once and study the end to which old age pensions lead, that is, State social insurance, as in Great Britain and Germany, a regime of complete paternalism, which would involve a reversal or fundamental overturning of our

system of civilization, and decide in advance of any first step in that direction, whether such a regime would be preferable to our American social system of self-providence and individual responsibility."

"On that issue, which I will not enter into I am prejudiced. I believe in the American social system. Also I have seen compulsory social insurance at work abroad. I do not believe there is anything short of the complete German system worth considering as an alternative to what we have here; and I think that what we have here is miles ahead of what they have there. I observed and studied and have every reason to believe that that conclusion is correct."

"But, we are not perfect. We have got to go ahead and improve things, as we are trying to do. Unless we get things better, we may be driven to the European system of compulsory social insurance, covering sickness, accidents, invalidity, old age, widows, orphans, and unemployment—which would take about twenty per cent of the wages of the working people to be controlled and disposed of as the State should dictate. I don't believe we want that. I say that unless we want to go to that extreme, we must cut out all thought of public old age pensions and instead, strive to the limit to bring it about that American industry shall take care of its own."

Abraham Epstein, secretary of the American Association for Old Age Security, addressing the New York branch of the League for Industrial Democracy, December 14, 1929, declared:

"We must have a complete system of social insurance—not only old age pensions—to meet our social problems. Unemployment, old age and sickness insurance will, to a great extent, meet the necessities of the case. Old age insurance should be used only as a stepping stone to a complete system of social insurance."

Similarly—unemployment insurance is intended by its advocates, largely having the same sponsors as old age pensions, "as a stepping stone to a complete system of social insurance."

Do we wish to establish in the United States a complete system of public social insurance?

That is the real issue!

The arguments against such a complete system of public social insurance or services are fully presented in a memorandum submitted to the Labor Committee of the United States House of Representatives by the National Association of Manufacturers, during a hearing on Public Old Age Pension legislation proposals. It is expected that these proceedings will be printed and that copies of the memorandum may be secured direct from the National Association of Manufacturers.

Appendices on Unemployment Insurance

- A. Some Facts Revealed by English Experience.
- B. Increasing "Liberalization" Tendency.
- C. Percentage of United States Workers Unemployed.
- D. "Technological Unemployment."
- E. Not Comparable to Workmen's Compensation.
- F. Labor Union Position.
- G. "Let the State Worry."

Appendix A. Some Facts Revealed by English Experience

(1) Since the War the general average of unemployment in England has been 11 per cent; this is based on figures for the "insured trades," which do not include the bulk of railway workers, domestic workers and agricultural workers.

(2) An examination of 9,748 persons who claimed benefits during the week ending April 9, 1927, showed that 7 per cent of the males and almost none of the females had received benefits for a long period. The average claimant was shown to be at work from 70 per cent to 80 per cent of the time.

(3) An examination of 10,903 claimants (8,683 men; 1,957 women; 167 boys and 96 girls) to benefits November 24-29, 1924, revealed the following interesting data:

(a) Less than half the males and about three-quarters of the female claimants were under 35 years. The largest number of each was in the age group 20-24, with a considerable portion of men over 55 years.

(b) Three-eighths of the males were single and three-fifths of the females.

(c) 55.3 per cent of the male claimants had one or more dependents, the average being 2.6 per cent. Only 10.6 per cent of the females had dependents, the average number being 1.5 per cent per claimant.

(d) Applicants were divided as to "employability" as follows, the percentages being strikingly similar to a sampling made in 1923:

Would normally be steadily employed.....	65.4%
" " " fairly well " 	21.4
" " " frequently " 	5.5
"Verging on the unemployable".....	3.2 (same in 1923)
Unemployed because of abnormal after-war conditions	2.7
Impossible to classify.....	1.8
	<hr/>
	100.0

(4) Ten such special investigations between 1920 and 1927 showed that not over 5 per cent of claims and claimants should be rejected as improper. Only about one-quarter of one per cent are suspected of actual fraud.

(5) In the three and one-half years ending April 4, 1927, examination showed that of male claimants

17% had been unemployed over half of the period.

50% " " " " one-fifth of the period.

33% " " " " less than one-fifth of the period.

(6) 4,500,000 separate individuals or about 37 per cent of the insured persons were on the unemployed registers at some time during 1928. The average number on the registers was 1,231,109, about 10 per cent of the total number insured. 63 per cent of the insured were steadily employed; 37 per cent were unemployed for some time during the year, and these persons averaged being out of employment 27 per cent of the time.

(7) Answering a parliamentary inquiry November 11, 1929, the Ministry of Labor stated that unemployment insurance had cost the English Exchequer (exclusive of the insurance contributions of employers and workers) approximately \$535,000,000 during the period January 1, 1919—November 2, 1929, in contributions to the Unemployment Fund and \$310,000,000 in "out-of-work donation" (the "dole").

(8) Unemployment insurance is not a preventive or eliminator of unemployment. Mr. Thomas, Lord Privy Seal of the Labor Government, declared in Parliament, November 26, 1929:

"The only real and permanent remedy for unemployment lies in the expansion of our trade, both at home and abroad."

(9) The unanimous decision of the Blanesburgh Committee which conducted a detailed examination of unemployment insurance from 1925-1927 was that cases of abuse and fraudulent claims "are relatively few * * * almost negligible when contrasted with the total number of claims to benefit."—the objection to unemployment insurance rests on much more serious grounds than the fact that it permits occasional abuse and fraud.

(10) J. H. Thomas, Minister for Employment in the Labor Government, admits (which Conservatives were denounced for claiming in the election campaign) that English industry employs 800,000 more people now than in the boom days of 1914 (*London Morning Post*, October 2, 1929).

Appendix B. Increasing Liberalization Tendency

Unemployment insurance and other social service measures are frequently presented to us in a most plausible manner—the arguments advanced sound well and the scale of costs involved is not inordinately large. But we should "watch our step"—speaking of Russia at one time Gladstone said, "He who sups with the Devil needs a long spoon"—and those who embrace a social insurance measure are apt to find that, like Topsy, it "just grows."

Witness¹—workmen's compensation benefits and costs.

Witness²—in Ontario last fall the favorite indoor and outdoor sport of the rival political candidates was to promise that the old age pension benefits would be increased and the act extended to cover new groups.

Witness³—in England the Miners Union at its 1929 convention proposed to reduce the old age pension age to 60, so as to increase opportunities for employment among miners.

Witness¹—The Labor Government wishes to repeal the provision of the unemployment insurance law which provides that a claimant to unemployment benefit must prove he has made a genuine effort to obtain employment.

Witness²—The Labor Government proposes to increase allowances for adult dependents of unemployed workers, for men and women workers under 20, and new allowances for boys and girls of 15, who are now to be included for the first time in the act—amounting in all to a proposed increase to the Treasury, which must be raised by taxes of \$62,500,000. Subsequent increases proposed last December will add at least another \$10,000,000.

Witness³—Mrs. Florence Kelley, addressing the New York Chapter of the League for Industrial Democracy, December 14, 1929, in favor of an old age pension law in New York, declared:

"We want to get something started now which we can amend each of the next forty years."

Mr. Abraham Epstein, addressing the same meeting, was more conservative, saying:

"We are working for a beginning * * *. We have got to begin with this legislation in the hope that in the next ten years we can modify and alter the bill to make it what we want."

Appendix C. Average Unemployment in United States

United States—

(1) According to estimates by Dr. Leo Wolman ("Recent Economic Changes," pp. 478, 879) average minimum unemployment for the eight years 1920-1927 has been 7.8 per cent in non-agricultural pursuits.

(2) Ranges from 5 per cent in good years to 20 per cent in bad years the average being from 10 to 12 per cent (Shelby Harrison of Russell Sage Foundation, "Public Employment Offices," 1924, p. 8. Apparently not as reliable as the new table of Dr. Wolman above referred to.)

(3) For earlier years a number of investigations between 1885 and 1921 were analyzed by Dr. E. S. Bradford; he concluded that the average worker is involuntarily unemployed about 10 per cent of the time, or that "an average of 10 per cent of all industrial, wage earners are out of work all the time." (U. S. Bureau of Labor Statistics Bulletin No. 310, p. 22).

Massachusetts—

Average 15 years (1908-1922) 7.7 per cent (Report of 1923 Commission, pp. 8, 9, 10).

Wisconsin—

Average maximum for six years 14.1 per cent in manufacturing, based on six years including severe years 1920 and 1922. Average rate 6.9 per cent (Wisconsin Manufacturers Association, using figures of Wisconsin Industrial Commission).

Ohio—

An investigation of 11,240 industrial workers in Columbus, Ohio, during the year 1921-1925 (only in the last days of October and the first days of November) showed (*American Statistical Association Journal*, March, 1929, Supplement, pp. 58-64) that industrial workers were divided (unweighted average of the five years):

Employed full time.....	82.4%
Employed part time.....	8.9
Idle	8.7

100.0%

The idle individuals were in turn divided:

Idle less than four weeks.....	27.7%
Idle from four to ten weeks.....	19.0
Idle ten weeks or more.....	53.3

100.0%

Appendix D. "Technological Unemployment"

No one *knows* the exact extent, if any, to which changes in machinery and processes in industry have caused so-called "technological" unemployment—or the extent to which unemployment due to that or other causes has been offset by new employment created in other fields—radio, stores, hotels, automobile servicing, etc.

We therefore present simply as estimates the following observations made by well-known economists. Certainly, no intelligent observer can place much credence in wild guesses that "the improvement in machinery" the past eight years has eliminated 2,300,000 jobs (Dr. Harry Laidler of the League for Industrial Democracy, *New York Tribune*, November 18, 1929).

Professor Sumner H. Slichter of Cornell University, who has for several years carefully studied employment trends, concludes (*Survey*, April, 1929):

"In all, there has been a decrease of about 2,300,000 during the last eight years in the number of persons employed in four major branches of industry—farming, manufacturing, railroading, and mining."

"Between 1920 and 1928, the population of the country increased by 13,600,000. Were it not that employment in many branches of industry has grown at a spectacular rate, we should undoubtedly be confronted with unemployment of unprecedented volume."

"Whether or not the net result has been a growth in unemployment no one knows, because there are too many uncertain items on each side of the balance sheet. One thing, however, is certain—occupational shifts of almost revolutionary size and rapidity have been occurring. These shifts are the outstanding characteristic of the present labor market. What causes lie behind them and what problems of public policy do they create?"

"The recent shrinkage in agricultural, factory and railroad employment and the stationary employment in mining have not been caused by a drop in production. Agricultural output, it is true, was slightly less in 1927 than in 1920 but factory production increased 22 per cent, the output of freight-ton-miles by the railroads about 4 per cent, and the output of mines about 20 per cent. The growth of physical output in the face of shrinking or stationary employment has led many persons to attribute the displacement of men to labor-saving methods and machines. Fewer workers are said to be needed because each man is producing so much more. It is pointed out, for example, that whereas the average output per factory worker actually diminished by about 5 per cent between 1909 and 1919, it increased about 36 per cent between 1920 and 1927."

"But this explanation is too simple to fit the facts. In the first place, in neither mining nor railroading has production per employe grown so rapidly since 1920 as it did during the decade ending with 1919. Yet between 1910 and 1920, the number of mine workers and railroad workers increased. In the second place, the shrinkage of employment in manufacturing has occurred to a great extent in industries which have suffered from contraction of markets rather than in those in which technical change has been most rapid. Ship and boat building, which lost 337,000 men, alone counts for over half the total drop among wage earners in manufacturing between 1919 and 1925. The agricultural depression is mainly responsible for the decrease of employment in the farm implement and fertilizer industries, and changing fashions and social habits largely account for the fewer workers engaged in the manufacture of buttons, needles, hooks, pins, eyes, snap fasteners, hair-pins, combs, jewels, cigar boxes, sewing machines, and sewing-machine cases and attachments. In about twenty-three industries a major, if not the major, reason for the shrinkage of employment has been contraction in the market. These industries account for about three-fourths of the total drop in factory employment between 1919 and 1925. In the third place, the industries which have been characterized by most revolutionary technical changes do not necessarily employ fewer workers. The petroleum-refining, automobile, pottery, cement, and cast-iron pipe industries have all experienced radical technical changes during the last seven or eight years, but in every instance there has been a substantial increase in their total employment since 1920."

"Closely related to the suggestion that machines are primarily responsible for the shrinking or stationary employment in farming, manufacturing, railroading and mining, is the theory, advanced frequently during the last year, that the producing power of industry has been outrunning the purchasing power of the public. But this theory will not bear examination. To begin with, the extraordinary flood of goods which is said to be taxing the public's ability to purchase is not in evidence. Agricultural output in 1920 was greater than it has been in any subsequent year. Factory and mineral production increased substantially between 1920 and 1923, but since 1923 they have increased less rapidly than during most of the first

two decades of the century. During the quinquennial ending in 1927, factory output gained only 4 per cent as against 22 per cent between 1899 and 1904, 30 per cent between 1904 and 1909, 6 per cent between 1909 and 1914, and 26 per cent between 1914 and 1919. The output of mines was almost stationary—it increased less than 2 per cent as against a 90 per cent expansion during the period 1898-1900 to 1908-1910, and 45 per cent during the period 1908-1910 to 1918-1920. The output of railroads has also been practically stationary since 1923. During the first two decades of the century, however, it grew rapidly—43 per cent between 1899 and 1904, 27 per cent between 1904 and 1909, 27 per cent between 1909 and 1914, and 29 per cent between 1914 and 1919. These figures deserve special emphasis. * * * Clearly it is ridiculous to assume that the country has been deluged with a rapidly rising flood of goods."

"But the case against the overproduction theory of displacement becomes stronger when we examine the value of the output of farming, manufacturing, railroading, and mining."

"In view of these figures, it is conservative to assume that the dollar expenditures of the country in 1927 were at least one-fifth more than in 1920 and one-fourth more than in 1923. Since the output of farms, factories, railroads, and mines has been diminishing in value while the country's volume of spending has been increasing, it is scarcely possible to explain the trend of employment in these four main branches of industry by the country's inability to purchase their products."

Lawrence B. Mann, of the United States Department of Commerce, advised the 1928 convention of the American Statistical Association as follows that from 1920-1927 the following decreases had occurred in the number of those employed in American industries:

Agriculture	923,000
Minerals (excluding petroleum)	65,000
Manufacturing and auto repair shops	792,000
U. S. Government Service	221,000
	<hr/>
	2,001,000

These decreases were more than offset by the following additions to employment:

Transportation and communication	902,000
Distribution	691,000
Professional service	464,000
Domestic and personal service	761,000
	<hr/>
	2,818,000

Net increase for all occupations 817,000

"It is probable," said Mr. Mann, "that there have also been large gains in employment in a number of other industries for which it was impossible to make estimates, such as construction, general retail distribution, and the selling of real estate."

Supplementing these figures "Recent Economic Changes" estimates additional employment increases as follows (p. 878):

Construction—600,000 (but see figures on p. 477 which might reduce this to 400,000).

Mercantile—1,400,000 (probably some of these included in "Distribution" above).

Appendix E. Not Comparable to Workmen's Compensation

The argument has been advanced that unemployment is a risk of industry and comparable to workmen's compensation; that industry should, therefore, make payments to the industrial unemployed just as it does to the industrial injured. The argument is certainly plausible—but is, nevertheless, fallacious, as the following statements reveal:

(I) A. L. Osborn, lumberman of Oshkosh, Wisconsin, and a director of the Wisconsin Manufacturers Association, states:

"The principles of the American Workmen's Compensation legislation are not comparable with the proposed unemployment compensation measure as found in the Huber bill. The workmen's compensation act was passed because of the outrageous situation that had grown up under the common law and statutory liability of the employer for injury to his employee resulting from negligence on the part of the employer. It had come to be possible for injured employees to recover in practically all cases from the employer whether the injury resulted because of fault of the employee or not and under the system of insurance the employer was prevented from making settlements as the policy of the insurance company was to fight everything and with the ambulance chaser who developed as a result of the policy of the insurance company the employee got little or nothing when judgment was obtained or settlement made and the employer was execrated for the faults of the insurance company. Employers welcomed the workmen's compensation act as the humane doorway for relief to injured employees."

"Unemployment is generally due to conditions over which industry has no control. It must be admitted that there are possible causes of inconsiderate or unjustified discharges but on the whole employees in industry are valuable just as the employment is continuous."

"Unemployment insurance will not in any marked degree prevent unemployment. The full use of the capital and credit of the employer, of his plant and facilities is imperative to successful operation and profits. Reduced employment and production result in overheads absorbing all the margin of profit above the labor and supply costs. No penalty imposed on an employer can make him more eager to have a uniform level of employment and production and that at the highest point permitted by his plant, facilities, capital and credit. Discharges result from conditions over which the employer has no control such as weather conditions, crop failures, wars,

embargoes, the fashions and emotions, money panics and the peculiar mob psychology that starts and stops buying for reasons that no one can foresee or understand."

(2) Dr. William B. Bailey, Economist of the Travelers Insurance Company, declares in a pamphlet issued jointly by his company and the Insurance Federation of America:

"Unemployment insurance is quite different from accident compensation insurance. The occupational hazard is within the factory and to a considerable extent subject to control, by safeguards, and accident prevention education."

"The main cause for unemployment is the economic crisis and is beyond the control of employers."

(3) Mr. F. H. Clausen, former president of the Wisconsin Manufacturers Association, says:

"Doctor Commons seems to rest his whole case on the Wisconsin Workmen's Compensation law. Comparing with unemployment insurance he says that the two are exactly alike and that in each case the employer is in position to change or remove the conditions that make accidents or unemployment possible."

"Management can take issue at once with this proposition. The accident compensation law has operated to the mutual advantage of workman and employer and incidentally it can be noted that employers have assisted in the establishment and operation of the system."

"Here is the vital difference and one fatal to the theory of Dr. Commons' unemployment insurance plan. Penalties for accidents are imposed only when they happen in the factory of the employers or in the regular course of employment. Penalties for unemployment would be assessed when the causes are beyond the confines of factory walls and beyond managements' control. This distinction is most forcefully indicated by the specific provision of the compensation law that employers are not liable for payment of benefits when workmen are disabled outside of factory and not in regular course of employment. A similar reservation in the unemployment insurance plan would, of course, destroy it utterly."

"It may be said that accident compensation liability exists even where accidents happen with fault of workmen. It is well to remember, however, that the premises are in the control and possession of the employer liable for the penalty and he can protect himself by providing 'safety' conditions."

Appendix F. Labor Union Position

The American Federation of Labor quite strongly "hinted" at its 1929 Toronto Convention that it may in a few years favor public unemployment insurance. At that convention it advocated public old age pension legislation.

But the past expressions of labor leaders as to the unsoundness of such schemes cannot be wiped out. Thus the late President Samuel Gompers declared (*New York Times*, February 1, 1922):

"No one can get away from this absolute fact, that if we were to have compulsory unemployment insurance the working people would be subjected to rules and regulations and investigations and supervision of almost every act of their lives. * * * It would entangle the mass of the working people in a mesh of legalisms and restrictions."

Mr. Gompers in 1916 had said:

"Is it not discernible that the payments required of workmen for this compulsory social insurance interfere very materially with mobility of labor, and constitute a very effectual barrier to the workers' determining their whole lives."

"The introduction of compulsory social insurance in cases of sickness, or compulsory social insurance in cases of unemployment, means that the workers must be subject to examinations, investigations, regulations, and limitations. Their activities must be regulated in accordance with the standards set by governmental agencies. To that we shall not stand idly by and give our consent." (U. S. Bureau of Labor Statistics Bulletin No. 212, pp. 847, 848.)

Mr. Gompers, however, favored enactment of a "national insurance law against old age," while opposing inclusion of unemployment, disability and sickness (Hearings before Senate Committee on Education and Labor, 1919, on S. Res. 382, p. 17).

Vice-President Matthew Woll of the American Federation of Labor is on record as saying (*National Industrial Review*, November 9, 1921) before the Academy of Political Social Science:

"Most of the schemes which have been advanced by the speakers preceding me have been tried in England and the results have not been favorable. The situation is worse there than here."

"Unemployment insurance does not put anyone to work. On the other hand, it seeks to overturn the ideas of government here and make it paternalistic. The Government has already entered too much into industry and should go no further."

"Union labor feels the plan would eventually mean complete regulation of labor and capital. Then let the Government run industry, which is socialism."

On the other hand it is interesting to note that William Green, then Secretary-Treasurer of the United Mine Workers, declared in 1916 that "in this matter of invalidity, old-age pensions, etc.," he believed "private enterprises" are simply "pioneering." The burdens "should and ought to be borne" in equal proportions by employers, employees and government with a system of "compulsory contributions on the part of employees and employers" (United States Department of Labor Bulletin No. 212, pp. 756-

758). Mr. Green apparently then believed that all social-insurance schemes should provide for compulsory contributions by workers.

The 1916 Convention of the American Federation of Labor adopted a resolution opposing "compulsory (social) insurance of any kind" but declared "we are unalterably opposed to private insurance companies for profit, which should be eliminated from any kind of industrial, social or health insurance. * * * The American Federation of Labor in its thirty-sixth annual convention assembled declares against private insurance, or insurance for profit, as it may apply to industrial, social or health insurance." This resolution was introduced by G. W. Perkins of the Cigarmakers. Three years later Mr. Gompers favored establishment by the National Government of an insurance system under which individuals could voluntarily insure against sickness, accident and death (Hearings by Senate Committee on Education and Labor on S. Res. 382, p. 16).

Appendix G. "Let the State Worry"

(Extract from a sermon by the late Rev. Dr. Newell Dwight Hillis, as reported in the *Brooklyn Eagle*, June 13, 1921.)

"One of the logical inferences from the leadership of educated men is that the test of any political or economic system is the question, "Does it make men brave, self-reliant, resourceful, creative of new institutions and therefore of new epochs of progress?" Recall once more Sir Joshua Reynold's sentence: "There is no expedient to which men will not resort to avoid the necessity of thinking." The truant flees the schoolhouse and the classroom, the tramp journeys north in the summer time, beats his way upon freight trains into the sunny south in the winter, begs at the kitchen door for a meal, because he would fain avoid the necessity of thinking about earning his own livelihood. The task of supporting a family, of laying by for a rainy day, and safeguarding the inmates of the home against sickness, accident or old age, is a task that demands sheer thinking, constant self denial of the appetite, a wise mastery of the best methods of investment. When this ever-growing, self-sufficing man stands at the end of his career you have a citizen who, out of the thunder of life's battle has gathered great weight of character and personal worth. But indolent men do not want to worry about saving up for a rainy day. They hate the foresight of accident or sickness. The necessity of thinking about these subjects is a grievous necessity—drifting is much easier. When, therefore, some Karl Marx whispers in the ear, "Have a good time! Don't worry about sickness or old age! Let the State worry! Let society think about the future! The idler, drifter, or spineless man, turns to communism as the long-sought-for refuge from the necessity of thinking and struggling to be self-sufficing. It is well known that the hot house weakens flowers and vegetables and fruits. After two or three generations fresh seed must be taken from the wind-swept hills. Anything that relieves a youth of personal responsibility, any law that spreads an umbrella against possible rainy days, any institution whatsoever that safeguards a man's future by releasing him from the necessity of thinking is an enemy of that man, a peril to society, an inhibitor of social progress. What if Nature should whisper to the cast iron, "I will save you from the furnace and its charcoal flames for consuming dross, I

will save you from the heavy steel plates that roll the molten iron, so that you can remain a mere lump of pig iron free to enjoy yourself, because no soldier will want you for his flashing blade waved at the head of an army of emancipation. No inventor will want a piece of soft pig iron for his loom or his press or his locomotive. Nor otherwise, no State wants as a leader the man who avoids thinking, dodges responsibility, refuses burdens, and pushes away all the processes that develop strength in men. The genius of socialism is in one word, "Let the State relieve the individual from the necessity of thinking." Its message is a message of indolence, avoidance and evasion. A brave man would not accept security upon such terms. The institutions of the republic have as their aim the manufacture of manhood. They try men with responsibility as gold is tried in the fire. A feebling is a proof that some institution has failed to produce a strong man."

The function of government is well presented in the American Exchange-Pacific National Bank (New York City) *Monthly Letter* for June, 1926, as follows:

"Those who support the view that the state is obligated to make provision for the economically weak often assert that the Government, as it is constituted, is concerned alone with the protection of property. This is not a full nor fair statement of the purpose of government, but it is the function of government to provide security for property and for persons. Aside from the incidental function of administering justice, this is almost the only necessary function of government."

"Where person and property are secure, the individual is free to work out his economic affairs in peace and safety. If it happened that any group or individual obtained, and was able to control, more economic power than was good for the community, the Government would have the right to interfere in the interest of preserving the security of the property and persons of its other citizens but as long as opportunity is not arbitrarily denied to the economically weak, the state must keep hands off—not in the interest of the preservation of the property of the economically strong, but in the interest of the public morale, for we must not lean upon the Government nor upon one another. Every able-bodied man must win his food and shelter by the sweat of his brow. This is the only assurance any of us have that the art of wresting a living from nature will not be lost."

The always-interesting *Bulletin* of the National City Bank declares (May, 1928):

"The unemployment problem is the same kind of a problem that it always has been, but it is at least certain that no progress is made toward its solution by deliberately maintaining any part of the population where it renders no service. The volume of every individual to the community is in his ability to pay for what he consumes. Common sense and experience both refute the theory that improvements in industrial methods or machinery cause permanent unemployment. The economies which they accomplish provide new buying power. The elimination of waste in the production of coal

would cheapen production in all the industries and probably increase general consumption to such an extent as to provide employment for all the idle miners."

"The secret of full employment, ready consumption and a rising standard of living is in obedience to the law of supply and demand, which is always seeking to maintain the industries in right relations with each other. It is often said that every person is entitled to a chance to earn a living, but even so, this does not signify that he is entitled to earn it in any particular place or in any particular employment, or at any particular price that he may choose. That would be naming conditions which obviously could not be assured to everybody and no one is more entitled to such assurance than any one else."



"The Older Worker in Industry"

The widely discussed and important subject was considered at length at the last annual meeting of the National Association of Manufacturers. A summary of the meeting was published in *American Industries* for October but a complete report of the discussions has been printed in a separate pamphlet. A copy may be obtained by writing to the headquarters of the Association in New York.

The general subject was analyzed from various viewpoints under the following groupings of thought:

"What Industry is Doing With the Older Worker," by Roderic Olzendam; "Maximum Age Hiring Limits in Industry," (from 1929 Report of Employment Relations Committee: National Association of Manufacturers); "Justification of Such Limits," by Miss Millicent Pond; "Why Management Adopts Such Limits"; "Group Insurance and Plant Pension Plans As a Cause of Old Age Hiring Limits," by William J. Graham; "Are Plant Pensions Plans Adequate?" by Charles K. Seymour; "Public Old Age Pensions Unsound," by P. Tecumseh Sherman, and *Supplement*—A pamphlet, "Industrial Care of the Long-Service Worker," by Noel Sargent.

"Public Old Age Pensions"

Efforts for the passage of a federal old age pension bill began in Congress on February 20. Numerous proponents appeared before the House Labor Committee sponsoring such measures. Appearing against such federal appropriations, were James A. Emery, general counsel of the National Association of Manufacturers, and Noel Sargent, manager of the Industrial Relations Department.

Mr. Emery maintained that Congress had not the authority to appropriate for such a pension and Mr. Sargent argued the impractical and uneconomic phases of the subject.



—New York World

The American Dole

The American Dole

THE Prosser Committee which raised eight million dollars for unemployment relief in New York City now urges the city to appropriate ten million more. This is in addition to the ordinary charity expenditures through the public welfare department. Other communities throughout the country are handing out similar doles to their unemployed. This, supplemented by private charity, constitutes *the American dole system*. It is a pure dole—and it is not helping to meet the unemployment problem in a constructive way.

Twenty years ago individuals requiring relief on account of industrial accidents resulting in inability to work were subject to somewhat similar unscientific treatment. But after thoughtful consideration this burden was in part shifted from the individual sufferer and the charities to the industry which failed to provide safe working conditions. Accident compensation legislation is now almost universally accepted as sound public policy.

Inability to work because industries fail to provide regular employment likewise creates a social as well as an industrial problem. Moreover, the individual worker who can play an important part in accident prevention is particularly helpless in reference to unemployment. Society through advance planning of public works and free employment offices can do something. But it is industry—to the extent to which it fails to provide regular employment throughout the year—that must be made responsible for compensating its reserve of labor during such periods of enforced idleness.

The necessity for providing this security for the worker will stimulate more continuous consideration of methods of stabilizing employment, just as accident compensation has furnished a constant stimulus to safety work. To this end the administration as well as the financial support of the unemployment reserve fund may well be placed

largely upon industry. Legislation is necessary to make sure that the industries act with reasonable promptness. In substantial measure the state and national governments may also cooperate in distributing information, in bearing in more orderly fashion the burden of unemployment, and in sharing the costs of administration. Legislation to create this plan of cooperation is about to be introduced.

Meanwhile, throughout the country, communities are preparing to make a charity dole to the unnumbered thousands of unemployed for whom there is no work. Under the circumstances, is there any helpful leadership in shouting, as the opposition to unemployment compensation is doing, that "we do not want the dole in America" when what we now have is the dole? Does it get us anywhere to have men loudly proclaim that "American labor wants work not charity" when for unnumbered thousands there is no work and all we have to offer them is charity? Thoughtful people now realize that we simply cannot continue to have millions of industrious people periodically thrown upon the streets to bear unaided the crushing burden of involuntary unemployment, and also that industrial management must be stimulated to the more rapid adoption of plans for unemployment prevention.

Leadership must be along constructive lines. The American plan for unemployment prevention and compensation does not copy any foreign model but is a natural outgrowth of successful American experience with accident compensation. To-day America has the unemployment dole; carefully prepared legislation aims at unemployment prevention and compensation. Which method will intelligent citizens prefer to support in attacking unemployment?

JOHN B. ANDREWS, *Secretary*

American Association for Labor Legislation, New York City



—New York Telegram

A Good Policy!

Industry may be made to bear part of the burden of unemployment by a well devised system of unemployment insurance. The modern business practice of maintaining reserve funds to insure payment of dividends to stockholders when capital is idle, suggests the creation of similar reserve funds to insure an income to idle labor. Just as employers are now required by law to provide accident insurance for *injured* workers, so they should be required to provide unemployment insurance for their *unemployed* workers. A few employers have already recognized this responsibility. Legislation is now needed to make such provision universal.

U. S. DEPARTMENT OF COMMERCE
WASHINGTON

UNEMPLOYMENT

Industry Seeks a Solution



A Series of Radio Addresses

*given under the auspices
of the*

PRESIDENT'S EMERGENCY COMMITTEE
FOR EMPLOYMENT



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1931

THE PRESIDENT'S EMERGENCY COMMITTEE FOR EMPLOYMENT

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FOREWORD

With the purpose of placing the experience and judgment of outstanding industrial executives before those concerned with the problems of unemployment, the President's Emergency Committee for Employment arranged the series of radio addresses here compiled. The addresses were given as nation-wide broadcasts during December and January. The speakers participating in the series were invited to explain the program and experience of their organizations in stabilizing employment and alleviating the evils of unemployment, and in the abridgment of the radio addresses for publication, emphasis has been placed upon the various features of company policy as explained by the speaker.

The committee is grateful for the assistance afforded both by the speakers and by the Columbia Broadcasting Co. and the National Broadcasting Co. in the arrangements for the series.

ARTHUR WOODS, *Chairman,*
President's Emergency Committee for Employment.

FEBRUARY 10, 1931.

UNEMPLOYMENT

INDUSTRY SEEKS A SOLUTION

I. SAFEGUARDS FOR EMPLOYEE SECURITY

By Mr. GERARD SWORK, *president of the General Electric Co.* (Dec. 16, 1930)

Compiler's note.—The General Electric Co. during the past 12 years has been developing a balanced program for employee security. This program includes provisions for life insurance, home ownership, savings investment, old-age pensions, and finally unemployment benefits, loans, and relief. The last feature is closely coupled with a determined effort to stabilize employment.

For many years the General Electric Co. has been making constant endeavors, each one a step in a comprehensive program, for removing fear of the future from the mind of the worker in the shops; that is, his constant fear of not being able to provide for and take care of his responsibilities, first to his parents or, if he has taken on further responsibilities, to his wife and children.

The first item to give peace and security of mind is provision for the uncertainty of life. In 1919 free group life insurance was offered by the company, to which later was added a participation by the employees, so that the life insurance of each employee has been increased. This has been very well received by all the employees, and all new employees coming into the organization, after five years of service, come under its provisions. The maximum life insurance offered free by the company is \$1,500 and the additional insurance, paid for by the employee varies, depending upon his age, service, and salary, but usually is in the same amount or larger than the free insurance offered by the company. This has worked out quite satisfactorily, and since the inauguration of the plan \$6,500,000 has been paid to the families of deceased employees. The organization of the General Electric Co. is now so large that there are deaths in its "family" each day, and each month a roster of those departed is published, where it is seen that the reaper has taken young people as well as old. In the present year, the total life insurance that will have been paid to the families of deceased employees will amount to approximately \$1,000,000, of which \$400,000 will be through the free insurance offered by the company and \$600,000 through the insurance paid for by the employees. Of course this latter amount would not have been received by the families if this additional insurance plan had not been adopted by the employees. Life insurance in this way does much to ameliorate the tragic circumstances of death and relieves somewhat the hardship of the departure of the family breadwinner, either in whole or in part.

The second matter of importance in assuring peace of mind, not only of the employee but even more frequently of the wife, is the ownership of the home. While the General Electric Co. has never been in the position of landlord, it does assist the employees in acquiring or building homes. In the last seven years 2,500 homes, worth \$19,000,000, have been acquired or built by the employees, with a payment on their part of upwards of \$6,000,000, the balance being held in the form of first and second mortgages by regular financial institutions, the company making provisions so the employees can borrow this money on a favorable basis. To date there has been no loss in connection with this work, either to the banks or the company.

The third is a plan to enable the worker to put something aside for the inevitable "rainy day." The General Electric Co., like many companies, started with the plan of having the employees subscribe to its common stock. But its common stock, of course, is subject to the fluctuations of all stocks and soon after the subscription was offered the market price went down. Many of the employees were frightened and canceled their subscriptions. Later on the price went up and many thousands of employees saw the opportunity to make a profit and sold their stock, so it was not effective in promoting saving by the employees or having the employees become financially interested in the company in which they were spending their lives. Therefore, a new company was organized, known as the G. E. Employees Securities Corporation, where the General Electric Co. takes the stock risk and the employees subscribe for its bonds. These bonds are not subject to the fluctuations of the market but are redeemable at cost at any time the employee so desires. While these bonds are held by the employee and he is in the active service of the company, he receives a return of 8 per cent. The employees elect directors who represent them on the board and are familiar with the transactions taking place, and each year a report of its operations is published. This G. E. Employees Securities Corporation is the largest single holder of General Electric common stock and its other funds are diversified in investments in public utility companies throughout the United States. These companies at the same time are customers of the General Electric Co., so the employees are financially interested not only in the company for which they work but also its customers. These investments have been so diversified that the market value even to-day exceeds the cost, and the income return has always been ample to pay the return on the bonds and stock that have been issued. Upwards of 36,000 employees now hold bonds, with a total value of \$41,000,000.

The fourth item to give security and peace of mind is provision for old age. Of course, if each employee made provision along the line of the above, for death, a home and savings, old-age provision, theoretically, might not be necessary, but experience has proved that it is. The General Electric Co. in 1912 adopted a pension plan which gave a pension to every employee, and this has since been supplemented by what we call an additional pension plan, whereby the employee contributes $1\frac{1}{2}$ per cent of his earnings. This will have the effect of increasing his pension on retirement by approximately 50 per cent, so that in some cases the employee may retire on a pension of three-quarters of the income he

has received while in the active service of the company, one-third of this pension being provided by the additional pension which he has paid for and the balance by the pension provisions of the company. These pensions are paid from a trust fund now amounting to upwards of \$12,000,000 which has been set aside quite separately and apart from the company's operations. In the two years since the establishment of the additional pension plan, the employees have set aside \$2,500,000. The amount the employee has put aside in the additional pension plan is always his; if he leaves the company, he receives this money plus interest; if he dies, his beneficiary receives it; and if he lives to old age, he enjoys it. Since the inauguration of the plan, the pensions paid to retiring employees have amounted to almost \$4,000,000, and there are approximately 1,000 on the pension rolls of the company at the present time.

The fifth and probably the most important, from the standpoint of the worker, is the recurrent dread and fear of unemployment. For years the General Electric Co. has been developing methods of stabilizing employment for its workers. This varies, of course, with the product. It is easiest in a standardized line, which does not become obsolescent and does not deteriorate. One such article is the incandescent lamp, where for many years we have been able to avoid unemployment because of seasonal fluctuations by making lamps in the summer time, when fewer lamps are used, storing them and distributing them to our customers in the fall and winter months, when the days are shorter.

The other end of the line, and of course very much more difficult, is our engineering products, such as large turbines, where due to the progress of the art or the demands of the customers, no two turbines ordered at different times of the larger sizes are alike and very little can be done on these engineering products in the way of stabilization of employment. Notwithstanding, on the smaller engineering products, in slack times we do make parts that are used generally and interchangeably and place them in stock. The plan has been worked out throughout the company to further as far as possible this policy of stabilization of employment. Every effort is being made to carry out this plan effectively. The plan lays down certain principles which the management of each works does its best to follow, first when business is increasing and secondly when work begins to fall off.

But no one company is able to grapple effectively with this problem of cyclical variations in business, so the best that can be done is to have a plan which will ameliorate the hardships when they do arise. Five years ago a plan of unemployment pensions, loans, and relief was offered, but at that time the employees considered unemployment remote and it was not accepted. This year it was again proposed and received immediate acceptance.

Fundamental in this new plan for unemployment relief are the following principles:

1. Joint and equal contributions by employees and the company.
2. Joint participation in the administration of the plan.
3. Aid through group action to those workers who are in need or require temporary loans, or who become unemployed, or for whom only part-time work is available.

4. In times of unemployment emergency, cooperation and assistance from those employees of the company not usually affected by unemployment, and assistance by the company in equal amount.

The plan has been adopted by each works as a unit, with a vote of the employees in some cases as high as 100 per cent and an average of all the works of 79 per cent. There are now 35,000 members of the plan and in the few months since its adoption \$350,000 has been paid into this unemployment pension fund, one-half by the members and one-half by the company. During normal times the employee member pays 1 per cent of his earnings into the fund and the company contributes an equal amount. A committee of administrators is formed at each works, one-half elected by the members and one-half representing the management.

When a member is laid off because of lack of work, after two weeks, by application to the administrators, his case is considered and he is given work or an unemployment pension up to 50 per cent of his normal earnings, but not in excess of \$20 per week and for a time not longer than 10 weeks in any 12-month period. When the outgo from the fund is approximately equal to the normal income, an unemployment emergency is declared. Normal contributions then cease and all employees of the company, whether members or not, in all departments, including the commercial and administrative organizations, in remote places, contribute 1 per cent of their earnings, the company contributing an equal amount.

This plan is not final in form or in substance and may be modified by joint action of the employees and the company. It is an interesting experiment in which the company is glad to join its employees, first, in endeavoring to find a solution, and, second, in ameliorating the tragic effects of unemployment on particular employees, who are in no sense responsible for their unemployment.

Under the original provisions of this plan, as announced last June, no employee was eligible for unemployment benefits under it unless he had made payments of 1 per cent of wages into the fund for a period of six months. This limitation would have delayed initial payments in the earliest instance until next February. In the light of the emergency now existing the payment of benefits and the extension of loans to unemployed workers were commenced December 1, and the company is sincerely gratified that it has found this step possible as a means of alleviating the condition of those for whom no work is available. Benefit payments now consist of 50 per cent of the wages of those entirely unemployed or a smaller amount sufficient to afford 50 per cent of normal wages to those on less than half-time employment. Loans are being made in those urgent cases where the administrators feel that the real distress otherwise arising must be obviated.

The comments in regard to this unemployment emergency plan from the organization have been very gratifying indeed, not only from the workmen in the shops, even including those who are not members of the plan, who are glad to help their brother employees not so fortunate as to have work, but also from people in the commercial offices, removed thousands of miles from the factories, the main comments we have had being "Why was the percentage made so low as 1 per cent?" and "Why have we not begun this earlier?" These

are evidences of how closely the organization is knit together, the plan, therefore, tending to improve the unity and spirit of the organization.

The company also announced last week a further plan for the year 1931 of guaranteeing 50 weeks work of not less than 30 hours each week in the incandescent lamp department, which I referred to earlier in my talk, where we are dealing with a standardized product not subject to obsolescence and deterioration. This plan is entirely voluntary and will not be adopted unless 60 per cent or more of the employees in the works are interested and agree to have a further "anchor to windward" setting aside 1 per cent of earnings. The company guarantees 5 per cent interest and the money so saved always belongs to the employee. He takes it with him if he leaves. If he dies, the accumulation is given to his beneficiary and if he remains with the company until he retires on pension, it is added to his retirement allowance. This plan goes into effect January 1, 1931, if the employees desire it. It will be interesting to see what reaction this receives.

These are definite, specific things that the company has done, first along the line of providing for greater peace and security of mind, second to stabilize employment, and third to ameliorate the tragic effects of unemployment.

We are now in a situation where things must be done on a broader scale than this. The efforts of a constructive character that are being made to relieve distress and to avoid and ameliorate these conditions in the future are having and should have very general support.



II. LOANS TO LAID-OFF EMPLOYEES

By Mr. CYRUS McCORMICK, *vice president of the International Harvester Co.*
(December 20, 1930)

Compiler's note.—With the evolution of large-scale industry, many workers have come to be increasingly dependent upon a single company for lifelong employment. Many employing companies have responded to this situation by the creation of various means of protecting during periods of decreased operation the workers whose cooperation they require in production in normal times. Finding it necessary to lay off some of its regular employees during the present depression, the International Harvester Co. inaugurated the plan of loans to these employees to tide them over the period of reduced income. The confidential and direct procedure used in meeting the workers' needs have been effective in alleviating instances of distress which employee pride and self-reliance have concealed.

At first, before the depression became so severe, the International Harvester Co. did what it could to curtail production with as little harm to the men as possible. We reduced forces by ceasing to hire new men, we let the unstable ones drift away, and we distributed the work among the men who could do it best and needed it most. Then we reduced the hours of the working week, for our men told us they would prefer less individual income if we could find ways to keep as many people as possible on the pay roll. Lately, however, we have struck what we believe is the bottom of the depression, with the result that our factories are now working on reduced time and with reduced forces.

In planning our own campaign to tide over the unemployment situation, the International Harvester Co. has recognized the necessity of finding a temporary substitute for work and wages. Thousands of our fine men have no jobs, no income. It is not their fault nor is it the company's fault. But International Harvester feels that it has a duty to help its own men to provide their own salvation.

Throughout Chicago and the other cities where we manufacture, we have sent representatives to call upon our men who have lost their jobs. The message these representatives bring is this: Whenever a regular Harvester man is in need of help because he is out of work or because his earnings have been severely reduced by part-time operations, we lend him the money to carry him through. The amount of the loan varies with the needs of the different individuals but it is at least sufficient to provide the necessities of life, sufficient to relieve the hard-pressed organized charities of caring for him and his. It will be enough to keep regular Harvester men out of bread lines.

We believe that lending money to workmen is better than giving it. I have been told by many employee representatives in our works councils that our men are proud that we have not offered them charity. A loan is a business proposition. When it is accepted, the

recipient expects to pay it back. He feels that he is still standing on his own feet. He understands that the loan is considered an advance against future wages. He maintains his self-respect.

Best of all, Harvester men feel that our plan is proof of our confidence in the future. They are out of work, possibly they are in want. Just then a foreman or a fellow worker comes to their homes to tell them that some day times will be better and that they will then have their jobs back. In the meantime they can rely on loans from us. We can safely make this promise because he has been with us long enough to become a real Harvester man. He knows that we want him to earn good wages; he appreciates the benefits to him of pensions, works councils, stock subscription, and other progressive labor policies. He knows that all Harvester Co. executives have won their way up through the ranks and that he, too, will, if he merits it, have a chance to rise. He does not want charity from the company. He wants wages, even if they are paid in advance of the work he would like to be doing.

These loans are paid by weekly check, exactly like wages. They are without interest. We urge every borrower to find himself a job elsewhere if he can, so that he will have less money to repay when he comes back to work. When he does get his own job back with us, or finds employment in some other shop and is again earning reasonable wages, he repays the money. In the meantime he is able to provide food and fuel and shelter for his family with money he can rightly call his own.

We are confident that our losses, through failure to repay these loans, will be small. We know our men. They regard the money they have borrowed from us as a debt of honor, and they will pay it back.

It must indeed be hard for self-respecting Americans who want to work to accept charity. It must be encouraging to a man who has lost his job through no fault of his own to learn that he has not been forgotten and that he can have his job back again as soon as business picks up. That is the message that the International Harvester Co. has sent to unemployed Harvester men. It wants them to go on holding their heads high, feeling that they have a place in the economic sun.

Within the past five weeks every regular Harvester man who is out of work has been visited. Many of them have savings or investments on which they can rely. In certain cases the available work has been rotated so that the effect of unemployment will bear less heavily on any individual. Furthermore, we have found that in many cases we have been able to give helpful advice on recasting the family budget so that the need for a loan is lessened or postponed. Employees in danger of losing the equity in their homes are given advice and assistance in securing extension of time on mortgage payments. Wherever there is emergency need of medical or surgical aid, it is supplied free of cost by our medical and nursing staff.

The Harvester loan plan is already proving its value as a means of relieving want and distress, but this is only a part of its value. The real worth of the plan is in its spirit and in the way it tends to restore the confidence of the worker. It encourages him and tells him of the company's interest in him and of its appreciation of him

and his work. Thus it renews his faith in the future of his occupation and of his country. He realizes that his situation in life will ultimately be restored because his job will be waiting for him when business comes back, as it surely will. He knows that he is a self-respecting member of society.

DETAILS OF HARVESTER LOAN PLAN

The Harvester loan plan was approved by the directors, October 30, 1930, and was immediately put into effect. Its purpose is to meet the unemployment situation among Harvester people by weekly loans without interest, sufficient to provide for current necessities. The amount of the loan depends upon the size of the family and other factors. Obviously the smaller the amount that can be made to suffice, the lighter will be the eventual burden on the borrower and on the company.

There are other definite benefits under the plan, such as free legal advice, emergency medical and surgical aid without cost, counsel and assistance in budgeting expenses, friendly contacts of foremen and other organization men with the man who is out of work. These are often as important as the loans. Most important of all is the fact that these loans are not in any sense charity, but are a business arrangement under which the company advances money to the employee against wages to be earned in the future. This gives encouragement and assurance that a job awaits him when business conditions improve.

Underlying all these provisions is the company's desire that this plan shall be interpreted and administered so as to preserve the spirit of independence and self-reliance in any employee who participates in it. The company has confidence in the future in spite of the present depression and wishes to do what it can to give immediate assistance to its men who are out of work.

ELIGIBILITY

(a) Harvester men temporarily laid off, who have been in the service of the company for . . . and whom it is intended to rehire when business conditions permit. (Note.—For information of other companies considering loan plans, it is suggested that the eligibility period is a different problem for each company, dependent upon the number of employees expected to be rehired within a reasonable time, and the extent to which the company feels able to extend its loan plan.)

(b) Those working part time equivalent to less than 36 hours per week, may also receive supplementary assistance.

(c) Home conditions, current financial difficulties, the possibility of other family assistance, etc., must be taken into consideration in determining whether or not a loan is justified. Available cash savings must be used before a loan is made.

PURPOSE OF LOANS

Loans will be made only to defray expenses for such current necessities as food, rent, fuel, light, and gas, and not for payment of old debts nor installment payments on goods purchased.

ORGANIZATION

(a) There will be established at each plant a works loan committee, consisting of the superintendent or vice chairman of the works council as chairman, the employment manager or works council secretary as secretary, the plant nurse and two additional members appointed by the committee chairman from the elected representatives of the works council.

(b) The works loan committee will be charged with the responsibility of selecting, instructing, and supervising such visiting committees of two members each as may be necessary to visit those eligible for loans.

(c) Included in the membership of these visiting committees are the department foremen and works council members, who in the majority of cases visit those employees who are employed normally in their departments. It is vital that a high degree of judgment and tact be exercised by the visiting committees which investigate all cases.

DUTIES OF VISITING COMMITTEES

(a) As soon as possible the visiting committees will begin by calling on men who have the longest period of lay-off or whose situation is known to be most serious.

The first visit will be confined to a friendly call, at which time the visitors will exercise their best judgment to determine whether or not the case comes within the intent of the plan and justifies further consideration.

The visiting committee should take the opportunity of stressing the fact that while at the present time there is a depression in business and much unemployment, the man's record with the company is satisfactory and he will be reemployed when business conditions permit. In this way the visiting committee will help implant confidence for the future in the minds of Harvester men.

(b) If the visiting committee's report of its first visit (Form No. 367) shows the family to be in need and eligible for loans, a second visit should promptly be made by the nurse or employment manager or other person designated by the works loan committee, in company with a member of the visiting committee which made the first visit. Upon the persons making this second visit rests the responsibility of submitting to the works loan committee a detailed report and specific recommendation on a form (Form No. 366) provided for that purpose. If the persons making the second visit recommend a loan and it is approved by the works loan committee and the superintendent, the recommendation must be sent in duplicate to the industrial relations department, Chicago, for final approval by that department as well as by the treasury department.

As a part of their investigation, the persons making the second visit should determine whether the individual is in danger of losing the equity in his home through inability to make payments due on contracts or mortgages. If so, the matter should be reported to the works loan committee who will do what they can toward obtaining an extension.

(c) If the weekly loans continue for a period of four weeks, the visiting committee will again visit his home and submit to the works loan committee their report and recommendation (Form No. 365) provided for that purpose. If the committee's recommendation is approved, it must again be sent in duplicate to the Chicago office for final approval before further checks are issued. The same procedure must be strictly adhered to following any subsequent four weeks during which loans are made.

NUMBER OF WEEKLY LOANS

It is not intended that the weekly loans will be continued indefinitely. They may be stopped at any time in the discretion of the company. No assurance should be given that loans to any one person will be continued for longer than four weeks. If further assistance is needed after any 4-week period, the case must be reconsidered.

AMOUNT OF LOAN

The amount of money to be loaned weekly will be based on a minimum subsistence budget. The industrial relations department will provide information to assist in determining the proper amount of the weekly loan.

LOANING PROCEDURE

(a) At the time of receiving his first check, the employee will sign a statement (Form No. 368) agreeing to repay after reemployment the money borrowed from the company. A copy of this statement should be given to him.

(b) No interest will be charged on money loaned under this plan.

(c) If the borrower has Harvester stock or other securities, he must deposit a sufficient amount with the cashier to cover his loans.

(d) Loans will be made weekly. The checks to be used, the manner of writing them, and other details will be covered in a separate letter of instructions to the works auditor.

(e) Each man will be assigned a definite day of the week for calling for his check.

(f) Following final approval of the loan, he will be notified to call for the first check. Subsequently he must call each time at the office of the secretary of the works loan committee for identification, which will enable him to get checks from the cashier.

REPAYMENT OF LOANS

When the man is reemployed on a basis of five days or more per week, deduction of not less than 5 per cent will be made from each pay check to apply on repayment of the loan. If other employment is obtained, he must pay each week the equivalent of not less than 5 per cent of his wages to apply on repayment of the loan. If he can begin to repay before his employment is restored to five days a week, or if he can exceed the amount of 5 per cent of his wages, it will obviously be to his advantage and he should be urged to do so.

ACCOUNTING

The works will forward to the industrial relations department a weekly statement in duplicate, giving a recapitulation of the number of cases and the amount of money loaned during the current week, as well as the accumulated figures.

MEDICAL

The visits may disclose that some member of the family needs medical assistance or advice. Such cases are to be reported to the plant physician or nurse, and arrangements will be made to extend emergency assistance through our medical department.



III. RESERVES AGAINST UNEMPLOYMENT

By MR. HENRY S. DENNISON, *president of the Dennison Manufacturing Co.*
(December 26, 1939)

Compiler's note.—The possibility of a parallel between reserves against reduced dividends and reserves against reduced employee earnings is no better indicated than by the relatively long experience of the Dennison Manufacturing Co., of Framingham, Mass., in the maintenance of both types of reserves. It is significant that the establishment of the newer type of reserves seems to stimulate management to stabilize operations and employment, to the advantage of both the stockholders and the workers.

Since its beginning in 1844 our company has passed through, and survived, many depressions, mild and severe, but until the depression of 1908 we had thought of them much as epidemics had been thought of before the birth of modern medicine—as unfortunate visitations which we could not account for and devoutly hoped would never happen again. Then we began to realize that if it should turn out that such periods were recurring epidemics in the business system for which we might undertake some measures of preparation, even if we could not accurately foresee just when we were going to catch them, our passive attitude was really inexcusable. The burdens of unemployment had borne too heavily upon both the company and its employees to be put up with complacently, and anything, however little, which might be done was better than doing nothing.

Progress was slow, but in the first years something was accomplished toward smoothing out the worst of the extremes of overtime and part time which came each year at different seasons. But in 1915, after the severe unemployment of 1914, we took a step which has ever since given us a permanent and pointed interest in the problem. We figured that if it was good business sense to make some reservations out of profits in good years so that dividends might not fall so severely in bad years, then it was equally good sense to set up similar reserves from which, during times of unemployment or partial employment, some part of the losses to wage earners could be lessened. So we made a reserve out of the profits of 1915 which was added to in the succeeding years, and placed it in the control of trustees for such use. The exact rules for its distribution were to be drawn up and amended from time to time as experience should dictate, by a joint committee of two from the management and two representatives of the employees.

Since 1921 the fund has been drawn upon to make up the pay of our permanent force of wage earners whenever they had to be laid off for lack of work, those with dependents getting approximately 80 per cent of normal rates, and those without dependents approximately 60 per cent of normal. We could not guarantee such payments for all time because we had no sufficient records of experience to tell us what such a guarantee would involve, but pay-

ments were to continue as long as the fund lasted, and have continued, as a matter of fact, without any interruption to date.

The effects of this scheme have been very striking. Undoubtedly it has afforded welcome relief to individuals and probably has held the purchasing power in our community up somewhat higher than it would otherwise have been; and we are assured that it has added a good deal to that feeling of security and confidence without which employees suffer in spirit and in their working abilities as well. But even more valuable have been its effects in stiffening and refreshing the determination of every one who is connected with the management, from salesmen and department heads to general manager, by careful planning and all possible foresight to make payments from the fund as little necessary as they can.

These effects are really interesting since the fund is quite out of our control and no one in the management can gain anything directly in a financial way by saving it. They are closely parallel to the effects of the fire insurance premiums of more recent years in waking us up to the desirability of fire prevention, and of accident compensation premiums in making us active in preventing accidents. In all these three cases alike we should really have enough to gain by preventive measures to warrant strenuous thinking even if there were no penalties in hard cash. But, unquestionably, in each of these, efforts at prevention are given energy and focus by the impressive reality of such penalties. This is what makes us so strong in the belief that an unemployment fund, however much it may help the wage earners, is likely to be of even greater value to the company itself. For in every slack period, whether it is an off season or an off year, the losses to the company in fixed overhead costs are often as great, and in heavy industries are sometimes greater than the payroll losses to employees.

Our unemployment fund did not originally plan to cover any payments to those who might be laid off permanently—for whom, for one reason or another, no permanent place could be found in our organization. It applied primarily to the trained staff. But gradually, as it was being used, logic forced us to consider some cushioning payment to those whom we had to lay off for keeps—a separation allowance, as it is now coming to be called. Our experience with this form of unemployment relief is short, but over the last 12 months we have been feeling our way and have paid considerable amounts for this purpose. Its influence will undoubtedly add to the good influences of the older scheme, and will especially tend to make us even more careful when planning expansions, temporary or permanent, that we do not fall into the error of unwise overexpansion, which is surely one strongly contributory cause of the alternating periods of prosperity and depression.

I am certain that the reserving of funds out of profits or surplus for unemployment relief is of definite value in several ways for individual concerns. Is it not equally certain that if widely done it would be good for the whole business structure as well? For through the violent swings from 'way up to 'way down, business as a whole loses much more than it gains; and the reservation of funds during times of high activity for expenditure during low times strikes at the very roots of the evil. It both checks undue expansion and

fills in the deeper depths of depression. It can also be thought of as a gyroscope which, until we can learn to control the business weather, can at least be depended upon to keep the boat from rocking too heavily in the worst storms.

These are direct effects. And when there is taken into account, also, the powerful secondary effects of such funds in stirring up management to more and more ingenious and inventive efforts to save overhead, by working toward a more even and regular flow of production and distribution, the general social good to be accomplished by them is multiplied—surely by 2 and perhaps by 10. With the wonders before our eyes which engineers have brought to pass through their application of the laws of the physical sciences, it is impossible not to believe that a devotion of similar powers of invention to the saving of this great individual and social waste, spiritual as well as economic, must make remarkable progress.

The establishment of unemployment funds requires no new or complicated machinery or statistical records. A moderate amount to begin with may be set aside out of profits or surplus, like any other reserve. Some companies even to-day, although making an unsatisfactory operating showing for the year, have, nevertheless, reserve assets from which a start can be made. And a little may go a long way. In the Dennison company during the past 10 years the payments have not averaged one-half of 1 per cent of the total pay roll, and even over the worst 10 months of this year have not exceeded 2 per cent. Even small sums may relieve great needs, and such sums may be withdrawn from years of business activity at an individual cost hardly to be felt, and yet at a very real advantage to society as a whole.

Again, I must emphasize that while the actual funds withheld from use during prosperous times and put into circulation in slack times are of value in relieving distress, and of still more value in helping to keep our economic blood pressure from running too high and falling too low, they are of the greatest value of all in their psychological effects upon management. Unemployment funds set up action and reaction. Their direct action is to help in any present period of unemployment; their reaction is to sting employers into a healthy irritation and make them think of putting the screens on. Through them we get that positive spur which cold cash outlays exert, which is direct and actual and not to be argued away as easily as estimates of possible future indirect losses can be. They offer very practical arguments against undue expansions at the peak of the cycle, and for the toughest kind of thinking as to what can be done to keep things moving in the cycle's trough. And, incidentally, it is generally to be found that those who are thinking out practical measures, small though each one may be, are those who are least oppressively pessimistic.

IV. EMPLOYMENT STABILITY AND INDUSTRIAL PARTNERSHIP

By Mr. WALTER C. TRAGLE, *president of the Standard Oil Co. of New Jersey*
(December 26, 1930)

Compiler's note.—The place of the employee as a partner in the operation of industry has come to receive wider and wider recognition during the past decade. The efforts which progressive managements may make in stabilizing employment and assuring continuity of partnership despite a business depression are illustrated by the experience of the Standard Oil Co. of New Jersey.

The Standard Oil Co. of New Jersey has had for years a definite policy in respect to labor. As a part of this policy we have long felt that from both an industrial and humanitarian standpoint we should make every effort to avoid layoffs of any of our people. This has involved the expenditure of large sums of money in improvements aimed primarily at stabilizing production and thus avoiding fluctuations in employment.

As the first step in the present crisis, we stipulated that managers should hire no new employees. We thought that by adjustments and transfers we might better provide work for those already in our service than to discharge in one quarter and hire in another. We ordered elimination of overtime, so as to spread the available work over the largest part of the personnel. Employees have been transferred from slack to busy departments and from one plant to another. To increase the amount of employment, it was suggested that managers begin work of dismantling, maintenance, and repair which had been postponed from busier times. As a general rule our employees have been working full time, but in two or three centers where there has not been work for the entire force employees cheerfully accepted part time in order that no member of the group should be thrown out of work.

There have been some men laid off for inefficiency and others who have been discharged for cause; but in the few cases where it has been necessary to lay off men permanently for lack of work, or for any other reason which was no fault of their own, such men have received a cash allowance, the amount depending both on their age and length of service, and this allowance has taken care of them during the time they were seeking work elsewhere.

The company has sought to alleviate any distress that might occur through the reduction of working hours or number employed. For instance, in one plant the company has made a contribution to the employees' association and this, together with money contributed by employees who are at work, will be used for relief work, including loans. Should it become evident that there is distress among other groups of employees, the company would undoubtedly make a similar offer to employees of any plants so affected.

What the company has done in this emergency has been in line with its long-established policy. We have been steadily working toward greater stability of employment. One of the many advantages of this is avoidance of the loss incurred in training new employees. Our low labor turnover of 26 per cent for the year 1929 reflects the success of our efforts to stabilize employment. This compares with 45 per cent, the average labor turnover for the same year in 75 representative companies with a million and a half employees. We look upon our personnel as the most important part of the business. They are not just so many check numbers to be taken on or laid off according to fluctuations in demand. On this ground we claim no credit for philanthropy. In practically all of our operations we require a staff largely constituted of experienced men possessing skill obtained over a long period of years. Without such an adequate and trained force continuously at hand the management of any operation would be seriously handicapped.

Partnership in this company came into existence as the result of the war-time recognition of the interdependence of capital, management, and labor. It was recognition not alone of the rights of each but of the responsibilities of each. Out of this recognition grew our industrial representation plan, stock acquisition plan, and many other features based on the partnership idea. It is, therefore, only fair to assume that in the discharge of its responsibilities management should exert its efforts to safeguard the jobs of regular employees in periods of trade depression. In a cooperative industry, such as this company has become, one set of partners can not benefit at the expense of the others in the partnership.

Each industry has its own characteristics, and I am not suggesting that policies which have proved successful with the Standard Oil Co. of New Jersey can or should be adopted by all large employers of labor. Forward looking executives, however, recognize the need for regular and more sustained schedules of operation, which will, to the maximum extent, free labor from the uncertainties caused by frequent shutdowns. Good management seeks to level the peaks of overtime and bring up the valleys of part time and by better organization and planning to spread employment more evenly over the 12 months.

V. UNEMPLOYMENT BENEFITS

By Mr. MORRIS LEXSON, *president of the Leeds & Northrup Co. (January 2, 1931)*

Compiler's note.—The payment of unemployment benefits has not been confined to large employers but has received considerable impetus in medium-sized organizations which have analyzed scientifically their industrial relations problems. The Leeds & Northrup Co., of Philadelphia, has been a pioneer in the development of a conservative plan for such benefits to cover a group of 1,100 employees in an industry requiring trained workers.

We are manufacturers of electrical measuring instruments and apparatus for temperature measurement and control, and employ about 1,100 people. (Because of the variety and complexity of our product and the amount of engineering required, an unusually large proportion of our people are employed in office, sales, research, engineering, inspection and factory service divisions.) Instruments of precision can be successfully produced only by trained workers whose skill develops with years of experience, and there are sound business reasons for conserving a force of such people after they have been gotten together and trained because once scattered they can not be quickly and satisfactorily replaced. However, considerations other than these drove home to us the need for stabilized employment. Our product is widely distributed and demand has little seasonal variation, but to a large extent we supply equipment used in manufacture, and our business rises and falls in close relationship to the curve of total volume of manufacture in the country. We were seriously affected by the 1921 depression as we are to-day. Then we were caught with large inventories, and in other ways were little prepared for a slump, and found it necessary to make a considerable reduction of force. Talks with some of our people, who after years of employment were being dismissed, showed us how serious a crisis we were bringing into their lives. Those who had no savings were confronted with real physical want. Others had to give up partly purchased homes, discontinue the education of children, and the like. All of these commendable plans had been undertaken because of the expectation of continued employment. Thus the social harm that comes from the sudden interruption of employment became obvious to us. We saw why the founder of the world famous optical works, Carl Zeiss of Jena, said that industry had an obligation toward those whom it dismissed to see that they were provided with means of support during a reasonable time in which to relocate themselves, and that this obligation bore some relation to the length of their employment. We examined with renewed interest the provisions he made for discharging this obligation and resolved that we would make similar provision if a return of prosperity permitted. The opportunity came in 1923, and we then inaugurated our unemployment fund with a payment of \$5,000, and arranged to contribute to the fund 2 per cent of each pay roll until the total fund should equal

twice the largest pay roll of any week in the previous 12 months. The total pay roll, including officers' salaries, is used as a base for these calculations, and is considerably larger than the pay roll of those entitled to benefit. Estimates made at that time indicated that these provisions would give a sufficient fund, when fully accumulated, to pay what we then thought suitable retiring allowances to as many as were likely to be laid off or have their working time reduced. We arranged for a trust company to hold the fund under a trust agreement for this particular purpose, so that it would not be at the hazard of the business.

Promptly after the establishment of the fund we informed the council of our cooperative association of this action. Let me explain here that the Leeds & Northrop Cooperative Association is an organization of all our employees, which through its elected council, deals with all matters of employee interest. Some of them—such as athletics, a sick benefit organization, and various activities of a cultural and social nature—it handles entirely on its own responsibility; others, such as cafeteria management, group life insurance and old age pension, good order of the plant, rules in regard to vacations with pay, on time bonus, etc., it handles in cooperation with management.

In explaining the unemployment fund to council we said: "We should like to have you assume the chief responsibility for the management and disbursement of this fund." We pointed out that benefits would be paid only up to the amount of the fund as accumulated, and undertook no obligation beyond that. The council willingly assumed the responsibilities asked of it and made rules for managing and disbursing the fund, the outstanding features of which are these:

Control of the fund is vested in a committee of 5, 3 appointed by council and 2 by the company.

Unemployment benefits are to be paid only to employees whose annual compensation is \$2,000 or less.

Unemployment benefits are to be paid at the rate of 75 per cent of wages for those having dependents and 50 per cent for those without dependents.

Unemployment benefits are to be paid to those discharged, laid off for a time, or working less time than the company's 44-hour week. (Those who may be discharged for cause do not benefit from the fund, but have the right of appeal to a board composed entirely of employees appointed by council.)

Unemployment benefits are to run for a time which varies with the length of time the recipient has been with the company, and ranges from 3 weeks for those who have served 3 months up to 26 weeks for those who have served 5 years. In general, each year of service adds 5 weeks of compensation.

Those who work on a reduced schedule are compensated for the time lost in the same proportion as those who lose full time.

Benefits cease if the recipient gets another job, but may be reinstated if he loses or quits that job and has not yet received all payments due him.

We realized when we inaugurated these plans that unemployment compensation is at best a palliative, and is by no means so desirable as continuous work. For a selfish reason we had no desire to see the fund dispersed, because that would later put the company to the expense of making good the depletion. We accordingly adopted other measures to stabilize employment. When business is brisk we increase working hours, paying time and half time for time worked in excess of 44 hours per week; when it slackens we drop back to the standard week. We thus avoid taking on for peak business people

who would have to be laid off when it lessens, and in the overtime pay we share prosperity with our workers. In periods of slack business we manufacture for stock. For many of our products there is a sufficiently stable demand to justify stock accumulation. We have provided for it in our financial budget and intend to carry it as far as a detailed analysis of sales records will warrant. We carry on research to develop new apparatus and new uses for present products, and do this on a scale that is large in proportion to the size of our business. By continuous increments of 2 per cent of the pay roll the fund reached the required maximum in August, 1924, but since then a growing pay roll has frequently set new standards and called for further contributions. In January, 1930, by total payments of about \$68,000 and interest accumulations, it amounted to some \$82,000 and was at the required maximum. Up till then demands on it had been insignificant and the amounts paid out seemed to be sufficient to carry people over until they could relocate. Since then there have been much heavier demands; 108 people have received separation allowances, and 503 compensation on account of part time. Under the rules \$24,000 has been paid, and should our present part-time rate of operation be continued for several months, some \$24,300 more will be paid. Allowing for interest accumulations, these demands will take not much more than half the fund and leave some \$40,000 available for still further reductions of force, which we now hope will not be necessary. Of the people eligible for benefits who were completely laid off, 36 per cent relocated themselves before their benefits ceased, which seems a pretty good record for these times; 55 per cent had not gotten new jobs when their benefits ran out; the remainder (about 9 per cent) did not apply for benefits.

Our council is making inquiry to find out whether those whose benefits have ceased are in need, and provision is being made either through loans from the fund or, in case loans seem inadvisable, through gifts from a special fund being contributed by those who have had the good fortune to remain on full pay. Indications are that up to this time needs have been pretty well met. There are only six applications for loans and these are for small amounts. If the depression continues for many months after benefit payments cease, there will doubtless be other cases. We intend to keep as closely in touch as we can with all who are either on part time or who have had their names entirely removed from the pay roll, and after the depression is over we will review our experience and then make such amendments in our rules as it may indicate.

VI. THE ELIMINATION OF SEASONAL UNEMPLOYMENT

MR. WILLIAM G. STUBBS, *president of the Eastman Kodak Co. (January 6, 1931)*

Compiler's note.—An effective procedure in forecasting sales and scheduling production to eliminate seasonal peaks in operations and employment has been found to be a valuable aid in protecting both the company and its employees against the more serious consequences of industrial depressions. The Eastman Kodak Co., despite a highly varied line of products and marked seasonal fluctuations in demand, has been able to level out peaks in production and avoid lay-offs. The technique thus developed, supplemented by other measures, has assisted the company in maintaining employment during the depression period.

For many years the Eastman Kodak Co. has been giving considerable attention to the problem of providing steady year-around employment to its workers in spite of seasonal sales. The Kodak Co., formed 50 years ago, now has in its organization 25,000 employees * * *. Over half of these employees are located in Rochester. Kodak Park Works is the largest plant of the company and employs 8,000 people. I shall describe in particular the methods used in this plant to provide steady employment.

The products of this plant are sensitized photographic goods of all kinds * * *. Not only are these products finished at Kodak Park but also the general preliminary manufacturing operations, such as the manufacture of film base and the production of basic photographic paper, are done there. On account of the diversity of the products the organization is a complex one, and the 8,000 employees are divided into 120 departments located in 110 buildings. The products are manufactured for sale in this country and for export shipment. The problem of stabilizing the force is therefore complicated by fluctuations in the demand both in this country and throughout the world. Many of the products, however, have been standardized and changes are made gradually.

The sales of some of the principal products are highly seasonal. Sales of roll film in November, for instance, are only 3 per cent of the total yearly sales and in July (the peak month) they are 15 per cent. The nature of the product is such that it can be kept for only a limited period and the conditions of storage must be carefully controlled.

Thirty years ago, when the company was expanding rapidly, the management realized that it would be good policy, from the point of view of both the company and the employees, to produce at as constant a rate as possible throughout the year instead of the rate at which the goods are sold. At that time steps were taken to accumulate stock during the slack season, although this meant a large capital investment in refrigerator plants for the store rooms in which the sensitized goods were kept and also an increase in the carrying charges on the inventory. The plan has been steadily improved since that time and, while at first it was planned for only a few products,

it is now used for practically all of the products of the plant. This production program involves four major steps which will be outlined briefly.

First, a forecast of sales is absolutely essential. This sales forecast is made by the statistical department in cooperation with the sales department. The estimates take into account the long-time trend of sales, current business conditions, and any special advertising and sales programs. The forecast covers a period of one year and every effort is exerted to make it as accurate as possible. The forecast for the year is modified from time to time taking into account changes in conditions.

The second step is to break down the annual forecast into monthly estimates of sales. In order to do this we have made a study of the seasonal sales, month by month, over a period of several years, in this way arriving at a normal seasonal variation. The sales for each month are expressed as a percentage of the sales for the entire year. When these percentages are applied against the estimated sales for the year, we obtain the estimate of sales for each month.

The third step is to establish the most economical production level throughout the year. We make allowance for vacation demands during July and August and production is reduced somewhat during these two months. The plan calls, therefore, for steady production during 10 months with reduced production during the summer months (the time of the sales peak). In case the sales have been higher than estimated, vacations are curtailed and in case they have not been up to the estimate vacations are increased.

Determination of the amount of stock to be carried at all times of the year is the fourth step. The minimum stock is carried at the end of the busy season. Estimates are made of the normal stock to be carried each month with this as the starting point. Stocks are built up during the slack season and reduced during the busy season. We know just how much stock to plan for at all times of the year and storage facilities are provided accordingly.

The four steps which have been outlined give a brief description of the production control on finished goods. It is adapted to fit each particular product and is used in planning the production of an individual product or to control the production of an entire department. It is frequently necessary to accumulate more than the normal stock of a few large-selling products when there are small orders coming through for special products which can not be stocked. In this way the large stocks will consist of only those products which may be called the "bread-and-butter" lines.

When the seasonal variation has been eliminated from the production of finished products it becomes a simple matter to schedule the supply of parts and semifinished products throughout the plants. We establish maximum and minimum stock limits within which the stock of semifinished products may fluctuate, maintaining all the time a constant rate of production.

What have been the results of this program? At the Kodak Park Works, during the eight years from 1922 through 1929, the number of employees laid off on account of lack of work averaged only 2 per cent of the force. During this period the highest lay offs in any one year was less than 5 per cent of the force and the lowest 0.7 per cent.

The company has thus been able to give steady employment to workers and both the company and the employees have benefited. By having production uniform throughout the year it is not necessary to have as large an investment in plant and equipment. If we had a plant large enough to meet the peak sales, our investment would be much higher and much of the equipment would be idle during the slack sales season. This saving in carrying charges on the plant much more than offsets the additional carrying charge due to higher inventories during the slack season and the larger storage facilities. Without this uniform production it would also be necessary to have highly trained operators who would be busy during a few months of the year and for whom there would be no work during the remainder of the year. We can get increased output from the worker who is engaged all the year as compared with one who would work only part of the year. In normal times, therefore, this method has enabled the company to produce at a lower cost and the employees have had steady work.

This method is designed primarily to eliminate the effects of the seasonal variation in sales of our products. We have found, however, that we are also in a better position to meet business depressions. An organization has been built up to assemble the facts, to make forecasts of sales, and to control production and stocks. We can not expect to escape the effects of a world-wide depression but by means of this organization and through careful planning we can minimize the effects of these depressions upon employees.

During the first part of 1930 there were more employees at Kodak Park Works than in 1929. When the effects of the depression were felt in the summer of 1930 and it became necessary to curtail production, a number of departments were put on a 5-day week. In a few cases, a shorter week has been necessary. Lay offs have been kept at a minimum and during the year 1930 only 2½ per cent of the workers engaged in production have been laid off, only slightly more than during normal years. This compares with lay offs of 14 per cent in 1921.

In the fall of 1929 an extensive construction program was inaugurated to increase the facilities of some of the departments at Kodak Park. When the depression came and it was realized that our business would be affected during 1930, the management decided nevertheless not to interrupt this construction program. The management felt justified in continuing this program because it had confidence that the business would continue to grow after the depression was over and also because construction costs were low. As a result of this building program, employment was given to 600 workers, a large number of whom would otherwise have been idle. As these buildings have been completed it has been necessary to lay off some of these construction workers who were engaged temporarily. The total lay-offs at Kodak Park, however, including construction workers, have been only 5 per cent.

In our other Rochester plants, the products of which are affected more by business depressions, it has been necessary to curtail production to a greater extent. Every effort has been made to put workers in these plants on part time instead of laying them off. The departments affected were placed on a 5-day week and in some

cases a greater shortening of the working hours has been necessary. During the past year we have done as much repair and maintenance work as possible and have thus kept men employed who might otherwise have been laid off. We have continued our advertising at the normal rate and have also used special efforts to stimulate sales.

Due to the stabilization methods in use and the construction program, the average force employed in Rochester in 1930 was greater than in 1929, although many of the workers were on reduced hours during the latter part of the year. Some reduction in the force during the latter part of the year was also necessary. Although the employees at the end of 1930 were 8 per cent fewer than at the beginning of the year, the force was still as large as in the middle of 1929, just prior to the decline in business.

During the 50 years of the company's history it has passed through a number of business depressions. We feel that our company, along with many others, has made distinct progress since the last depression in methods of meeting these world-wide depressions and minimizing their effects upon the employees. We realize that there is yet much to be done and we will continue to give the problem thought and study.



VII. LABOR'S PART IN THE ALLEVIATION OF UNEMPLOYMENT

By Mr. WILLIAM GREEN, *president of the American Federation of Labor*
(January 19, 1931)

Compiler's note.—Although labor suffers more than any other group during business depressions and unemployment, labor through its representative organizations in the trade-union movement has from the first sought to assist those of its members in distress. The officers of labor organizations have cooperated with unemployment committees and in planning for more stable employment, while the rank and file have not only been willing to share jobs with fellow workmen otherwise laid off but have contributed from their earnings to those in distress. The American Federation of Labor, representing over 3,000,000 wage earners in this country, reflects the deep interest of organized labor in alleviating the distress due to unemployment.

While millions of working men and women have been the victims of the existing economic depression and, as a result, have suffered very greatly, nevertheless, through their trade-unions and their national organizations, they have rendered service to the Nation, to industry, and to the community in the development of relief measures designed to bring assistance to those in deep distress and to restore normal conditions.

Labor groups have cooperated with governmental agencies where the opportunity to do so has been presented and have rendered material assistance to those needing immediate help.

In response to the request of the President of the United States, organized labor, through a representative group of its officers, made its contribution to the establishment and maintenance of industrial peace in this crisis. In spite of most exasperating and trying circumstances it has kept the promise it made to the Chief Executive of the Nation and has faced and accepted its responsibilities in a most constructive way. The representatives of labor accepted membership upon unemployment committees in the different cities and States. They have given the benefit of their service, training, and influence to this organized movement created for the purpose of dealing directly with the serious problem of unemployment. These representatives of labor have responded in every instance where they have been invited to serve on unemployment committees created in the communities, cities, States, and the National Government.

Because labor is conscious of the seriousness of the situation, it has sought, through its representatives, to be represented on all unemployment boards and committees. The membership of organized labor, through their unions, have been instrumental in the development of public works programs and have offered very valuable suggestions and recommendations regarding plans and policies which should be pursued. In cooperation with their fellow workers they have sought to distribute the amount of work available in industrial establishments as equitably as possible among

the number regularly employed. They have sacrificed part of their employment in order to help others. They have used their trade-union facilities for the purpose of securing employment for those who are out of work and in this way they have rendered free employment service. They have sought and secured work for men and women and have directed them to places where they might find employment. In various ways and in numerous instances they have rendered a collective service of immeasurable value to the community and of great help to unemployed individuals. Invariably where the services which trade unions offered have been accepted they have proven to be effective and well chosen.

The trade unions have used their funds to relieve distress, to supply food, clothing, and the necessities of life to unfortunate unemployed persons. Many members of trade unions have made weekly contributions to funds created for the purpose of relieving unemployment among their members. Thousands of dollars have been raised in this way, all of which has been supplied to the unemployed. All this assistance rendered by labor, through its organized units, has been nation-wide wherever organized labor was permitted to function through its organized units.

This service has been freely given in an effort to meet the needs of this acute situation. While engaged in this great humane undertaking labor has been thinking about constructive means and methods which should be applied in order to prevent the destructive and devastating effects which come from these periodical unemployment experiences. Labor is firmly convinced that the problem of unemployment must be dealt with in a constructive, scientific, and practical way. It firmly believes that industry can be regulated so as to furnish reasonably steady employment to all working men and women.

VIII. GUARANTEED EMPLOYMENT

By Col. WILLIAM COOPER PROCTER, *chairman of the board of the Procter & Gamble Co. (January 17, 1931)*

Compiler's note.—Both to the employer and the employed there is no better remedy for the evils of unemployment than assured operations, employment, and wages. Unemployment benefits are at best a partial indemnity for the loss of wages due to decreased employment and are made possible by reserves built up in more prosperous times. If employment is stabilized, the income from full operations is not taxed to provide these reserves. While many employers have sought to stabilize employment, until recently but few have gone the full way in guaranteeing steady work to regular employees. The Procter & Gamble Co., of Cincinnati, has been a pioneer in the movement which is now gaining increased momentum.

For several years following the war the operation of our plants was quite irregular, and men were repeatedly laid off for periods from one week to one month, with the accompanying anxiety and privation to them and their families. The company was concerned by the conditions of its employees and determined, if possible, to change those conditions that subjected them to the evils of irregular employment. The company therefore decided that, if possible, it would so regulate its business that regularity of employment could be assured, and in August, 1923, inaugurated the present system of guaranteed employment, having first proved for a period of 18 months' operation that such a plan was practical.

We started with the premise that in our industry, as in many others, the annual consumption of the products such as we produce was fairly uniform throughout the year, and the total annual consumption from year to year about the same, but gradually increasing through growth of population and improving standards of living. Our problem then was to accurately forecast our business for as long a period as we reasonably could and then so regulate our sales and deliveries that we could maintain a regular rate of production, taking care of any variation which might occur between sales and deliveries on one hand and production on the other, by adequate warehouse facilities.

We undertook to budget our yearly sales for practically the entire United States in units of about 250,000 population. Taking our business in each of these units and the conditions of competition we undertook to forecast just what our business should be in each unit and from these compiled the forecast for the entire country. Having arrived at this estimate for the year, we divided it into 48 equal amounts to cover the 48 weeks of production and started our weekly production schedule upon that basis.

The quota of each unit is checked quarterly to see that the territory is producing what it was expected to produce and special attention given where needed. Our general selling campaigns are so scheduled that sales are stimulated regularly throughout the year and not irregularly.

After 18 months' experience we were satisfied that the plan of regulating sales and production was practical and sound economically and we thereupon inaugurated our plan of guaranteed employment. The plan has now been in operation seven years, and during that time we have averaged a little over 49 weeks' operation, never more than 50 and never less than 48. From both a social and economic standpoint it has been the most productive move that this, a successful company, has ever made.

Briefly, the plan provides that any person who has been in the employ of the company for six months and is a profit sharer is guaranteed 48 weeks' work in any calendar year. The reason for these two conditions of service and profit sharing are: First, the six months' employment for the company to know whether he is the type of man it wishes to continue in its service; and second, the profit-sharing basis as an evidence that the man wishes to become a permanent employee of the company. The attractiveness of the profit-sharing plan is sufficiently evidenced by the fact that 95 per cent of those eligible for profit sharing are profit sharers. Any person who is in the employ of the company for more than six months is eligible for profit sharing.

The economic and other advantages to the company that come from guaranteed employment are difficult to define. The closer attention and scrutiny of all details of the business necessary to keep the whole machinery synchronizing in all parts would, of course, increase the efficiency of the organization and profits of the business, and has at least demonstrated that guaranteed employment is practicable.

How much credit can definitely be given to the greater efficiency if contented loyal permanent employees trained in their respective jobs is difficult to estimate, but our production management estimates it between 5 and 10 per cent. I can give perhaps one illustration that at least is indicative.

In the months of October, 1929 and 1930, we had the same number of working days. In October, 1930, we were operating two additional plants which had been completed and operated by us for less than six months and, consequently, would not be working as smoothly as they should be. In October, 1929, we had 8,634 men and in October, 1930, we had 8,632 men, and our production increased 11 per cent. Now, I know a portion of this is due to some labor-saving machinery, and a portion undoubtedly to management, but the production management will say that a large part was due to increased efficiency and loyalty of employees, and the remainder more easily obtained through the cooperation of those same right-thinking employees.

The Procter & Gamble Co. has been long active in its efforts to act justly with its employees. We have had profit-sharing, old-age pension, life insurance, and sick benefit on a most liberal scale for years, and yet I am sure that the guaranteed employment plan has brought more contentment, more peace and rest to the men, more loyalty to the company, more of the right feeling of proprietorship, than all else we have done. It has cemented and unified and made strong everything that has gone before.

Finally, so far as profits of the company are concerned, guaranteed employment was begun in August, 1924. For the year before the

plan went into effect, ending June 30, 1923, the company earned \$8,629,447, and our earnings for the last full year operating under the plan, ending June 30, 1930, were \$22,450,600.53, and for the last six months of 1930, the profits of the company were \$12,194,732.83, the largest for any such period in the history of the company.

I do not claim that guaranteed employment produced these results but I do claim that the organization of the business under which guaranteed employment is practical and was operated was largely responsible for them, and that guaranteed employment, itself, was a factor in producing them. Certainly, the results would at least indicate that guaranteed employment was not a drag upon the profits.

Now you may ask why we guarantee employment. There are three reasons: First, for the comfort and economic assurance it gives our employees; second, the loyalty and interest such assurance secures from the employee to the company; and third, (and this I believe necessary) the obligation with its financial responsibility upon the management to make them hold their hands steady to the plow in face of possible difficulties.

The plan of organization and operation under which we have guaranteed employment has been in effect more than seven years. I doubt whether we even now, could long continue it effectively without the ever-present reminder of the obligation of the guarantee, and I am sure we would lose much of the value coming from the increased sense of loyalty and interest which the guarantee creates in our people.



IX. SPREADING WORK TO AVOID LAY-OFFS

By Mr. MYRON C. TAYLOR, chairman of the finance committee of the United States Steel Corporation (January 27, 1931)

Compiler's note.—No type of emergency employment procedure has been more effective in preventing distress than the method of spreading work. Because of the adoption of this policy by thousands of companies of all sizes and in widely varied industries, a great number of workers have received reduced income rather than none at all. Despite a marked decline in operations, the United States Steel Corporation with over 200,000 employees dependent upon it for their livelihood has been able, by a vigorous policy of spreading work supplemented by a program of new construction, to provide employment to thousands who might otherwise be in distress.

In 1929, when serious declines occurred in the values of the securities of the country, it appeared to us that these declines were forerunners of eventual readjustment of commodity values, that as a possible consequence of such unsettlement, evidencing overproduction, the operations of our plants, like others similarly situated, might be interfered with, and that, unless provision against it were made, unemployment would inevitably follow.

Plans were promptly made and a really simple expedient employed—that if operations should be substantially lessened, the remaining work would be distributed equitably, as nearly as might be, among all the workers, giving to each a ratable portion of such work as was going; this program to be continued as well as could be done throughout such emergency.

For the period January 1 to July 1, 1930, the number employed, either on whole or on part-time work, was equivalent to an average of 221,123 employed for the entire period, as against an average for the year 1929 of 224,980.

For the month of December, the last period for which we have complete reports, there were employed on either full or part time in the various corporation activities 226,614 men. This in a period when operation of the plants was on the basis of only 38 per cent.

Attention is called to the fact that upward of 12,000 men have been given employment on construction work, in the advancement of which we have consistently carried out our construction program without change as outlined at President Hoover's conference in Washington on November 21, 1929.

The record of assistance rendered to employees and their families has been classified under three heads: Direct relief given by the corporation; credits extended by the corporation; relief extended by good fellowship clubs and other employees' welfare organizations.

For the period between October 1 and December 31, 1930, our reports show under these three headings that total expenditures for relief had amounted to \$210,782.

Other ways in which relief is constantly being extended are through the regularly organized company hospitals, the company

medical staffs and visiting nurse organizations, and groups of employees organized at some of the plants.

We are confident that when the final chapter of this depression is written, the United States Steel Corporation's record in providing work and in extending relief to its employees will be one of its outstanding achievements.

Out of the experience of this year will flow much that is good by way of example and experience and remedy. Until we resume a normal basis of operation it should be the first duty of every individual concerned with the employment of others to see, during this dull period, that the work—whether it be 60 or 70 or 80 or 100 per cent of capacity—is divided equitably among those who are able and willing to work.



X. THE RAILROADS AND UNEMPLOYMENT

By MR. LAWRENCE A. DOWNS, *president of the Illinois Central System*
(January 27, 1931)

Compiler's note.—The railroads are among the largest employers of labor and at the same time are acutely sensitive to the changing conditions of business. Railroad managements have been increasingly active in attempting to stabilize the employment of the various groups of workers engaged in operations and maintenance. The Illinois Central System not only exemplifies this movement but has had the opportunity in its own territory, which reaches from the Great Lakes to the Gulf, to test its policies in the face of varying economic conditions.

Because of the intimate relationship which their service bears to the operation of all other undertakings, the railroads are directly affected by the rise and fall of business activity. Industries require more transportation when they are busy than when they are operating on reduced schedules. A recession in business activity is therefore translated into a lessened demand for the services of railway workers and for the services of those who are engaged in producing things for the railroads, and as business revives, there is increased demand for the services of these workers.

The railroads for a long time have been making substantial progress in the human as well as the mechanical side of railroading. As a result of the extent to which the railroads have made use of improved machinery and tools of all kinds, it is no longer necessary for the majority of their workers to earn their bread by the sweat of their brows. Progress also has been made in the stabilization of working forces, despite the great difficulties encountered. Roadway maintenance work is necessarily seasonal. The operation of trains is directly affected by the rise and fall of business activity. Maintenance of equipment is affected by the use that must be made of the equipment. However, the railroads have resolutely set themselves to level out the peaks and valleys of employment, with the result that the average railway worker feels far more secure in his job to-day than he did a generation ago. This has been good business practice, as well as good human practice. The railroads are better operated by reason of the experienced organizations which they have and by reason of the freedom from anxiety on the part of their workers resulting from more regular employment.

When the President of the United States, seeing the situation which was developing, undertook more than a year ago to organize the business forces of the country to withstand the shock of a recession, the railroads were among the first to be called into conference. The ready response which they made to the appeal of the President and to the needs of the situation was characteristic. They pledged themselves to do their utmost to maintain employment and wages. In carrying out that program they spent more money for additions

and betterments to their properties in 1930 than had been spent in any other year since 1926, despite the fact that their net earnings for 1930 were lower than they had been in any other year since 1921. The effect of this increased program of capital expenditures in a year of reduced earnings has unquestionably been one of the major factors in checking the amount of unemployment. Not only did it give employment to railway workers, but the purchases made from other industries provided employment for at least as many more workers in those industries.

Various other methods of stabilizing employment have been worked out by the railroads during the last year. Railway workers, especially those engaged in train operations, have willingly cooperated in accepting shorter hours in order to make the railway pay rolls cover a larger number of people. Some railroads in the closing months of the year succeeded in carrying on their maintenance work with normal or only slightly reduced forces, with the permission of the Interstate Commerce Commission to charge their expenditures into the new year. Many railroads found it necessary to resort to strenuous measures in order to meet the requirements of the New York State law which provides that they must earn one and one-half times their fixed charges in order for their securities to be legal investments for insurance companies and other corporate owners operating under the New York laws. As soon as the turn of the year relieved them of meeting this requirement in their 1930 accounts, railway employment was substantially increased as a further contribution toward relief of unemployment.

The railroads have also been taking the longer view of the unemployment problem. It is their business to anticipate the future and to provide for future requirements. The railroads are therefore experienced in making their plans far ahead, and they have been among the leaders in anticipating future needs in dull times, knowing, as every thoughtful person knows, that every period of depression is followed by a period of prosperity.



U. S. DEPARTMENT OF COMMERCE
WASHINGTON

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INDUSTRIAL PLANS
FOR THE
REGULARIZATION OF EMPLOYMENT

PREPARED FOR
THE PRESIDENT'S EMERGENCY COMMITTEE
FOR EMPLOYMENT



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1921

PREFACE

The following bibliography of material on industrial plans for the regularization of employment was prepared by the industrial relations section of Princeton University which, along with many other associations and research organizations, has been assisting the President's Emergency Committee for Employment. The bibliography has been carefully selected by the industrial relations section to meet the needs of industrial executives, unemployment committees, and other groups concerned with the practical problems of employment stabilization at this time. The first group of sources is recommended for persons having limited time and is chosen from the four other parts of the bibliography. Prices and publishers are indicated after each item so that available material may be readily obtained on order or request.

FEBRUARY, 1931.

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Progressive Employers Favor Unemployment Reserve Funds

ERNEST G. DRAPER

Vice-president, The Hills Brothers Company



HENRY S. DENNISON

President, Dennison Manufacturing Company

"There are in this country approximately fifteen firms which now maintain their own reserve funds for the purpose of paying employees during temporary layoffs. Possibly the chief advantage of an unemployment benefit system is the incentive which it affords to the employer to reduce unemployment. Payments made as unemployment compensation can be charged directly against operating expenses while wastes and inefficiency in operation which tend to cause unemployment are the result of intangible factors, the cost of which cannot be definitely measured. When a foreman is aware that faulty planning on his part may result in a period of enforced idleness for some of his employees which must be compensated for from the company funds, a great inducement to avoid such a contingency is provided."—CHAMBER OF COMMERCE OF THE UNITED STATES, *"Balancing Production and Employment Through Management Control."*

Why Unemployment Reserve Funds?

By ERNEST G. DRAPER

Vice-president, The Hills Brothers Company

MANY business men are openly antagonistic or secretly hostile to the idea of unemployment insurance. There is a perfectly good reason for this attitude. Being a business man, it is a reason with which I am somewhat in sympathy. Business men are naturally conservative. They have to be in order to come out on the right side of the ledger at the end of the year. At first glance, unemployment insurance connotes more overhead, more bookkeeping and more supervision at the factory. All this means time and trouble. In days of uncertainty like these, is it any wonder that business men hesitate to add one more burden to the camel's back?

Then, there is the question of the "dole." All forms of unemployment insurance mean to most business men an application of this baleful system to industry. Whoever invented the word "dole" has a great deal to answer for in the world to come. The word has become a wonderfully convenient catch-all to cover almost any kind of expense connected with legitimate social planning. That is, any kind of expense to which we at the moment are emotionally opposed. When the "dole" is sponsored by public opinion, as in the case of the Red Cross, or backed by big business, as in the case of contributions to emergency unemployment committees, it then assumes a character as pure as the driven snow!

Thought intricacies which lie behind these fine distinctions are too much for me. All I know is that the plan for unemployment reserve funds which is now proposed by the American Association for Labor Legislation is about as far removed from what I understand a "dole" to be as one can possibly imagine. It is a scientific, workable scheme of both prevention and relief which steers clear of the dangers of the European system and yet attacks the problem of unemployment at its heart. It will not cure all unemployment. No legislation (or anything else) can do that. But it will help enormously.

Last year more than \$150,000,000, as a compulsory burden upon industry, was paid out in workmen's accident compensation. No one

is particularly conscious of the machinery which lies behind this vast outlay of funds. The machinery is working smoothly, the accidents are being paid for and industry, labor, and society are all benefitted by the effective working of this system. It is this same principle which it is now proposed should be used in attacking the problem of unemployment.

In the last analysis, unemployment insurance may not mean higher costs and less profits. It may actually result in lower costs and higher profits. In placing a premium upon more regular production, it will undoubtedly have a tendency to cut down the wastes of production. As in the case of workmen's compensation, after years of fighting and rancor, we may wake up to the fact, first, that unemployment insurance will make money for industry instead of losing it and, second, that even the final cost of it will not be borne by industry at all. As an expense of manufacture, it will in most cases and in the long run be added to the cost of the product and in this form passed on to the consumers. The public, not the manufacturer, will pay the bill. There is nothing sinister in this procedure. The public should ultimately pay the cost of a measure that aids so materially in safeguarding the welfare of society. But when criticizing the "cost" of unemployment insurance, the manufacturer often overlooks these pertinent facts.

So far, I have stressed the gains to industry which an intelligent plan of unemployment insurance will bring about. The gains to labor and to society at large are apparent. These gains will be incalculable. It has been estimated for instance, that if the plan sponsored by the Association for Labor Legislation had been in effect in New York State alone during the year 1930, it would have made available for distribution to employees within the state more than \$75,000,000. This is probably three times as much as was raised by all the emergency committees, community chests, and relief organizations in the state. Such a levy added to the unit cost of goods would be insignificant per unit. As a means of self-respecting relief in the present situation, its effect would be highly beneficial to the entire community. Its influence in stimulating continuous interest in employment stabilization would also be far reaching.

In conclusion, may I repeat what I have said before about the proposal for unemployment reserve funds sponsored by the Association for Labor Legislation: In my opinion, this measure provides

the most reasonable and the most intelligent attack upon the problem of unemployment. If, through the courage and the vision of the various states in the Union, this American plan becomes a law, it will do more to aid in solving the far-reaching problem of industrial idleness than any other measure could probably accomplish in the next quarter of a century.



**President of Bankers' Association Suggests
Unemployment Reserve Funds**

John G. Lonsdale, speaking in 1930 as president of the American Bankers' Association, said: "Well-managed industry long ago learned the wisdom of insuring regular payments of dividends by holding back a part of its earnings as surplus . . . The establishment and maintenance of an *unemployment fund* would not be a radical change in policy, but rather an enlargement of the old policy."

Experience Demonstrates Advantages of Unemployment Reserve Funds

By HENRY S. DENNISON

President, Dennison Manufacturing Company

(Editor's Note: The first employer in the United States to set up a permanent unemployment reserve fund was the Dennison Manufacturing Company of Framingham, Massachusetts. Through fifteen years of experience with this method of dealing with the problem of unemployment Mr. Dennison has demonstrated that it is good business practice as well as sound social policy. In the following extracts from an address before the Foreign Policy Association in New York City on January 3, Mr. Dennison, who was for two terms president of the Taylor Society and is author of the new book, "Organization Engineering," states some highly significant conclusions.)

HOWEVER much the modern economic system may be judged to have done in raising the standards of living for employees, there is no gainsaying the fact that its chief beneficiaries have been the owners and the managerial forces. If there are among them those who cannot see that this fact imposes a clear obligation, it may be they can at least heed the warning that no man of common sense can safely expect the world, as it is organized politically today, to accept forever and with cheerful resignation a continual recurrence of that disease of the economic system which we call unemployment.

Since its beginning in 1844 our company has passed through, and survived, many depressions, mild and severe; but until the depression of 1908 we had thought of them much as epidemics had been thought of before the birth of modern medicine—as unfortunate visitations which we could not account for, and devoutly hoped would never happen again. Then we began to realize that if it should turn out that such periods were recurring epidemics in the business system for which we might undertake some measures of preparation, even if we could not accurately foresee just when we were going to catch them, this passive attitude was really inexcusable. The burdens of unemployment had borne too heavily upon both the company and

its employees to be put up with complacently, and anything, however little, which might be done was better than doing nothing.

An Unemployment Reserve

Progress was slow, but in the first years something was accomplished towards smoothing out the worst of the extremes of overtime and part-time which came each year at different seasons. But in 1915, after the severe unemployment of 1914, we took a step which has ever since given us a permanent and pointed interest in the problem. We figured that if it was good business sense to make some reservations out of profits in good years so that dividends might not fall so severely in bad years, then it was equally good sense to set up similar reserves from which, during times of unemployment or partial employment, some part of the losses to wage earners could be lessened. So we made a reserve out of the profits of 1915 which was added to in the succeeding years, and placed it in the control of trustees for such use.

Since 1921 the fund has been drawn upon to make up the pay of our permanent force of wage earners whenever they had to be laid off for lack of work, those with dependents getting approximately 80 per cent of normal rates, and those without dependents approximately 60 per cent of normal. We could not guarantee such payments for all time because we had no sufficient records of experience to tell us what such a guarantee would involve, but payments were to continue as long as the fund lasted, and have continued, as a matter of fact, without any interruption to date.

Influence on Management

The effects of this scheme have been very striking. Undoubtedly it has afforded welcome relief to individuals and probably has held the purchasing power in our community up somewhat higher than it would otherwise have been; and we are assured that it has added a good deal to that feeling of security and confidence without which employees suffer in spirit and in working ability as well. But even more valuable have been its effects in stiffening and refreshing the determination of every one who is connected with the management, from salesmen and department heads to general manager, by care-

ful planning and all possible foresight to make payments from the fund as little necessary as they can.

These effects are all the more interesting since the fund is quite out of our control and no one in the management can gain anything directly in a financial way by saving it. They are closely parallel to the effects of the fire insurance premiums of more recent years in waking us up to the desirability of fire prevention, and of accident compensation premiums in making us active in preventing accidents. In all these three cases alike, we should really have enough to gain by preventive measures to warrant strenuous thinking even if there were no penalties in hard cash. But unquestionably, in each of these, efforts at prevention are given energy and focus by the impressive reality of such penalties. This is what makes us so strong in the belief that an unemployment fund, however much it may help the wage earners, is likely to be of even greater value to the company itself. For in every slack period, whether it is an off season or an off year, the losses to the company in fixed overhead costs are often as great, and in heavy industries are sometimes greater than the payroll losses to employees.

Our unemployment fund did not originally plan to cover any payments to those who might be laid off permanently, for whom, for one reason or another no permanent place could be found in our organization. It applied primarily to the trained staff. But gradually as it was being used, logic forced us to consider some cushioning payment to those whom we had to lay off for keeps, a separation allowance, as it is now coming to be called. Our experience with this form of unemployment relief is short, but over the last twelve months we have been feeling our way and have paid considerable amounts for this purpose. Its influences will undoubtedly add to the good influences of the older scheme, and will especially tend to make us even more careful when planning expansions, temporary or permanent, that we do not fall into the error of unwise over-expansion, which is surely one strongly contributory cause of the alternating periods of prosperity and depression.

Economic Effects

I am certain that the reserving of funds out of profits or surplus for unemployment relief is of definite value in several ways

for individual concerns. It both checks undue expansion and fills in the deeper depths of depression. These are direct effects. And when there is taken into account, also, the powerful secondary effects of such funds in stirring up management to more and more ingenious and inventive efforts to save overhead, by working towards a more even and regular flow of production and distribution, the general social good to be accomplished by them is multiplied—surely by two and perhaps by ten. With the wonders before our eyes which engineers have brought to pass through their application of the laws of the physical sciences, it is impossible not to believe that a devotion of similar powers of invention to the saving of this great individual and social waste—spiritual as well as economic—must make remarkable progress.

Again, I must emphasize that while the actual funds withheld from use during prosperous times and put into circulation in slack times are of value in relieving distress, and of still more value in helping to keep our economic blood pressure from running to high and falling too low, they are of the greatest value of all in their psychological effects upon management. Unemployment funds set up action and re-action. Their direct action is to help in any present period of unemployment; their re-action is to sting employers into a healthy irritation and make them think of putting the screens on. Through them we get that positive spur which cold cash outlays exert,—which is direct and actual and not to be argued away as easily as estimates of possible future indirect losses can be. They offer very practical arguments against undue expansions at the peak of the cycle, and for the toughest kind of thinking as to what can be done to keep things moving in the cycle's trough. And, incidentally, it is generally to be found, that those who are thinking out practical measures, small though each one may be, are those who are least oppressively pessimistic.

The establishment of unemployment funds requires no new or complicated machinery or statistical records. A moderate amount to begin with may be set aside out of profits or surplus, like any other reserve. Some companies even today, although making an unsatisfactory operating showing for the year, have, nevertheless, reserve assets from which a start can be made. And a little may go a long way: In the Dennison Company, during the past ten years, the payments have not averaged one half of one per cent. of the

total payroll, and even over the worst ten months of this year have not exceeded two per cent. Even small sums may relieve great needs, and such sums may be withdrawn from years of business activity at an individual cost hardly to be felt, and yet at a very real advantage to society as a whole.

Have we not a right to hope that some day a wage earner will no more be expected to give his life's work to a concern without some marginal security against times of stress than a bank is now expected to make loans without just such a margin of a security?



Reserves of Purchasing Power

"Recovery should be aided by an unemployment insurance plan because in effect the plan means that reserves accumulated during good times will be available for expenditure by workers during bad times."—Owen D. Young, Chairman of the Board, General Electric Company.

A Sound Basis for Corrective Legislation

By BERNARD J. ROTHWELL

Chairman of Board, Boston Elevated Ry. Co.; President, Bay State Milling Co.; formerly President, Boston Chamber of Commerce

SOME means of effectively offsetting the abnormal unemployment, due to increased substitution of machine for manual processes—mass production and mass distribution—must be found and found promptly. The advantages of this modern "speeding up" are far too dearly bought if they are increasingly to swell the vast army of the unemployed and to deprive hundreds of thousands of families, dependent upon their wage-earners, of even the necessities of life.

Whether the proposed "Act for unemployment reserve funds" is the best way to meet these conditions is a question requiring most careful consideration. Apparently it affords a sound basis for corrective legislation, and should tend to such stabilization of production as would adjust working forces to an average year 'round demand, and thus make less frequent the recurring periods, both of abnormal activity and of extreme depression.

Legislative Stimulant Needed

IT would seem that a wide coverage of unemployment insurance, even in so far as it is an advantage to the individual business, will come only through legislation. Representatives of the company-plan managements consulted in this investigation have expressed an almost unanimous view that while properly planned and administered schemes of unemployment insurance would be an aid to industry, their adoption would proceed slowly unless stimulated by legislation."—"*Unemployment Benefits in the United States*," report by Industrial Relations Counselors, Inc.

The Social Duty to the Unemployed

By JACOB BILLIKOFF, LL.D.

Executive Director, Federation of Jewish Charities, Philadelphia, Pennsylvania

"Sorry comforters are ye all. When will
your windy words have an end?"

—JOB 16: 2.

IN 1928, Charles A. Beard, the great political scientist, arranged a symposium on the question, "Whither Mankind?" In it was a chapter on labor written by the distinguished economist, Lord Passfield, better known as Sidney Webb. From it I quote the following as the background for my thesis:

What American civilization seems most to lack—from the standpoint of the vast majority of the heads of families who are "hired men"—is economic security. In spite of unparalleled private wealth, unusually effectively open to all, though necessarily attained only by a small minority—in spite, too, of an average of earnings and individual savings, higher than the world has ever seen—there remains the definite statistical probability that any given wage earner will, in the United States, find himself at one or other time, ruthlessly "fired"; that he will at one or other period in his life go through at least one prolonged spell of involuntary unemployment; that he will under one or other of these trials exhaust all of the family savings; that his wife may be left a widow, and his offspring at a helpless age orphaned, without any adequate maintenance; that his children may grow up insufficiently protected against disease and very inadequately educated; and that, if they or their parents live the allotted span, the chances are that they will find their old age one of extreme penury, and possibly of dependence on charity.

IN SUPPORT OF SIDNEY WEBB'S FINDINGS

As Executive Director of the Federation of Jewish Charities in Philadelphia,

the second largest organization of its kind in this country, I have been aware that virtually every year from 1921 to 1929 the expenditure for the care of destitute families in their own homes was steadily increasing. Ten years ago two relief-giving agencies in the Federation spent approximately \$75,000 for the care of needy families. In 1929 the allotment to these two organizations amounted to a little over \$500,000, despite the virtual cessation of immigration and the great prosperity which we were ostensibly enjoying during the major portion of the past decade. What is true of the Jewish Charities in Philadelphia is in large measure true of all other large welfare funds. In the light of this local experience, Sidney Webb's general analysis struck a sympathetic chord.

As Impartial Chairman in the Men's Clothing Industry in the City of New York during the past eight years, I have found that the men and women in the clothing industry, especially in the metropolis, have not averaged more than thirty-two weeks' employment in any year in the past decade, with the exception of the cutters, who constitute the most skilled element in the industry. The situation has been even more acute in the ladies' garment industry, about eighty per cent of which is located in and around New York City. In 1927, a highly prosperous year, the International Ladies' Garment Workers of America conducted a strike which lasted several months. One of the essential demands of the workers was a guarantee of thirty or thirty-two weeks' employment a year,

which was denied. My experience, not only in the clothing industry but in other branches of manufacture as well, confirms the statement of Sidney Webb that often the American employee will go through prolonged spells of involuntary unemployment, and that, under one or other of those trials, he will exhaust the family savings and provide the cause of other ills.

THE PROSPEROUS PERIOD

On the other hand we know that for a number of years prior to the Wall Street crash of October, 1929, many large industrial corporations were reporting huge profits. Virtually every important corporation declared one or more stock dividends. Business was highly prosperous. Delegations consisting of industrialists, economists, and statesmen were coming from all over the world, attempting to analyze the cause of our prosperity and hoping that their respective countries might adopt our technique and our tempo. Wages in the United States were higher than those ever attained in any other country; the wage level reached by American labor was the envy of the entire world, while, what is more important, the share of labor in corporate securities was ostensibly increasing by leaps and bounds. Towards the close of 1929 American prosperity struck a gait of magnificent acceleration, statistically if not humanly considered, so that nearly every one felt that the problem of poverty was solved. As Stuart Chase has put it, "one saw a radio in every room, a bathtub in every closet, an art museum in every township and a Little Theater on every village green."

There were economists in this country, led by Professor Thomas N. Carver, who assured us that the millennium had arrived. In his book, *The Present Economic Revolution in the*

United States, Professor Carver, after reviewing the wide distribution of Austrian and Japanese loans and the great increase in employee stockholders in public utility and other corporations, stated:

These and other figures presented show clearly enough that the sum total of investment by small investors, presumably in the wage working class, is perhaps a small percentage of the total investment in the country. They are obviously a long way from getting control of the industries of the country through their investments. That, however, is not an important consideration. The significant thing is that the laborers have money to invest and are actually investing in increasing numbers, thus becoming small capitalists and getting a large share of whatever profits are made by large investors.

Now, as we reweave from this picture, what are its negative facts? Again I quote from Stuart Chase:

With an average annual wage of well below \$1,500 in 1929, with the majority of all farmers operating at a net loss, with the slums of Megalopolis reeking as heretofore, with a million little children in the mines and mills, with technological unemployment gaining slowly but probably steadily throughout the period, with industrial accidents on the increase, and 30,000 citizens slaughtered on the highways every year—we should hardly be justified in claiming that we have entered even the anteroom of Utopia. Statistically, our progress was sublime. Humanly, it left much to be desired.

In April, 1929, when the stock market was at its height and we were enjoying the greatest prosperity in the history of our country, the Industrial Research Department of the University of Pennsylvania, in collaboration with the Attendance Officers of the Bureau of Compulsory Education, completed a house-to-house canvass of 166 Philadelphia blocks to determine the then existing extent of unemployment.

This survey has been accepted by the United States Bureau of Labor Statistics and is summarized in its *Monthly Labor Review* for February, 1930. Involving 31,551 families, comprising 58,866 wage earners, the percentage of unemployment in this group was 10.4 per cent. Conservatively speaking, 85,280 wage earners, usually employed, were out of work in Philadelphia in the Spring of 1929. I am fairly certain that similar studies in New York, Chicago, Detroit, Cleveland, or any other large urban center would have revealed the same story.

Now that the moratorium has been lifted and the truth about unemployment can be told, we find that in Philadelphia, priding itself as "the City of Homes," there were issued 3,456 sheriff's writs in 1926, a writ covering anywhere from one to twenty houses. Conservatively, over 4,000 homes went under the sheriff's hammer in 1926 because folks could not save whatever equity they had in their homes. In 1927 the number of writs went up to 4,869; in 1928 to 7,280; in 1929 to 9,703; and in 1930 to 15,600. In the last five years, during four of which we were the beneficiaries of extraordinary prosperity, probably more than 45,000 homes were sold in Philadelphia by the sheriff because of the owner's inability to meet taxes or payments on mortgages. What a sad commentary that is!

IS THE SITUATION NEGLIGIBLE?

"What of it?" says the critic. "Suppose there were 85,280 people out of employment in Philadelphia in the spring of 1929? Suppose 45,000 homes were lost in four years in forced sales? Is it not a mere incident in the great material progress we have achieved, the like of which has not been attained in any other country? Did not Mr. Hoover, in his recent address before

Congress, point to the fact that there is estimated to be a constant figure at all times of nearly 1,000,000 unemployed, who are not without annual income but are temporarily idle in the shift from one job to another?"

True, Mr. Hoover did say that at any one time we have nearly 1,000,000 unemployed, and this should certainly be a source of great comfort to us, just as we should derive satisfaction from the knowledge that some folks in Chili or Peru or Bolivia are worse off than we. But do those who quote this saying of Mr. Hoover's with approval realize that when men are compelled to shift from one job to another, with long intervals of unemployment between, they come to their new jobs in an unfit, unsteady, demoralized condition? Do they realize that the unemployed of today thus often become the unemployable of tomorrow, that the man who wants work today and cannot get it is probably incapable of doing any work if it is offered to him six months or a year hence?

Are those who point to the fact that there is a constant figure at all times of nearly 1,000,000 unemployed (and the chances are the figure is more nearly 1,500,000) familiar with two studies that have been made on this subject—fragmentary, to be sure, but both indicating what pathos and tragedy lie beyond that innocent figure of 1,000,000 people out of employment? I refer to an article in the *Journal of Political Economy*, August, 1929, written by Professor Robert J. Myers of Grinnell College, entitled, "Occupational Readjustment of Displaced Skilled Workmen." It concerns itself with one phase of the men's clothing industry in the city of Chicago. From 1921 to 1925 Chicago's percentage of the total wage earners in the industry dropped from eighteen to twelve and her percentage of the total value of products fell from

eighteen to eleven. By 1926 it is probable that there were five thousand men's clothing workers in Chicago who could not get any work in their industry. Many others were working part time.

ECONOMIC EFFECTS OF UNEMPLOYMENT

This particular study relates itself to some four hundred cutters who found themselves entirely without work and were given a dismissal wage by Hart, Schaffner & Marx and other large concerns. What happened to these cutters? After a lapse of several years, only one quarter of these skilled men were engaged in an occupation at all similar to that which they had left, and only one out of five was at any closely related trade. The others were widely scattered. Further, the study shows that the men had lost an average of more than five months before getting any regular employment at all. Almost half of them earned less than they had earned as cutters. They had become janitors, drivers, truckers, grocers, confectioners, real estate and insurance agents, and so forth, and in the main their status was worse than when they were employed as cutters.

Another study of the displaced worker was made by Professor Isador Lubin of The Brookings Institution, entitled, *The Absorption of the Unemployed by American Industry*. Over 750 persons were interviewed. They had formerly been employed in more than twenty industries, and represented a great variety of crafts. A large majority of those interviewed had considerable difficulty in finding new employment. Of the 754 only 410 or 54.5 per cent had found steady jobs at the time they were seen by the investigators, and 344 or 45.5 per cent were still unemployed. Of those employed, only a small percentage had secured

permanent jobs within a month of discharge; the majority had been idle for more than six months. In a word, dispossessed workers do not easily find new employment. The rapidly growing "newer" industries and service trades do not absorb the dispossessed worker as quickly as is generally believed. The transition from one type of employment to another in most cases is made with a sacrifice of income. Almost one half of the workers said they received lower wages at their new jobs than they had at their old. Relatively fewer of those over forty-five years of age were able to secure new employment.

What I want to emphasize by these citations, particularly the studies made by Professors Myers and Lubin, is that even during our highly prosperous years we have had a large body of unemployment, and that, although labor is mobile as regards its movements from industry to industry, a large majority of dispossessed workers exhaust their savings during periods of unemployment and many of them are compelled to appeal to our charitable institutions for aid.

Today we are the victims of an unusually severe economic disturbance. What is the character of the man out of employment? I raise the question because we hear even intelligent people say, "Aren't the men in our bread lines typical bums? Why should we have any responsibility for them?" As one identified with philanthropies—sectarian and non-sectarian, private and public—for a quarter of a century, I am prepared to say that not one of us could walk by a bread line and see even the most unkempt and ragged man in the line without saying to himself, "There, but for the grace of God, am I." I concur in Heywood Broun's findings when he started at the bottom of a line of 3,700 men in order to work

up. More than three quarters of the men in the line were eager to work—at anything. One quarter of them had held steady jobs until the depression. More than half had never been in a bread line before in their lives. And in the richest city in the richest country in the world, there were many such bread lines on Thanksgiving Day.

Russell Owen, the *New York Times* journalist, who accompanied Admiral Byrd on his Antarctic Expedition, paints the picture of those lines in these poignant words:

One of the most vivid impressions obtained from visiting the bread lines and the waiting rooms of the employment agencies is their silence. Men and women stand wrapped in the bitterness of their thoughts, eyes for the most part unseeing, bent on some inner misery of spirit. Men lean against the wall, waiting for their bowl of soup. And if one talks to the man next to him, it is almost in a whisper and in monosyllables. Then his eyes drop to the floor again and he broods. There is impressed on the observer the feeling of a group catastrophe, a depression so great that it is inarticulate, so inexplicable that there is nothing to say. They stand and they wait, and they wait interminably for soup, for jobs, for beds, knowing that they will wait again next day.

INADEQUACY OF PRIVATE CHARITY

How are we meeting the situation? As a social worker I have no hesitation in saying that although we are spending in the United States hundreds of millions of dollars a year in the maintenance of our private philanthropies, we are bankrupt when it comes to tackling the situation which confronts us.

Consider this. In the city of Philadelphia our Welfare Federation recently instituted a campaign for \$3,800,000 with which to care for its 120 constituent organizations. The Welfare Federation fell short \$600,000. But even if the objective had been reached, only about \$400,000 would

have been placed at the disposal of the Family (Welfare) Society for the care of needy families in their own homes, an amount which is one half what the city has required in any one of its prosperous years from 1923 to 1929.

In Philadelphia we have created a Committee for Unemployment Relief and are making a desperate effort to raise additional funds with which to care for poor families and for thousands of children who come to school without breakfast. Out of this fund it is hoped some work may be created.

Although it has been my privilege, as Chairman of the Committee of One Hundred on Unemployment, to help bring the Committee for Unemployment Relief into existence, I know from vast experience that no amount of private charity, on however grandiose a scale it be conceived or executed, can succeed in preventing or even effectively mitigating the ever-spreading demoralization that results from unemployment.

Assuming that Philadelphia's relief workers will be fortunate enough to obtain an additional five million dollars, what a pathetically small amount this will be in a city where there are from 150,000 to 180,000 out of employment! Conditions in Philadelphia do not differ one iota from those that prevail in other industrial centers.

In order to avoid the flood, the dike that holds back the water must be complete and equal to its need. And the dike is altogether different from what Silas Strawn, ex-President of the American Bar Association and Chairman of the Board of Directors of Montgomery, Ward & Company, had in mind when he said to the Chamber of Commerce in Boston: "Give more freely than you have ever given before. You are not called upon to give charity, you are called upon to invest in an insurance against socialism or something worse."

Even the far-visioned Owen D.

Young was mistaken when, in recently addressing a corps of workers in New York who raised \$8,000,000 for emergency relief, he stated: "We are not dealing with charity, but with the equalization of the impact of a disaster." How could so insignificant an effort equalize the impact of such a disaster? On another occasion Mr. Young spoke of unemployment as "a blot on our intelligence, a drain on our sympathy and a promoter of charity which affects disadvantageously those who give and those who receive."

What about unemployment as it affects our social agencies? I wish every one could read Miss Emma Lundberg's *Study of Unemployment and Child Welfare*, a study of two typical American communities, prepared in 1923 under the aegis of the Children's Bureau of the United States Department of Labor, headed by Grace Abbott. Emma Lundberg shows conclusively that the frightful results of a period of unemployment last for many years. Undernourished babies grow into rickety children. Boys who are taken out of school become limited in later life to unskilled labor. Broken homes mean a considerable addition to the number of juvenile delinquents. Various relief agencies will be dealing with the effects of our present unemployment for the next five, possibly the next ten, years.

INDUSTRY CANNOT CONTROL UNEMPLOYMENT

Before I speak of the "dike" to withstand these waters of disaster, which is to be complete and coextensive with the danger, may I direct your attention to a thesis advanced by Professor Leo Wolman? No one speaks with greater authority on the subject of labor economics. He says if the present situation could be regarded as an isolated phenomenon, unknown in

the past and unlikely to appear again in the future, we might look upon it with equanimity, as an unpleasant but passing phase in the healthy readjustment of business and industry. Unfortunately, there are no sound reasons for the support of this attitude. The same factors in competitive industry that have made for the cycles of boom, depression, and recovery in the history of business are operating at this time, perhaps in aggravated degree, in both the national and international business situation.

Granting the accuracy of this statement, it is unreasonable to expect the individual business or industry to stabilize itself in the face of deep economic forces before which we stand helpless and unprepared. The instances of regularization on which we have until recently pinned high hopes have at no time affected as much as one per cent of the total working forces of the entire country.

Such methods of stabilization as have been used by Procter & Gamble, the Standard Oil Company of New Jersey, the Columbia Co-serve, the Fels-Naphtha Soap, the Dennison Manufacturing, the International Harvester Company, and other concerns, have been proved by experience to be effective only under peculiar and particular conditions. Even the best business management, which in this country has reached an unprecedented state of competence and resourcefulness, can do little to control the universal forces of liquidation that are relentlessly pressing costs, prices, output, profits, and unemployment to disproportionate levels.

We are, in our country, once more in the midst of a deep and prolonged business depression. Dr. Bryce Stewart, employment authority associated with President Hoover's Emergency Employment Committee, reports that according to one index of employment,

unemployment at this time "is worse than at any time in recent years, with a drop of 35.7 per cent for the eighteen months up to June, 1929, as compared with a decline of 28.6 per cent in sixteen months of the 1893-1894 depression; 29.7 per cent in fourteen months of the 1907-1908 depression; and 33.6 per cent in seventeen months of the 1920-1921 depression." And since June, 1929 employment indices have been falling, so that the drop today is considerably larger than 35.7 per cent.

UNEMPLOYMENT INSURANCE RECOMMENDED

The particular "dike" which I would like to see as a protection to the worker and the community and on which I wish to dwell now is unemployment insurance; although there are other dikes not to be overlooked, such as the shorter working day, the amendment of the Sherman Anti-Trust Law, and a determined resistance against wage reductions.

In approaching the subject of unemployment insurance, I bring to you my experience as Chairman of the Board of Trustees of the New York Clothing Unemployment Fund. By collective agreement between the Amalgamated Clothing Workers of America and the Manufacturers of Men's Clothing in Chicago, Rochester, and New York, nearly 75,000 workers in this industry are affected by this fund.

The first fund was set up in Chicago in May, 1923 and its benefits were first distributed in May, 1924. Until the Spring of 1928, the fund was accumulated out of equal contributions by employers and employees, aggregating three per cent of the pay roll of the industry. In May, 1928 this contribution was raised to four and a half per cent by increasing the employer's contribution to three per cent. Since its inception, unemployed workers in the

Chicago men's clothing industry have received \$5,341,000 in unemployment benefits. During the last slack season, beginning May 1, 1930, benefit disbursements amounted to \$470,000.

In the Summer of 1928 similar funds, amounting to one and a half per cent of the pay roll, were set up in the markets of New York City and Rochester by agreement between manufacturers and the union. Because of the great seasonal irregularity of the industry in the metropolis, payment of benefits began in New York in April, 1929, when the board, of which the writer is chairman, appropriated \$75,000 for this purpose. From the outset, the trustees of the fund in New York City have distributed in unemployment benefits a total of \$455,000.

In common with all other American industries, the clothing industry has felt the effects of the severe depression of the last year. The Board of Trustees of the Rochester Fund, therefore, began the issue of benefit checks on May 1, 1930, and since then has distributed to the unemployed of the Rochester industry the sum of \$113,800.

During 1930, the unemployment funds of the markets of Chicago, Rochester, and New York City have contributed to the relief of the unemployed in the industry the sum of \$1,750,000. The fact that these three funds remain solvent, even after the excessive expenditures imposed upon them by the prevailing "hard times," is eloquent testimony to the practical nature of this device which the organized clothing manufacturers and the workers' union have created for dealing with this serious and difficult industrial problem.

QUOTATIONS FROM THREE AUTHORITIES

To buttress my conclusions that sooner or later we must all adopt some

form of insurance against unemployment, I wish to quote three men, all of whom have made vast contributions to our political, scientific, and judicial thinking.

In discussing technological unemployment, Newton D. Baker says:

The advantages and gains which come from machinery have no right to be all velvet to industry unless they are velvet to society. Industry has no right to take all the gains that come from this rapid substitution of machine process for human hands without bearing a substantial part of the consequent dislocation of the human element which it causes.

In addressing the American Engineering Society, the world-renowned physicist, Dr. Robert A. Millikan, made the following plea:

The catastrophe of the death of a family's breadwinner has been mitigated by insurance, which has also been extended to fire and accident. If you do not carry over this method to a greater extent than is now done to the misfortunes of sickness, old age, and unemployment, the Government will.

Before he became a member of the Supreme Court of the United States, Louis D. Brandeis gave the following expression to an economic doctrine that is a direct challenge to our industrialists and our statesmen, many of whom content themselves with a lot of pious verbiage about protecting American institutions from "subversive" endeavor, forgetting that it is unemployment that is subversive:

For every employee who is steady at his work there shall be steady work. The right to regularity in employment is coequal with the right to regularity in the payment of rent, in the payment of interest on bonds, in the delivery to customers of the high quality of products contracted for. No business is successfully conducted which does not perform fully the obligations incident to each of these rights. Each of these obligations is equally a fixed charge. No dividend should be paid unless each of these fixed charges has been met. The reserve to insure regularity of employment is as imperative as the reserve for depreciation; and it is equally a part of the fixed charges to make the annual contribution to that reserve. No business is socially solvent which cannot do so.

Abstract of an Act to Establish in Ohio an
UNEMPLOYMENT INSURANCE FUND

Senate Bill No. 25 introduced by James A. Reynolds

House Bill No. 71 introduced by Horace S. Keifer

SECTION 1. Provides for appointment of an Unemployment Commission of 3 members by Governor. One, as representative of Employers; one, as representative of Employees; not more than two from any one political party; term, six years.

SECTION 2. Right of removal for inefficiency or misconduct, in Governor.

SECTION 3. No Commissioner may engage in private business inconsistent with duties of office.

SECTION 4. Salary of Commissioners, \$7500.00.

SECTIONS 5, 6. Two members constitute quorum. Method of filling vacancy. May hold sessions anywhere in Ohio.

SECTION 7. Certain definitions, as used in the act, are entirely obvious, to-wit, **Commission, Benefit, Wages, Fund, etc.**

Employer: Means every employer of "3 or more employees in a common employment", but excludes the state and other public employers. Also excluded, are farmers, and employers engaged in interstate commerce and subject to control of Interstate Commerce Commission.

Employment: Any employment for hire. Excludes domestic service.

Employee: Excludes employees not in the usual course of the business of the employer; also all persons whose income from work other than manual labor is more than \$2,000 per year.

Unemployment: A person is deemed fully employed on any week when his wages are not reduced more than 25% of the usual amount.

SECTION 8. The Commission has full power:

- (a) To adopt rules, governing
 - Time, place and manner of making claims for benefits,
 - Procedure for investigating and hearing claims,
 - Character of notice required,
 - Nature and extent of proof to obtain benefits,
 - Method of making awards.
- (b) To amend and modify all of its rules.
- (c) To employ clerks and deputies and fix their salaries, subject to the Civil Service Laws.
- (d) To create districts and branch offices as needed.
- (e) To register unemployed and seek their re-employment.

- (f) To create agencies to investigate unemployment, and license and supervise private employment agencies.
- (g) To require all employers to furnish information regarding wages, employment, unemployment, etc.
- (h) To classify all industry generally, and all employers individually, as to hazard of unemployment.
- (i) To provide for levy and collection of premiums from all employers and employees.
- (j) To hear and decide all claims for unemployment benefits.
- (k) To determine premium rates of all employers.

SECTION 9. Rights to benefits:

- (a) No employee is entitled to benefits unless within the year preceding, he has been employed by employers subject to the Act, for 26 weeks, and has contributed his premiums for that time; nor further, unless he has been employed and contributed premiums for a total of 52 weeks.
- (b) Total benefits in any one calendar year may not exceed 13 weeks; nor be more than one week of total benefits, for each four weeks of employment during the two years preceding.
- (c) Benefits are payable at the rate of 50% of wages, but not to exceed \$18.75 per week; and only after a waiting period of two weeks.
- (d) In cases of partial unemployment, with impairment of more than 25% in wages, and after waiting period, such that there has been a loss of time equal to two weeks total unemployment, a benefit payable equal to one-half of the impairment in wages; but not to exceed \$10.00 per week.
- (e) Waiting period; begins on the day of registration.
- (f) Benefits are payable only "while he is capable of, and available for employment, and unable to obtain employment in his usual employment, or in another employment for which he is reasonably fitted."

The right to benefits, however, is not lost because of a refusal to accept employment, if

- There is a strike or lockout on the job offered, or
- The employment is at an unreasonable distance, or
- Travel to new job involves increased expense, or
- Job offered pays lower wage, or conditions are substantially less favorable.

- (g) No benefits are payable, if
 - Job was lost through misconduct, or
 - Job was abandoned voluntarily, or
 - Job was lost because of strike or lockout, or
 - Employee fails to report as required, to Commission, or
 - Job was lost by reason of Act of God, or
 - Job was lost by reason of employee's imprisonment.

SECTION 10. The Unemployment Insurance Fund consists of all premiums paid in by employers and employees under this act.

SECTION 11. State Treasurer is the custodian of Fund; and makes all payments therefrom on vouchers issued by Commission.

SECTIONS 12, 13, 14. These provide in what securities the assets of Fund may be invested.

SECTION 15. On January 1st and July 1st of each year, every employer subject to the act must pay his premium into the fund, as determined by the classification of the Commission.

Self-Insurers. Provided, however, that such employers as desire, may post a bond with the Commission, and carry their own risk; and will be compelled to pay directly to their own employees benefits at least equal to those otherwise payable out of the fund. Furthermore, such self-insurer may substitute any other system of unemployment insurance, upon evidence that it is satisfactory to the employees, and which provides benefits not less substantial than those provided from the Fund, and approved by the Commission.

SECTION 16. Every employee pays a premium of $1\frac{1}{2}\%$ of his wages. Employers are required to deduct this and remit it to the Commission.

Employees of self-insuring employers pay such premium direct to their employers as such employers require; not to exceed $1\frac{1}{2}\%$; and subject to control of Commission.

SECTION 17. The Rate of Premiums to be paid by employers, is a percentage of the payroll, determined according to the classification of the industry, and the further classification of the particular employer; and will be such as to maintain the Fund in a solvent actuarial basis, as to reserves and surplus; in no event may the premium upon the entire payroll of all employers be fixed at more than 2% nor upon any individual employer at more than $3\frac{1}{2}\%$ or less than $\frac{1}{2}\%$.

SECTION 18. In extreme emergencies and upon depletion of Fund, Commission may reduce benefits.

SECTION 19. No employer may deduct from wages any sum to reimburse the employer for amount paid by employer as premiums.

SECTION 20. Rights to benefits can not be waived.

SECTION 21. Rights to benefits can not be assigned, attached, or levied upon by creditors.

SECTION 22. In industries which are seasonal, the rights to benefits shall apply only to the longest seasonal period that the industry will permit, and as determined by the Commission.

SECTION 23. Casual Employment. In cases where special short time employment is required for seasonal or emergency reasons, the Commission may permit such employment without obligation for benefits upon discharge—but in no case for periods longer than one month.

SECTION 24. Every employer must make an annual report giving such information as required by Commission; and give further information as required by the Commission or its deputies.

SECTION 25. Information given to Commission shall be secret, and not divulged except in the form of general statistical reports.

SECTION 26. Members of Commission, and deputies have power to administer oaths, issue subpoenas, etc.

SECTION 27. Any person refusing to answer questions or obey subpoenas, may be prosecuted as for contempt, in Probate Court.

SECTION 28. Every member of firm, and officer of corporation, responsible for furnishing reports to Commission and subject to penalties in case of failure to make reports. Penalties for such failure.

SECTION 29. This section provides for the determination of premiums due from delinquent employers, and the enforcement of payment by them.

SECTION 30. Commission has full power to decide all questions within its jurisdiction, and its decisions are final. Provided, however, that any person, employer or employee, can appeal to Court of Common Pleas, on any question of law.

SECTION 31. The right to benefits is waived, unless claim is made within 60 days after unemployment began.

SECTION 32. Employment at any work for which provision for benefits is not required, suspends the right to benefits.

SECTION 33. Such employment during the 2 weeks' waiting period, and which is for one week or less, does not affect the running of the waiting period.

SECTION 34. Notice of beginning and end of such employment, at work not entitling to benefits, must be given to Commission.

SECTION 35. Cost of administration of the Act, borne by State.

SECTIONS 36, 37. Penal provisions for violation of provisions of Act by employers or employees.

SECTION 38. Supervision of public and private employment agencies is transferred from the Industrial Commission to the Unemployment Commission.

SECTION 39. The sections of the Act are independent and separable.

SECTION 40. Act effective on and after July 1, 1931, but no premiums payable until on and after January 1, 1932.

I. An Unemployment Program

WE deplore the hesitancy and delay with which those in control of our economic and governmental life approach a program of basic relief of the depressed conditions which are bringing untold misery to millions. Socially minded leaders of American life have petitioned since early in 1930 for a constructive and humanitarian program. Succeeding events have substantiated their wisdom and forethought. The trend of even the most conservative is now, in theory at least, toward an acceptance of the principles of that program. There remains, however, a lamentable lack of courage in putting those social measures into immediate effect.

We therefore reiterate our requests for the prompt execution of the following program to cope with the unemployment problem:

1. Immediate Federal aid. The testimony of the overwhelming majority of mayors of our greatest centers of population indicates the inability of private charity, cities or states to cope adequately with the constantly increasing want.
2. A large public construction program far in excess of anything thus far undertaken. The present policy of subsidizing only private industry and credit is not consonant with the best public interests. The Superintendent of Public Works of New York State has shown that every \$132,000,000 expended for public improvements would build about 3,500 miles of road and employ ultimately, in the course of economic turnover, about 150,000 men. The present restricted policy of unsecured loans to private industry, where the government has no control over financial or employment policies, brings a minimum rather than a maximum of benefit and, at the same time, uses public monies for the unduly proportionate advantage of privileged groups of capital.
3. Compulsory Unemployment Insurance by every state through legislation and with Federal subsidy.
4. Limitation of hours of labor with no corresponding reduction of pay because of such limitation. Until the machine age is regulated by spreading work, and the powers of mass consumption are stimulated by a more equitable distribution of the proceeds of industry, we can hope for no real lasting improvement.

5. The complete elimination of children and aged from industry through adequate Child Labor and Old Age Pension legislation.
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II.

War and Depression

THE efforts of politicians to "balance the budget" become ridiculous in view of the fact that since 1927 our national budget has increased its annual military expenditures over two hundred million dollars. Chief of these is the colossal increase in Veterans' Bureau costs. This is plainly a war expense which must be taken into account in all societies based on militarism. The government costs for wars, past, present or future, are estimated at from seventy to eighty per cent. of our national budget. In the face of these facts and in the midst of world-wide misery, fanatical nationalists still clamor for further millions to be sunk into the bottomless pit of military preparedness. The same blindness has led us to the adoption of a tariff policy which has had its reflex in retaliatory measures by other nations, so that the international cooperation essential for common reconstruction is practically impossible. Industry in every land suffers. Millions of workers are victims. Moreover, the inordinate tariffs have engendered national animosities which are bringing us ever nearer the brink of war.

Therefore, in the interests of civilization and an ethical life, we ask our government to take the leadership in a program of drastic military reductions and an abolition of tariffs.

We lament the action of the Senate in failing to support the Cutting Bill to admit alien conscientious objectors to citizenship. Four members of our Supreme Bench, including the Chief Justice, have encouraged us in this attitude by their opinions in the *MacIntosh* Case. We feel that the argument that failure to pass the Cutting Bill will help keep out of our land dangerous radicals is specious and unsound. Inimical foreigners, seeking admission to citizenship in our land in order to endeavor to overthrow our government, would not hesitate to perjure themselves to attain their end. The failure to pass the Cutting Bill is simply a blow at those individuals of strong religious convictions on the subject of world peace and of commendable honesty and integrity.

III. Our Profit System

THE complete collapse of our present economic order, as far as ability to bring about decent and just social organization, and the inability or unwillingness of private business to take such necessary steps as will lay the foundation of a sound reconstructed economic life bring to the fore more forcibly than ever the questionable ethical aspects of the profit motive under which our economic society now functions. It attempts to meet a national budget by an iniquitous sales tax which throws the chief burden upon the suffering masses. It equivocates in the face of a challenge to limit the immoderate accumulation of wealth and to make wealth bear greater burdens. It avoids social responsibility for unemployment and harbors militarism to support its economic imperialism.

An existing system with its pandering to impulses of financial greed has never been truly ethical or religious. No amount of phrases in praise of its "rugged individualism" can ever remove its appeal to basically unworthy motives. It is our opinion that, in recent days, it has been shown to be not only irreligious but anti-economic.

We therefore favor the supercession of the industrial chaos, as represented by the present profit system, with some industrial unification through social control which shall seek the several ends of industry in the following order: commodities, employment, freedom. The present arrangement which puts freedom first has been subversive not only of the other two but also of freedom itself.

IV. Specific Cases

WE rejoice heartily at the decision of the United States Supreme Court to review the case of the nine Scottsboro colored boys who are now under sentence of death for criminal assault. We are gratified at this challenge of an effort to commit a possible summary injustice in an atmosphere of blind race prejudice.

We lament the violations of economic and civil liberties which are taking place in the coal fields of Kentucky and West Virginia.

We call upon Federal authorities to establish the proper exercise of inalienable civil rights. We condemn the use of thugs and gunmen to stifle the efforts of the miners to organize into a union. Likewise, we deplore the unchallenged illegalities practiced on the miners in the denial of their right to a checkweighman to guarantee them honest weight and in their payment in company scrip rather than in legal tender, thus aiding in reducing them to a state of complete economic serfdom.

Most lamentable is the further frustration of the efforts to bring about justice in the Mooney-Billings case. This Conference has often expressed its faith in the innocence of these men of the crime for which they were convicted. The statements of Governor Rolph and Mr. Sullivan, accompanying the refusal to grant Tom Mooney a pardon, were eloquent diatribes on what they feel to be the dangers of radicalism; but they were painfully weak in their effort to avoid facing the facts which have developed since the trial and which have led many to feel that the convictions were the result of unmitigated perjury and class persecution. We reaffirm our belief that a miscarriage of justice has occurred and pledge our continued efforts in behalf of freedom for Mooney and Billings.



**CHILD WELFARE
IN THE
ECONOMIC SECURITY PROGRAM**



THE President's Committee on Economic Security in submitting recommendations for the "security of the men, women, and children of the Nation", on which the pending Economic Security Bill is based, stated, "It must not for a moment be forgotten that the core of any social plan must be the child. Every proposition we make must adhere to this core." Every measure embodied in the Federal program may truthfully be described as a child-welfare measure. There is an obvious relation between job assurance, which will provide a stable and sufficient income, unemployment insurance when employment fails, provision of adequate medical care, and similar social measures and the welfare of children. Old-age-security measures, too, very directly promote the welfare of the child by lifting the heavy burden of the support of the aged from families whose resources are needed to care for growing children. The security of the American home and the protection of the family life of wage earners which the Economic Security Program promotes is the broad foundation upon which the welfare of American children must rest.

SPECIAL CHILD-WELFARE MEASURES

IN ADDITION to general measures for social security, however, certain special measures designed to safeguard the normal growth and development of children are needed.

The forces of depression bore down more heavily upon the children of the land than upon any other group. Their health and welfare have been severely affected in many ways, not only through family distress resulting from unemployment and poverty, but also through drastic curtailment of the resources of agencies created to serve their needs. The effect of economic insecurity upon children has been brought to public attention most strikingly by the 7,400,000 children under 16 years of age in families now receiving Federal relief. These children represent about 40 percent of the total number of persons on relief. Figures and statistics are cold and colorless, but it takes little imagination to picture the distress and suffering which has come so intimately into the lives of these children, many of whom know no other living than the meagre dole of public charity. Special kinds of care must be provided to save them from a future more tragic than their impaired childhood. Such measures form an integral part of the Federal Economic Security Program and constitute the most far-reaching child-welfare program ever considered in this country.

FOR FATHERLESS CHILDREN

AMONG the children most in need of special attention are those in families deprived of a father's support. These children need not also be deprived of a normal childhood. Their needs will not be met by a further return to a high level of prosperity nor by a program of reemployment because there is no person in the family able to work except the mother who is needed to care for her children. Nearly 800,000 such families are at present on emergency relief.

Mothers' pension laws, designed to bring security in their own homes under their mothers' care, have long been recognized as the best method of providing the long-time assistance which these children need. Although such assistance is authorized by the laws of 45 States, it is actually granted by less than half of the local government units responsible for providing it. Many States, for lack of funds, have been forced to grant amounts far too small to protect the children involved. Only about 109,000 families are receiving mothers' aid under State laws, in contrast with over three times this number of fatherless families receiving

emergency relief. These families must be shifted from the insecurity of emergency relief to the regular and adequate care provided through mothers' pensions.

To meet the situation effectively the Federal Government must step in and aid the States in assuring the welfare of its children.

The Federal Economic Security Bill provides for an annual appropriation of \$25,000,000 for allotments to States to meet one-third the total cost of mothers' aid; the other two-thirds to be met by State and local appropriations. Grants will be made only to States meeting certain general standards intended to make sure that aid is available throughout the State, and that adequate plans for administering the money are developed. In a number of States some broadening and strengthening of State mothers' pension laws will be necessary to enable States to benefit from Federal assistance.

Such grants-in-aid to the States will make it possible for the mothers'-aid-care method of rearing fatherless families to become nationally operative. It is less expensive than the aid now given to such families by the Federal Government through the emergency-relief method. What is more important, in assuring children a normal home life under their mothers' guardianship, it will protect them from social misfortune and give them a chance to develop into citizens capable of contributing to society.

FOR CHILD AND MATERNAL HEALTH

ECONOMIC security is most often thought of in terms of income, but we must not forget that good health is one of the chief factors in the security of the home, and that sickness and death greatly imperil that security.

Many mothers and children, particularly those in rural and isolated districts, are without medical and nursing care. Each year over 12,000 mothers die from causes connected with childbirth. At least half of these deaths are preventable. The maternal mortality rate in this country is higher than that of nearly all other progressive countries. The depression has had a grave effect upon child health. The infant mortality rate which had been dropping year by year, was stationary between 1932 and 1933, and preliminary estimates for the first half of 1934 indicate that it was beginning to rise. Rural children are now less favored than city children as regards child health, because the cities are more adequately supplied with health services. State funds for expansion of child health programs are not available in most States.

In discussing the Economic Security Program, the President stressed the great need for Federal participation in a Nation-wide maternal and child health program.

From 1922 to 1929 all but three States participated in the successful operation of such a program under the leadership of the Federal Children's Bureau. In 1929 Federal funds were withdrawn, State appropriations were reduced, and the program was greatly curtailed. Not until then was there a general realization of the great need of hundreds of thousands of mothers and children for the type of care which had been provided under this program.

The Federal Economic Security Bill provides that the Federal Government, through the agency of the Children's Bureau, shall again assume leadership in safeguarding the health of its mothers and children. It provides for an appropriation of \$4,000,000 for maternal and child-health work and \$3,000,000 for hospitalization and convalescent care of crippled children. The funds are to be granted to cooperating States chiefly on a matching basis for services to be developed mainly in rural areas, in accordance with plans making reasonable provision for the administration of funds. Such Federal aid will make possible a greatly expanded program of child and maternal health work, especially in the rural areas where the need is particularly acute.

FOR CHILD CARE SERVICES

SOCIAL services for the protection and care of homeless, dependent, neglected, and physically handicapped children and children in danger of becoming delinquent are also needed to make life really secure for children. Such services are generally available in large cities, but elsewhere they are so limited that many children are deprived of a normal development and a healthy adjustment to society. With the depression, of course, there has been much suffering among young children because the services they need have been curtailed and even stopped.

Many child-welfare agencies are working with inadequate equipment and staffs. Children in increasing numbers since the depression began are being cared for in poorhouses—a practice condemned a hundred years ago. More than 200,000 delinquent children come before the courts each year. Special treatment is needed to save them from permanent maladjustment. Last, but not least, there are from 3 to 5 million physically handicapped children. The parents of many of these must be assisted by social services as well as by medical agencies in making plans for the specialized care which they need.

The Federal Economic Security Bill provides for Federal grants-in-aid to the States, again chiefly on a matching basis, for the development of more adequate State and local

child-welfare services, whose activities will be closely integrated with the general public welfare administration. The Federal Children's Bureau with its years of research and leadership in this field is to administer the \$1,500,000 Federal appropriation for this purpose and aid the States in expanding and developing their child welfare facilities.



COMMITTEE ON ECONOMIC SECURITY

FRANCES PERKINS,
Secretary of Labor, Chairman.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

HOMER S. CUMMINGS,
Attorney General.

HENRY A. WALLACE,
Secretary of Agriculture.

HARRY L. HOPKINS,
Federal Emergency Relief Administrator.

EDWIN E. WITTE,
Executive Director.

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**OLD AGE SECURITY
IN THE
ECONOMIC SECURITY PROGRAM**



NO HUMAN spectacle is more poignant than that of old age surrounded by poverty and indifference and given over to neglect and loneliness. That spectacle is, unfortunately, far more common today than it ever has been before. This is only in part a consequence of the depression and further recovery to a high level of prosperity would of itself result in only a slight improvement. The savings of the group who are now old have been largely wiped out; their jobs are gone and when employers add to their personnel it is the young, not the old, to whom they will turn. Nor are the middle-aged who are unemployed, and they number millions, in a much more favored position. It is against the policy of many of our greatest industries to employ or reemploy them. Their savings have been spent, too, if not swallowed up by bank failures or worthless securities. Many of these are at present without any means other than the "dole" granted by private or public charity.

Unless something is done, and done quickly, these aged and middle-aged unemployed will constitute a tremendous burden on their children and will bind not one, but three, generations in the slough of economic despond. Unless we take steps to prevent it, the depression of recent years will be levying its toll on human well-being in the time of our grandchildren.

OLD AGE INSECURITY FACTS

THREE million five hundred thousand, or almost half of all persons 65 years of age and over in this country are estimated to be wholly or completely dependent on others for their support.

Nearly a million of these are now receiving public or private relief.

Many others eke out an existence in the homes of relatives or friends, themselves hard pressed for the necessities of life.

Ten years ago it was estimated that there were 85,000 aged people in public poorhouses. Many more live there today, although the exact number is unknown. Investigations have shown conditions in most of these public poorhouses to be deplorable, often with the mingling of the old, feeble-minded, delinquent, juveniles, and others.

About 180,000 men and women are at present receiving some kind of pension under the old age pension laws existing in 28 States. At least 900,000 old people by reason of their age, their need, and their eligibility under State laws will actually qualify for such assistance by 1936. State old age pension systems, hampered by lack of funds, especially since the depression, reach only a small part of the needy aged.

Trade-union and industrial pensions provide to a limited extent for only about 150,000 old people.

THIS is the tragic picture of old-age insecurity which confronts us at present, an insecurity against which there is but the scantiest and most insufficient safeguards.

THE OLD AGE PROBLEM

MOST people try during their productive working years to lay aside enough money to support themselves when they become old and unable to work. Numerous surveys show that only one-half to two-thirds of our people are able to do that. For the rest, old age is a tragedy because it cuts off earning power and the large majority of people in low-income

groups simply do not have sufficient means to live the rest of their lives without working. Children, other relatives, and friends support most of the needy old people, frequently at considerable sacrifice to themselves and their young children. In this depression the support of aged relatives has become an unbearable burden for many families. Many old people, however, have not even these resources to fall back on and for them old age means poverty and humiliation—the poorhouse or the public relief rolls.

At this time there are approximately 7,500,000 men and women in the United States who are 65 years of age or older. By 1970 there will be more than 15,000,000 of this age group in the country and by the year 2000 about 19,000,000. The increase in the proportion of the aged to the total population will be only slightly less striking. Today somewhat less than 6 percent of the entire population is 65 years of age and over. By 1970 more than 10 percent will fall in this class; and by the end of the century above 12 percent. The old-age group in the population will increase remarkably in the next half century and future generations will face an even greater old-age problem unless measures are instituted to prevent it. While the period of old age and the number of old people is steadily increasing, the years of wage earning are being cut down. Men are being eliminated from industry at earlier ages, and even middle-aged men are finding it increasingly difficult to locate jobs. The price of a job for those who do succeed is likely to be the acceptance of work of a routine sort appreciably below their customary standard. How will these men be able to provide for their old age without help? Old-age dependency is not merely a depression problem. It is always with us. It is a permanent problem which must be dealt with effectively now if it is not to become an unbearable burden in this and future generations.

AN OLD-AGE SECURITY PROGRAM

THE Committee on Economic Security recognized that a dual attack upon the old-age problem is necessary: (1) Adequate public assistance for those already old and dependent, and (2) careful planning to prevent old-age dependency in the future. They discovered no magic, black or white, with which to solve the problem, nor did they propose reckless experimentation. They proposed that we build immediately on tested foundations to care for the present needy aged and that we inaugurate such measures as will in the future provide real old-age security for American workers.

WHAT THE PROGRAM PROVIDES

1. OLD-AGE PENSIONS THROUGH FEDERAL AID ★ This will provide adequate pensions for persons who are now old or are approaching old age and for old persons in the future who are not covered by the proposed old-age-insurance plan and who may become dependent. There are now 28 States which have old-age-pension laws on their statute books. True, some of them exist only on paper, but in most of our larger States there already exists machinery for the investigation of claims and the payment of benefits. There is no reason to scrap that machinery. The laws themselves are defective simply because State finances have been unable to give these laws the support which they require.

To enable the State laws to function adequately and to encourage the enactment of similar legislation in other States the Federal Government proposes to pay one-half the cost of old-age pensions under State laws. As a condition of the grant the State laws will be required to meet certain standards set up by the Federal Government as to age of eligibility, residence requirements, and administration of the funds. The amount of the old-age pensions which will be paid to needy aged persons will necessarily vary from State to State, depending upon the means of the individual, the cost of living, and what the State and local governments will be able to provide with aid from the Federal Government. There is no maximum limit imposed by the proposed Federal Economic Security Bill, although the Federal aid would be limited to not more than \$15 per month per person.

This part of the old-age security program is an immediate and practical means of providing for people now old who are dependent on the public for support and there will probably always be some need for this type of aid. It is a far more desirable form of assistance than emergency relief or institutional care for helpless old people. It has distinct limitations, however, which must be clearly understood. Old-age pensions are granted only on the basis of a means test. The applicant must prove his need before he is eligible for aid and, since they are free pensions, they are inevitably large enough only for subsistence. No country in the world has ever given free pensions on any other basis. They are a regular and dependable form of relief, but still relief. For a more permanent and satisfactory solution of the old-age problem other measures are essential.

2. OLD-AGE INSURANCE FOR ALL EMPLOYED WORKERS ★ A national compulsory contributory system of old-age insurance will enable men and women to build up their own

provisions for old-age annuities free from any means test and much more adequate than are possible with a free pension system. Under the proposed Economic Security Bill, the system will be applicable to all employed workers and is to be financed by equal contributions from employers and employees.

Under such a system annuities will come to workers as a right to which they are entitled on a contractual basis and will provide a decent income on which to retire when they become old. It can be made entirely self-supporting and will pay relatively large annuities as soon as benefits become payable. It is not a method of relief but a systematic means of protecting workers from want and dependency in their old age. With such a system workers will be able to face old age secure in the knowledge that they will have an independent and adequate income in their later years.

In order to permit self-employed persons who are not included in the above compulsory contributory system to build up security for their old age the Economic Security Bill provides for voluntary government annuities at cost, designed especially for people of low incomes.



SOCIETY, as well as the insured persons, will have much to gain from the operation of an old-age-insurance system. It will assure American men and women a comfortable self-respecting old age and will relieve society of an enormous burden.

The measures outlined in the Economic Security Program are not only adequate measures for old-age security, they are eminently practical and possible. They are based on the successful experience of this and other countries. They are not visionary proposals nor do they raise hopes which are impossible of realization. They do not profess to solve with one magic stroke a maze of complicated economic problems. They profess to do exactly what they will do—provide real old-age security for the mass of gainfully employed workers and discharge in a humane and economical way the debt that society owes to the productive workers of yesterday.

COMMITTEE ON ECONOMIC SECURITY

FRANCES PERKINS

Secretary of Labor, Chairman

HENRY MORGENTHAU, Jr.

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**UNEMPLOYMENT INSURANCE
IN THE
ECONOMIC SECURITY PROGRAM**



UNEMPLOYMENT insurance is designed to protect the worker and his family against the greatest cause of economic insecurity—unemployment. It is a systematic method of protecting the worker and his family from the suffering which usually follows loss of employment and cutting off of family income.

Under an unemployment insurance system reserves are accumulated during periods of employment to be paid out as benefits to workers during periods of unemployment. Small contributions based upon wages are paid into reserve funds from which weekly benefits amounting in most cases to 50 percent of wages can be paid to workers for as long as several months when they become unemployed. Unemployment insurance benefits come to the worker not as charity but as a definite right to which he is entitled by reason of his previous employment. Those workers who have been employed and on whose behalf contributions have been paid into an unemployment insurance fund may draw benefits for a definite period of time relative to the length of their previous employment (usually 1 week of benefit

to 4 weeks of employment). In normal times, the great majority of workers will be able to find other work before their right to benefits is exhausted. Unemployment insurance is without doubt the most practicable safeguard yet devised against the evils of unemployment. Unemployment insurance is not a new or experimental device. It has been successfully operated in European countries for more than a quarter of a century and has been seriously discussed in this country for years. (One State, Wisconsin, has recently enacted an unemployment insurance law, and labor organizations and a number of industries and individual companies in this country have operated unemployment reserve plans for years.) It applies the great social principle of insurance to the risk of unemployment. Instead of requiring an unemployed worker and his family to bear the entire burden of unemployment it spreads the cost over the largest possible section of the community so that many may without difficulty share a load too heavy for the individual to bear unaided.

THE WORKER NEEDS UNEMPLOYMENT INSURANCE

THERE is considerable misunderstanding as to what unemployment insurance can be expected to do. It is not, as is sometimes mistakenly supposed, a cure for unemployment. It will not furnish jobs for idle workers. Unemployment insurance is designed primarily to protect the great mass of workers who are usually steadily employed and who lose their jobs for limited periods.

Even with high wages it is only the exceptional worker who can save more than a small amount out of his earnings to tide him over periods of enforced idleness. If he loses his job and is out of work for a time his savings are quickly eaten up and all too soon he and his family face destitution. Complete dependence on public or private charity with its loss of courage and self-respect is the only way left for him.

With unemployment insurance we can preserve the standard of living, health, and morale of the worker. He is protected by the payment of weekly benefits sufficient for him to live on while he is looking for another job. He is not forced to accept the hated relief "dole" nor must he in desperation take work far below his usual standards. He is entitled to a self-respecting means of compensation as a right, not as charity. Unemployment insurance will protect workers from the ever-present menace of losing their job, which at all times threatens their welfare and that of their families.

WHAT WILL UNEMPLOYMENT INSURANCE DO FOR SOCIETY?

IF THE worker is not given protection through unemployment insurance he must almost inevitably look to public or private charity for help in the end. Society bears the cost one way or another. Unemployment insurance distributes the cost in a far more equitable and humane manner. In the long run, it is far less costly to the taxpayer than our present method of relief and far less costly in its effect on the morale of the worker.

European experience has shown that unemployment insurance maintains purchasing power and stabilizes business at a time when it is most needed. The feeling of security among insured workers encourages buying and the payment of insurance benefits sustains purchasing power and helps business. Eventually the cost of unemployment insurance is more than offset by the benefit to business.

Unemployment insurance, as has been said, is valuable in normal times when it can serve as a well-nigh complete measure of protection against the risks of unemployment. Even in a depression, particularly in its early stages, it can act as a powerful brake to check the downward trend of the depression. Unemployment benefits paid out week by week to men out of jobs are immediately spent for the everyday necessities of life and keep business going. In itself it has a real influence in preventing unemployment.

It has been estimated that if we had had a system of unemployment insurance in this country from 1922 on, with a contribution rate of 3 percent of pay rolls, not only would all employment of the prosperity period have been compensated but \$2,000,000,000 would have been available for payment of benefits when the crash came in 1929. Two billion dollars put into circulation in the early years of the depression would have done much to help business throughout the country. This has been one of the outstanding effects of unemployment insurance in England and is one of the chief reasons why employers there are in favor of it.

AN AMERICAN UNEMPLOYMENT INSURANCE PLAN

THE President's Program for Economic Security recognizes unemployment insurance as an essential part of any program for the economic security of the individual and the best single measure of protection that can be taken for the large mass of gainful workers. The measure proposed in the Federal Economic Security Bill is an American unemployment insurance plan designed to suit American conditions. Our wide expanse of territory, the wide variation

in conditions throughout the United States, and our historic form of Government, with a division of powers between the States and the Federal Government, call for a plan of cooperative State-Federal action. Such a plan imposes uniformity where uniformity is necessary and in all other matters allows wide latitude to the States to enact the kind of systems which will meet their local problems.

Why have we not had unemployment insurance in this country before? Individual States could not handicap their industries by requiring them to help carry the financial burden of unemployment insurance when competing industries within other States were not required to do so. The Federal plan proposes to remove this obstacle by levying a uniform Federal pay-roll tax of 3 percent on employers throughout the country, with the provision that an employer who contributes to a State unemployment insurance system will be entitled to a credit of up to 90 percent of the Federal tax. (For example, if the Federal tax amounted to \$100 and the employer had contributed \$100 to a State fund he would be required to pay into the Federal treasury only \$10.) The 10 percent collected by the Federal Government will be used to pay the costs of administering the unemployment insurance laws by the State and Federal Government. In this way the competitive interests of the States will be protected and they will be stimulated to enact unemployment insurance laws which will permit them to take advantage of the allowable credit.

Under the Economic Security Bill the States are given the necessary freedom to enact the type of law which best suits their individual requirements. They may enact the so-called pooled-fund type under which contributions of all employers are paid into a common fund, or they may enact the so-called reserve type of law under which the contributions of an individual employer or group of employers are kept separate and distinct from those of other employers. They may determine how long an employee shall receive benefits, what the rate of benefits shall be, and other conditions. The rate of unemployment varies from State to State, and variation in benefits will be necessary to keep the funds solvent. States may require higher rates of contribution, and may, if they wish to, require the employee to contribute.

To protect the reserve funds and to protect the interests of industry and labor the Federal Government sets up certain minimum requirements with which the State laws must conform. All State unemployment insurance funds must be deposited with the Federal

Treasury for safe keeping and investment; payment of all benefits must be made through public employment offices so that applicants may be put in touch with available jobs and their willingness to work tested; and all money collected for unemployment insurance purposes must in fact be used to pay benefits. Aside from these and a few additional standards the States are given wide latitude in the type of law which they may enact and have approved by the Federal Government. The Federal Government further proposes to set up a Social Insurance Board which will administer the Federal aspects of unemployment insurance and will aid the States with their problems of administration.



THE unemployment insurance system proposed in the Economic Security Program is particularly suited to American needs and conditions. It is a system whereby the Federal Government furnishes the necessary stimulus and protection so that the States themselves may enact appropriate and adequate unemployment insurance laws.

Unemployment insurance will benefit all sections of society. We must not forget that the tremendous social cost of unemployment is with us in any case and must inevitably be met. The proposed plan is a means of meeting this cost with fairness and humanity. While it does not afford the complete protection against unemployment which is ideally to be desired, it is unquestionably a practical and workable scheme. It does not promise the impossible nor does it seek more than can be accomplished within the framework of our present economic order. It is however a great advance over our present method of emergency unemployment relief and will afford the American worker a really substantial degree of protection against this greatest of all hazards of our industrial society.

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Unemployment

What Rights for the Unemployed?

A summary of the attacks on the rights of
the unemployed to organize, demonstrate
and petition.

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February, 1935

What Rights for the Unemployed?

THE record of the past five years as shown by this pamphlet indicates that unremitting efforts must be made to insure the rights of the unemployed to organize and demonstrate. The effort needed will be even greater with the change of policy of the federal government if the bulk of the unemployed are transferred to public works at wages lower than the market rate. Organization will be imperative in order to obtain decent standards of work and wages. Coming presumably directly under federal control, the right of organization will not at least be as much subject to the whims and influences of local organizations. Pressure can be brought directly on Washington.

The main source of trouble in the larger cities is the lack of any established means for dealing with complaints. Some relief administrators have special departments to deal with grievances; some relief heads even fix hours when they will themselves receive individual or group protests. But these are the exceptions. In every city there should be established complaint desks at every relief station for local matters, and at headquarters for appeal from local decisions and for issues of policy. They should be open at all business hours for hearing group petitions or individual cases.

The police, commonly stationed at relief stations to prevent "disorder", should be everywhere immediately and permanently removed. It is not possible to deal fairly with the unemployed nor genuinely to set up machinery for hearing grievances if police are present to intimidate them.

Organization of the unemployed should be encouraged and given every facility for holding meetings in public places and by freely permitting them to carry on their demonstrations and protests. Even from the point of view of the public and relief administrators themselves, this is highly desirable because only by such means can the weak spots in the relief system be brought to light. Furthermore, such activities alone serve notice on the public that relief is inadequate or unfair. They thus stimulate better, if not adequate, provisions.

Similarly the right of social workers who engage in relief to organize and to bargain collectively should be unchallenged. Many of them are themselves in positions which are in effect relief jobs. All of them are employees, maintaining the relation of workers to the state as employer. Workers on relief projects are, of course, in precisely the same position.

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Every effort to apply to recipients of relief the old laws disqualifying paupers from voting should be fought, and the laws themselves changed where necessary.

The Civil Liberties Union stands ready to aid, as it has in the past, every one of these efforts toward the unrestricted right for the unemployed and relief workers to organize, protest and bargain collectively. No rights enjoyed by citizens generally should be withheld from the unemployed because of their dependence on public relief funds.

In brief, we urge

1. Removal of all police from relief stations.
 2. Establishment of regular complaint bureaus at all relief stations.
 3. Unrestricted right of unemployed to organize, meet and demonstrate.
 4. Unrestricted right of relief workers to organize and bargain collectively.
 5. No discrimination in relief against strikers.
 6. No denial of right to vote to recipients of relief.
-

The Attack on the Unemployed

“ARE THE UNEMPLOYED PEOPLE?” is the title a liberal weekly gave to a recent article dealing with abuses in the treatment of the jobless. Experience with the suppression of their protests might well raise the questions; Are they *citizens*? Have they *any* rights?

In dozens of cities police are constantly stationed at relief stations to prevent demonstrations. The record shows violent police attacks on scores of their protest meetings, hunger marches and parades. In a few states their right to vote has been challenged on the ground that they are paupers. Where they are identified with Communists, the attacks are particularly savage, — solely because of hostility to Communist beliefs, not because of the differences in their tactics.

In resisting attacks by police on assemblages of the unemployed, some few instances of desperate violence have taken place. A few assaults on relief workers mark the record. But these few cases of violence by the unemployed stand out in sharp contrast to the violence against them. Under great provocation they have been on the whole restrained. In clashes between police and jobless at least 14 persons are known to have been killed, many wounded. Hundreds of arrests and prosecutions for disorderly conduct, riot and disturbing the peace have been made from one end of the country to the other.

Past depressions have seen sporadic rioting by hungry men, always drastically repressed. During the present long depression, however, the unemployed have developed organized activity with tactics familiar in industrial disputes. And as in American industrial conflict, repression has been the answer of the authorities to the exercise of fundamental rights. Bans against assembly, refusals of permits to speak, the stationing of squads of police at relief stations, attacks by the police on peaceful meetings, clubbings, arrests, abuse of prisoners, infliction of maximum sentences, prosecutions for criminal syndicalism or conspiracy — these have become in relation to the activities of the unemployed, monotonously familiar.

The Effect of Demonstrations

Yet these very activities of the organized unemployed constitute for twenty million Americans perhaps, the primary force for achieving what-

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ever standards of relief they get. Competent witnesses have so testified. Says Mauritz Halgren in SEEDS OF REVOLT:

"Social workers everywhere told me that without the street demonstrations and hunger marches of the Unemployed Councils no relief would have been provided in some communities, while in others even less help than that which has been provided would have been forthcoming."

C. R. Walker, in the FORUM of September, 1932, says:

"In the cities I visited the economic status of the unemployed worker, the amount of relief, etc. was directly proportional to the strength and struggle of the Unemployed Councils."

What is said by these writers about the Unemployed Councils can be said with equal truth of some other organizations of the unemployed. The articles presumably used "Unemployed Councils" as a general term covering them all.

It is a matter of common knowledge among relief workers that vigorous demonstrations — so called "riots" — by the unemployed, produce an almost miraculous effect in loosening the public purse-strings. In the earliest days of the depression it was a raid of armed and angry farmers on provision stores at England, Ark. that first startled the federal authorities into giving relief.

The Organized Activities

THE activities of the unemployed vary from sending small delegations to ward or precinct bureaus, through strikes on work-relief projects, demonstrations at evictions, parades, demonstrations, and picketing at relief headquarters, to hunger marches and congresses on a state-wide or national scale.

The objects of these activities are all to gain large relief or to protest discrimination. Sometimes their purposes are general; sometimes specific. Often the sending of delegations of ten or fifteen persons to a relief bureau has won increased relief for workers whose allotment was inadequate; has forced action in the investigation of families when the delay had become unconscionable; has secured medical treatment and medical supplies when

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these were necessary; and has succeeded in halting discrimination against Negroes, against single men, against persons active in organizing the unemployed.

Evictions on an unprecedented scale for non-payment of rent have been a striking phenomenon of the depression, especially during the early days when relief was often limited to food or money sufficient only for food. It was in large part the organizations of the unemployed, demonstrating in front of the houses from which tenants were being evicted, assembling the neighborhood to carry back the furniture, that induced the authorities to give consideration to the payment of rents.

Not only betterment of direct relief but of conditions on work-relief projects are the concern of organizations of the unemployed. The mass lay-offs and lowering of wage-scales that followed the change from the C.W.A. to the F.E.R.A. called forth a round of protests and strikes that tempered in some degree the severity of the reorganization. A protest demonstration from eastern cities was made at Washington on March 27, 1934, when nearly 1,000 unemployed CWA workers paraded through the streets, led by the Workers Unemployed Union of New York, the People's Unemployed League of Maryland and other local organizations. Time and again strikes and demonstrations on F.E.R.A. projects have resulted in the adjustment of unfair wage-scales and stopping discrimination.

The most spectacular activities of the unemployed have been the large scale demonstrations and hunger marches, organized either to stop a threatened cut in relief, or to demand better provisions. Here are a few of the instances taken at random from the record:

In Chicago, a hunger-march involving 50,000 persons forced the rescinding of an announced 50% relief cut in October, 1932.

In New York, the Unemployed Councils led a demonstration to City Hall in October, 1930. Although leaders were arrested and treated with brutality, the very next day the Board of Estimate held a five hour meeting and appropriated one million dollars for relief, — the first such appropriation ever to appear in the New York City budget.

In Colorado, after the state legislature early in 1934 had refused for

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six months to vote a relief appropriation and federal funds were being cut off, a demonstration in which the unemployed actually took possession of the Senate chamber to present their demands, finally forced action.

In New York at the end of September, 1934, the city administration announced that relief checks could not be sent out for the following week. Immediately delegations of the unemployed protested at all the city relief bureaus, picket lines were thrown around the central Home Relief Bureau, and these actions were supplemented by a two-hour strike of white-collar worker emergency employees and professional relief workers. Within a day the decision to stop the checks was reversed.

In order to focus national attention on the conditions of the jobless, the Unemployed Councils twice organized, in 1931 and 1932, hunger-marches to Washington with delegates from all parts of the country.

Leadership of the Unemployed and the Red Scare

THE chief organizations of the unemployed are the National Unemployed Councils, under Communist leadership, the National Unemployed League, under Workers Party leadership, and a loosely federated group composed of the New York Unemployed Union, the Illinois Workers Alliance, the Wisconsin Federation of Workers, the Indiana Workers Alliance, the American Workers Union, and others. This third group is mainly under Socialist leadership. All of these organizations are in fact non-partisan in membership. Their influence extends far beyond their formally enrolled members. Thousands of unemployed workers swell the ranks of their demonstrations and mass-meetings.

Of these organizations the Unemployed Councils, being under Communist leadership, are most subject to attack by the authorities. Raising the cry of "reds" gives the police justification for suppressing their demonstrations. The Communist leaders are also attacked as not sincere in their professed purpose of seeking only the betterment of conditions, and are portrayed as trying to break down the administration of relief in a general scheme to destroy society.

Even a superficial acquaintance with Communist methods would show that sniping at isolated elements of capitalism is not among them. Commu-

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nists are interested in aiding and leading all mass movements of workers as a force for social change. They regard them hopefully as ultimate revolutionary material — but their present purposes are solely the satisfaction of the needs of the workers. Their methods are determined, their activities militant; and their attitude uncompromising. It is these qualities which bring down upon them the wrath of the authorities, and the attacks of the police.

These same vigorous qualities are shown by other local organizations of the unemployed in many sections, and with similar results. While the police tend to discriminate against organizations of the unemployed with known Communist leadership, they come down hard on all militant and determined demonstrations, whether by the National Unemployed League, local groups or the Unemployed Councils. But it is these very qualities which have been mainly responsible for the concessions which the unemployed have forced from reluctant officials.

Police vs. Unemployed

IN spite of the fact that 60% of relief money comes from federal funds local authorities control its distribution. The attitude of local officials and police therefore determines the treatment of the activities of the unemployed.

The unemployed have first of all to contend with the licensing powers vested in local authorities. They run up against refusals of permits for meetings and parades, bans by mayors on meetings and parades, refusals of the use of tax-supported meeting places such as school-halls, police orders to landlords to refuse to rent halls, misapplication of ordinances against the distribution of advertising matter by hand bills, refusal of permits to post notices, and rarely, injunctions. Sometimes the welfare authorities themselves are responsible for attempts to hinder or disrupt the organization of the unemployed. Cases are not infrequent where persons active in organization work have been cut off the relief rolls. Similar cases have occurred on C.W.A. and F.E.R.A. projects in spite of clauses in the regulations of the C.W.A. or the F.E.R.A. prohibiting discrimination against any person for membership in any group or organization.

More common is the use of the police in combating the activities of the organized employed. It has become a matter of routine to have police sta-



AND OUT—Home Relief demonstrators and police came to blows at a demonstration held in front of the Department of Public Welfare Building in New York City, May 26th. Above is a tag-of-war between police and demonstrators with the added gentle touch of a policeman's billie which pronounced finis to this encounter.—May 26th, 1934.—*Acme.*

This clash arose when demonstrators determined to see relief heads against a police prohibition. Cause of dispersing the gathering was the police refusal to admit them to the relief office. Some resistance was shown by the crowd, which the police attacked with ferocity.—*Editor.*

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tioned at relief bureaus. Peaceful demonstrations or marches, held in spite of refusal of permits, have been broken up, often with brutality. Demonstrations where permits were issued have been on occasions dispersed with equal brutality. Scores of such cases have been reported. Two of the most vivid are taken from published accounts — one by an organizer in Columbus, Ohio; the other from a news story in a New York newspaper.

A Story From Ohio

Here is the story from Columbus as told by Bill Reich in the NEW REPUBLIC (Sept. 1934).

"Police are everywhere. They line the sidewalk and seem to fill the house . . . After hours of dilatory labor another family is on the streets. The wages paid the officials of law enforcement (sixteen police, three bailiffs and two flunkies) would pay the rent of the unfortunate family for six months . . . Often evicted families have no place to go. In such cases street homes are set up. A portion of the street is roped off. American flags are draped over the ropes. Tables, beds and stoves are arranged and the family lives on the pavement until a house is obtained . . .

"Such was the plight of the Smith and McGuffin families on Good Friday . . . On the Eve of Easter a dozen police, a lady social worker and two rubbish trucks pull alongside the McGuffin 'home' to perform their duty. The relief officials have conceived a brilliant solution to the problems of street homes: women and children are to be taken to the Salvation Army, fathers to the transient bureau, and furniture to the storage! The lady social worker tries to persuade Mrs. McGuffin to comply with this magnanimous offer. Mrs. McGuffin refuses to consider the plan; at least not until Mr. McGuffin can be consulted. He has gone in search of a house.

"The police insist upon moving the furniture at once. Women pick up tent poles to defend the meager pile and upbraid the police for their heartlessness. Members of the Unemployed League quiet the women. 'No violence', they say. The police gather to one side in a huddle. Reinforcements have arrived. Thirty or forty uniformed men are on the scene. A crowd of four or five hundred people have been attracted by the commotion. I mount a chair and speak: 'Presumably laws are devised to protect the institutions upon which civilization is based. Here, however, is an example of the law being used to destroy the most fundamental of human institu-

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tions . . . All red-blooded Americans should protest the breaking up of homes in this manner. It is an outrage!'

"Suddenly the police come out of the huddle swinging blackjacks and clubs; they charge ruthlessly into the crowd of helpless men, women and children, slugging all who are in the way. A child is hurled to the pavement. A woman is felled by a blackjack and kicked in the abdomen time and again. Screams pierce the air. A gray-haired lady picks up a kettle of hot soup and dashes it over a cop. Several police start for me. 'This is the one we want,' they cry as they pull me from the speaker's chair. An elderly woman takes my place. She is pulled over the top of the chair to the pavement. A cop strikes me over the head with a blackjack. Blood spurts. Several cops hold me while a third slugs me in the face. I attempt to spit out fragments of broken teeth. All becomes black. I am dragged, dazed and bleeding, to the radio cruiser and thrown in like a bag of potatoes. Clamps are screwed tightly to my thumbs, piercing the flesh. I am rushed to Mercy Hospital.

'Take care of this dog,' cries the cop as he pulls me to the operating table. 'And get ready for more pretty soon.' My lacerations are sewed up. I hear screams of others being brought in.

"A day has passed. My head aches, my eyes and lips are swollen and I can hardly eat and speak because of broken teeth. Nobody is permitted to see me. Friends, worried about my condition, are turned away with the retort, 'He is doing well.' Finally a minister, the Reverend Arthur Milne, comes in bringing news and personal necessities. His transgression is discovered by Dr. D. Price, who is in charge of the hospital. He is called 'a hell of a minister' and chided for 'conorting with criminals.'

"On the fourth day Dr. Price comes in and examines me. He is curious regarding the activities of the unemployed. 'Who is paying your doctor's bill?' he asks. 'The police put me here, I presume they will pay the bill,' I reply. Enraged, he slams the door and shouts in a voice that can be heard all over the building, 'Call the police and tell them they can take this man whenever they want him.'

"In fifteen minutes the Black Maria arrives. Two cops come into the room and order me to get dressed. My shirt and undershirt are stiff with

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blood. I put on bathrobe, trousers and shoes. My head is heavily bandaged. Garbed thus, I am taken to jail."

A Story From New York

Here is the New York DAILY NEWS report of what happened as a crowd was peacefully leaving the Tombs Police Court on May 27, 1934, after the judge had ordered the court room cleared.

"With smooth precision, thirty policemen who had been hidden in rooms adjoining the courtroom drove the spectators down the stairs and into White St. On the sidewalk, Lechay and his wife failed to move as rapidly as one patrolman thought they should.

"With a shove between the shoulders which sent the woman sprawling on her face, the patrolman launched his attack.

" 'Let us alone,' shouted the man. 'We're going.'

"The two stumbled into the street, obviously trying to obey the order to move on. The patrolman, with a comrade at his heels, pursued.

"Just as the couple reached the opposite curb, the patrolman struck the woman on the head with his fist, knocking her into the gutter while his comrade pushed her husband on top of her.

"Caught between two closely parked cars, the couple, struggling to rise, were the targets for a rain of blows and kicks.

"Lechay and his wife managed to regain their feet and started to flee down White St. toward Centre St. They made only a few yards before the infuriated police flung themselves upon the hapless pair.

"As the woman lay on the sidewalk, seeking to protect herself from the blows and moaning at each fresh assault, her husband screamed: 'My God, she's my wife! Let her alone!'

"Knocking down her husband, the cops went to work in real earnest. Kick after kick landed in the ribs of both the man and woman. They dragged Lechay to his knees and threw him down again. The fists of one patrolman beat a tatoo upon the woman's head.



ALBANY HUNGER MARCHERS ON WAY TO SEE GOVERNOR ABOUT WINTER RELIEF MEET POLICE BILLIES—*Albany Evening News*, October 30th, 1934.

One of the worst of all brutal police attacks on demonstrators since the bonus army was driven out of Washington in 1932 was the unprovoked attack of the Albany police on hunger-marchers from New York City and the western part of the state arriving

in trucks. They were turned back at the entrance to the city, brutally beaten and left to shift for themselves. They spent the night in cold weather without blankets by a roadside.

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"It was then that the reporters, gathered upon the stairs across the street, set up their cry of protest. For answer, the two policemen seized the woman and, twisting her arms behind her back, dragged her back across the street.

"Lechay, momentarily free, ran after his wife, still crying: 'For God's sake stop it! She's my wife!'

"Other policemen seized him and beat him while the two who held his fainting wife slapped her face with their free hands until she collapsed.

"Two reporters, at this point, leaped from the steps to report the cruelty to superior officers. The police then seemed to realize they had overstepped all bounds.

"The police carried Lechay and his wife to the complaint room and a few minutes later they were arraigned."

Arising out of this incident and others connected with it, letters were exchanged between Major General O'Ryan, at that time the Police Commissioner of New York, and William Hodson, the Welfare Commissioner. In a letter to Mr. Hodson (June 11, 1934) Major General O'Ryan said:

"We have already placed on trial several policemen for failure to use all the force at their disposal and necessary for the purpose of suppressing violence, and charges will be prepared against any officer of the Department who fails to act promptly and effectively in such instances, including the protection of their own persons."

This routine use of police violence, often with frank official approval, against a body of citizens such as the organized unemployed, is unprecedented in American history.

Prosecutions

SUCH severity also extends to the prosecutions to which persons arrested in demonstrations have been subjected. Not only are maximum sentences common on such charges as disorderly conduct, disturbing the peace, unlawful assembly, resisting arrest, felonious assault, assaulting an officer, rioting, inciting to riot, etc. but the courts often display an animus wholly unrelated to the legal question at issue.

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As an indication of the volume of court cases involving the unemployed, reports of the International Labor Defense show 256 persons arrested in unemployed demonstrations in New York City in the month of October, 1934 alone. Most of the cases got to court.

It would be impossible here to list the cases of those prosecuted and those now serving sentences in connection with unemployed demonstrations. Many of the cases are reported only casually in the press. It is estimated that some 50 major prosecutions have taken place resulting in sentences of six months or over, with hundreds of minor cases.

A Court Case in New York

The summary of the case of George E. Powers in the February 1934 number of the International Juridical Association Bulletin is illuminating:

"George E. Powers, one of the leaders of the Unemployed Councils of New York, was arrested April 21, 1932, for seeking to force an audience with Mayor Walker on the question of relief for the unemployed. The arrest occurred simultaneously with a brutal police attack on the unemployed demonstration in City Hall Park. The charges against Powers were riot, incitement to riot, and assault on the police.

"Although Powers pressed for an immediate trial he was not brought to trial for nearly two years. On January 31, 1934, he was found guilty in the Court of General Sessions in New York City on the charge of unlawful assembly, which Judge Freschi brought into the case by implication. Despite the fact that the prosecution dragged in the issue of Communism the court refused to allow Powers to define his position. Judge Freschi sentenced him to an indeterminate sentence, which means a maximum of three years, and then suspended the execution of the sentence so that the threat of this prison term may act as a deterrent to further labor activities on the part of Powers." Earlier in the prosecution of the case Powers had been further harassed by an order to submit to a psychiatric examination.

Criminal Syndicalism

Particularly striking are the increasing numbers of prosecutions on the far more serious charges of criminal syndicalism and conspiracy to overthrow the government which carry prison sentences up to twenty years.

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Prosecutions on such charges need involve no overt act on the part of the person accused, but can be based simply on the fact that he advocates certain forbidden doctrines. An illuminating example is the case of fourteen persons arrested in connection with unemployed demonstrations at Hillsboro, Ill. and charged, among other offenses, with criminal syndicalism. These charges were later dismissed but the men were held for months in jail in default of high bail. Even more flagrant is the prosecution of Angelo Herndon, a young Negro Communist, sentenced under a Georgia statute to 18 to 20 years for "inciting insurrection". He had attempted to organize white and Negro unemployed together. His case is on appeal to the U. S. Supreme Court.

Restricting Civil Rights

RESTRICTIONS of the civil rights of the unemployed are common. On the right of workers on relief projects to organize, Henry Epstein, counsel to the New York State Temporary Relief Administration, recently ruled that relief employment

"is a form of public welfare aid and not the accepted form of employer-employee relationship. There is no question of bargaining here, because the basis of earning is the relief need, and of that the administration is the final judge. So, too, of the duration of employment and the approval of the project on which they may work."

He concludes that workers may organize, but may neither make demands, strike, nor picket.

This theory that the unemployed on the dole or working on relief projects are wards of the state and consequently forfeit the privileges of ordinary citizens can also be seen in several court decisions. In six states courts have denied workmen's compensation to persons injured on relief projects. In Wisconsin and New York, courts found workers guilty of desertion or neglect of their families when they refused to accept relief on conditions they thought unfair.

Efforts have also been made to deprive the unemployed of their right to vote. In sixteen states where property qualifications or the payment of a poll tax are required of voters, this to an undetermined extent already takes place automatically. Fourteen states have constitutional provisions

WHAT RIGHTS FOR THE UNEMPLOYED?

denying the right to vote to persons in receipt of public aid. Attempts were made to apply these archaic pauper laws to present conditions, sporadically during the 1932 elections—notably in Maine—and on a wider scale in twelve states during the 1934 elections. President Roosevelt, when informed of this, denounced the proceeding as thoroughly un-American. He said:

“Under no possible honest conception of the law could a man out of work and willing to work be regarded as a pauper and be denied the privilege of voting . . . No court in the land would classify a person willing to work as a pauper. Anyone suggesting such a course would be suggesting a thoroughly un-American procedure.”

Nevertheless, pressure is strong from certain business quarters to disfranchise the unemployed. The New York State Economic Council, for instance, states that it “favors withholding from all persons receiving public unemployment relief the right of suffrage during the period in which such relief is being received.”

Organization of Social Workers

JUST as the depression has seen the growth of organizations of the unemployed so has it seen a movement towards greater organization among social workers, especially the thousands of relief workers recently recruited. Growing realization by these social workers of their employee status prompted organization to protect their wages and homes.

Such attempts at organization have met in many places stiff opposition from the heads of relief agencies. In Chicago in November, 1934, six members of the Federation of Social Service Employees, all admittedly competent workers, were discharged without notice and without statement of cause. In Kansas City a letter was included in the pay envelope of every relief worker threatening dismissal to anyone found “inciting discord” closing with the reminder, “. . . if you are discharged from this work for just cause, you cannot go back on the relief rolls”. Similar incidents have occurred in many cities.

In the struggle to protect their own conditions of work the members of these organizations have come to feel kinship with the general struggle of the unemployed. They have also felt that their professional function de-

WHAT RIGHTS FOR THE UNEMPLOYED?

manded support of this struggle of the unemployed. Often they have protested inhumane treatment of clients and have taken part in united front activities of the unemployed. Delegates of the Emergency Home Relief Bureau Employees' Association of New York participated, for instance, in the demonstration held at City Hall in New York in September, 1934, to protest the threatened suspension of home and work relief.

A Case in New York

A striking instance of the obstruction which these organizations meet is afforded by the case of Miss Sidonia Dawson, a supervisory aide in the New York Home Relief Bureau. Her professional competence is unquestioned. A leader of a delegation of the unemployed was beaten by the police at the precinct bureau where Miss Dawson worked. She protested sharply against this piece of brutality both at the time, and subsequently, at a public meeting. For this she was peremptorily discharged. The letter of dismissal informed her that her "activities . . . have indicated that it is no longer desirable to have you remain on the staff."

In a letter of explanation to the *Nation*, Welfare Commissioner Hodson, while giving a diametrically different account of the circumstances that led to Miss Dawson's protest, was silent as to why Miss Dawson was summarily dismissed without a hearing and why no attempt was made to check the official police version of the incident by hers. The letter furthermore attacks the organizations of the unemployed, and condones police violence as the "meeting of force by force". The *Nation* pertinently asks "Have the New York police a past record of restraint in the face of provocation sufficient to justify a public official of Mr. Hodson's importance officially to sanction meeting force with force?"

Relief for Strikers

WHEN workers become unemployed through strikes, they raise a special issue of relief because their unemployment is an act of choice. From the point-of-view of their rights, the question arises whether the government should maintain on relief those strikers in want. The federal government has taken this position in a memorandum by the head of the FERA:

"The Federal Emergency Relief Administration will not attempt to judge the merits of labor disputes. State and federal agencies

WHAT RIGHTS FOR THE UNEMPLOYED?

exist, as well as courts, which are duly qualified to act as arbitrators and adjusters in such disputes. Unless it be determined by the National Labor Board of the National Recovery Administration that the basis for a strike is unreasonable and unjustified, the Federal Emergency Relief Administration authorizes local relief agencies to furnish relief to the families of striking wage earners after careful investigation has shown that their resources are not sufficient to meet emergency needs."

"Each case applying for relief to the local emergency relief agencies should be treated on its needs wholly apart from any controversy in which the wage earner may be involved."

No strike has as yet been declared "unjustified".

Objections to extending relief to strikers of course are voiced by employers on the ground that their unemployment is wilful and that the government by giving them relief encourages strikes. The answer to this contention is that by refusing relief, the government would be in a position of discriminating against persons in want and would thereby become an ally of employers in driving workers back to their jobs on the employers' terms.

Despite the official government policy, many instances of discrimination against strikers have occurred. In the textile strike they were reported from all over the country. Local authorities ordered that strikers be dropped from relief rolls. In Waterville, Me. overseers of the poor stated publicly "Let the union support them. They will either work or not eat. Anyone who strikes in these times deserves to starve." In some counties in the south during the textile strike, where the textile industry predominated, relief funds were allowed to run out before the strike began and were not renewed. Pressure was brought to bear everywhere on relief officials to prevent them from giving relief to textile workers. In many sections of the Carolinas and Georgia it was reported almost a universal practice for persons on the local relief rolls to have their names removed because of one or more close relatives participating in the strike. In Huntsville, Ala. the Chamber of Commerce threatened to remove any welfare workers found giving food to striking mill workers.

WHAT RIGHTS FOR THE UNEMPLOYED?

While the pressure to withhold relief from strikers was greater in the textile strike than others, it is everywhere present in all large strikes, especially where unions are weak or new.

Conclusion

WE have given this summary to indicate the widespread resistance put up by authorities to unemployed demonstrators and to show the specific restrictions upon what we regard as their rights. But we do not tell the story just to exhibit the facts or to attack the authorities. *We do it to help organize practical aid among sympathizers and defenders of civil liberties.*

We urge all of our interested friends to aid local unemployed organizations in getting their rights to hold meetings, demonstrate and parade. More important, we urge our friends to take up with local officials the establishment of normal and regular means for getting complaints of the unemployed before the authorities. Most important, we urge concerted action to withdraw police from all relief stations. Less important, of course, are the restrictions of the right of the unemployed to vote.

Defense of the right of unemployed, relief workers and social workers to organize and carry on their activities should be championed at all times for all purposes. Only by organized insistence upon these rights can they be maintained.

Those particularly interested in this issue tear off and return the coupon below.

American Civil Liberties Union

31 Union Square, West

Date

New York City.

1. Count on me to aid in the campaign for protecting rights of the unemployed to organize and carry on their activities.

2. Send me special information as to when and how to help.

3. Remarks

Signed

Address

City



**WHAT THE
ECONOMIC SECURITY PROGRAM
MEANS TO YOU**



Fear

IN HIS message to Congress of June 8, 1934, President Roosevelt called attention to the great need of the American people for protection against the many hazards of life over which they have no control—unemployment, old age, illness, and death of the breadwinner of the family. Millions of families were destitute and dependent on public relief and at least 90 percent of the American people lived in fear of what the future might bring. Soon after, the President created the Committee on Economic Security to make recommendations to him as to how a reasonably secure life for the individual might best be achieved. After 6 months of careful, thorough study the committee submitted a comprehensive program for the economic security of the American people, a program which would relieve the millions now destitute and prevent destitution and dependency in the future. The Federal Economic Security Program aims to restore to American citizens their traditional right, the right to “a proper security, a reasonable leisure, and a decent living throughout life.”

WHAT THE ECONOMIC SECURITY PROGRAM PROVIDES

FOR THE MILLIONS NOW UNEMPLOYED . . . JOBS INSTEAD OF RELIEF

Millions of men and women are today unable to secure a job and earn their daily bread. Though able and willing to work, they are forced to seek public relief while society must support them in idleness. The economic and human waste of unemployment is too great to be measured. The unemployed want work, not relief, and they can be given work and wages on public projects which will benefit the entire Nation. When a large group of workers are given jobs, other jobs are immediately created, factories and shops set going to provide materials and tools. Through a great public employment program we can restore the unemployed to self-respect and independence and stimulate the Nation's business.

FOR THE LARGE MAJORITY OF AMERICAN WORKERS

. UNEMPLOYMENT INSURANCE

The much larger group of workers who are employed also need protection, for unemployment is an ever-present menace to all of them. The loss of a job which cuts off the family income may at any time force the worker and his family to become public charges.

Unemployment insurance will afford protection against this greatest of all hazards. It will provide the worker with a steady income during periods of unemployment, from reserve funds which have been put aside for just that purpose during periods of employment. The worker, when he loses his job, receives as a definite right a regular weekly sum of money (usually 50 percent of wages) for as long as several months if he remains unemployed. He and his family remain secure and independent until he is again working. Unemployment insurance is the best single measure of protection for the largest group in our population. It will free workingmen from the ever-present fear of losing their jobs which at all times threatens their welfare and that of their families.

WHAT THE ECONOMIC SECURITY PROGRAM PROVIDES

FOR ALL AMERICAN CITIZENS OLD AGE SECURITY

✓ About 1,000,000 old men and women over 65 years of age are now actually dependent upon public relief for their food and shelter. Tragic victims of the depression, their savings gone, their children unable to help, they have been forced to spend their declining years in poverty and humiliation—public charity wards. There are now about 7,500,000 people over 65 in this country, of whom at least a half are dependent on others. In 25 or 30 years the actual number of aged will be almost twice as great as it is now. There is a strong and growing public demand that society make more adequate and dignified provision for needy aged persons.

For old-age security the Federal economic security program makes three distinct provisions:

1. The Federal Government will match the States dollar for dollar in providing the present needy aged with pensions adequate to support them in their own homes for their remaining years.
2. Compulsory old-age insurance, whereby employed workers will be able with their own and their employers' contributions, to build up an annuity to sustain them in their old age.
3. Voluntary Government annuities at cost for self-employed workers not included in the compulsory insurance system.

These measures will provide for the present aged who are in need and will enable the aged of future generations to provide for themselves. It will give old people what is theirs by right—the opportunity to spend their declining years in dignity and comfort.

FOR THE CHILD BETTER HEALTH AND A NORMAL HOMELIFE

There are now over 7,000,000 children under 16 on the relief rolls. Many of them have never known a time when their father had a steady job. Their lives have been darkened by poverty and the threat of being scattered among

WHAT THE ECONOMIC SECURITY PROGRAM PROVIDES

relatives and friends or in institutions. What this will mean in terms of weakened health and broken lives no one can foretell.

Every part of the economic security program, in protecting the wage earner's family life, will protect the child. The children who must be given special attention are those deprived of a father's support. These children need not also be deprived of a normal childhood. Through adequate mothers' pensions they can grow up in their own homes under their mothers' care. The economic security program will make this possible by granting aid to the States to strengthen and expand their mothers' pension systems. It will further guard the welfare of the child by aiding the States in child and maternal health work and in the care of dependent and physically handicapped children.

The Federal program is designed to give the future citizens of the land a more secure and healthy childhood.

HEALTH PROTECTION

Ill health is one of the greatest causes of poverty and destitution. To prevent illness wherever possible is the first step in dealing with this problem. The Federal economic security program will make it possible for the States to strengthen and expand their preventive public-health services.

Ill health, when it occurs, is enormously costly and falls most heavily on families of low income. The Committee on Economic Security is studying health insurance plans to aid families in carrying this heavy burden which so often renders them helpless.

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

President Roosevelt

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Executive Director

How members of the A. F. of L. can help secure Unemployment Insurance



 41

Issued by

The American Federation of Labor
Members League

2030 Euclid Avenue Cleveland, Ohio

Unemployment Insurance

"Unemployment Reserves as a Necessity"

For the present purpose it is assumed that we all desire and expect from a system of unemployment reserve funds, support and maintenance for the great body of unemployed, paid as a matter of right, and not as degrading charity, on a basis far more adequate and regular than that provided under the present method of private and public relief which has been so accurately stigmatized as "the American dole."

Unemployment insurance is not a new and untried method of alleviating the anxiety suffered during periods of enforced idleness; England has had a system of unemployment insurance since 1911; Germany, Austria, Irish Free State, Italy, Poland, Russia and Queensland all have compulsory unemployment insurance. In spite of the great drain on these funds since the war, and in spite of the grants which government treasuries have had to make to these funds, the principle has been found to be sound.

What It Would Accomplish

Compulsory unemployment insurance would enable the workers to maintain their self respect and for this reason recommends itself especially to members of organized labor who, historically, have carried on the fight to raise the status of the workers.

The United States is belatedly coming to favor this method of dealing with unemployment, which

with its attendant evils is the outstanding social and economic problem of the day.

There has been in operation in this country some private plans for several years. These plans have been instituted and sponsored by Trade Unions and by private employers, but are wholly inadequate for the present day needs.

Only one state in the Union, Wisconsin, has taken legislative action. This progressive state has again pioneered and offers encouragement to other states to do likewise. Last year the Ohio Legislature failed to pass the bill introduced by Senator Reynolds of Cleveland, however it did authorize the Governor to appoint a commission to study unemployment insurance and to report to the next session. This commission recently held a hearing in Cleveland at which time the A. F. of L. Members League told of the need among organized workers for unemployment insurance.

Who Should Pay for It

The commission is asking these questions: Who shall pay the cost of unemployment insurance? In England there is the three party system with contributions paid by employers, workers, state. In Germany there is the two party system, paid by the employer and the worker. Or shall it be as in the state of Wisconsin where the payments are made by the employer alone?

Already the League has one important accomplishment to its credit, through its efforts on April 6th, 1932, the Cleveland Federation of Labor officially endorsed the principle of unemployment insurance. Now the important task for the League is

to have the local unions affiliated with the A. F. of L. appoint committees to join the league and help carry on a vigorous campaign of study of unemployment insurance so that Organized Labor will be informed and articulate and once more lend its strength to secure an Unemployment Insurance Bill at the next session of the Ohio Legislature, which will be beneficial to its members and to the host of unorganized workers as well.

Allows Unemployed to Maintain Self-Respect

In 1931 in Albany, New York, there was created by the governors of several states an Inter-state Commission on Unemployment Insurance. This commission in session recommended the compulsory establishment of state wide systems of unemployment insurance reserves, then went on to say that with the establishment and extension of unemployment compensation we would be taking the first steps in reducing the waste and damages to self respect which characterizes our present day disorderly methods of handling the unemployed and we would put ourselves in the position of applying more scientific methods of treatment of the total problem of unemployment.

If your local union has not yet taken action, bring this matter up at your next meeting. Agitate for Unemployment Insurance. Put your local on record. Join the A. F. of L. Members League Favoring
UNEMPLOYMENT INSURANCE

Meets every Sunday, 2:00 P. M.

2030 Euclid Ave., Painters' Hall

Trent Longo, Sec'y

PRospect 4896

Unemployment

PERMANENT PREVENTIVES *of* **UNEMPLOYMENT**

Addresses delivered at

**THE CONFERENCE ON
PERMANENT PREVENTIVES OF
UNEMPLOYMENT**

JANUARY 26-27, 1931

WASHINGTON, D. C.

Sponsored by

**The Social Action Department, National Catholic Welfare
Conference; the Social Justice Commission, Central
Conference of American Rabbis; and the Social
Service Commission, Federal Council of
the Churches of Christ in America.**

50 cents per copy

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THE BELVEDERE PRESS, INC.
BALTIMORE, MD.



FOREWORD

WHILE churches of all faiths throughout the United States responded generously to the special need for immediate relief in the unemployment situation, assisting in the organized community efforts to give food and shelter and to provide work for the unemployed, it was felt that it was highly important also to focus the conscience of the nation on permanent preventives of unemployment and point out the moral and ethical necessity of eliminating from our economic life the tragedy of unemployment with its human suffering and economic loss. Three national religious organizations, The Social Action Department of the National Catholic Welfare Conference, The Social Justice Commission of the Central Conference of American Rabbis, and the Social Service Commission of the Federal Council of the Churches of Christ in America, therefore jointly sponsored a national conference on Permanent Preventives of Unemployment which was held in Washington, January 26-27, 1931. Over four hundred delegates from 23 states and 75 towns and cities attended the conference. They included not only church representatives but also a number of personal representatives of the governors of various states, federal government officials from the Departments of Labor and Commerce and the President's Emergency Committee on Employment, editors, research students, social workers, representatives of various city and state commissions on unemployment, officials of labor unions, business men and professors of sociology and economics. A delegation waited upon President Hoover at the White House advising him of the purpose of the conference and the concern of church forces not only for relief but for permanent preventives of unemployment, a problem which was held to be not only economic but ethical and moral as well. As speakers at the conference there were gathered together a group of distinguished employers, economists, government officials, labor representatives, and church leaders. As a part of the follow-up of the conference it was decided to make available in printed form these sixteen addresses which it is hoped will make a real contribution to the thinking of the nation and arouse our people to constructive action.

(Signed) THE EXECUTIVE BOARD,

*Conference of Permanent Preventives of
Unemployment.*

REV. JAMES MYERS, *Industrial Secretary,*
Social Service Commission,
Federal Council of Churches.

REV. R. A. MCGOWAN, *Assistant Director,*
Department of Social Action,
National Catholic Welfare Conference.

RABBI EDWARD L. ISRAEL, *Chairman,*
Social Justice Commission,
Central Conference of American Rabbis.

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I. STABILIZATION

WHAT EMPLOYERS CAN DO TO PREVENT UNEMPLOYMENT

By EDWIN S. SMITH

Director, the Research Committee on Employment Regularization

The challenge of unemployment is great and immediate. By marshaling our purses and our energies, as in the present crisis, we are able to prevent the worst effects of physical want which unemployment brings in its train. The psychological blight, the despair, the sense of inadequacy, the timorousness which prolonged unemployment induces, these are the more serious effects. Nothing can remove these hindrances to the moral stability of the individual and to family and social progress but the substantial reduction of unemployment. This cannot be accomplished by emergency committees or by bread lines, by bonds or by drives. It must come about by prevention of the causes of unemployment. These causes are embedded in the business system and can only be uprooted by vigorous, intelligent and continuous effort by business men.

In what promises to be the long war against unemployment the territory so far gained by business is not extensive. Notable instances of business generalship have been much acclaimed and discussed. Actually the performance of these few concerns, almost negligible in relation to the total volume of unemployment, has given to many an exaggerated idea of an advance against unemployment taking place along the whole business front.

The influence of pioneering companies such as Procter & Gamble, International Harvester and the Dennison Manufacturing Company, should not, of course, be measured merely by the quantitative reduction of unemployment they have accomplished. Of far greater importance is the spirit of their approach to the problem and the techniques for meeting unemployment which they have evolved.

We must not, however, succumb to the illusion that the problem of industrial unemployment is soon to be met because a few score or a few hundred, or even a few thousand manufacturing concerns have begun to do something about it. We should be glad to give credit for what has been already done, but it is much more important to devote attention to the greater tasks that remain. Perhaps before a gathering of churchmen I will not be accused of irreverence if I suggest that when many business men read of what the General Electric Company is doing in the way of unemployment insurance or what the Eastman Kodak Company has achieved for stabilization of employment, they experience a sense of vicarious atonement. A warm glow spreads over them at the thought that some one, after all, is doing something for unemployment. Basking in this thought they tend to overlook the shortcomings of their own and many other businesses.

There is more promise for the future if we confront the unemployment problem with a few unpleasant acknowledgments. If we admit the magnitude of the task, we are more likely to lay plans commensurate with its demands.

There are three present strongholds of unemployment, seasonal, technological and cyclical. There is no apparent tendency for seasonal unemployment to diminish; for some years technological unemployment has been on the increase; our current cyclical depression is not yet over but it already promises as regards duration and amount of unemployment to be as severe as the most serious depression of the past.

In assessing the prospects of the attack by business on unemployment it is necessary first to inquire how far the prevention of unemployment is a primary objective of business men. I assume that no business man is so callous that he can accept without distaste the idea that industrial workers are continually subjected to the danger of unemployment. This is not to say, however, that the road of business enterprise and the road to prevention of unemployment are always parallel. The aim of business is to create profits for stockholders. If profits are decreased by shutdowns of business that cause unemployment, business will obviously be zealous to bring about steady employment. If, on the other hand, the dismissal of workers for longer or shorter periods yields a greater net profit, the first duty of the business man is towards his balance sheet.

Viewing the operations of business as a whole the correspondence of the profit motive and the social motives for prevention of unemployment appears very close. Business and profits are in the final analysis sustained by the purchasing power of the community. Unemployed workers constitute a definite mathematical subtraction from purchasing power. Hence business is vitally concerned to prevent unemployment.

In the light of conditions under which the individual business actually operates, the foregoing admission appears to be more academic than vital. If I were engaged in a business for whose products a seasonal demand exists, I would prefer for reasons of economy in manufacturing to make my production and hence my employment curve less fluctuating than is my sales curve. However, my goods, like most consumers' goods nowadays, are probably subject to shifts in demand due to changes in fashion. If I decide to produce steadily through the year and anticipate my selling season by piling up inventories, I may find when retail buying commences that I have accumulated stocks which are out of fashion and not salable at a profitable price. If I risk loss of profits in this way, I risk the very stability of my business structure. My workers in turn will have been little benefited by the fact that I have saved them from a certain amount of seasonal unemployment only to subject them to the risk of more prolonged unemployment which will ensue if I am later obliged to curtail or even abandon my business because I have been operating at a loss.

Again I may have a business in which an important technological improvement appears. A machine is invented that will supplant the work of a hundred of my thousand men and do it at a considerably less cost. My hundred men thrown out of work will, until they are located elsewhere, constitute a deduction from purchasing power. However, the effect of this reduced purchasing power will be infinitesimal on my own business. Of far greater importance to my profit account will be the savings resulting from use of the machines. Therefore, as a good business man, who must

earn a living for myself and my stockholders, I am constrained to let these hundred men or women go.

Finally, when a great business depression lays its heavy hand on the whole world of business, when prices are declining rapidly and so endangering the profitableness of inventories, when the revival of consumer demand is located somewhere in the unguessable future, it would be worse than folly for me to continue my normal production and employment. My colleagues and I, in this complex and undirected business system by which we all live find ourselves in a pass where the only hope of a revival of purchasing power lies in the present creation of unemployment and the reduction of purchasing power. The tragi-comic irony of this state of affairs needs no further commentary. Also our purpose here is not to satirize but to be constructive. Moreover, whatever our profession in life, we must all plead *mea culpa* to the fantastic deficiencies of the system by which business is conducted. Our own insistence as consumers on our right to change our minds as to what we will buy, and when, is a controlling factor in producing seasonal unemployment. It is also an important contribution to that self-perpetuating state of economic disequilibrium which we call the business cycle.

SEASONAL UNEMPLOYMENT

So much by way of a skeptical prelude. Let us now lift the curtain and see if a somewhat more roseate future can be discerned. The first encouraging sign comes in connection with the problem of seasonality. Here the interest of the individual concern to prevent unemployment is most evident and the prospects of success, without recourse to any higher aid than the profit motive, is most bright.

The number of recruits to the ranks of business men who are fighting seasonal depressions and unemployment is growing steadily. In 1920 the business magazines of the country described scarcely a single effort in this direction. In 1928 they described 40 or 50 experiments. I have recently concluded a study in which the experience of some 250 concerns in combating seasonal depressions is referred to. By no means all of these companies have abolished seasonal unemployment. Probably none has done so completely, but progress is being made. Methods are being worked out and descriptions of them circulated through the business press, and in other ways, to other business men. The seasonal problem has none of the vagueness nor the formidableness presented by the business cycle. Nor does it seem to demand for its solution the same degree of collective business action and the possible need for social control.

Because seasonal unemployment produces less hardship than the unemployment resulting from a major business depression, the layman is apt to pay it scant attention. It is well to realize, therefore, that probably at least 400,000 industrial workers in America must annually face a period of unemployment of greater or less extent owing to industrial seasonality.* Here is a deduction from purchasing power of concern to all business men. More directly, however, those engaged in seasonal businesses are disturbed by the costs of irregular operation.

When business is obliged to shut down or curtail operations owing to a seasonal falling off of orders, it is subject to a continuing burden of over-

*See *Federal Reserve Bulletin*, November, 1930.

head charges that cannot be taken care of out of current sales. Such charges include taxes, rent, insurance, lighting and heating. The salaries of executives have to be maintained during seasonal slumps and it is not usually feasible to discharge salesmen at such times. The clerical force is often continued in employment at something approaching its normal strength even when the volume of orders has fallen off sharply.

A definite disadvantage of producing on a basis which is below factory capacity is that goods coming through in small lots and at irregular intervals are subject to higher manufacturing costs than goods which come through in large lots suited to the capacity of the machines and of the workers through whose hands they pass.

When workers are laid off during the dull season they frequently do not return when the factory reopens. The expense of hiring and training new employes must be set down as an important element in the cost of seasonal depression. The General Electric Company in its refrigeration division would prefer for reasons of economy to manufacture in close conformity to its actual sales curve. Nevertheless because its machines have to be constructed to fine tolerances it fears to lose skilled machinists whom it might be obliged to lay off at times of seasonal dullness. It prefers, therefore, to carry on a fairly level production program and bear the expense of accumulating inventories in the dull season.

The primary cause of seasonality of demand is change of climate. At different seasons of the year people wear different types of clothes, drink and eat different articles, use to a greater extent or a much less extent an automobile or a radio, burn coal or consume ice, install or do not install a new heating system or a refrigerator, and so on through a surprisingly large list of consumers' commodities.

Of recent years the concentration of seasonal demand for a wide variety of articles has been enhanced by the emphasis on changing style. The retailer, uncertain what the fickle public will buy, puts off ordering to the last minute and the manufacturer, fearful of making the wrong kind of article, hesitates to commit himself to production in advance of orders.

Nevertheless several studies have shown that manufacture in advance of orders is the method most commonly used by concerns to achieve a more even flow of production through the year. This procedure is least risky in the more staple industries. If the product is one which is subject to rather sharp fluctuation in price, as in the case of certain food products, advance manufacturing may penalize the concern too dearly to compensate for the economy of level manufacture. If prices generally are rising, advance manufacture is more likely to prove profitable. Always present, however, is the danger that overproduction of stocks in many industries will contribute to a business depression.

When the product that must be stored in advance of the selling season is bulky and costly, the cost of holding inventories, even though their profitable sale can be fairly confidently foreseen, may operate strongly against advance manufacture. This is true of the automobile industry, one of the most seasonal of industries. With the exception of a few concerns automobile production follows closely the sales peaks in the spring and fall, declining abruptly in the winter. This industry also is subject to the constant competition of style change and mechanical improvement and no one manufacturer dares to advance very far on his own manufacturing program without knowledge of what his competitors are proposing.

Manufacturing in advance of orders is not the only recourse of the seasonal industry. Various devices may be used to persuade the retailer to place orders earlier, of which granting special discounts or extending a later date of payment are the most frequently employed.

By use of advertising and sales pressure the dealer may often be stimulated to buy more goods to sell in the dull season. This method of evening the sales curve is dangerous and likely to lead to overstocking the dealers unless the public mind has been well prepared for out-of-season acceptance of the manufacturer's product.

Consumer indifference in the off season may be transformed into at least some degree of willingness to buy by use of advertising which calls to the public attention new and seasonable uses for the product which have not previously been exploited.

Here are a few illustrations taken from the study to which I have previously referred:

The National Dairy Products Corporation, like other ice cream concerns, has striven with considerable success to increase the consumption of ice cream in winter by stressing its food value and by attempting to make the housewife look on ice cream as an article of common daily use, rather than as a luxury sacred to "party" occasions. The development of fancy holiday molds has assisted the winter sale of ice cream. For this particular company, June, July and August formerly represented 60 per cent of its annual ice cream business. Within the last few years the percentage represented by these months is somewhere in the high 40's.

The fertile imagination of the advertising agency is a most useful aid to the manufacturer who is casting about for new seasonal uses for his product. The copy writer and his merchandising allies in the up-to-date agency can often make consumer demand bloom where formerly was only a barren sales desert. Articles of personal use, owing to our insatiable desire for beautification and health, are good subjects for a "new uses" treatment. As an example, there is Hinds Honey and Almond Cream, which was originally developed as a lotion for chapped hands. Later it became a remedy for sunburn, a skin freshener for use before and after shaving, and, in fact, a commodity that could be used the year round because of the susceptibility of our complexions to what was graphically termed "weathering."

The Crompton Company, Inc., Rhode Island, textile manufacturers, has endeavored to create styles in women's, children's or boys' clothing, which would permit the use of velveteen and corduroy in the spring, although these materials are not normally consumed for these purposes except in the fall.

Many articles of household use have, with more or less adaptation, been lifted out of the class of the strictly seasonal product by the development of new uses. The Sherwin-Williams Company brought out an enamel which, in summer, could be used on porch furniture and in winter in the home. The Paint and Varnish Division of the E. I. du Pont de Nemours & Company boosted Duco for the painting of Christmas gifts. The May Oil Burner Corporation has attempted to increase sales during the summer by pointing out to potential customers that with the addition of a steam coil they can use an oil burner for heating water. The Langenberg Manufacturing Company manufactures heating plants which can also be used as cooling plants in summer.

If the manufacturer despairs of making his product more attractive to the consumer in the dull season and if he hesitates to manufacture in advance, he may decide that a solution of his problem lies in producing some other article in his off-season which enjoys a natural popularity at such times.

Here again I will present a few concrete examples:

The Beech-Nut Packing Company, Canajoharie, New York, developed the sale of tomato products in the fall to compensate for its summer-time demand for chewing gum and confections and also added peanut butter to the line to balance more seasonal conserves.

Graton & Knight, Worcester, Massachusetts, manufacturers of leather belting, added to their line leather for use in soles of children's play shoes, belts for personal use, dog collars, skate straps, bag reinforcers and washers.

The National Enameling and Stamping Company makes milk cans, dairy cans and cream pails, which are active in spring; coal hods, stove pipes and elbows, active in late spring and summer; and kerosene and gasoline cook stoves, which sell most freely in spring and early summer. Seeking to balance their heavy summer sales of kerosene and gasoline stoves they have developed a line of ranges with built-in ovens which are becoming an all-year-round product.

Sometimes the development of a new item in the line is possible only by use of research. The J. C. Rhodes Company, New Bedford, for instance, found a process of vulcanizing eyelets without injury to the enamel with which they are colored. This enabled them to bring out a new line of colored eyelets for the canvas-shoe business and helped to fill in a period of dull production in the summer.

Although a policy of diversification may bring definite and important advantages to a seasonal business it also imposes definite and important difficulties. The concern which is trying to decide whether it shall bid for new business by adding new products can afford to overlook neither the one nor the other.

When a manufacturer adds a new product there is the chance that the present selling force will not be able to handle its sale adequately. Unsuspected requirements in its manufacture may mean the hiring of new workers and the purchase of new machinery. The present dealer outlets may prove the wrong sort of distributive channel. Such contingencies frequently cannot be anticipated. When they occur the concern may find itself with a new and perhaps profitable business but not necessarily one which has eliminated the problem of seasonality from which it originally sought relief. Instead it may merely have entered into a completely new field of business enterprise with problems of its own, of which seasonality may be one. Such an extreme situation is less likely to be met, however, if the moves toward diversity have been undertaken with caution and foresight.

It should be emphasized that none of the foregoing correctives for seasonality of sales, production and employment in many cases completely meets the difficulty. They modify but do not eliminate seasonality. Completely regular production in a seasonal industry is probably an unattainable goal. Relative success, as in most fields of endeavor, is all that can be hoped for. Such partial accomplishment is, of course, well worth striving for.

The most basic step that can be taken to reduce industrial seasonality

is closer coordination between the retailer and the manufacturer. At the present time progressive manufacturers and retailers are each engaged by the aid of expert style forecasters in trying to bring some sort of order out of the apparent chaos of fashion shifts in consumer demand. If the many efforts of this character can become the subject of some sort of joint sponsorship, if the past experiences and future calculations of retailer and manufacturer are freely interchanged, we shall have moved a long way toward greater seasonal stability. Upon such a basis of foreknowledge of the coming season's demands retailers will be willing to order further in advance and manufacturers will take less risk in producing in anticipation of orders.

TECHNOLOGICAL UNEMPLOYMENT

Technological unemployment, a ponderous phrase to describe what is in fact a highly impressive phenomenon, was being widely discussed before the present business depression gave us temporarily something more serious to talk about. Actually technological unemployment is as old as the industrial revolution itself, and probably older. It takes us back to the smashing of machines by spinners and weavers in the early years of the nineteenth century. The average worker has always seen in the machine an instrument to dispossess him of his only property, the ability to earn his living by the skill of his hands. The employer, conversely, has looked upon mechanical agencies for production as literal *dei ex machina* to cut down his labor and manufacturing costs. While the one has resisted the machine, the other has embraced it.

Economists are prone to criticize the workers for not seeing that the ultimate result of the machine is to add to employment and to cheapen the cost of living. Workers charge that employers are reckless of important human consequences when they introduce machines into their factories and make no provision for taking care of the workers whom the machines have ousted. Both sets of charges are right. The main point of difference between the industrialist and the artisan in regard to technological unemployment is that one is talking about a long-term result, the other, a short-term result.

That serious and relatively prolonged unemployment may come about by the introduction of labor-saving machinery several scientific studies in recent years have demonstrated. When the displaced worker is re-employed it is often at a lower wage and in a less skilled occupation. It may even be that machines will in the long run cause a permanent degradation of skill in the working population and a consequent loss of earning power. However, this is a topic of too many aspects and too great indefiniteness to be treated here.

The recent emphasis on technological unemployment is based not on its historical newness but on the increased acceleration it has shown in late years.

In an article on technological unemployment in the *American Federationist* for August, 1930, Professor Paul H. Douglas states: "The output per man in manufacturing was approximately 45 per cent greater in 1929 than in 1919, according to the indices of the Federal Reserve Board. But this increase was accompanied by a decrease of 10 per cent in the number of wage earners who were employed in manufacturing, since instead of the 9.0 million who were so engaged in 1919 only an approximate 8.1 million were employed even before the depression of 1929."

To compensate for the increase in industrial technological unemployment there have been unusual growths in the numbers employed in other occupations, as the building trades, the selling and servicing of automobiles, etc.

The economic losses of technological unemployment cannot be balanced by the admission, if we are indeed ready to grant the admission, that workers displaced by machinery are sooner or later absorbed in other occupations. There is a very definite economic loss during the period of their unemployment and a further possible economic loss resulting from subsequent re-employment at lower wages. In comparison with the direct savings made by the labor-saving machines, the potential loss of purchasing power caused by dismissal of some scores or hundreds of his own employees will seem to the individual employer a trivial matter. It is only when the business man considers the aggregate of technological unemployment that its economic seriousness as a drag on purchasing power becomes apparent.

How far will business be moved to go to prevent technological unemployment? There appears to be a growing tendency to give notice to employees of impending dismissal or lay-off. A few concerns pay a dismissal wage and try to get jobs elsewhere for employees they are obliged to let go. These indications of a liberal personnel policy are still but meagre evidence of any serious concern by business to mitigate the effects of technological unemployment.

What organized business might well do to lessen the volume of such unemployment is to give its approval to a country-wide system of public employment offices. Such employment offices would share information as to available employment opportunities and thus facilitate the speedy relocation of the displaced worker.

Some plan of vocational rehabilitation, of training for new occupations, is necessary if those workers whose trade skills are rendered obsolete by machinery, are to obtain satisfactory new jobs. You may have read in the papers only the other day of a machine which replaces two hundred workers in chopping sugar cane. You did not read, I believe, of any plan evolved by business interests to see that these workers were promptly reabsorbed in other occupations.

When a concern issues a new model or a new product it endeavors to protect its dealers and its own profits by keeping the new goods from the market until the stocks of existing goods are well liquidated. No such anxiety to protect the economic well-being of the worker appears when the average industrial concern installs a labor-saving device. The individual business man should not be censured for this attitude. His primary desire is, of course, to make a profit. It is in this light that the labor-saving machine presents itself to him. Sometime business as a whole will probably come to believe that the losses due to lapsed employment that results from technological changes are worth avoiding. It will then move more rapidly toward dismissal wages and efforts to expedite re-employment at suitable jobs of displaced workers. At present it looks as if any substantial hastening of this program is more likely to come from social pressure brought to bear on business than by the initiative of business men themselves.

CYCLICAL UNEMPLOYMENT

Economists will probably be still disputing for many years to come the precise causes of cyclical expansions and contractions of business. Whatever it may be, and probably it is a variety of things, that starts business on a rising curve after a period of depression it is not particularly difficult to characterize the subsequent state of affairs. Under the stimulus of a fast-reviving consumer demand and a favorable interest rate, production begins to discount the future. Fixed capital in the form of building and equipment increases. After the lean months that are past the business world prepares for a feast. The wheels of production are set to turning faster and faster and the voice of the salesman and advertiser grow shrill in the land.

As the pace of business grows more rapid ripples of obstruction, hardly observable in the enthusiasm of the time, begin to rise in its path. As competition for the supply of raw materials and labor on the one hand and for the consumer's dollar on the other hand grows keen the costs of doing business mount and begin to encroach on the manufacturer's profit margin. At the same time the rise in prices, which is characteristic of a revival period, leads to a speculative stocking up of raw materials and finished goods.

During the late period of prosperity it was often assumed that the now familiar phenomenon of hand-to-mouth buying had largely done away with speculative piling up of goods. It appears to be true as far as wholesalers and certain classes of retailers are concerned that their stock burden as measured by turnover decreased somewhat in the last decade. However, there was sufficient piling up of stocks, both raw materials and finished goods, in the hands of manufacturers in the same period, particularly as the 1929 stock crash approached, to indicate that business was still far from solving the problem of adjusting supply to future demand.

In 1928 and the other recent halcyon years that are beginning to seem so remote, danger signs such as swelling inventories of raw materials and manufactured goods, and the increasing costs of doing business appear to have frightened very few business men. For one thing, the injections of stimulants in the form of stock market inflation kept many business men from thinking of problems closer to home. Again, the whole economic structure was enjoying a credit spree based on loading up the consumer with installment-sold goods, an orgy of long term financing of urban building, etc. For a description of the extent of credit inflation in the 1920 to 1929 period those interested are referred to a most interesting article by Charles E. Persons in the *Quarterly Journal of Economics* for December, 1930.

The opportunity offered to mortgage consumers' buying power by installment selling was taken wholehearted advantage of by the automobile and radio industries and by numerous others. Under the circumstances over-expansion and overproduction were almost inevitable.

The interconnections of our industrial system cause the overproduction and subsequent enforced curtailment of any one great industry, such as the manufacture of automobiles, to have wide repercussions. When automobile plants slow down railroad traffic suffers, steel plants reduce operations and so do many other industries. The unemployment of one industry is reflected in diminishing purchases of the products of other industries;

this, of course, causes further retrenchment and unemployment in these industries.

We are not here concerned so much with the various interrelated phenomena that help to build up business depression as with the question whether there is likelihood that business will learn to tame prosperity, thus making recurrence of depression less likely. Can business prevent our capitalistic economic order from running off into periodic inflations of goods, credit or money which breed the inevitable "morning after" headache? Or to put the question in the form of the specific interest of this meeting, can business prevent the periodic unemployment of millions of capable, willing persons whose only request of the industrial system is that it learn how to function on a stable basis for its own good as well as theirs?

In the light of past history one would be tempted to answer these questions in the negative. There does appear, however, ground for at least a qualified optimism. Most hopeful is the fact that business is beginning to recognize that it is the victim of its own excesses. To realize that the profit margin is constantly endangered by too great or too costly a production of goods is in itself an important forward step. For the individual business man to know when and how to apply the brakes to production, when profit margins are in danger of serious impairment, is a more difficult matter.

Even if we had much more accurate indices than we now possess of approaching overproduction, the proper course for the business man as an individual to pursue is by no means clear. Signs of hard times come to light in a period when there are still plenty of good times ahead. Even if the business man were convinced that the economic system was hovering on the brink of a depression, he might well conclude that slowing down his own factory would not stay the general crash. In fact he is quite likely to decide that he better get what he can while the getting is still good.

His original fault, like that of his competitors, came in overestimating the market for his product and enlarging his plant to a point where demand could not long sustain its full operation. But he is probably not much to be blamed for this because how should he know what his competitors were doing or how large the future market for his particular commodity might prove. Once having indulged in this expenditure for plant and equipment he will naturally make every effort to sell sufficient goods to cover interest charges and upkeep on his investment. He will keep on doing this even in the face of overproduction and loss of profit until general business depression calls a halt on him and his competitors together.

It is doubtless too much to expect that the individual business man will voluntarily curtail production while his fellows are continuing to manufacture up to the hilt. We may hope, however, that with more knowledge of trend of demand he will be not only willing but anxious to buy his raw materials, supplies, etc., on a less speculative basis. This would be a great gain for business stability.

What individual business men would find it difficult to do, business men acting collectively might do. If a single manufacturer will not restrict production while his competitors are gathering in the harvest, perhaps some form of curtailment might be exercised by all competitors in an industry acting collectively. This proposition, of course, raises a series of questions which can be barely referred to here. The gathering

of statistical information by trade associations as a basis for limiting production might be allowable under our anti-trust laws. On the other hand, deliberate parceling out of production among competitors would encounter legal difficulties and also resistance from public opinion, based on fear of price control.

Even if these hindrances in the way of a collective checking of overproduction were removed, another obstacle remains. Let us suppose that mounting commodity stocks, rising costs of business, credit inflation be-token to the eyes of informed industrial groups the danger of depression. Admittedly the depression may be some distance off, perhaps several months; meanwhile the public is still in a buying mood. What industry, then, will volunteer to be the first to save the sinking ship by itself curtailing production? Will the textile industry stand aside so that the automobile industry may tap a still deeper stratum of consumer willingness to buy, will the radio industry give ground before the shoe manufacturer? These questions supply their own negative answer. Yet short of a form of inter-industry control which would impose its decrees on all industries it is quite necessary for each individual industry to decide whether it shall take the first step toward curtailment. This, out of deference to its stockholders and its employes, any industry will hesitate to do.

A retrenchment of production in a boom period would have to take place against a background of great business optimism. If our refinements of statistical procedure and our knowledge of the significance of statistics were such that we could tell exactly how far off disaster was, it would perhaps be not difficult to persuade business to go slow even in prosperous times. Lacking such definiteness of forecast we may well be doubtful that industry will go far in imposing voluntary checks on itself.

One may imagine business curbed in its upward course by a Federal Reserve policy more definitely directed, curbing inflation, or by a diversion of funds that would otherwise go to expand industrial plant into the construction of public works. These remedies against overproduction and subsequent unemployment have yet to be tried. There is still a third remedy, which in the light of our present and past failure to deal adequately with the problem of the business cycle, might be called a necessity. I mean unemployment insurance.

In so far as unemployment insurance results in subtraction from purchasing power at boom periods to be applied later during times of depression it should be a force making for equilibrium. However, the right kind of unemployment insurance could exercise a much more definite influence for stability. If rates for insurance were so adjusted that the employer with the best employment record paid least and the employer with the worst employment record paid most, there would be an immediate stimulus toward regularization by the least favored manufacturer. Similarly, if the rates applicable to entire industries varied according to the unemployment risk, each industry would strive to become more stable in order to reduce its premium. No form of social control of industry is likely to be exercised in this country at least for some time to come. Lacking such control of industry I believe general unemployment insurance of the sort described would do much beside mitigate the suffering caused by unemployment. It would be a strong force for the prevention of unemployment, because it would reward industry for exercising caution in face of the ever-present inducements to overproduction in times of prosperity.

WHAT A MUNICIPAL GOVERNMENT CAN DO TO PREVENT UNEMPLOYMENT

By FRED K. HOENLER

Commissioner of Public Welfare, Cincinnati, Ohio

At the outset of this paper, I wish to say that I have no intention of coming to this gathering to tell you what Cincinnati has accomplished. Too much has been said at various times about our activities and we are of the opinion that the work in Cincinnati has been much overemphasized. If I may be permitted, I shall speak in general terms applying specific examples, as I best know them, from the experience in Cincinnati.

As I come to you from the city of Cincinnati, an official of that government and secretary of the Committee on Stabilization of Employment, I do so bringing greetings from those men who are interested in the great problems which face every community and also seeking help toward the solution of those problems.

Periodically our great industrial centers have suffered from maladjustments in our industrial and social life. During these periods of suffering we have spent much money and more energy trying to relieve the distress. Immediately following the emergency, it has always been our custom to consider the problem solved, and to return again to our workaday life busying ourselves with the things at hand and thinking nothing of the possibilities of preventing such emergencies as we have come through at each of these periods. Charitable agencies and public institutions have definite records to prove that following each of these emergencies there are larger numbers on public support than ever before, and that there is always a great residue of unemployed who are the casualties of the strife which has occurred in our social body. We have never quite faced the fact that in our large industrial centers there has been the constant fear of insecurity of employment because industry in its effort to increase production and improve efficiency has forgotten the human element which is part of its organization. Government has been content to add to its problems periodically with unemployables and institutional cases, without any apparent effort to plan to remedy our social ills so as to prevent this increased burden on the social agencies both private and public.

Unemployment and under-employment are the greatest enemies to our American prosperity and to the morale of our urban life. We are constantly challenging our standards of living and our social and industrial organizations by permitting these to go on without applying a remedy except that of relief. If there is in a normal year an average of from two to three million unemployed persons in America, and if the number employed part time approaches the 1,000,000 mark, then we have throughout the average year a reduction in our purchasing and consuming power. This group of unemployables has been on the increase year after year. The other side of this problem, which is not purely economic is that spiritual factor which is so important to the life of any community. With thousands of men constantly out of employment and tens of thousands more constantly in fear of losing their jobs because of a lack of intelligent planning by industry and government, we have a situation which seriously affects the morale of any community.

The problems of irregular employment and unemployment are basi-

cally industrial and business problems. They can only in a very slight degree be explained by the laziness and incompetence of the worker. The unemployment situation as we are considering it today arises from a severe business depression which is world-wide and which actually goes back to the World War for some of its important causes, principal among which are readjustments in world markets, overstimulation in the production of raw materials and certain kinds of manufactured products. Also there are the maladjustments due to monetary problems which have arisen in a number of countries. Technological changes in the methods of production have come so fast that our economic system has, as yet, been unable to handle them adequately. It should be the hope of every honest leader in industry and government official that the time will come in this country when every person who is honestly seeking work shall be able to find that job which is best suited to his or her capacities. It should be the desire of every government to have it said of its community life that men and women are happy, honest, and prosperous because employment has been made possible and secure. Industry can and will, I am confident, go a long way toward meeting the problems of unemployment and providing employment for all who are capable, and are honest in their effort to seek work. Industry, however, cannot do the whole task because too much of it is a matter of public opinion and should be the concern of government. What, then, shall be the government's responsibility and how shall that responsibility be met?

Formerly, and not so long ago, questions relating to employment and unemployment in our country were considered to be exclusively matters for industry and labor to solve without so-called "government interference." The result has been a hit-and-miss policy on a go-as-you-please plan. Some industries made headway toward stabilization and toward a fair personnel development, others continued to fire and hire as the momentary demands for output to meet sales might require.

The national government through educational and fact finding work made slight contributions to the study of the problem. Some state governments attempted the establishment of employment bureaus and most cities continued to be burdened with relief problems incident to unemployment and under-employment.

American cities have been very slow to accept the idea that human welfare and happiness is a concern of government. Witness the poorly equipped and programmed penal institutions, homes for the aged and public employment bureaus. There came a new day in government in our own city when that city became free from the control of politicians who lived for their interest alone and who gave little chance for better expression on behalf of human welfare. Under these changed conditions, there came a better opportunity for using government as an instrument for creating a greater community consciousness on behalf of the public welfare. The short-sighted, political dole dispensers were replaced by men with vision who planned to supplement the necessary dole with a program which might reduce the necessity of, or even prevent the dole. At the same time, these men received the backing of the public whose support and confidence they had obtained because of ability and sincerity. During 1928 all relief agencies were conscious of a growing unemployment problem. At the end of that year we again experienced what appeared to be industrial prosperity. The new interest in the government of Cin-

cincinnati brought about, early in January, 1929, the appointment by C. O. Sherrill, then city manager, of a Permanent Committee on Stabilization of Employment in the Cincinnati industrial area. The city manager was elected chairman and his director of public welfare was elected secretary of the Committee. This Committee represented banking, industry, education, social service, labor and government and set down as its purposes: (a) To study the problems of stabilizing employment; (b) To create machinery to handle an employment emergency should one arise. This Committee operated through ten subcommittees, each of which dealt with various phases of the problem of employment, including fact finding, the State-City Employment Bureau, continuous employment, publicity and education, public works, state and national cooperation, temporary employment, cooperation with social and welfare agencies, transients, and budget and finance. To each of these subcommittees definite duties were assigned. It will be noticed that the first six of the subcommittees mentioned deal with matters concerned with long time planning. The next four deal particularly with plans for meeting an emergency.

The one great fact facing the Committee was the absolute lack of reliable information on employment and unemployment. The very first step, therefore, was to secure and publish accurate and adequate information. There was in existence no one source from which such information could be obtained.

The subcommittee on fact finding utilized the best fact-finding agencies in the community and began work at once. In May, 1929, Cincinnati had its first complete census of unemployment. This was accomplished by using the machinery created by the Board of Education. This body is required by state law, to secure an annual school attendance census by means of a house to house canvass. The Board willingly gave its cooperation to the Fact Finding Committee and enumerators were requested to ask a few extra questions. The results were later tabulated in the office of the Department of Public Welfare. The Fact Finding Committee then, with a fairly reliable census as a basis developed current monthly figures on employment. It was this Committee which saw the tendency toward an increase in unemployment in the summer of 1929, and so informed other subcommittees, who began to plan intelligently to meet a situation which was imminent.

Another census of unemployment in May, 1930, showed that in one year's time the city of Cincinnati had increased its unemployment by nearly 100 per cent, the 1929 figures showing that five per cent were unemployed while in 1930 there were nearly 10 per cent totally without jobs.

In the city of Indianapolis where a similar program has been established, there is, perhaps, one of the most effective pieces of work being done by the local Fact Finding Committee. This Committee which has made various studies of numerous phases of employment and unemployment has issued a pamphlet entitled *Problems of Unemployment in Indianapolis*. Data was presented on various types of industrial activity in the community and on the various causes of unemployment. The work of this particular committee would serve as a model in the field of fact finding for any city and should be perpetuated and extended to the municipalities throughout the country.

Next in importance to the task of obtaining the facts is the problem of dealing intelligently and forcefully with industry in the community. A

subcommittee on continuous employment, or on the stabilization of employment can bring before the employers of the community the social and economic problems involved in employment and the necessity for intelligent plans on stabilization. Such a committee, operating in Cincinnati, is headed by an economist and former president of the University of Cincinnati. In 1929 a study was made of industrial concerns to determine how many of the industries in that city made a conscious effort to stabilize employment. The result of this study showed an intense effort on the part of a very few industries and an absolute ignorance on the part of many persons in business and industry on a question which seemed so vital to their own welfare. Meetings with employers created some interest and under the leadership of Dr. Frederick C. Hicks, former president of the University of Cincinnati, and W. C. Procter of the Procter and Gamble Company many industries were brought to see the value of intelligent planning. The work had barely begun when unemployment began to grow. The first essential then for this committee in dealing with an unemployment emergency was to spread whatever work might be available to as many employes as possible. The committee encouraged the introduction of methods such as the staggering of employment and using employes on a short-hour basis when productions had to be decreased. Cooperation of the employers was very heartening and it indicates the type of interest which will be given to this committee and its work as it continues throughout the years. Over 50 per cent of the employers reduced hours in order to provide work for the largest possible number of their men. Many retained their entire force to provide work during the emergency.

The Committee on Stabilizing Employment in the city of Rochester, New York, has done, perhaps, an even greater and more effective piece of work in establishing an office where the subcommittee which has to do with continuous employment meets employers, centralizes information and develops leadership in the field of stabilization. Rochester has in this plan an example which might well be emulated by other cities.

In this field, also, the city of Philadelphia, in its Chamber of Commerce under the leadership of Morris Leeds, has done a very valuable piece of educational work in the field of stabilization.

Public works, as a factor in meeting unemployment emergencies, is frequently overestimated. The best of public works serve merely as an encouragement for those who are in private industry to plan intelligently and work continually. Before such encouragement can be given, those responsible for public works must set an example. Several years ago the city of Cincinnati, the county of Hamilton, and the school districts of Cincinnati united in developing a permanent improvement program with a view to setting up intelligent plans for public works and to expend public moneys wisely and efficiently for the public good. Incidentally, it was supposed that such planning, if carefully carried out, would be an example for private industry. In this field government has been most neglectful of its responsibility to labor. Government officials have considered too often political expediency or necessity of meeting demands in one section of the community, or another, rather than a thoughtful plan of construction. A permanent improvement program in the Cincinnati area has enabled the taxing units to keep the tax rate more or less stable and, at the same time, to make public improvements as the demands would

arise. There was created also a public works reserve. Bonds which had been authorized by the public and for which the immediate need was not urgent were set aside in this public works reserve to be expended at the discretion of the Improvement Program Committee. This, in the present emergency, has been as effective as any public works program could be, in stimulating employment and reducing the burden of unemployment. Figures show that the employees direct by city and county in November, 1930, have increased by 100 per cent over the same month in 1929, and employees used by public works contractors on public jobs in the same area have increased by 25 per cent in 1930, over the number used in 1929. In public works, alone, municipal governments have an opportunity in an almost barren field for demonstrating what can be done in planning and creating work reserves.

Another field where municipalities can constructively attack the problem of employment is that of the public employment service. Too often public officials have continued to allow placement of men and women in jobs to be the complete responsibility of organizations and individuals in highly competitive commercial business. There has been no effort to study the employment needs of industry or the community occupational opportunities for the benefit of those who are entering business and industry as young men and women. Employment clearance is a task in which practically no work has been done by municipal governments, except on rare occasions and then only for short periods. With the expenditure of some money and the encouragement of educated and socially minded men to enter public service in the field of employment, improvement can be made immediately.

One of the first tasks of the Cincinnati Committee on Stabilization of Employment was to strengthen the State-City Employment Bureau. A subcommittee made a series of recommendations for improving records and methods of functioning. This committee inaugurated the monthly bulletin in Cincinnati and has encouraged employers to use the Employment Bureau continuously in supplying their labor needs. Regular and constant visits to industry by members of the staff were urged and insisted upon. The Committee plans in more normal times to develop the Bureau as a center for employment clearance and employment information.

The city of Cleveland, Ohio, and the city of Milwaukee have given examples of the service of this type of bureau to the community. Much has been said about a federal employment system and I wish to add my hearty endorsement to any plan, or to any legislation, which will stimulate the federal government to encourage the employment service in states and municipalities. Employment bureaus should be the center of employment information and such information cannot be made readily available unless the federal government and state governments will co-operate thoroughly with municipalities.

No municipality having leaders with vision should go along from day to day without some knowledge of such resources as are available for meeting emergencies. Intelligent plans for preventing unemployment must also include plans for meeting possible emergencies. Such plans are largely educational, but require some genius in leadership and organization. The people of the community must be made familiar with all resources available for meeting emergencies. Public opinion must support the theory that the first line of defense in an unemployment emergency

is in the extension of all possible jobs and the creation of new jobs in the community. After all, nothing meets such an emergency so well as jobs which are planned in advance or which can be created through natural channels in the community. When relief becomes necessary for the unemployed, he must understand that his resources are first in his friends, relatives, church, lodges, and other organizations with which he may be affiliated before he calls for public relief. The people of the community must support this idea of relief and attempt to save the public and private relief agencies for the most needy cases and to conserve the pride and self-respect of the unemployed by giving assistance before public charity is necessary. A municipal organization must then seek the cooperation of all social committees in unified program without establishing emergency committees and relief bodies with additional overhead. There is in every American community a sufficient number of regular relief and welfare organizations functioning year in and year out so that their coordination in a relief program would obviate the necessity for any emergency relief committee.

In addition to the coordinated relief the subcommittee on Cooperation with Agencies in Cincinnati has called upon all character building and health agencies to work more intensely in maintaining the morale and protecting the health of the city during the emergency. Special programs of vocational counseling and retraining for work have been under way as are other programs in the field of welfare and health.

To summarize, therefore, the steps that may be taken by any municipality for the prevention of unemployment:

1. The organization of a permanent committee on stabilization of employment through which all available information on this subject may be cleared; where industry might receive assistance and encouragement in its plans for continuous employment, and where the community may get reliable information on the actual state of industrial and employment conditions.
2. The organization of a subcommittee to secure the acceptance by industry and by the public of the principle of providing work for as many as possible during emergencies, even at reduced hours, if necessary.
3. The organization of a subcommittee to encourage intelligent planning in city, county, state and national public work and the calling upon public work reserve at a time when labor is plentiful.
4. The development of a well-equipped employment bureau making working agreements with employers of labor and keeping business and the community informed of the quantity and kind of labor needed and available.
5. The coordination of all regular relief and welfare agencies in the city in a complete program for meeting an emergency.

In brief, a municipal government should accept the leadership in bringing about cooperation between government, social agencies, chambers of commerce, educational systems, labor and industry, for a study of the problems of employment and development of intelligent plans for the prevention of unemployment. A city government can further bring into the open, for the intelligent understanding of its citizens, the discussion of problems of employment and of the underlying factors causing the maladjustments which result in unemployment. Such a discussion is necessary in creating intelligent public opinion.

UNEMPLOYMENT AND WORLD COOPERATION

BY LEIFUR MAGNUSSON

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Up to a year ago it might have been difficult to convince the more skeptical that unemployment and economic depression were world-wide. At that time there were countries like France and the United States which seemed practically free of unemployment or were going along on a not too unstable keel. It is now more than a year ago that the scene changed completely and today no country, no form of organization, no geographical region, no industrial or agricultural area but is afflicted in some way with the multitudinous plague of unemployment.

It is but a guess to say that there are from ten to twenty million workers in the world today, able and willing to work, and unable to find employment. Yet it is not such a wild guess when we consider the fact that we know more or less positively that there are over three and three-fourths million (November, 1930) wholly or partially unemployed workers in Germany, and two and a third million wholly or partially unemployed in Great Britain, and conservative estimates in the United States range from three and a half million to as high as five million, with some guesses ranging as high as nine million. It is easy to see that for two of these countries the ratio of wholly unemployed to total population is approximately the same: 1,836,000 wholly unemployed in Great Britain represents 5.0 per cent of its total population of 35,680,000; and 3,500,000, the lowest estimate for the United States, is roughly 3.0 per cent, and the highest estimate 4.0 per cent, of the total population of 122,000,000. For Germany the ratio is 6.0 per cent, or nearly twice that in the United States.

Equally as important as the present state of unemployment is its rapid spread during the last year. This is revealed through the different types of unemployment data which are available, namely, insurance systems, trade union reports, and registrations at employment exchanges. Of the three groups of data the most accurate are those obtained under the unemployment insurance systems. These existing sources of information indicate between 1929 and 1930 an increase of over fifty per cent in the jobless in almost any country one wishes to cite. Thus, in Austria from November, 1929, to November, 1930, the number in receipt of benefits under insurance rose from 167,000 to 238,000; in Great Britain from 1,062,000 to 1,836,000, roughly a seventy per cent increase; in Czechoslovakia, from 38,000 to 104,000, nearly a threefold increase; and in Germany, from 2,036,000 to 3,253,000, more than a fifty per cent increase. So also the trade union percentages and the number of registrants at the employment exchanges in countries where insurance systems are not in vogue serve only to bear out the clear-cut and distressing evidence of the more trustworthy unemployment insurance figures.

It is interesting to note that since the war the larger and more industrialized countries have progressively moved in the direction of increasing unemployment. Before the war, the countries of high unemployment were Denmark, Sweden, Netherlands and Australia. It was not until 1921 that Great Britain moved up into the ranks of the first five countries in volume of unemployment and continued there during the first five post-war years, but during the last five years Great Britain has been in the

rank of the lower five out of ten countries for which data are available. In 1923 Germany moved up in the class of the first five countries with the most unemployment, and has stayed there since that time.

Too much emphasis cannot be placed on this drift of the larger industrial countries into increased volume of unemployment because we have no data for the Oriental nations, particularly Japan and India. However, we know that unemployment in Japan has gone on relatively more rapidly than the pace of industrialization. And in the United States we know in general that before the war the trade union percentage of unemployment was somewhat higher than in Great Britain and Germany. And now since the war and during the last three years the American Federation of Labor ratio of trade union unemployment has been sufficiently high—from seven to 16.5 per cent on a weighted basis—to bring the United States into the group of the first five countries of maximum trade union unemployment. Thus, not only was the United States the last to be sucked into the maelstrom of depression, but it has also gone in deep. (Though in a footnote I should also say that the United States has usually been the first to extricate itself in past world-wide depressions).

These are all imperfect figures and cannot be taken to be more than exceedingly superficial manifestations of a deep-seated malady. For twelve years since the war the nations of Western Europe and a large part of the Orient have lived their lives under conditions of chronic unemployment. It is no exaggeration to say that unemployment has been the overshadowing problem in the world. It has changed ministries and determined whole parliamentary elections. Unemployment has been the inciting cause of revolution; it has raised up republics and put down monarchies; it has changed democracies to dictatorships. Not only have national political and social policies been dominated by considerations arising from unemployment, but even the acts of international conferences have been shaped by its urgent requirements. Indeed, in a sense, the whole complex of international bodies functioning at Geneva are mechanisms built up from fear of the consequences of harboring large bodies of the restless and unemployed within society. Unemployment has been the matrix which has shaped international institutions; and for the last ten years has conditioned their functioning and determined most of their policies.

The war did some very definite things to the world's economy. It is common knowledge, for instance, that the war acted as an embargo or high protective tariff for certain groups of countries. It started or extended the development of industrial enterprises, such as the textiles, coal and heavy machine trades. It stimulated, for example, the cotton export trade in such countries as Japan, which already had an established industry, and promoted its new growth in such countries as Canada and Brazil. In another way, France acquired an addition of nearly two million spindles from Germany in Alsace Lorraine, and Germany, in turn, has sought to regain her position and to equip herself with an equivalent of the looms and spindles lost to France; and a somewhat similar situation arose in several instances as the result of the break-up of the Austrian-Hungarian empire. In the woolen industry the war promoted developments as in Italy, Austria, Japan, Canada, Spain, Hungary, Belgium, Roumania, Greece and Yugoslavia, as well as in such South American countries as Argentina, Ecuador and Brazil. Furthermore, countries deprived of their own home markets by the treaty have sought to rebuild them anew within

their own boundaries, as, for example, Russia, Poland and Germany. In every warring country the coal industry expanded to meet the requirements for manufacturing war equipment which was much greater than the ordinary peace-time requirements. Not only that, but substitutes for coal, such as oil and electric power, were likewise expanded greatly over and above what had been the prewar needs. A similar excessive expansion affected the engineering and machine trades, which were left high and dry at the end of the war with the need of keeping themselves going by entering into competition with previously existing industries which were able to supply the ordinary requirements in the different countries. It would be easy to go on citing examples of the development of new industries and the expansion of existing ones to meet the gargantuan demands for consumption made by the war.

But why does not the productive machine keep on going? Why is there unemployment, or why is not the surplus of products made use of? By any standard of measurement we know that all the surplus food, all the surplus textiles, all the surplus power, light and fuel, could be made use of. There are millions of people without them; there are millions without adequate housing; there are numerous public services unfilled, roads to be built, schools to be erected; public wants of many kinds to be met. Population has increased nine per cent, and that much more at least must be fed, clothed and sheltered since the war. But on the other hand, foodstuffs have increased 35 per cent in quantity produced, and raw materials 42 per cent. Apparently standards should be rising all along the line, instead of being threatened here and there.

The true international character of unemployment becomes revealed when we turn to a consideration of the national solutions proposed and the reasons or explanations offered for its existence. Great Britain tells us that the difficulty lies in the loss of her export markets to the newer countries which have set up textile establishments, opened coal mines, established automobile factories. Germany says the difficulty with her is a lack of capital, the need of loans by which to finance a greater amount of production by which to pay her foreign debts. Canada explains her difficulty as lying in the agricultural belt with over-expansion of agriculture. Italy points to her lack of raw materials and to her surplus of population, for which she has ceased to find any outlet. In South America coffee, cocoa and mineral controls have broken down. In China silver is being demonetized; war and banditry flourish. In India also silver is slipping and revolutionary unrest is rampant. Japan claims inability to find an export market for her essential silk and cotton textiles.

If Germany, now, has her say and secures sufficient capital and lowers her cost of production sufficiently to take away markets in other parts of the world, she will obviously bring reaction upon herself and automatically not only lower her standards of living but will start a "procreant sequence" to lower standards of living in other countries. If Great Britain can lower her cost of production in textile manufactures and take away markets in Canada, Australia and elsewhere, she will simply transfer such manufacture from the dominions to home country, and in doing that she must undercut their prices. In a word, she would then merely transfer to her dominions the burden of her unemployment or rather cure it temporarily at their expense, only later to find that lost purchasing power in those dominions is once more reacting to produce unemployment in her own

establishments. And if Italy should export unlimited quantities of her overflowing labor supply she may threaten the standards of those countries to which that labor comes. In other words, it seems to me, each country by acting independently in these given ways is solving the unemployment problem by selling apples. For there is more truth than humor in the statement that by selling apples as a remedy for unemployment we merely boom the apple industry, and—if an apple a day keeps the doctor away—are asking the doctors to bear the cost of unemployment. It is obviously true that if you try to solve unemployment by stimulation of any given industry or group of industries you take away business from the other industries or groups where there is no unemployment.

In other words, is it not certain that if we tackle the problem without considering the relative need of different kinds of productive effort we are merely starting a vicious circle of reaction only to discover that what is one group's meat is another group's poison; what is one country's momentary advantage is another's immediate destruction; while the immediate destruction brought about in the latter country in turn destroys or minimizes the momentary advantage of the former country. Is it not clear that if the different countries of the world continue to deal with their unemployment problem by expanding unnecessary industries and cutting costs, the victory will lie with the one that can pull in its belt most tightly?

Obviously, very few of the problems which underly unemployment are purely national in their incidence and reaction. The governing body of the International Labor Office at this moment is meeting to consider some of the underlying factors and has before it an enumeration of the problems which runs something like this:

1. Unemployment as a consequence of tariff competition between states;
2. Unemployment as a consequence of the unsatisfactory distribution of capital and raw materials among the various countries;
3. Unemployment as a consequence of an unsatisfactory distribution of national income among the various classes of the population;
4. Unemployment as a consequence of the difficulty of adapting production to the requirements of consumption;
5. Unemployment as a consequence of the development of new industries, changes in industrial technique, and, more generally, certain forms of economic progress;
6. Unemployment through money fluctuations;
7. Unemployment through an unsatisfactory international distribution of labor.

Many theoretical questions underly these itemized suggestions as to the causes of unemployment. There is probably no single unilateral, one-track solution for any and all of these problems. In a society that has political, social and cultural interests at stake as well as purely economic ones, one must see, I think, that the solutions of any one of the problems of society must necessarily be complex and many sided. In short, every problem is also a problem in adjustment; a problem in coordination; a problem in planning.

As a matter of fact, international bodies at Geneva have been working on these problems of international coordination in the sphere of economics and social relations for the past twelve years. Much of the spade work has been done in the way of assembling statistical information and suggesting lines of action. For instance, the International Labor Office has its facts regarding unemployment, so far as they go, and inadequate as

they are, because they come from incomplete and different sources; it has its analysis of various factors underlying the problem, some of which were enumerated above; it has helpful information regarding employment agencies, coordination of public works, unemployment insurance. The economic and financial sections of the League, the International Economic Conference, the Bank of International Settlements, and a host of consulting advisory bodies have been working on the underlying problems of the world economy. In short, the difference between the world today and in 1919 is that we have institutions and means of dealing with the problem, institutions that are coterminous and commensurate with the problems themselves.

The last and final word then is a summary in these terms: An international survey of unemployment has brought us face to face with the vision of a planned world economy. The question is how can we organize the world economy so as to maintain civilization and prosperity, not under conditions of what has been called a "deficit economy", conditions under which there is an actual shortage of the material goods that make up prosperity, but rather how to maintain our standards under conditions of what, on the other hand, has been called a "surplus economy," where industry has learned to produce more than can be consumed. We have the materials of prosperity about us like an unassembled automobile, ready to be put together; we have the factory and equipment in the shape of international institutions through which to work. What are we going to do about it?

WRHS

RESERVE

THE ROAD TO PLENTY

BY WILLIAM TRUFANT FOSTER

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The seventh chapter of the Book of *Ecclesiastes* has this to say about business depressions: "In the day of prosperity, be joyful; but in the day of adversity consider."

This may mean, consider permanent preventives of future adversity. But apparently not, for the next sentence warns us that God hath made prosperity side by side with adversity, to the end that man should not find out anything that shall be after him. This seems to be fair warning to those who engage in the extra-hazardous occupation of business forecasting.

Fair warning, also, we find in the same chapter for those who seek to iron out the curves of the business cycle: "Consider the work of God: for who can make that straight, which he hath made crooked?"

This was the Biblical warning, we assume, which prompted a United States Senator to declare: "I would rather postpone a panic until the time when God brings it, than to have Hoover entrusted with this power and get the panic a year sooner. We had better let God run it, as in the past."

This is the economics of original sin. It has been expounded by doctors of despair for many generations. It is, indeed, "the dismal science."

But even economics has its heretics. They contend that a business

depression is not an act of God, for it is essentially a monetary phenomenon, and over the production and distribution of money man has absolute and unlimited control.

There are, then, certain monetary fundamentals which every conference on unemployment should set down at the outset, and keep constantly in mind. Here are a few of these fundamentals:

We live and work—or fail to get work—in a monetary economy. Over 99 per cent of our business is either done through the exchange of goods for money, or it is not done at all. Over 90 per cent of the money is bank credit.

With a given volume of bank credit in use, a given volume of business is possible, and no more. More business requires more bank credit.

When the bank credit falls off, business and employment fall off, too. They *must*. There is no other possibility. We either get the wherewithal to keep men employed through bank credit, or we do not get it at all. Whether we like it or not, that is a fact. We cannot possibly devise a permanent preventive of unemployment without taking that fact fully into account.

A decrease in the volume of bank credit, it is true, might be offset by an increase in the turnover of bank credit; but it is precisely when the volume shrinks that the turnover slows down.

In 1929, by deliberate intent, the Federal Reserve System exerted pressure which reduced the volume of bank credit by several billion dollars. Business inevitably slumped. So, also, did employment. In a single year, wages fell off nine billion dollars. That was partly because money was hoarded, in a wasteful kind of thrift. But it was *mainly* because the money wherewith to pay more wages was *not in existence*.

The Federal Reserve System was effective in driving billions out of circulation. It has done nothing effective toward bringing those billions back. But the lost business and the lost jobs will not come back until the lost money comes back.

Nothing else will restore prosperity. Under existing conditions, all measures which do not increase the flow of money are feeble. Most of them have little effect on the volume of wealth or on the volume of employment. They merely bring about a wider distribution of a given amount of suffering.

The five-day week and the six-hour day, for example, do not, in themselves, create trade or payrolls. Leisure is not legal tender.

Money is the crux of the problem. At this very moment business in the United States needs nothing but money spent by consumers. Business has everything else it needs in order to put at least four million of the unemployed to work and increase our standard of living by at least fifty per cent. Producers do not need stimulated conscience so much as they need stimulated buying. They are eager to employ more men and turn out more goods. They cannot do that until they can sell the goods. They cannot sell the goods until there is more money in circulation. The necessary money will go into circulation through the expansion of bank credit—now potentially ample—or it will not go into circulation at all.

It does very little good to focus on the problem the conscience of the nation, unless thereby we focus on the markets the potential bank credit of the nation.

TECHNOLOGICAL ASPECTS: THE FUNCTION OF WAGES AND HOURS

By JOHN P. FREY

Secretary-Treasurer, Metal Trades Department, American Federation of Labor

From the day when it was organized, the American Federation of Labor has been profoundly interested in establishing permanent preventives of unemployment. On many occasions it has been forced to adopt policies to deal with the acute human and economic problems created by involuntary idleness during periods of industrial depression.

While recognizing that the unemployed must be housed and fed, trade unionists have resented the thought that wage earners eager for work, should be subjected to bread lines, cots in warehouses or armories, and the widely advertised public charity for their relief. While the human suffering caused by wide-spread unemployment has gripped their heartstrings, American trade unionists have been primarily interested in removing the basic reasons of unemployment. As a most practical and soundly economic method, they have steadily and consistently advocated higher wages. We have believed that higher wages increase the volume of employment, while lower wages operate to decrease employment and the volume of manufactured goods.

The American Federation of Labor has been forced by necessity to study the economics involved in production and distribution, and to search for a clearer understanding of the economic facts involved. At the Atlantic City convention of the American Federation of Labor, held in 1925, a declaration relative to wages was adopted which will bear restatement, for it has become the generally accepted position of our organized wage earners. In substance it was, "That American industry and commerce must suffer serious injury, unless the wage earners' real wage, the purchasing power of their wages, increased in proportion to industry's increasing capacity to produce."

It is evident from this statement that in addition to insisting that the wage earner should receive a wage rate to which his labor entitles him, it is essential for the health of industry and commerce that these wages should increase in proportion to the wealth being created by industry and commerce, and that any failure to maintain such an economically sound wage must result injuriously to the wage earner, and disastrously to industry and commerce.

We will grasp the economic soundness of the American trade union position by examining the industrial, commercial and financial experience of recent years.

Whatever differences of opinion there may be as to the causes for the existing industrial depression, there will be agreement with the statement that a most serious industrial depression affects our country at the present time, and that similar depression varying in degree, is at present affecting practically every nation of the earth.

Many reasons for this world-wide depression have been advanced. Among the most important, apparently, are the diversion of wealth for military purposes in Europe and Asia; a world agricultural crisis; a fall in the value of silver; political unrest; burdensome taxation to pay off war debts; speculation, and overproduction or underconsumption. In our

country the principal reasons are probably lowered agricultural prices and so-called overproduction.

The term overproduction is as unsatisfactory as it is misleading. We use it only because it has appeared so frequently in connection with statements relative to the causes for the unhappy industrial situation which now exists.

We are informed that there has been an overproduction of agricultural products; yet, in addition to the bread-lines now to be seen in the industrial centers of the world, we find ourselves called upon to feed starving farmers in our own country, and witness the failure of hundreds of banks in the agricultural districts.

It is said that there has been an overproduction of manufactured goods; yet, nothing is more evident than that mankind is eager to own and use even more manufactured goods than have ever been produced. The problem is not in the capacity of our industries to produce, but of the peoples of our country and of the world to find the means for purchase.

Since the World War manufacturing industries have been rapidly developed in countries which had previously depended largely upon others for manufactured goods. Processes of manufacture have been greatly improved. As a result, the wealth created by these industries has increased more rapidly than at any previous time in the world's history. Yet, we find the purchaser's market so unable to make use of this new creation of wealth and of industry's capacity to produce, that millions of wage earners in our own and many other countries are unemployed and many of them dependent upon private and public charity.

We can not reach sound conclusions as to the economic steps which are essential, if we are to prevent permanent unemployment, unless we have some understanding of the marvelous changes which have taken place in the creation of wealth by industry, agriculture, and through the enormously increased per capita productivity of labor.

Federal statistics for the five year period ending 1927, indicate that approximately 2,000,000 wage earners had been eliminated from the production and transportation industries, over 900,000 from our manufacturing establishments, approximately 240,000 from our railway transportation service (and this does not include the railway shopmen), and some 800,000 from agriculture.

Yet, with the elimination of these 2,000,000 wage earners during a five year period, we find that in 1927 our manufacturing industries were producing more in volume and value than in 1922, that the number of ton miles and passenger miles hauled by our railroads was larger than ever before, and that the volume of our agricultural products had materially increased.

This five year period was practically a normal one. There had been no artificial stimulation to industry. There had been no serious depression. While we would not attempt to forecast, the experience of this five year period would justify the conclusion that during normal times in the future, if scientific and technical methods continue to be applied to industrial processes, there will be a further elimination of wage earners required to produce an equal volume of goods which some now hold created an overproduction which caused the present industrial depression.

Industry's capacity to increase the volume of per capita production has been so rapid as to be revolutionary in its effect upon our civilization.

Power and machinery in a most extraordinary manner have replaced the workman's brawn and skill. In 1869 there was 1.14 horsepower per wage earner applied in our American industries. The increase in the volume of power developed slowly, for in 1899 it was but 1.90. Beginning with the present century the development was rapid. In 1927 it had increased to 4.65 per wage earner, and at the present time it is assumed that it amounts to over five horsepower per capita.

This power has been applied to machinery, iron and steel carrying the strain formerly resting upon human backs. Much of this machinery performs operations which would be physically impossible to accomplish by human beings regardless of their physical strength or their manual skill.

To power and machinery have been added the application of chemical and other technical and scientific processes which have greatly increased industry's capacity to produce. Yet, with this enormous increase in productive capacity, we seem to be only beginning the application of industrial processes which will, to an even greater extent, increase the volume of per capita production in our manufacturing industries.

We are informed by federal authority that if all of our blast furnaces were as efficient as the most efficient, the volume of production of pig iron at the close of 1929 could be secured by the employment of 3,000 men instead of the 28,000 then employed.

If our saw mills were operated as efficiently as the best, 45,000 men would do all of the work then being done by 292,000.

If our coal mines were operated on the basis of the most efficient, 420,000 men would produce the coal then requiring 750,000.

If our boot and shoe factories were all operated as efficiently as the best equipped, 81,000 boot and shoe workers would produce the same number of pairs of shoes then being turned out by 200,000.

Equally astounding statistics have been compiled relative to agriculture. We are informed that if agriculture was carried on as efficiently in all of the states as it was in Illinois in 1929, 3,500,000 farmers and farm laborers would produce what then required the labor of 8,100,000 men and women on our farms. Yet, the production of farm products per capita in Illinois is not as great as in Iowa.

Why is it that with this astonishing capacity to increase production, we should find ourselves in the grip of so serious an industrial depression?

Are we to assume that increasing the nation's wealth tends to create unemployment and stagnation of business? Are we to believe that the increasing productiveness of our farms, necessitates the application of charity to keep many farmers from starvation? Are we to believe that increasing the wage earner's capacity to produce, must result in increasing the number permanently unemployed?

If we believe these things, it will be because of our failure to understand the principal cause of our present economic unbalance, the failure to distribute the wealth created by industry and commerce so that the mass of the people can make use of the abundance of goods produced. In other words, we must interpret the present industrial depression by comparing the amount of wages paid to the new wealth created by industry.

It will then be found that primarily industry is staggering, and an army of unemployed are clamoring for work because industry and commerce, particularly since the war, have been paying wages which were economically unsound. The wage rates have been altogether too low.

Nothing could be more revealing than the cold, stark figures of the Census of Manufactures for 1929 as compared with the census for 1927. During these two years there was an increase of 393,006 in the number employed. The additional wages paid in 1929 over 1927 amounted to \$572,828,522. This was a material increase in the wage earner's capacity to consume, but the value of the products increased so enormously during this two year period that the wage earners in industry were in reality much less able to purchase the output.

In 1927 the total value of our manufactured products was \$62,718,347,289. In 1929 it was \$69,417,515,929. In two years the value of these products had increased by \$6,699,168,640.

To appreciate the full significance of these figures, we should compare them with those submitted by the Census of Manufactures for 1925 and 1923.

In 1923 the value of products for all manufacturing industries was \$60,529,574,115. In 1925 it was \$62,668,259,591. The increase in 1925 over 1923 was almost \$2,000,000,000, but the increase of 1927 over 1925 was but a trifle over \$50,000,000.

How does this compare with the total of wages paid? In 1923 the total of wages exclusive of salaries was \$11,007,851,450. In 1925 it was \$10,727,337,625. In 1927 it was \$10,848,802,532.

The total value of products in 1923 was \$60,529,574,115, while the total paid out in wages was \$11,007,851,450.

In 1929 the value of products was \$69,417,515,929 while the wages for that year were \$11,421,631,054.

While the increase in the wages paid in 1929 over 1923 amounted to \$413,779,604, the value of manufactured products increased from \$60,529,574,115 to \$69,417,515,929, an increase of \$8,887,941,814.

It will be seen from these figures that although there has been a rapidly widening gap since 1923 between the value of products and the volume of wages, this gap was widened much more rapidly in the years 1928 and 1929.

We have not attempted to break down the figures for value of products into consumers, and producers' goods. For the purpose of indicating the trend this is unnecessary. Even if these figures were broken down to an even greater extent, the outstanding feature would be the accelerating speed with which the value of products have outstripped the volume of wages.

Additional evidence of this widening gap is found in the federal statistics which give the percentage of wages paid to the value added by manufacture. In 1849 the wage earner received in wages 23.3 per cent of the value of the finished product and 51.1 per cent of the value added to the raw material through his labor. In 1929 the wage earner received 16.5 per cent of the value of the finished product and but 36.2 per cent of the value added by labor.

As the principal market for our manufactured products is the home market, it is not difficult to understand why this enormous increase in the value of products as compared with the increase in the total wages paid, resulted in a collapse of the consumers' market, which, more than any other factor, or all of the other factors combined, is responsible for our present industrial and commercial stagnation.

The comparatively small increase in the total wages paid as compared

to the enormous increase in the value of products manufactured, created a rapidly increasing under-capacity to consume.

Industry during these two years had more successfully than ever before demonstrated its capacity to produce, but had to an equally demonstrable degree failed to provide for a distribution of the wealth created, which would enable the mass of the people to maintain a consumer's market which would permit industry and commerce to function normally and healthfully.

In view of the rapidly widening gap between wealth created and wages paid between the years 1927 and 1929, it is of interest to note some of the financial results which followed.

Wages and salary payments in manufacturing industry for the first half of 1930 were approximately \$815,000,000 less than for the first half of 1929. Yet, dividend payments for the first half of 1930 were \$350,000,000 more than for the first six months of 1929.

Wage and salary payments to railroad employes for the first half of 1930 decreased \$91,000,000. Yet, during the same period railroad dividend payments increased \$39,900,000.

For the first eleven months of 1929 all corporations paid out \$6,881,101,000. During the same eleven months of 1930 all corporations paid out in interest and dividends \$7,494,627,000, an increase of \$613,526,000 over the same period of 1929.

It has been impossible to secure any such complete data relative to agriculture, though in this group we know that enormous suffering and financial loss has been caused because of the farmers' low purchasing capacity in return for their contribution to national welfare. It should be noted, however, that modern and more scientific methods have enabled the agriculturist to increase his per capita output, so that it has fully kept pace with industry's increasing capacity to produce.

The statistics relative to value production and total wages paid, with their staggering implications, make it evident that one main cause for the existing national depression has been the failure of those directing industry and commerce to understand certain simple economic facts. Industry can no more continue to produce without a market than it can check money out of the bank without having first made sufficient deposits.

Our production experts have astounded us with the results which they have secured in industry, and we are now staggering industrially because of their utter failure to stabilize production, or to establish an economically sound relation between the wealth produced by industry and the amount of wages paid to the workman.

Unless the real wage paid increases in proportion to industry's capacity to produce, there can be no permanent prevention of unemployment. It is a realization of this fact which led the American Federation of Labor to adopt the wage philosophy which it announced in 1925. It is not merely a question of what labor may be entitled to. It is largely a question of the volume of wages which must be paid unless industry and commerce desire to strangle themselves for dividends and interest will not continue to be paid unless the real wage is materially increased.

The American trade union movement has steadily advocated a shortening of the hours of labor. The first trade union effort was to establish a 10-hour day, then slowly the hours were reduced to nine, and then to eight by the organized workers.

Our efforts met with the employers' active opposition. They held that shortening the hours of labor involved higher costs of production; that it retarded industry in the production of wealth, and increased the cost of products to the public; that shortening the hours of labor was unsocial as well as uneconomic.

Time and experience have proved that they were wrong, for as the hours of labor decreased, the output per capita increased while the labor costs of production decreased, although the dollar and cent wage were advancing.

The nine and in some instances the eight hour day had been established before present methods of industrial production had fully demonstrated their revolutionary effect.

The increased use of power, the introduction of new types of machinery, of chemical and other technical processes, the more intelligent direction of production, have created an entirely new economic condition.

HOURS OF LABOR

The justification and advisability of shortening the hours of labor are not entirely those of fifty years ago. It is no longer necessary that men should work as many hours as formerly so that all might live in comfort and abundance. The use of power to replace human brawn, and of machinery to replace the skilled craftsman, should give the mass of the people a much greater opportunity to enjoy the recreations and the opportunities which modern civilization affords.

If the industrial era which we are now entering were not so revolutionary in its results, we might not be justified in advancing the thought that the wage earner should have more leisure so that he would become a larger consumer by spending more money. Yet, unquestionably, many of our industries and business enterprises must depend in the future largely upon supplying those products which will be principally purchased in connection with the wage earner's leisure time.

The thought has been advanced in some quarters that reducing the hours of labor would reduce unemployment. We can not bring ourselves to advocate a reduction in the hours of labor with the belief that it would of itself reduce unemployment. If our assumption that the present industrial depression is due principally to the failure of industry to pay an economically sound wage, then reducing the hours of labor could only improve the situation temporarily.

If one-half of our wage earning population were idle and the other half working full time, and those employed would agree to work half time so that the other half would have employment and the total wages paid were not increased, then the only thing accomplished would be that everyone would be employed part time, but the total amount paid in wages would in no way increase the capacity of the wage earners as buyers.

The American trade union movement believes that the hours of labor should be materially reduced. Humane, social and economic facts justify such a reduction. But we are equally convinced that this is in no way a remedy for unemployment unless the wages are increased until they reach the point where the total real wage is balanced with the volume of wealth created by industry.

We have presented and considered the statistics and economics of the problem created by the relationship of total wages to total value of manu-

factured products. We have refrained from any expression of opinion relative to the moral, the social and the political problems which these economic facts have created.

We have endeavored to present the data with the sole object of bringing out the facts. For our present purpose the facts brought out are so staggering in their implications that we have left them to speak for themselves. We have endeavored to restrict ourselves to the subject assigned to us—the part played by wages and hours of labor in the permanent prevention of unemployment.

The data to which your attention has been called should be sufficient to compel those occupying directive positions in industry and commerce to realize the vivid dangers which have been created through their failure to pay an economically sound wage.

ARE BUSINESS CYCLES AVOIDABLE?

BY GEORGE SOULE

Editor, "The New Republic"

Your committee has given me a half hour to answer a question which has puzzled the world's most eminent economists for decades. I hope you will be tolerant, therefore, if what I have to say sounds dogmatic or oversimple. To support it with adequate authority, to make the necessary elaborations and qualifications, and to marshal the necessary statistics, would be a task for a research staff scouring an encyclopedic literature and pounding batteries of computing machines for years. If we in this room have an excuse for discussing a problem in which the work of scholars is so far inadequate, it may be that we possess the valor of ignorance, and that it will require a high degree of valor to take the action which may lead to a solution.

The classical economists, who elaborated the theory of *laissez faire*, assumed that the normal condition of economic affairs was one of wholesome balance. They paid little attention to industrial depressions, since these were thought of as abnormal or unexpected disturbances, arising from some deplorable interference with the normal condition. But contemporary economists, who have made a more realistic analysis of our economic institutions, have discovered that industrial depressions are characteristic of the business order. They are not abnormal or unexpected, but recur with distressing emphasis. They occur in every society which has developed the technique of money and banking, and in which private enterprise carries on the work of production and exchange. They become progressively more severe with the growth of this order, at least up to a certain point. There is a theory that as the business order matures and settles down, depressions tend to become less violent, but this theory may have to be modified in view of the world's experience since 1929.

It is worth interrupting our train of thought for a moment here to remark that a great many leading politicians, business men and bankers talk as if they knew nothing about the matter except the point of view of the classicists. They never seem to expect depressions before they arise.

When a depression comes, they talk volubly about a return to normal. They assume that the depression was caused by some interference with the ordinary processes of business, and that continual prosperity can be assured in the future by preventing such interferences. This point of view is unscientific and futile.

Of a piece with the modern scientific conception of depressions is the view that depression does not stand by itself in the course of events, but is one phase of a continuous sequence, which includes revival, boom and recession. Each of these phases contains the seeds of its successor. Boom leads to recession, recession to depression, depression to revival and revival to boom. This round of phases is called the business cycle. If anything is normal to the business order, it is not a condition of balance or equilibrium, but a condition of disequilibrium, in which we are always about to fall off the tight-rope in one direction or another. If we want to abolish depressions, we shall at the same time have to abolish booms, recessions and revivals. The inevitable conclusion from this view is that emergency action, undertaken during a depression and forgotten later, however necessary it may be to relieve misery, is merely locking the garage after the car is stolen, as far as any permanent effect is concerned. Some continuous policy or group of policies is called for.

We must not take the idea of the business cycle too literally. It does not mean that every period of depression is just like every other such period, and will last exactly the same length of time. It does not mean that we can predict when the next depression will come. The oscillation of business conditions is irregular, not periodic and predictable like the phases of the moon. Nor does this theory mean that nothing else can affect business except the cyclical forces. We can have depressions like that of 1924, which are identified by statistical charts but which occur in the course of a long period generally thought of as prosperous. Or we can have revivals and peaks in the statistical charts which occur during long periods generally characterized by hard times, like those of the seventies or nineties of the past century. It is by no means certain that the forces behind these longer periods of prosperity or depression are cyclical, that they oscillate in any particular order at all.

It is natural to suppose that if we are to eliminate the business cycle and stabilize industry, we must first discover the cause of the oscillation. When we turn to the economists for enlightenment on this subject, we are confronted with a bewildering array of theories. Thinker after thinker, some of them careful scholars, many more of them mere quacks, have advanced opinions about the matter. There are hundreds of these theories, differing from each other in greater or less degree. They may be classified in three main groups. Some students have found the cause in a region beyond human control. Among these are Jevons, who supposed that variations in business arise from variations in crop yields, which in turn arise from rhythms in solar radiation, and Henry L. Moore, who links the rhythms of solar radiation to changes in the phases of the planet Venus, and Ellsworth Huntington, who begins with the sun and ends with changes in human health and attitudes. Others attribute business changes to a rhythm in the emotional states of business men, as does Pigou. The third and largest group finds the causes of the cycle in the operation of economic institutions. In this group are those who talk about overproduction or underconsumption, or the effect of gold, credit and banking

policy, or the consequence of savings, like William T. Foster whom you heard yesterday, or inequality in the distribution of income, like Karl Marx or John A. Hobson.

Though, like every other student of the subject, I have my own opinions as to which of these theories contain the largest elements of truth, it would be absurd to ask you to believe that I, or anyone else, had picked a way through all the doctrine and put it together in a final form, which was adequately supported by analysis of reliable statistics. Nobody really knows the truth of the matter, in the sense in which scientists know the laws of physics which enable them to build bridges or predict solar eclipses. We are nearer the truth than we were ten years ago, but the various theories remain hypotheses, many of which cannot be tested by objective evidence, some of which are mutually contradictory, some of which may be good accounts of one aspect of a cycle or of one cycle, but not of all, and some of which are merely different ways of describing the same phenomena.

Must we therefore fall back on a counsel of despair, and say that nothing can be done until the economists have spent another decade or another century in research and discussion? That would be true if our first supposition were correct, that is, that the cycle has a cause, which must be discovered before a remedy can be prescribed, just as we had to discover the germ which causes diphtheria before we could develop a serum to prevent it. I am going to ask you to believe, however, something which may sound paradoxical, but which I am confident the weight of economic authority will ultimately support. I am going to ask you to believe that the business cycle has no cause. And I am going to defend the proposition that our task is not to find a single cause and eliminate it, but to pursue a purpose which is both more simple in conception and more ambitious to execute—that is, to make economic affairs behave in a rational and desirable way.

What can be meant by the proposition that the business cycle has no cause? Let me illustrate by analogy. We say that diphtheria has a cause, since it is a disease of the human body, produced by a specific organism. Normally, the human body exists without diphtheria. The changes which diphtheria make in it are due to a single variation from normal—the presence of an identifiable germ. Remove the variation, that is, the germ, and you cure the disease. That is what a cause is—a variation occurring independently of other circumstances, the presence of which will bring a definite type of change, and the absence of which will prevent the change. But suppose someone were to ask you to assign the cause for the beating of the heart. Is it the arrangement and the energy of its muscles? Is it the control exercised by the nervous system? Is it the way in which the blood circulates? No one of these answers would do. Scientifically speaking, the beating of the heart is not something which has a cause, but the way in which the heart behaves, in a living human body. The heart is part of a complex, the interrelations of which are necessary for its functioning. No more definite cause can be assigned for its action than the presence of the organism of which it is a part, or of life in this organism. Doubtless you could all furnish a metaphysical answer to the question of cause in the case of the heart, but that is really beside the point in the realm of scientific analysis.

Now, the business cycle is one of the ways in which the business order

naturally behaves; it is not a disease or abnormality caused by the presence of a single hostile germ. You can describe this behavior in hundreds of different aspects; you can elaborate in endless detail the relationships between fluctuations in employment and changes in production, prices, incomes, credit, savings, investment, etc., etc. But you cannot say that any single one of these relationships is the cause of unemployment. The trouble with even the most persuasive theories hitherto set forth concerning the cause of business cycles is that each of them concentrates on one of these aspects or relationships to the exclusion of most of the others. The consequence is that each of the remedies proposed is inadequate to deal with the total situation. Some of the remedies are pure quack medicines, others may do some good—though we have little means as yet of knowing how much good.

In one important respect, however, the analogy between the business order and the human body is a most imperfect one. This very imperfection gives a clue to the solution we are seeking. The human body is a high type of organism, with a natural equilibrium in its processes. But the business order is scarcely an organism at all; at best it is a low type of organism, a complex characterized in large degree by disorder and lack of balance. Its action is anarchistically determined by the choices of hundreds of thousands of theoretically independent cells. Each person or business concern decides how much to spend and how much to save. Each decides what to buy and what to do with the savings. Production, investment, credit, prices, wage-payments and all the rest are the result of countless choices in countless places. Each choice is, to be sure, largely determined by the conditions produced by all the other choices, but few of them are made on the basis of adequate information and foresight, and almost none of them depends on a plan or policy related to the common interest. If we are to think of business order as a body, we must think of it as a body without a brain. We have magnificent muscles in our great industrial plants, efficient arteries in our railroads and highways, sensitive nerves in our lines of communication. But we have only a trace of gray matter in our economic cranium. If our economic leg muscles decide to run after a butterfly and our arm muscles are intent on picking wild flowers, at the very time when our stomach is crying for bread and butter, we ought not to be surprised by the resulting hunger. We should not be so surprised, if we had a brain.

Economists can point out dozens of examples of such crazy behavior in the business order. We speculate by buying securities for the rise, borrowing money to do so at a higher rate of interest than the securities yield or can reasonably be expected ever to yield. We float bond and stock issues to furnish capital for industries which are already overexpanded in relation to any predictable demand for their products; we lend money to foreign governments which are clearly on the high road to bankruptcy. We increase protective tariffs against imports, while striving to enlarge exports and at the same time collect reparations and war debts. We enhance the ability to produce goods per man hour of labor by an average of at least three or four per cent a year, and expect these goods to be consumed by wage earners, the purchasing power of whose wages advances on an average of not more than one or two per cent a year, and by farmers whose purchasing power actually declines. We invest in new capital goods without saving to pay for the investment, or save without investing

in new means of production. Great corporations, whose surplus profits are so large that they cannot profitably employ them in increasing their production of goods, lend these funds to enable persons to speculate in the stocks of these same corporations, on the assumption that their markets for goods are unlimited. Why are all these things, and hundreds of others like them, done? Not because the obviously crazy results are sought by the individuals who do them. Only because each individual, acting in his own immediate interest, either does not foresee or has no reason to care greatly about what the total result will be.

The major task of our civilization is to create a brain and a coordinating nervous system for our economy. It is to organize our great economic organs. The need of doing so has, indeed, been seen for so long by a few and is now being declared by so many, that to say this is almost trite. The difficulty is not so much to appreciate the need as to know just how it can be met.

If it has taken about a half hour to elucidate the problem of the business cycle, it would take at least another half hour to draw up a constitution for an organized economic community. Here, especially, I must be content with expressing a general point of view. It is easy to suggest specific pieces of machinery to approach the end. There might be a continuous National Economic Council, a representative body drawing its members from various important industries and occupations—both management and labor groups—from experts, and from administrative officials concerned with these matters, to give connected consideration to economic policy and make recommendations both to government and industry. France and Germany both have councils of this sort. There might be an economic general staff—a body of experts professionally employed in correlating current statistical information, making it more complete, attempting to check up changes and foresee problems, planning and making recommendations for action. There might be a national planning board, concerned chiefly with the development of the country—a body to carry out on a national scale the sort of thing now done by city planners and by regional planning. Such a body would be of inestimable value in any large program of public works to relieve depression. There might be a national board of investment, which would attempt to regulate intelligently the saving and investment of capital both by private persons and by government, much as the Federal Reserve System is now supposed to regulate commercial banking.

What I would emphasize about all such pieces of machinery is, first, that they do not promise a prompt remedy for all our troubles, but merely a way of starting to build up the knowledge and the instruments without which we cannot even attempt planning and control on a sufficiently large scale. They would sift information, seek to apply theories, try experiments. They might greatly widen the area of intelligence and might sharpen issues, decisions on which would really be relevant to the major problems facing us.

It seems to me that industrial civilization must progress in this direction, if human intelligence has any power at all. Nevertheless, the road will not be easy. We have been brought up on a doctrine of the sufficiency of individual rights and the supremacy of competitive private enterprise. Many persons and groups have, under this doctrine, achieved positions of advantage in wealth and in power, which make them reluctant to admit

the need of anything further. Freedom to act without reference to social planning and control will be stoutly defended. The Communists, as you know, hold that it is impossible to carry out social planning in the interest of the community without first abolishing altogether private ownership of the means of production. They may be wrong, but we shall never know whether they are wrong unless we try. It appears to me that it is the first obligation of the so-called capitalist nations to make the attempt, and that this would have been their obligation if there had never been any such thing as communism. Private enterprise uninformed by public policy simply does not work well, and the more complex our industrial civilization becomes, the less it will work.

If we are ever able to relate our economic activities to a policy carried out through careful planning and expertly devised control, a policy whose main purpose is to produce the greatest possible amount of wealth, satisfaction and leisure for everyone at the least possible sacrifice, we shall no longer have the business order as we know it. We shall have achieved a higher type of economic organism, one with a brain and nervous system, one which does have a natural equilibrium. The business cycle will have disappeared with the old business order or will have become only barely traceable. We may utilize a large number of the devices hitherto recommended by the various theorists; we shall undoubtedly discard some of them. We shall have abolished unemployment by a process of envelopment. I do not believe there is any other way to abolish it.



II. UNEMPLOYMENT INSURANCE

FAVORING UNEMPLOYMENT INSURANCE

By JOHN R. COMMONS

Professor of Economics, University of Wisconsin

I wish to give warning to Mr. Edgerton and to you ladies and gentlemen, that while I am programmed here for a speech favoring unemployment insurance, I am opposed to unemployment insurance. But I propose to convert Mr. Edgerton to the system which I am going to propose to you this morning, and I do not think it is hopeless. It has been formulated into legislative bills in the Legislature of Wisconsin, known as the Huber bill of 1921, and its last form is the Groves bill of the present Legislature.

If we can get the National Association of Manufacturers and the big financial powers in New York City to agree to this thing, we can pass it. But I have it from the insiders of the National Association of Manufacturers and from the insiders of what we may call the great financial interests of New York, which control the credit of the country, that they do not want to prevent unemployment. They want to have it continue until labor is willing to take a cut in wages, then when that cut in wages arrives, and labor is, as you might say, coerced into taking the cut, then our American financiers and our American industries may be able to compete with Europe—with the low wages of Europe. So, with the manufacturers of this country and the financial interests of this country, which control the credit supply of this country, we find they are taking their time for this thing to work out.

I think they know that unemployment insurance, so called, will strengthen the resistance of labor, and labor will not accept a cut in wages. That is the experience in England; labor is more resistful to a cut in wages because they have unemployment insurance.

My statement of this fact regarding the National Association of Manufacturers and the big financial interests of the country is not hearsay; but I can only give you one public statement, that of Mr. Wiggins, who has been put forward as the spokesman of the financial interests, and who is chairman of the board of directors of the Chase National Bank. He has been the first, and as far as I know, the only one of the financial people to come out and openly say: There must be a reduction of wages.

We have been fed up on something different in the last four or five years; that we must maintain the standard of living and the purchasing power of labor, but we are changed. It is now said that we must bring labor down, so we can compete with foreign markets.

That leads me to suggest to you the careful study of what we might call the profit motive. If we adopt the communistic basis of Russia, we will, of course, abolish unemployment. We may not abolish starvation,

necessarily, but we will abolish unemployment. But if we have the profit motive to contend with, then let us see how we can handle the problem. There is a difference between unemployment insurance and unemployment reserves. The two must be clearly distinguished.

In order that I can get it out quickest, the best thing for me to do is to go over my own experience and experiments during the past ten years, and explain to you how the profit-psychology worked out in this matter, as contrasted with the wage-psychology. I am trying to build on the profit-psychology.

In 1924 the men's clothing industry of Chicago by an agreement between the manufacturers and the labor union established unemployment insurance. There came up a big issue between the manufacturers on the one side and the labor union on the other as to the character of that insurance, the character of the contribution.

The working people, the labor union people, are up against the hard fact of unemployment, of emergency, and the need of relief; and they want to have the benefits in abundance now, without caring anything about prevention. They take what we might call the social point of view.

But the manufacturers in the clothing industry—they figure it out this way—and it is the way I had figured it out. We do not want insurance because insurance means that we contribute our premiums into a common fund, and that fund is then distributed to help our competitors—the unemployed of our competitors. No individual firm is placed on its own responsibility, and no individual firm can gain anything, if it prevents unemployment.

Let me take an illustration from the British system. In Great Britain an employer who gives steady employment pays 52 premiums during the year; and those premiums are turned over to a common fund, and then distributed to others.

Now, his competitor, we will say, gives 26 weeks of employment throughout the course of the year, and that competitor's employees are out of work for 26 weeks of the year, or one half of the year. Under the insurance principle the first employer who gives steady employment pays 52 premiums and his competitor who gives 26 weeks of employment, pays only 26 premiums.

Then the premiums paid by the employer who gives 52 weeks of employment to his employees are turned over to furnish unemployment benefits for his competitors who gave to their employees only 26 weeks of employment. In other words, the insurance principle as adopted in England and in Europe, is based on relief. It is a substitute for charity and a social responsibility, and it penalizes the effort of the individual employer who seeks to stabilize employment. It places a penalty upon the man who gives steady employment, and a kind of a relief or reward—just a relief or dole, we may call it—to the employer who cannot organize his business to give steady employment.

What we call the American plan is just the opposite; and it was put in operation in the clothing industry in Chicago. We had organized some seventy or eighty boards of trustees, and I was chairman of the boards during the installation of this plan, and so I think I can speak with some intimate knowledge of how it works.

It is that Chicago plan which is introduced in the Huber bill in Wisconsin and the Groves bill, and which is being set forth by the American

Association for Labor Legislation as what is called the American plan. It is substantially the same. There are differences in detail, but let me show you how it works:

Under the insurance system you must have an experience or merit rating, and you have to pay back to the man who stabilizes his employment something based on his experience on the basis of merit. But we have no experience in preventing unemployment, and we cannot have any basis for many, many years to come, in experience, which will be of value in experience-rating, such as they have in accident insurance. The only thing to measure the amount of dividends that the employer shall get, who stabilizes employment, is determined by the number of weeks of unemployment.

In other words, according to this system, the employer is required to contribute one and a half per cent, or two per cent or three per cent—in the Chicago market—of his pay roll to this fund. It is not a market fund—it is an establishment fund. An account is kept with each firm or employer. One may be a small firm with 500, and another a large firm with 5,000 employees. There is no merging of funds. In this way a reserve account for each firm in the market is built up.

In the State of Wisconsin it would be sponsored by compulsory contribution of one and one half or two per cent of the pay roll paid during the course of the year. Each one would build up a reserve account. If that account reaches \$96 on a basis of a benefit of \$10 a week, then the employer ceases paying premiums altogether. He is on his own individual responsibility.

In the Chicago market one firm which was able to do so, built up a continuous market, an integrated industry, and got a continuous line of customers; and that firm, for as long as two or three years, was able to give 52 weeks of employment. Consequently, that firm having a reserve account to its credit ceased paying any premiums whatever, and will not begin paying premiums again, of say three per cent on the pay roll, until such time as its reserve falls below what is considered the "danger line." In the Wisconsin Groves bill, that is put at \$96.

An employer who stabilizes his industry gains thereby a substantial profit. But as unemployment insurance premiums are handled in Europe he would have to pay larger premiums than his competitor who does not stabilize employment.

Employers generally say that this one, two or three per cent on the pay roll is not a big inducement to stabilize employment. I want to make a distinction between the cost of production and the margin for profit. I have figured out that on the average for the 70,000 manufacturing corporations in the United States, the margin for profit is only three per cent of the selling price of the commodity. It is calculated as follows.

In 1920 the margin of profit was seven per cent on the selling price. In 1921 the average loss or margin of loss, instead of profit, was 3.3 per cent of the selling price or the gross sales of their product. I think every business man will realize then, that after he has paid all of his debts, paid off all his labor, paid his taxes, paid his interest and paid all his liabilities during the year, that that margin of profit is rather small.

During the past 11 years, the margin of profit has ranged from seven per cent of the selling price in 1919 down to an average loss of 3.3 per cent on the selling price. So, for purposes of playing on this profit motive,

we may say that in fair times the average margin for profit is about three per cent of the selling price.

Now what does that mean? It means for the 70,000 manufacturing corporations in this country, on their gross sales, for every dollar of income they spend 97 cents in order to get it. Ninety-seven cents is their cost of production, but three cents is their margin for profit.

If, now, I have a one per cent increase in cost of production, how heavy a tax is that on the margin of profit? A one per cent tax on cost of production would be a 33 per cent tax on the margin for profit. And if the margin for profit were 10 per cent and the cost of production 90 per cent, then a 1 per cent tax on the pay roll, would be a 10 per cent charge on the margin for profit.

So the margin for profit is the most sensitive thing we have in business. Let us look at it from another standpoint. The socialists, communists and trade unionists say that the share of profit is too large; that labor only gets 60 per cent and capital gets 40 per cent. That is quite true. Profit gets 25 per cent as its share of the national income. So they say that in order that labor may purchase back all it produces, labor's share should be increased above 60 per cent of the total product. How far? Well, if it is in Russia—100 per cent. If it is among the trade unionists and socialists—it is, say, 70 per cent. Evidently the share of labor in the national income is not sufficient for labor to purchase back the products of its work. The logic of that, if carried to an extreme, is the communist system of Russia.

But the capitalistic system is the system which I am favoring. I want to see how capitalists react to it before I go to the communist scheme. While the share of profit in the national income is 25 per cent, the margin for profit is only three per cent. So, we set up an individual charge with each firm, and for the firm which can stabilize its employment we drop its premium payments altogether, whereas in England and in the European system, the firm that stabilizes employment increases the number of premiums which it must pay during the year, by the amount of its stabilization.

This has its effect on the margin for profit. When Hart, Schaffner and Marx installed the system they had over 4,000 employees. If they could stabilize employment, it would mean a saving altogether of \$250,000 a year.

Where would the saving show itself? It would show itself in dividends and in the prospective dividends, and as an increased value of its common stock. If you figure that saving of \$250,000 a year, say, at 10 per cent on the value of the stock, it means that the value of their stock, which was \$20,000,000, may be increased 10 or 15 per cent. It might mean a \$2,500,000 or a \$5,000,000 increase in the value of their common stock, which is the capitalization of their expected profits.

For the State of Wisconsin, it amounts to this: Suppose we took over the men's clothing industry in Chicago covering about 20,000 employees. How would it be done? Well, the manufacturers of the state would pay one-tenth of one per cent of their payroll into the state treasury for management expenses, and an additional two per cent for compensation to employees. Then the administration would be placed under the charge of the industrial commission and the state treasurer and it would require quite a system of accounts with each firm and each employee. The benefits would not be paid weekly in small amounts. In Chicago twice a year

they got a check of cumulated unemployment benefits amounting to from \$30 to \$50. It did not come in small amounts, if so they would have it all spent. It came at a crisis when they were up against payment of rent or fuel or to pay off some interest payment, or mortgage payment. As soon as those first checks began to come over, although the amount of benefit was very slight as compared with any scheme of social reform, yet it was enough to reconcile them. It was the greatest thing accomplished in that market. The wage-earner for the first time considers himself actually a partner in the industry, or a partner in his firm. At the present time he is not a partner.

So I expect unemployment insurance or unemployment reserves, as I prefer to call them, will not cost anybody a cent. It will increase the efficiency of business by stabilizing employment. It will increase the efficiency of labor by the sense of partnership; it will return to the industry an equivalent for what it has paid; and it will do something toward allaying the unrest of labor against the whole capitalistic system.

OPPOSING UNEMPLOYMENT INSURANCE

By JOHN E. EDMERTON

President, National Association of Manufacturers

I wish first to express to Dr. Commons in your presence my admiration of and gratitude for the magnificent spirit in which he has spoken to you, and for the broad, tolerant, calm and able manner in which he has presented his thought. With reference to the plan submitted by him, I am sure I cannot be expected to reach definite conclusions and present them to you in the short time at my disposal. But I was tremendously interested in the presentation of Dr. Commons, and shall certainly take advantage of all the opportunities I have to study his proposal, with a view of trying to reach sympathetic conclusions.

When I prepared my address for this occasion I visualized myself as facing an audience composed primarily of church people. I was thinking of myself more as a churchman than as anything else. I was not thinking of my position as president of the National Association of Manufacturers, or in connection with any other position which I hold. I have always felt that the church is the greatest and most essential of all our institutions, and that only from the viewpoint of what the church stands for has any good American citizen a moral right to consider public questions. I do not claim to be an economist, nor an expert. I wish to speak freely today only in my capacity as a citizen and a churchman. Let me say, too, that my address has not been submitted to the censorship of anybody on earth. In fact I do not know whether my constituency would agree with all that I shall say. Indeed I am not much concerned about that. My greatest concern is that the spirit in which I speak shall be understood by you to be thoroughly sincere. I am one of those who believe that when the spirits of people are right, it is a comparatively easy matter, if they are patient enough, to arrive ultimately at right conclusions.

Speaking in general terms, I would much rather advocate something

than to oppose something, especially if it is something which has to do with the betterment of the conditions of life of my fellow man. I would rather preach the gospel of "do" than the gospel of "don't." Even though I recognize that works of destruction are sometimes necessary, I would rather be a member of a construction gang than a wrecking crew. If, therefore, I were talking to manufacturers on this occasion, instead of this group, and were not bound by any restrictions of subject, I would be urging them to do something rather than trying to excite their opposition to something. But, unhappily, I have been asked to present on this occasion arguments in opposition to a specific program suggested as one remedy only for our commonly recognized deplorable economic situation. There is no alternative. It was not suggested that I propose any substitute remedies, and the time allotted me would not be sufficient after stating what I conceive to be the major objections to the plan proposed. I am sure, therefore, you appreciate with me the natural disadvantage under which I thus labor in spite of my thorough belief in the soundness of the arguments which I shall undertake to make. It should be understood, too, that what the federal, state, or local governments may do in their capacities as themselves employers of labor is not meant to be necessarily opposed by me in this treatment. I am thinking only of those proposals for relief at the expense of the public purse, of any group or class of citizens who are joint heirs with all other citizens of the opportunities to take care of themselves, and who have not become through physical misfortune, the natural wards of society.

In varying degrees of intensity, an abnormal condition of unemployment has existed for many months in practically every civilized nation on earth. It cannot be said with truth, therefore, that it is the peculiar fruit of any particular economic, social or political system. Many analyses of the world-wide situation have been made by countless experts in every field of thought, and innumerable opinions advanced as to the causes, as well as remedies. Whatever the immediate causes in given national or local instances, I am of the opinion myself that the widespread condition of distress is only another reflex of the World War, which deprived society of the productive effort of approximately fifty million human lives, and destroyed something like three hundred and fifty billion of dollars of property. I hardly see how a world could abandon itself for four years to an unprecedented enterprise of destruction, and then expect to regain within a few years its balance, readjust itself to universally changed conditions, and resume its normal activities. So instead of being shocked by the recurring effects of that tragic conflict, it is more reasonable to be surprised at the evidences of progress already made toward the restoration of a normal life on the earth. Again, it is being demonstrated that mankind cannot escape the payment of a heavy price for its folly.

And it is not strange, my friends, that under such circumstances of pressure as those which now prevail, the minds of men should run to all sorts of expedients for the amelioration of unhappy conditions, and for the prevention of their recurrence. Man's extremity is not only God's opportunity, but the devil's as well. The very conditions which excite impulses to ill-considered action are those which impose upon a responsible leadership both the necessity and obligation of those restraints of mind and spirit which ever serve as civilization's most dependable guards against irrationalism. The perils of adversity are one sort, and those of

prosperity another. But they are equal in their calls for caution, and patience, and faith. Even as under seemingly extreme conditions of abnormality or subnormality the mind of man is more prolific of radical suggestion, so it is that any new proposition of wide import involving departure in practice from established principles and standards should be studied not only carefully and thoroughly, but prayerfully by those who seek to do the will of God. Such a proposition is that of public unemployment insurance.

Obviously, this proposition did not originate in America, nor was it conceived by an American. That does not, however, stamp it conclusively as an undesirable thing. But in the minds of those who believe in the peculiar virtue of American institutions, it should excite the energy of doubt as to its compatibility. The very first conclusion which I myself reached from an inquiry into its nature was that it is wholly incompatible with the American theory of government, and manifestly antagonistic to the American conception of democracy. It is a plain attempt to give a political answer to a distinctly economic question, and to endow government with functions which the architects and founders of our scheme of government never intended that it should have. If there is anything which the wise framers of our government sought above all other things to do, it was to vouchsafe to the individual the largest possible measure of freedom and the maximum of opportunity for the working out of his own economic and moral destiny. Proceeding upon the declared principle that all men are born free and equal, and are endowed by their Creator with the inalienable rights of life, liberty, and the pursuit of happiness, these matchless makers of our Constitution undertook to destroy forever the imaginary lines between classes and groups of citizens, and not only to guarantee to every individual the free opportunity, but to impress upon him the sacred obligation to earn both his spiritual and economic salvation. The government was set up to be primarily a rule-maker and an umpire. It was conceived and intended to be a servant of the people, and not their master. Its functions were made as simple and as few as possible for these fundamental purposes.

When, therefore, government in America, in any instance, goes into business in competition with private enterprise, or by any act curtails the free opportunity for individual initiative, or in any other way tries to do for the people what they can best do for themselves, it does serious violence to the spirit, if not the letter, of our incomparable instrument of political control. Public unemployment insurance would be not only in conflict with, but subversive of these tested theories of government. With one hand the government would be wringing money from one class of citizens, and passing it on in doles with the other hand to other groups of citizens. New and unparalleled opportunities for graft and political self-perpetuation would thus be created for politicians already too fat upon misappropriated power. Whatever the amount of the dole to start with, it would undoubtedly increase as candidates for public office would contest for the franchises of the people by promising larger "slices of cake" from the public pantry. We have witnessed just this unsatisfactory working of the proposition in Great Britain.

The economic system to which our Constitution commits us, and which the American people for the most part believe in, is the capitalistic system as opposed to the socialistic and others. This system recognizes the in-

stitution of private property, and is thoroughly opposed to the principles of public ownership. While there have been notable abuses of the system and many unhappy incidents in its operation, America's one hundred and forty years of experience with it demonstrates it to be the best one yet devised by man to stimulate his best efforts, and to furnish him amplest opportunity for his largest achievements. It has never yet been improved by the sewing into it of any patches of red bunting. To say that public unemployment insurance is socialistic and thereby antagonistic to American institutions, is to say something that every real socialist will admit. So until we are ready as a people to discard as unsatisfactory the basic principles of our government and of our economic system, we should send this proposal back to whence it came and strive through other methods and devices consistent with American conceptions to remedy the evils which afflict us.

It seems to me that the very fact of its clear incompatibility with the spirit of our political and economic systems ought to be sufficient reason for the rejection of any unemployment insurance scheme that would involve the use of public funds for such charitable purpose, or the increase of power in government to bestow favors upon one class or group at the expense of another. But there are other very powerful objections to the proposition. One of them is its impracticability. Not only would it be extremely difficult to determine just what constitutes unemployment, and whether or not it is voluntary or involuntary, but also who would qualify for assistance even if he were unemployed. A few days ago a great industrialist appeared at my office and asked for my assistance in securing a position of some sort. He was out of a job and unemployed. He had organized a fifty million dollar corporation and had been its president until circumstances forced his retirement. For about twenty-five years he had been a leader in the industrial world, and had achieved pre-eminent distinction in his field. Yet, he was out of a job. I don't know how much money he had in the bank, but he did express to me the necessity for his securing a position of some sort as early as possible. I have had many others of the employer class to make similar requests of me within the last few months. In fact, there are literally thousands of those who have been classed as employers and yet who are in as helpless and needy a condition today as many of those whom they employed and others who are in the bread lines. Would justice permit discrimination against this particular class of unfortunates in the matter of doles from the public treasury? What about the preacher who is uncalled by a congregation, or unassigned to the task for which he has fitted himself? Or what about others in the professions and in business who fall victim to unfortunate conditions resulting in their temporary displacements and loss of opportunity for making a livelihood? Or is it proposed that these politically operated charities shall be only for those who do a particular kind of work, or who belong to particular organizations, or who appear the most pathetic? The great insurance companies of the land have been studying for some time the question of unemployment insurance on a business basis. With all of their experience and expertness in the solving of insurance problems, they have not yet been able to work out a plan that would stand the test of sound practice. Perhaps they will ultimately do so, for I know that they are engaged diligently with their studies of the proposition, and I know too, that it would be very much to their own

economic advantage to do so and that they will do it if anybody can. If the proposition is so exceedingly difficult as a business one, it becomes infinitely more so as a charity undertaking.

Another extremely serious objection to public unemployment insurance is that it is immoral in its nature, however beautiful in its motive. Its natural effect would be to subsidize idleness and encourage thriftlessness by removing those necessities which stimulate effort. As Calvin Coolidge recently said: "It has always been supposed that strong motives were necessary to insure continuous effort." He further says: "If unemployment insurance were like life and accident insurance the problem would be simple. Each would take what he wanted and pay for it. But it is generally proposed that the employer and the public treasury should pay part of the cost, as in workmen's compensation. If when unemployed he is to receive something he did not pay for, no one can say how that would affect the will of the wage earner to hold his place by doing his best. Evidently, the morale would be lowered. Another problem will be the person idle because he does or does not belong to a union. The duty to relieve unemployment is plain, but not even the unemployed have a right to what they do not earn. Charity is self-existent. Employer and employe are on a business, not a charitable, relationship." Never, I think, was a sounder doctrine from a clearer thinker than that suggested by these words of the sage of Northampton. I cannot myself conceive of anything that would more quickly sap the virility of the nation and be a more serious blow to the vital sense of individual responsibility than for the government to set up a protectorship over any particular class and make public awards of any except those reduced to helplessness by physical misfortune. By this, not by any other means, can government abolish occasions for charity and relieve society of its obligation and opportunity to express sacrificially its concern for, and interest in, the unfortunate. The spirit of the church itself is kept warm and alive in the hearts of men largely by their frequent exercise of the qualities of charity, mercy, and generosity. To an increasing extent, the spirit of philanthropy has been growing in our land, and more and more those who have more are sharing with those who have less. Another of the natural effects of public unemployment insurance would be to discourage those philanthropies for which our nation is becoming increasingly famous. In this connection, it is not strange that God and the church lose caste among a people in just about the proportion that they become communistic and socialistic. What need, it may be asked, have the people for a God and the church when human government is undertaking to do everything for them that both God and the church promise? If government is to protect them against the consequences of economic misfortune, and will play Santa Claus to them in their days of want, then why should they worship any other power than that of the government which coddles them? If it is to be said that the church is a capitalistic institution, then it may be said with more truth that it has no chance to be any other sort. Under no other economic system has it ever been known to thrive. The church prospers only as the common sense of dependency upon God develops among men. As human government therefore, undertakes by the expansion of its powers over its constituency and by the assumption of paternalistic functions to substitute itself for God, so does the consciousness among the people of their relation to the supreme source of help grow weaker, and their

instincts of worship take new directions. There are some things worse than being hungry, or cold, or out of a job, and misfortune is not always the curse that it appears to be. So it is that I always particularly regret to see the church, under the excitement of its natural sympathies, lend itself to the processes of its own undoing. Misdirected charity may, and often does, accomplish the relief of the giver from the prickings of conscience, but it frequently does much more harm than good to the receiver. In answer to these observations, it might be said that public unemployment insurance is a process of justice and not of charity. That depends, of course, upon what is understood to be justice. Personally, I think of it as a very cold thing to which partiality, favoritism, discrimination, and other manifestations of preference, are not known. Economic condition should play no part in its processes and decrees, except in so far as it affects equal opportunity. Only the quality of mercy furnishes relief from the exactions of cold justice.

Now, these moral considerations of the subject bring me to the thought that the one thing most vital to the preservation of the institutions of which we are proud, and that will furnish the safest guarantee of our future progress spiritually and materially as a people, is a prevailing sense of individual responsibility to a commonly recognized God on the part of all classes and groups. Our whole theory of political, economic and spiritual life is based upon that concept. Yet, this fundamental thing in our life is more threatened today, in my opinion, than anything else, by the multiplied suggestions of paternalistic and socialistic thought exemplified by such proposals as public unemployment insurance and other schemes by which it is proposed to redistribute wealth by political processes. Religion, in its truest and purest sense, and the love which it generates in the hearts of men are the only dependable forces for the leveling of those inequalities and injustices which competitive efforts sometimes engender. I look with fear and doubt, therefore, upon the manifestly growing reliance of the church upon political instruments of compulsion for the accomplishment of its great and necessary ends. I am saying these things because of my supreme interest in the church, and my fixed belief in the active existence of our common God. If it is narrow to be so, then I am narrow enough to believe that no good American who holds these attachments to the church and to God has a right to consider any important public subject except primarily from that viewpoint. I, therefore, disdain any suggestion of my consciously representing the viewpoint of any particular social or economic class or group, and especially under such auspices as these under which we are holding this conference. Hence, I have chosen to keep away from statistics, technical considerations, and other aspects of this subject than those comprehended by a view which attempts to stretch from the landing of the Pilgrims to our shores in 1620 to Judgment Day.

Naturally, it will be asked, "What do you propose?" My answer is, first, that we detach ourselves temporarily for the purposes of calm consideration from the extremely extraordinary conditions which excite the passions of sympathy and impatience to points of self-defeat. Any process of relief from these conditions and their recurrence will necessarily require a long time for their installation and effective working. There is no occasion, therefore, for being precipitate. I think, too, it may be safely forecast that as long as time lasts we shall probably have recurring visitations

of misfortune in the form of droughts, and storms, and fires, and epidemics of disease, and other natural disruptions of normality resulting in losses of balance between production and distribution, and necessity for readjustment involving inconvenience, discomfort and suffering. We cannot hope to prevent the recurrence of many of these things but we can and should prepare for them the best we can by providing ourselves with storm cellars, shock absorbers, first-aid kits, and other devices. It is to be observed that good business men are constantly thinking in these terms of preparation for the abnormalities and subnormalities of business life. As fast, therefore, as they can do so, they put aside surpluses out of their business earnings to take them through these recurring periods. Those businesses which can and do make such provisions, weather the storms and upon them our government has to depend for its very sustenance. If this has demonstrated itself to be a sound and wise business practice for corporations and other combinations of capital, then it is just as sound and wise for individuals. For that reason, many manufacturers and other employers of labor are constantly trying to impress upon their employes the wisdom and necessity of thrift, and the conservation of their surplus earnings above the necessities of life. As a result, already twenty to thirty millions of the entire population of our country are stockholders in its business enterprises. Instead of being owned and controlled as they once were by very small groups, the 430,000 corporations of our nation are owned and controlled today by the adult masses and the number is constantly growing. In the banks of our country are the savings of billions of dollars by millions of common people. In New York City alone today, more than one half of the entire population have savings bank accounts, and the total amount grew several millions of dollars even in the year 1930. Those things constitute the economic safety of our country and they indicate the normal, rational processes by which the socialization of our productive and distributive instrumentalities may be accomplished without the application of political pressure. I would say that everything should be done by every constructive agency to stimulate these processes as the very best way of preparing for the periods of economic adversity. I know that many of the leading industrialists in our nation are thinking in these terms of voluntary action, and are already trying to put into practice the new lessons recently learned from the so-called depression. Several large corporations have already inaugurated schemes of unemployment insurance and others are conducting experimentations which undoubtedly will eventuate in effective plans. Scarcely a day passes that I do not learn of some new experimentation of this sort, and the instances are already sufficient in number to justify the faith that the employing leadership of America will in time meet these necessities and that the situation does not warrant the abandonment of natural and compatible methods of dealing with it. It should be kept in mind that the nation's industry has to carry the load and pay the cost of not only its own activities, but those of the government. In this connection, there is a strange relation between industrial production and legislative production. As the latter increases, the former, as a rule, decreases proportionately, and vice versa. Public unemployment insurance would require vast sums of money and industry would have to furnish the bulk of those funds. Already carrying a load of approximately twelve billions of dollars annually as the cost of government in our country, such additional cost as would be imposed by public unemployment insurance would

seriously impair, if not wreck, our industrial mechanism. Of course, the entire public, including the wage earners, who are dependent upon industry, would themselves ultimately pay the cost. If industry is forced to reduce wage rates on account of these mounting burdens of taxation, then the responsibility will definitely rest upon our legislators and their allies in the movement to accomplish our economic salvation by political devices.

Finally, my friends, I have always regarded history as one of man's wisest and most dependable counsellors. We can move forward safely only in its projected light. May we, therefore, turn briefly to the warnings which have issued from the experience of Great Britain in connection with the subject under consideration. Even some of those who would be expected to see all that might be good and none that is bad in the system of unemployment insurance in that country, appear to be gloomy in their appraisal of it. It is generally recognized in that country that probably the most serious danger which concerns it is that of mounting tax burdens of which charges for social services constitute a large and constantly increasing part. Yet unemployment has been constantly on the increase, and very naturally so, as the money which would otherwise go into productive enterprise is withdrawn by the requirements of government from private to public treasuries.

One of the most conservative bodies in England is the Federation of British Industries. Less than a year ago that organization issued the following statement:

"The F. B. I. is seriously concerned at the increasing burden of taxation upon productive enterprise. The budget outlook is extremely grave. British industry has been struggling for nearly a decade to recover its position in the markets of the world, handicapped by a load of taxation which not only far exceeds that of any other important commercial country, but so far from showing signs of decreasing has actually become cumulatively more burdensome. It now finds itself faced with the certain prospect of additional taxation.

"It is generally agreed among those who have studied the problem that the total real savings of the country have fallen substantially below the pre-war level. The exigencies of the post-war period have called for greater savings rather than the SAME savings, as before the war.

"It is unnecessary to point to the moral in regard to the effect of any further increase in taxation. The circumstances which have led to the present disquieting state of affairs, are, in its opinion, a direct consequence of the policy of successive Chancellors of the Exchequer, whom, in framing their budgets and in particular their estimates for current expenditure, have had little or no regard either for the conditions of our nation's production, or the needs of those responsible for its efficient operation. In particular, no account seems to have been taken during recent years of the cumulative effect of the burden of taxation on a decade of industrial depression, accompanied by a falling price level and credit stringency.

"The Federation believes that the facts and figures set out above afford conclusive evidence that the limits of industry's taxable capacity have been reached, and that the present volume

of our national production is insufficient to provide the sums at present being expended, and under contemplation, by the state on unproductive purposes without grave injury to our national productive forces."

Very soon after the issuance of this statement, the Honorable J. H. Thomas, then Minister for Unemployment in the Labor Cabinet, expressed in the House of Commons, a feeling of deep concern that public confidence was waning in Great Britain because of the diversion of capital from the channels of industry and business activity and expansion.

Following in quick succession was a statement from Professor Henry Clay, the eminent British economist, that:

"There never was such urgent need for encouraging industries that are still profitable and have possibilities of expansion. Yet we continue to divert to public and social services, all maintained at a level more appropriate to the price levels of 1924, or even of 1920, than 1930, funds that are needed to finance that expansion."

About the same time a very significant report was issued by the General Federation of Trade Unions in England, on *The Effect of Taxes Upon Prices*. The report declared in part:

"Social insurance charges are workmen's compensation, national health insurance, unemployment and pensions. All these contributions in the ultimate are exacted from productive industry.

"All taxation, in varying but certain degrees, raises costs of production and selling price, and by limiting the number of purchasers increases unemployment."

Then let us look across to New Zealand and get a view of a responsible body in that far-off land. The government commission, composed of two representatives each, of the employers, the workers and the government, made an extended investigation a year ago of all aspects of the problem of unemployment in that country. On January 28, 1930, it issued an unanimous report, from which I quote as follows:

"In the first place the principles of insurance do not seem to us to be capable of application to the case of unemployment because the risk is an incalculable one. In the case of life, fire and accident insurance, etc., experience has given a basis upon which the amount of premium required can be actuarially calculated; but in the case of unemployment no such experience is available. A premium fund which is quite adequate in one year may be entirely inadequate the next owing to some entirely unforeseen conditions. In those countries in which an insurance scheme has been inaugurated, experience has shown this to be true. An insurance scheme should be complete in itself, and should be actuarially sound, but no such scheme has yet been devised for unemployment.

"Under the insurance schemes of other countries, the whole

cost of the relief of unemployment is borne by industry (employers and workers) and by the state. It is true that the state's contribution is found by the taxpayers, but outside those actually engaged in industry, either as employers or employed, no one makes any direct contribution to the cost, and therefore no one feels any personal responsibility.

"Any tax upon industry is likely to defeat its own ends by preventing the investment of capital in industry, or by imposing additional costs that struggling industries cannot meet. Moreover, a tax upon industry based upon the number of employees, as in the case under the insurance system is unfair in its incidence, since it imposes upon those who are providing the greatest volume of employment, a charge that is greater than is imposed upon employers who may be much better able to pay, but who are engaged in a business which employs comparatively small numbers of workers."

So it seems to me that our present situation in this country does not require or call for the adoption of such an expedient as that of a public unemployment insurance system. On the contrary, I feel strongly that our nation has already swung too far in the direction of trying to cure economic ills by the application of legislative poultices. While we have been piling up well-intended but ill-considered statutes of every sort, and thereby increasing unduly the cost of government and the multiplication of governmental machinery, crime in our country has climbed to appalling heights and is exacting an annual toll of approximately twelve billions of dollars from the public purse. Instead of proceeding further toward the marshes of socialization, it would be better, in my opinion, to execute a strategic retreat to the simple and sound formulae for proper political, economic and spiritual conduct which were known to the forefathers of our country, and written by them legibly and impressively into the institutions upon which our nation is founded.

Now, that the substance of my thought may not be too quickly forgotten, let me repeat in conclusion that I oppose any and every form of public unemployment insurance on what I believe to be the solid ground, that it is thoroughly and clearly incompatible with the American theory of government, of economics and of morals; that it is impracticable of just and efficient operation; that it is distinctly unmoral in its nature; that it is unnecessary and unwise in that it would not cure, but rather tend to aggravate the very conditions which suggest it; that there are other tested remedies available and in process of application; and that the warnings of human experience are all against it. So far as I can see, it has nothing in its favor except the passionate desire of many good people to do something which they think is not now being done to relieve a commonly recognized unhappy situation. With this desire I have every sympathy, and to its satisfaction I shall myself devote the best energies of my body, mind and soul. But I shall also continue to hope fervently that in our common zeal for the discovery of effectual solutions of the problems to which we fall heir, we shall not depart in our thinking from the secure foundations upon which our great nation has been erected. My very first concern is for the preservation of the church as the most essential of all the institutions of man, and for the revitalization of religious

processes as offering the only hope for civilization's progress. America needs nothing today—neither food, nor clothing, nor employment, nor anything else—so much as a general getting-back to God and a rebaptism in the faith of our fathers. My second great concern is that our country shall not swing further away under the pressures of economic or other adversities from the constitutional orbit described for it by wise and consecrated men. While on the one hand we have false gods of materialism ever beckoning us to worship at their shrines of selfishness, on the other, we have the equally false gods of unanchored sentimentalism luring us towards their tents of casuistry. In these conflicts of extremes the golden mean of life seems to be obscured, and the crying need now is more for balanced thinking than even for balanced production and distribution. My own interpretation is that the accountable American citizen is best balanced when, with upturned eyes, he is on his knees, having under one arm the Holy Bible, under the other our immortal Constitution, and in his heart the content of both. Such a citizen will never go far wrong, and the more of them we have the more secure will be the future of the land we love.

UNEMPLOYMENT INSURANCE

By ARTHUR E. SUPPERN

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In the few moments at our disposal I can hardly do more than point to the conditions which caused certain countries to establish unemployment insurance, indicate the extent to which it is now in effect, discuss some of the more significant aspects of unemployment insurance in Great Britain and Germany, and deal briefly with conditions in the United States which indicate the need for unemployment insurance.

Compulsory unemployment insurance was introduced in Great Britain in 1911, Italy in 1919, Austria in 1920, the Grand Duchy of Luxemburg in 1921, Queensland, Australia in 1922, Russia in 1922, Poland in 1924, Bulgaria, 1925, Germany, 1927, and Mexico, 1929. The Irish Free State maintained unemployment insurance after its separation from the United Kingdom. On the other hand there are several countries which grant subsidies to unemployment funds voluntarily established by trade unions: Belgium, Denmark, France, Norway, Netherlands, Finland, Spain, Czechoslovakia and Switzerland.¹

Of the countries having compulsory unemployment insurance Great Britain and Germany are the most significant. The laws of the other countries (except that of Russia) are largely modelled after the laws of Great Britain and Germany. Both in Great Britain and Germany unemployment insurance represents a serious effort to combat the problem of unemployment and poverty growing out of fluctuating industrial conditions and the devastation of war. Fortunately for England she established employment exchanges in 1909 and unemployment insurance in 1911 and before the war opened, her system, national in extent, was in fairly good

¹*Unemployment Insurance*, International Labor Office, Studies and Reports, Series C, No. 10 (1925), p. 8. *Monthly Labor Review*, October, 1930, pp. 82-97.

working order. In Germany the experiences of trade unions and local authorities with unemployment insurance and local employment exchanges steadily pointed to the need for a coordinated national system to deal comprehensively with the problems involved. But it was not until 1927, after making a careful study of the English system, that Germany put into effect a national system of labor exchanges and unemployment insurance. In both countries post-war conditions were so distressing that direct grants for relief were made from the government treasury. In England these grants were extended to agricultural workers and domestic servants as well as to former munition workers, ex-service men and all civilian workers over 15 years of age. Such grants from the treasury, more popularly known as the "dole," should not be confused with the unemployment insurance fund which is built up by contributions from employers, employees, and the government.

SCOPE OF UNEMPLOYMENT INSURANCE

The English law of 1911 covered about 2,500,000 workers in a few trades which were subject to great fluctuations in employment. As the result of remodelling of the act in 1920 about 12,000,000 persons were brought under it. As the law now stands all "employed persons" of either sex, aged 15 to 65, receiving less than £250 a year must be insured against unemployment, unless they are engaged in "excepted employments" and unless they are "exempt persons."

Excepted employments include established civil servants or persons certified by the Civil Service Commissioners who are serving a probationary period prior to establishment, agriculture, horticulture, forestry, domestic service (except persons employed in any business carried on for purposes of gain), female professional nursing, service in the armed forces of the Crown (except reservists or territorials during training), police who are permanent members of any police force to which the Police Pensions Act, 1919, applies, teachers, agents paid by commissions or a share of profits, fishermen paid by a share of profits, a husband employed by his wife or a wife employed by her husband, employment in connection with which no money payment is made if the person employed is either the child of the employer or is wholly maintained by the employer, and persons casually employed for private purposes. However, casual employment for purposes of an employer's business and for purposes of a game or recreation, such as employees of a club, is insurable.

Persons exempt from paying contributions are not entitled to receive benefits. But any person who is engaged in an insurable occupation may obtain a certificate of exemption from paying contributions if he can prove that he is in receipt of a pension or income of at least £26 a year and is not dependent on his personal exertions, or that he is ordinarily and mainly dependent upon some other person, or that he is employed in a seasonal occupation not usually active more than 18 weeks in a year and is not employed in any other insurable occupation. The employers of persons holding such certificates are nevertheless required to pay the employer's share of the contribution to the unemployment fund and they cannot make any deduction for unemployment insurance from the exempt person's wages. The Exchequer also pays its share of the contribution. Employed persons 65 years of age and over are not exempted from

the unemployment insurance act but they are classed as "exempt persons" in regard to payment of contributions.

The employer's contribution to the unemployment fund ranges from $3\frac{1}{2}$ d to 8d per week for each employe, according to a classification of his employes based on sex and age. The employe's contribution ranges from 3d to 7d, and the Exchequer's contribution from $3\frac{1}{4}$ d to $7\frac{1}{2}$ d.

BENEFITS

There is a waiting period of six days during which no benefit is payable. The weekly rates of benefit are as follows:¹

<i>Class of insured persons</i>	<i>Weekly rate</i>	
	<i>s.</i>	<i>d.</i>
Men aged 21 and under 65.....	17	0
Young men aged 18 and under 21.....	14	0
Boys aged 17 and under 18.....	9	0
Boys under 17.....	6	0
Women aged 21 and under 65.....	15	0
Young women aged 18 and under 21.....	12	0
Girls aged 17 and under 18.....	7	6
Girls under 17.....	5	0
Dependent benefit:		
For an adult dependent.....	9	0
For a dependent child.....	2	0

As a leading Englishman recently remarked, a maximum benefit of \$7.00 per week which a man can receive for himself, wife and one child is not likely to prove an attractive alternative to having a job at about twice that much. In all the confusion introduced by calling unemployment insurance a dole no mention is made of the fact that workers contribute to the fund when they have jobs and no consideration is given to the burden which falls upon the unemployed through loss of the difference between regular wages and insurance benefits. Although unemployment benefits are inadequate, Lloyd George frankly declared in a speech on January 6, 1931, that there would have been a revolution long ago in Great Britain had they not been paid.

Prior to 1927 there were two types of benefit. "Standard benefit" was payable strictly in the proportion of one week's benefit for every six contributions standing to the claimant's credit with a maximum benefit of 26 weeks in a year. But continued industrial depression exhausted the right of many workers to standard benefit and it was necessary to introduce the "extended benefit" payable to such persons and to those who had made less than the qualifying number of contributions but who satisfied the general conditions for benefit. In 1927 one class of benefit was established which requires that not less than 30 contributions must have been paid during the two years immediately preceding the date of application for benefit. But even this liberal provision deprived large numbers of benefit. Accordingly special provision was made for a "transitional period," which has been extended by subsequent acts to April 19, 1931, during which those who can not satisfy the statutory requirement of 30

¹EMMERSON, H. C. and LANCILLAN, R. C. P., *A Guide to the Unemployment Insurance Acts*, p. 26.

contributions in the preceding two years may receive benefit (1) if they have made eight or more contributions in that time, or (2) if 30 or more contributions have been paid at any time. Such persons must also show that they are usually employed in insurable employment and that they will be employed normally in insurable employment.

Applicants for benefit must also prove that since the date of application they have been continuously unemployed, that they are capable of work and available for work, and that they have, if so required, duly attended an approved course of instruction. Under the present law there is no statutory limitation on the length of time in which a claimant may continue to receive benefit if he can prove unemployment and satisfy the statutory conditions. Whether the statutory conditions are being met is reviewed at the beginning of each quarter of the year.

Obviously, the extension of benefit without careful relation to the number of contributions paid undermines the whole principle of insurance. The result is that the employers, the employees who have work, and the government make payments to a fund to care for unemployment as a national problem without proceeding according to data which indicate the degree of risk and the contributions necessary to meet it for a definite period of time. Although it may be difficult to do otherwise under present conditions of industrial depression, leading British students of the problem insist that the fund should be managed strictly in accordance with the principle of insurance and that those who have exhausted their rights to benefit should be supported by the Exchequer and the local governments through taxation. Such an arrangement would permit distinction between the comparatively regular worker who needs the sort of assistance insurance benefits provide, the worker who has been dispossessed of his trade by technological changes and needs help and retraining furnished by the government, and the workers who due to inherent or other causes "suffer from a comparative ineligibility or incapacity to obtain or retain employment."¹

A person does not have to accept work where there is a trade dispute. He may decline an offer of work for wages lower than those paid by his usual occupation in the district in which he has been employed. He may also refuse to work in another district at his usual occupation if the wage offered is less than that generally observed in agreements between associations of employers and employees or by "good employers." After the lapse of a "reasonable interval," however, he cannot refuse employment at some other than his usual occupation if the rate of wages and conditions offered are not less favorable than those usually observed by agreement between associations of employers and employees and by "good employers."

If the worker is engaged in a trade dispute he cannot receive benefit during the stoppage. However, if a worker is unemployed because of a trade dispute in which he is not participating, which he is not financing and in which he is not directly interested, he is not disqualified. Loss of employment because of misconduct or voluntarily leaving employment "without just cause" disqualifies an employee from receiving benefits for six weeks. A worker is also disqualified while he is an inmate of a prison or workhouse and while he is receiving sickness or disablement benefit or a blind person's pension.

¹R. C. DAVISON, *The Unemployed*, p. 271. See also by the same author, *What's Wrong With Unemployment Insurance*.

ADMINISTRATION

The national system of employment exchanges plays a large part in the administration of unemployment insurance. These exchanges are not only valuable for finding jobs but for applying the tests of unemployment provided by law before granting benefits. Since employers have not made as much use of the exchanges as they might in order to develop a well organized labor market, a provision was inserted in the law in 1930 giving the Minister of Labor power to make arrangements with employers for notification by them to employment exchanges of situations which are vacant or are about to become vacant.

All claims for unemployment benefit, all questions whether statutory conditions have been fulfilled, and the grounds for disqualifications are examined in the first instance by officials known as "Insurance Officers" who have authority to allow any claim which they think should be allowed. But if the insurance officer is not satisfied that a claim should be allowed he must refer it within 14 days to the Court of Referees or he may disallow the claim. If he disallows it the claimant may appeal to the Court of Referees, composed of representatives of employers and employees and presided over by an impartial chairman appointed by the Minister of Labor. If the insurance officer disagrees with the decision of the Court of Referees he may appeal to the umpire, an officer appointed by the Crown. If the claimant is not satisfied with the decision of the Court of Referees, he may appeal to the umpire if the court grants leave to appeal on the ground that the case involves principles or special circumstances which should be decided upon. However, if the decision of the court is not unanimous in disallowing the claim, it must notify the claimant within three days and the claimant may then appeal to the umpire.

The Minister of Labor may make arrangements with a trade union or with any society approved under the National Health Insurance Act for the administration of state benefits. Such organizations must conform to definite rules for payments in excess of the amounts of state benefit and for carrying out the purposes of the state.

There is one local employment committee for each labor exchange area. The committee consists of two industrial panels composed of equal numbers of representatives of employers and employees appointed by the Minister of Labor and a third panel to which representatives of local authorities, poor law authorities, juvenile advisory committees, etc., may be appointed as well as persons not connected with industry who have special knowledge and experience of value to the committee. These committees have general advisory functions, in the work of developing the placement of the unemployed, the employment of disabled ex-service men, the selection of persons suitable for appointment to panels of Courts of Referees, etc.

As a part of the administration of unemployment insurance provision is made for grants from the unemployment fund for approved courses of instruction for boys and girls 16 and 17 years of age who are insured persons and are normally employed or are likely to be employed in an insurable occupation. Travelling expenses also may be advanced out of the fund to persons who have work offered them in another district. Payments may be made also to poor law authorities for outdoor relief granted to a claimant for unemployment insurance pending allowance of his claim. Such expenditures from the fund are justified only on condition that they

result in reduced charges on the fund. It has become a very serious question whether the fund is not being charged with items which more properly belong to the Exchequer, if the fund is supposed to be primarily an insurance scheme. But the Exchequer contributes to the fund and the treasury may advance sums required for discharging the liabilities of the fund, provided the total amount during a year does not exceed £60,000,000. Interest must be paid out of the fund and the advances must be repaid from time to time. Thus in the last analysis it seems to be merely a matter of bookkeeping. But there is also a question of taxation and the form it shall take. Shall employers and employees be taxed more than is necessary to meet the risks of unemployment or shall money needed for industrial educational purposes, for example, be derived from income taxes which are levied more in proportion to ability to pay? It should be kept in mind, however, that the whole question is greatly complicated because unemployment has been so extensive and so great in duration that expediency and opportunism doubtless determined policies for the most part. The outstanding fact is that, in spite of the economic difficulties which Great Britain has faced during the last 12 years, she has done as well as she has by her unemployed.

GERMAN UNEMPLOYMENT INSURANCE

Although German unemployment insurance is modelled largely along British lines, there are certain features which are worthy of special comment. Wage-earners receiving less than 6,000 marks and salaried workers less than 8,400 marks a year come under the law. As a result the law covers about 17,200,000 workers. Contrary to the policy in most countries, Germany includes agricultural and forestry workers under its law. However, because of exemptions under certain rules only 500,000 of the 2,500,000 agricultural workers are compulsorily insured.¹

Until 1930 the costs of administering and maintaining the unemployment fund were provided by a payment of three and one half per cent of wages of which one half was paid by the employers and one half by the employees. These payments have been sufficient to care for 800,000 persons monthly throughout a year and are made by the employer at the same time that he forwards the sum due the national insurance fund, thus reducing considerably the costs of collection. Obviously "there is no logical reason why three and one half per cent of wages should cover unemployment insurance" and in 1930 the government "granted an annual subsidy to be fixed each year. It gave 200,000,000 marks for 1930, with possibly 30,000,000 more. It stipulated administrative revision. It authorized loans when needed, but only on condition of further revisions to insure repayment. Loans before April, 1930, were not to be repaid."² The grant of a subsidy, however, "introduces a principle at variance with the original intent of the Act and with the entire scheme of German social insurance,"³ because the cost of meeting the burden of a certain amount of unemployment for a certain length of time was put entirely upon the employers and those who were fortunate enough to have work. However, if unemployment is more extensive and the cost greater than is

¹M. R. CARROLL, *Unemployment Insurance in Germany* (1930 ed.), p. 50.

²*Ibid.*, p. 89.

³*Ibid.*, p. 90.

expected, it must nevertheless be met, either by unemployment benefits, by funds obtained by taxation or by charitable relief. Since the law of 1927 went into effect the government has provided "emergency unemployment allowances" of which four-fifths are paid by the national and one-fifth by the local governments.

ELIGIBILITY TO BENEFITS

To be eligible for benefits ordinarily a person must have worked 26 weeks during a year in a compulsorily insured occupation but when applying for benefit for the first time he must have worked 52 weeks within the preceding two years. If, however, these requirements cause "unreasonable hardship" the one or two year period may be extended to three years. He must be able and willing to work and must not have exhausted his claim. Before benefits are paid he must wait 14 days if he is under 21 and living at home, seven days if over 21 and not living at home or is responsible for three dependents and three days if he has four or more dependents.

A person may refuse to accept work that is prohibited by law or the terms of which are contrary to good morals and the laws protecting labor. He may also refuse work for which the wage or salary is lower than the legal or customary rate but he may not decline it because the pay is less than that to which he is accustomed. For nine weeks he may refuse work which is unsuitable to his training and previous occupation but after that time only physical condition, insufficient remuneration to provide for his dependents, or the existence of an industrial dispute excuses him. If the labor exchange cannot place him elsewhere he must accept employment on productive or value-creating relief work, if such is available.

From July 1, 1924, to January 31, 1926, aid to the extent of 19,750,000 gold marks, or nearly \$5,000,000 was granted from the unemployment assistance funds for relief works. These funds were applied to railway construction, improving the postal service, canals, construction of dwelling houses, land reclamation, and employment exchange buildings. During the three-quarters of the year preceding the inauguration of the law of 1927, 139,500,000 marks, or about \$36,000,000 was spent for similar purposes. Although these public works were a valuable addition to public facilities, they did not employ enough workers to reduce unemployment to any great extent. The number thus employed during 1925 to 1927 ranged from 29,000 to 170,000.¹

RATES AND DURATION OF BENEFITS

In contrast to England's rigid classification according to age and sex, rates of benefit in Germany vary according to wage or salary classification and range from 75 per cent of the lowest to 35 per cent of the highest representative weekly income. The wage classification varies from the group earning 10 marks per week or less to those earning 60 marks or more. The representative weekly income for these various classes ranges from eight marks for the lowest to 63 marks for the highest. Supplementary allowances are paid for dependents but the total benefits received must not exceed 80 per cent of the representative wage of the lowest class nor 60 per cent of the highest class.

¹*Ibid.*, pp. 38-39.

Ordinarily the right to benefits does not exceed 26 weeks but during particularly unfavorable labor conditions benefits may be paid for 39 weeks. Special provisions are also made for casual and other part time workers. If extended unemployment causes some workers to exhaust their right to benefits under the insurance law, assistance is extended through emergency unemployment allowances provided by the government. The duration of these allowances is determined by the Minister of Labor and since 1927 it has ranged from 13 to 39 weeks and allowances to persons over 40 years of age have been extended for 52 weeks.

ADMINISTRATION

The administration of the system of employment exchanges and unemployment insurance is centralized under the Reichsanstalt which is under the supervision of the Minister of Labor. The Reichsanstalt is organized into local, district and national offices for placing workers and administering unemployment insurance.

The Minister of Labor has power to require employers to report vacancies to the employment exchanges. Although little use has been made of this power, it is regarded as important for use in possible future emergencies. Private fee agencies have been abolished. In districts which show a favorable balance after adequate reserves for the unemployment fund have been established the law allows a reduction in the rate of contribution. This is expected to encourage efficiency in the administration of funds. But reduction in rates is not allowed to individual employers or special industries. While this might help to reduce seasonal unemployment "gains in one plant, however, are thought to be made largely at the expense of increased fluctuations in employment in other establishments, as long as the problems of trade fluctuations remain unsolved."¹

Furthermore, it has been discovered in both Germany and Great Britain that they face a difficult problem in teaching certain employers that they cannot use the unemployment fund as a convenient means of escaping their obligation to give their employes as steady work as possible. However, such employers are found not only in Germany and England but it is sometimes charged that "employers in the United States also dismiss workers too easily after subscribing to the community chest or to other charitable agencies."² Perhaps, if the principle advocated by Professor Commons of placing the whole cost of unemployment insurance on employers were applied, they would be less ready to dismiss workers.

Mollie Ray Carroll, as the result of her recent study of German unemployment insurance, points out that although the Germans recognize that the employment "exchanges cannot originate jobs," that "value-creating unemployment relief" can care for but a small proportion of the people who are out of work, they believe that "the costs of unemployment insurance, though conceded to be high, are . . . lower than those resulting from starvation or degradation of the population or from revolution."

UNEMPLOYMENT INSURANCE IN THE UNITED STATES

The only unemployment insurance to be found in the United States is furnished by trade unions, by joint contributions of trade unions and their

¹*Ibid.*, p. 83.

²*Ibid.*, p. 110.

employers, or by certain business establishments, the managers of which have set aside reserves to pay unemployment benefits. In an extensive survey by the Industrial Relations Counsellors, Inc., Bryce M. Stewart and his associates¹ found that a comparatively small number of such plans are in existence, that the number of employees covered is less than one-half of one per cent of the total number of wage workers, and that while the benefits paid in 1928 amounted to only \$1,288,871, they nevertheless constituted real assistance to those covered. The following table summarizes the number of plans, coverage and benefits for the three types of plan.

Type of Plan	Number of Plans	Number Employees Covered	Benefits paid in 1928
Trade Union Local.....	37	33,400	\$264,000
International.....	4	1,320	13,613
Union—employer.....	22	65,000	998,200
Employer.....	9	8,500	11,871*
Total.....	72	108,220	1,287,684

*Two companies with guaranteed employment do not figure the cost of their plans.

The table, however, does not include data for two employer plans started in 1929, for the plan of the General Electric Company established in 1930 under which the employees contribute, or for that of five companies² of Fond Du Lac, Wisconsin, which in 1930 instituted a joint arrangement to interchange workers as a means of providing steadier work and to pay unemployment benefits to those for whom no jobs are available. The number of workers covered by plans initiated in 1929 and 1930 is not available and the total figure for benefits paid will not be available until the plans are well under way.

Although there has been a very limited development of private unemployment insurance in the United States, there is nothing to prevent unlimited extension of it unless the will to put it into effect is lacking. Some people believe that it will be extended and seem to think that it will prove adequate and typical of the American way. However, the progressive employers who have already started such schemes are not so confident that American employers in any numbers will put any form of unemployment insurance into effect unless they are compelled to by law. The investigators are also of the opinion "that a wide coverage of unemployment insurance, even in so far as it is an advantage to the individual business, will come only through legislation."

For the last 15 years we have been introducing bills and debating the question but this industrial depression found us in the same position as in all others—no unemployment insurance and scrambling after months of delay to put into effect the American dole system. The system has been aptly termed by Professor Sumner H. Slichter of Harvard as "dole for employers."³ For the real recipients are not the men who are fed at the bread line. "The real recipients are the great industries of America.

¹*Unemployment Benefits in the United States, 1930.*

²Demountable Typewriter Company, Sanitary Refrigerator Company, Northern Casket Company, Standard Refrigerator Company and American Lock and Hinge Company.

³*New Republic*, December 31, 1930.

They are extracting a percentage of the meager pay of tens of thousands of their employes, obtaining myriads of contributions from churches, charitable organizations, the Salvation Army, city employes, commission merchants, hotels, coal dealers and thousands of business and professional men in order to pay their labor overhead. If anyone is being pauperized and demoralized by the dole, it is industry no less than the men in the soup lines. Industry pays dividends on idle capital. In order to do so, the corporations of the country, according to the estimates of the National Bureau of Economic Research, save, on the average, approximately 40 per cent of their net profits. In 1921, corporations engaged in manufacturing, according to the estimates of the Bureau, experienced net losses of approximately \$101,000,000. Nevertheless, in this year they paid dividends on their common stock of over a billion dollars. In order to meet the emergency caused by the depression they reduced their wage payments about 39 per cent below 1920. But they found it necessary to reduce dividends on common stock only 12 per cent. Why should not the policy of building up reserves to continue payments during periods of depression be applied to labor as well as to capital? Has not the time come for industry to cease holding out a tin cup to the American public and to pay its own labor overhead? This is what unemployment compensation would mean, that industry would pay its own bills instead of relying upon 'the spirit of voluntary cooperation' to pay them. It would also mean that relief would start almost instantaneously, instead of from six months to a year too late. It would mean that thrift and saving would not be penalized, because relief would be based on unemployment rather than on need. It would mean that generosity would not be penalized, because relief would be paid by industry, not by the general public. And, most important of all, it would mean that industry would have an incentive, far stronger than it now has, to prevent unemployment.¹⁾

All the data available indicate that during 1930 more dividends were paid out than in 1929. During the first nine months of 1930 there was an increase of \$369,000,000, or 14.2 per cent²⁾ and this at a time when wages were being reduced by wage cuts, part time work, and layoffs. If it is good business to keep up the morale and standard of living of stockholders during depression, why isn't it good for wage and salaried workers as well?

President Hoover told the convention of the American Federation of Labor, October 6, 1930, that our present depression had "culminated in a demoralization of industry and a depth of human misery in some sections which is wholly out of place in our American system" and in his message at the opening of Congress in December he declared, "We have as a nation a definite duty to see that no deserving person in our country suffers from hunger or cold." But when the issue was raised in Congress, feeding human beings was called a "dangerous dole" and so unlike that which we ordinarily practice that we dare not risk an appropriation.

Every indication points to the possibility that recurrently we shall have vast unemployment during depressions as well as the unemployment always present even during periods of prosperity. Several important industries are overdeveloped and out of balance with the other industries of the economic system. There is nothing to prevent the overdevelopment

¹⁾*Ibid.*, p. 183.

²⁾Reports of Standard Statistics Corporation.

of many other industries, for the amount of surplus capital seeking investment furnishes a constant urge to the introduction of new machinery and new processes. Thus technological unemployment will be ever present as long as inventions promise further economies. Shall society continue to "accept the gain without any effort to pay its debt to the wage earners?" On January 13, 1931, a former president of the National City Bank explained the present depression in terms of the fact that "capital kept too much and labor did not have enough to buy its share of things. . . . But when we get the proper division of the results of technological improvements, I believe we will have employment for everybody and a higher standard of living."

The banker's judgment is borne out by the Census of Manufactures and by income tax statistics. When the value of the product per worker increases 24 per cent and wages one per cent, the worker is not only convinced that he is not getting a fair share of the increase but he tells the business man that the more that sort of thing goes on throughout the economic system the less the workers are able to buy back the products of the system. If the worker needs further evidence to support his position he finds it in the income tax statistics which show the rate at which large wealth heaps into the hands of those having surplus income above the necessities of life and in many cases even above the wildest imaginable expenditures on luxuries. For example, in 1928, 15,977 persons with an income of \$100,000 or over had a total income of \$4,997,683,014, or an amount equal to 15.5 per cent of the total wages (\$32,235,000,000) paid 27,298,000 employees in all industries. The average yearly wage of the workers was about \$1,200 while the average income of the 15,977 persons having \$100,000 or over was \$312,805. The average income of those having \$5,000,000 or over a year was, even after paying taxes, \$9,299,477 which makes an income of \$1,000,000 a year look rather modest. And to those who had something above a comfortable living something more was given to an astonishing degree in this case. The number of those who had incomes of \$5,000 and over steadily increased between 1922 and 1928. Not only has the number of persons in each income class above \$5,000 increased in every instance but the percentages of increase were steadily larger in the ascending order of income. For example, the number of persons having \$5,000 and under \$10,000 increased 60 per cent between 1922 and 1928, those having \$10,000 and under \$25,000 increased 79 per cent and so on up to those having \$1,000,000 or over whose numbers increased 662 per cent. It begins to look as though both the banker and the wage worker are right—when capital keeps too much, labor does not have enough to buy its share of things.

Poor relief and doles store up no reserves to cope with unemployment and they are no substitute for more equitable distribution of the returns from industry. Wage workers need reserves to protect their standard of living during depressions quite as much as stockholders who receive dividends out of surpluses built up during prosperous years. We are beginning to discover that what is considered good business for stockholders is good business for wage workers and that the same principle applied in the interest of both is conducive to the stabilization of business and the prosperity of both. Unemployment insurance is nothing more than a reserve for wage workers built up during prosperous years. When depression begins and workers are laid off, if they have unemployment insurance

they can continue to consume commodities at a rate which helps to maintain normal markets and buying power. The cutting off of wages reduces demand for all products and ultimately affects adversely the whole economic system. We must have increasingly better mass consumption if we expect to keep up mass production. It is only in that way that we can improve the standard of living of the whole people. Even at its best unemployment insurance will be simply a help in upholding the standard of living. It can be no substitute for better wages and salaries, for better management and stabilization of business and for better coordination throughout the economic system.



III. PUBLIC WORKS AND CONSTRUCTION PROGRAMS

A PROGRAM TO STABILIZE EMPLOYMENT AND INDUSTRY

BY OTTO T. MALLERY

Industrial Relations Committee, Philadelphia Chamber of Commerce

Everybody is either looking for a job or trying to find one for a friend. A greater effort is being made during this depression to cope with unemployment than ever before by churches, citizens, business leaders and public officials. Much has been done. There is one more way in which you can help. It has to do with the advance planning of public works by towns, counties and states.

Over a year ago the President suggested to the governors that they report the amount of public works in their respective regions which would go forward during the ensuing year. The replies of the governors were headline stories and most encouraging. Tens and hundreds of millions of dollars in these stories looked to us as nickels look to a trolley conductor. They would be enough to pay the fare, we thought. Although these dollar figures were true they were misleading, because the actual increase in percentages over 1929 was small. If public works are to help they must give employment, not only to as many people as usual but to many more who have lost their jobs by the depression.

Although federal public works under the leadership of President Hoover, and with the generous appropriations by Congress have increased 25 to 30 per cent, the increase by the states and cities is not much more than three per cent. This 25 per cent to 30 per cent increase by the federal government is a conspicuous achievement, and all the more so because of the contrast with the three per cent increase by the other agencies such as the cities and states. The three per cent increase is too little to make any real difference in stabilizing employment and industry.

What did your town or state do in 1930, compared with 1929? What is it planning to do now? Did it do better than the average of three per cent? How can it do still better? If you talk to your home officials and business leaders, they will tell you of serious obstacles that have prevented large expansion in your home public works. The chief obstacles they will tell you are the lack of advance planning, and of appropriations. These take time. Public works are difficult to extemporize. They are as popular as peanuts with an elephant, but when the elephant is hungry it is not a good time to plant the peanuts. Therefore, I am asking your help in planting the seeds of public works earlier, and by the following measures.

First you might find out from someone you know in your state government whether any bill has been introduced in the state legislature for the advance planning of public works. Such a bill under the leadership of

Senator Robert Wagner of New York has just passed the United States Senate, and is needed in every state. This Wagner bill on advance planning (S. 5776) creates an employment stabilization board which is to see that every federal construction agency makes a six year building plan. When bad times come plans will be ready to do two years work in one. If this is good for Uncle Sam, it is good for all the members of his family: the states, the towns and the counties. The Wagner bill should be brought to the attention of your friends at home as a starting point for similar action by your state government. If your state had such machinery in operation now, many of your friends who are out of work would be employed.

For public works do not only employ laborers on roads and buildings. Someone has to make the concrete and the furniture. White collar people have to type the orders and keep the books for the contractors and manufacturers. Everybody who receives a wage on a job in the factory or office spends some of it for clothes and groceries at the stores. Soon that public works dollar has jumped like a flea from person to person and made them jump into activity. Some of the dollar the laborer earns may be spent the next week for perfumery in a beauty parlor by the daughter of the grocery store truck driver. You would not suppose that public works would help the beauty business, but they help all business and all employment.

Another obstacle public officials have encountered is the lack of money with which to increase public works. They say they cannot sell their city bonds now because they sold nearly all the city had a right to sell during boom times. Like the rest of us, expecting to walk in eternal sunshine, they didn't save enough to buy an umbrella for a rainy day. If the city had the right to sell the bonds now, people would be eager to buy them. In bad times, they are safer than almost anything else. After a boom collapses people salt away what they have left. Municipal bonds are now bringing a higher price, when most securities are scraping bottom, than they did in boom times. In the face of this demand cities have actually offered for sale four per cent fewer bonds in total volume than in 1929 when private construction and general industry were booming and there was no such great need for public works.

Therefore you can help in a second proposal to make certain that never again will the cities be without substantial borrowing power during a depression. This proposal is a state constitutional amendment increasing the borrowing limit of all the towns and counties by a small percentage, say one half of one per cent, of its assessed valuation, to be used only after the governor has declared a period of unemployment to exist. This would create a credit reserve for use when most needed. Banks have reserves for just the same purpose. If they don't, they go broke.

Another clause of this constitutional amendment should reduce the borrowing power during good times of the towns and counties another one half of one per cent to be used only when the governor declares a period of unemployment to exist. By these two clauses every town would have a reserve borrowing power of at least one half of one per cent and some towns would have one per cent. If this one per cent credit reserve were in existence today, and only one half of the 146 principal cities of the United States decided to use it, public works would have increased by dollars 375 millions, or 26 per cent, instead of falling four per cent, measured by volume of municipal bonds sold. If all the towns and counties, but none

of the state governments, had used all of this credit reserve, the increase in public works would have been about one and a half billion dollars, an increase of more than 100 per cent. This increase would have more than offset the greatest recorded decrease in private construction in this or any previous depression. It requires no argument to show that this would be an electric shock to unemployment, and reach every hamlet in the United States.

The final clause of the proposed constitutional amendment would allow state governments to sell employment stabilization bonds when a governor declares a period of unemployment to exist. At present some states cannot sell bonds for any purpose at any price. Most states can sell bonds only after such long delays and complex procedure that the depression would be over before the bonds could be sold.

Everybody agrees that what is needed is more sound, necessary, well-planned public works. Every town would benefit by further improvements, especially if they can be had without waste and at such times as these when costs are low and unemployment high, and the country needs more money in circulation.

The proposal consists then of two parts—first, the equivalent of the Wagner advance planning act for your state; and, second, a constitutional amendment in three clauses. The first clause would add something in the existing borrowing power of the towns and cities for use in bad times only. The second would take away some borrowing power during good times and give it back during bad times. The third would give the state the right to sell employment stabilization bonds for public works during depressions.

This is the umbrella that would keep us drier in economic storms. Anything less would not be an umbrella. It would be a sieve, like what we have at present.

The Wagner bill for the federal government is the staff of the umbrella. Similar advance planning acts for each state would be the ribs. The constitutional amendments or credit reserves are the fabric between the ribs. This is the price of protection. If all of us lend a hand in making this umbrella, the American people will have protection during economic storms.

LEGISLATIVE PROPOSALS

BY ROBERT F. WAGNER

United States Senator

It is intensely gratifying to me to address this conference held under the auspices of the organized churches. We have reached a stage in our thinking on the subject of unemployment when we need the moral fervor of the church to spur us to the final effort to turn our ideas into action. We need to restore also the close connection that should properly exist between economics and ethics, between the science of wealth and the science of conscience. For a long time that kinship has been overlooked with the result that we have been perfecting our tools for the making of things and forgetting our obligations in the making of men.

The church more easily than any other organization can effectively

emphasize the moral obligations, both of the individual and the government which arise out of unemployment. It has been asserted that our obligation to those in want by reason of unemployment is contained within the narrow confines of the word charity; that their call upon our assistance must find its answer only in our generosity. I cannot consent to that. The joblessness of these wage earners is not a penalty which they incurred by their own misconduct. Their unfortunate plight is not a consequence that they could have prevented. It is the resultant effect of forces beyond their control, forces which the entire business community has set into motion. Why should the wage earner be compelled to bear the brunt of this burden? Has he not a *right* to continuous employment and steadiness of wages? It seems to me that the present confusion with its layoffs and its breadlines and its charitable appeals, all proceeds on the wrong assumption that we owe these men and women nothing; that what we give them is a matter of kindness; that what they receive they obtain by sufferance and not by right.

I prophesy that when we shall have learned to manage our economic affairs in a more sensible way, we shall look back at the present disorder with amazement that a generation which called itself civilized could be guilty of sustaining it.

Fundamentally, there are two alternative ways of looking at the problem of unemployment. One way is to regard every spell of depression as an unexpected accident to be received with surprise and borne stoically until nature has taken its course and destruction its toll. The other way is to treat compulsory idleness as a recurrent event which can be anticipated, controlled and prevented.

Down to this day most of us have been looking at unemployment from the first point of view. Our policies were framed on the theory that unemployment could not be foreseen and could not be prevented. The meaning and effects of such a policy can be seen right now in almost every city of the United States. Emergency committees, emergency conferences, breadlines, doles and charities, these are in the foreground. And in the background are undernourished and underclothed children, disrupted families, demoralized characters and rebellious discontent. Such has become the standardized, tragic routine of the unemployment emergency. The time has fully arrived to put an end to its repetition. We must at last translate into action our acute realization that the breadline is not America's solution to the unemployment problem. The American people will not tolerate the chaos which sends the workman back into that line with increasing frequency. We must find, in the language of your conference, permanent preventives of unemployment.

The last word on that subject has yet by no means been said. There is much that research must yet reveal and ingenuity contrive before we can pause in our efforts to find the preventives of unemployment. A certain number of fundamentals have however been stated: we must have current, precise, accurate information of employment; we must have a co-ordinated system of cooperating employment offices; we must plan and time our public works.

According to the latest estimates public construction amounts normally to about three and a half billion dollars a year and represents over one third of all construction, public and private. A goodly proportion of this public work can be intelligently timed. It can be deferred or advanced so as to

contribute employment opportunities when private effort is slack and withdraw opportunities when private demand for labor is brisk. Intelligently organized, this accumulation of public construction can be turned into a huge balance wheel to lend stability and steadiness to the entire economic machine. The peaks at boom time can be lowered and the troughs of depression can be raised. All of that can be accomplished without cost to the taxpayer and with benefits to the entire nation. It requires for its success a permanent organization supplied with uncolored economic information and a system for the advance planning of public works so that when the need arises the projects to be undertaken are ready and available on short notice.

In prosperous 1929 we increased construction forty-seven million dollars above 1928 and in depressed 1930 we increased expenditures for public improvements less than four million dollars over 1929. Is there doubt in anyone's mind but that with proper information and adequate preparation we should have increased construction in 1930 by several hundred millions of dollars? Then when business first began to shrink and before unemployment rose to fever high levels was the time to inject a living stream of jobs into the economic body and thus to restore the vitalizing influence of renewed purchases. Of course we did no such thing. We did not possess the simple, obviously necessary apparatus which would make such action almost automatic.

After we had entered the second winter of unemployment the present Congress appropriated one hundred and sixteen millions of dollars on federal public works. Such an appropriation should have been made at least a year ago. Today it is totally inadequate. It is a truism that employment breeds more employment. Consequently, an appropriation that might have been sufficient last winter as a check on the decline in business is today totally inadequate as a cure. The response of the administration to this criticism is that the government is not ready to use any larger sum of money. That may be true but it is only true because we have never adopted a policy of planning public works in advance as called for in my bill now pending before a conference committee of Congress.

More recently I introduced in the Senate legislation which goes beyond the three fundamentals I have mentioned. The purpose of the new legislation is to encourage the establishment of reserves or insurance against unemployment.

We must recognize that even the maximum amount of stabilization, both public and private, will not entirely eliminate forced unemployment. The invention of new machines, changes in fashion, foreign disturbances will continue to produce dislocations in business. That may be unavoidable but there is no reason why it should result in destitution and suffering. Corporations have long ago learned how to accumulate reserves in profitable years in order to pay dividends to stockholders during slack periods. Every business executive knows that he must set aside a reserve to take care of depreciation on his machinery. Why can we not have a similar reserve to take care of the wages of the men who must be temporarily laid off?

In most of the states of the United States workmen must be insured against loss arising from injury. Why can we not insure the workers against loss arising out of enforced idleness?

There is no doubt in my mind that sooner than most of us now anti-

cipate we shall insure our workers against unemployment. We shall learn to treat it as a business risk. We shall realize that the idleness of the men and women who are ready and willing to work is part of the general cost of running our high speed civilization; that it must not be an individual burden.

Only when we shall have adopted this entire program of stabilization and insurance shall we be in a position to declare that we have substantially strengthened the sense of security of all our people.

Even then, however, we shall not sit back contented. We must reach out to bring under control the world-wide forces that have in the past caused economic upheaval. That involves the formulation of tariff policies that promote rather than hinder trade; it calls for international financial policies that further rather than retard the rehabilitation of Europe; it means that we must establish peace upon an indestructible foundation. Only in a peaceful and tranquil world can we enjoy economic stability and widespread prosperity.

THE NEED FOR ADEQUATE MEASURES

BY DARWIN J. MESEROLE

President, National Unemployment League

We are today in America paying the price of our forty years' neglect of this problem of unemployment, and we have only begun to pay. And we have not even the excuse that it has taken us unawares. No decade in the past half century has been without its acute business depression, and unemployment crisis—with three major depressions within the past 15 years. To be sure, innumerable conferences have been held; research reports have been made, and carefully filed; and definite programs have been formulated receiving practically universal endorsement as relief measures and permanent remedies for these constantly recurring "business cycles" and periods of unemployment, but no action has been taken.

Chief among these proposed relief measures and remedies—all within the existing social and industrial order—are: (1) a national bureau for the collection of statistics as to the number of unemployed so that we would know the extent of the problem at any time; (2) a complete system of federal and state employment offices to register and, so far as possible, find employment for unemployed workers; and (3) a national board for long-range planning of federal public works with reserve funds, accumulated in times of normal business activity, to be released at the first sign of business depression and unemployment, inaugurating on a large scale a complete system of public works to absorb labor laid off by private business, and to stabilize industry through the maintenance of purchasing power. These three fundamental and initial legislative measures of relief and prevention have been before Congress for many years, and especially during the past two years and now pending in both Houses known as the Wagner bills. Only one of these has been enacted into law and no funds have yet been appropriated for its operation.

We are, therefore, as unprepared to meet the present business depression, in any practical manner, in the fall of 1929, as we were in 1921, 1914,

or any previous crisis. We had no statistics, no agency to gather them, no adequate employment offices, and no planned public works. What, then is the situation confronting the nation at this hour, and what part does "public works construction"—the subject of this session of the Conference—play in its solution?

PRESENT CONDITIONS

First, a word as to existing conditions caused chiefly by unemployment and aggravated by severe drought in 21 states. There are at present, and have been for months past, from 6 to 8 million workers totally unemployed and, possibly, double that number working on half time or less. There are within a few hours' ride of the capital of this nation in which we are meeting—in the rural sections of Kentucky and Arkansas and in New York, the wealthiest city of our country and of the world—thousands of children literally starving and freezing and dying of privation in the midst of vast accumulations of all kinds of food, clothing and fuel at the very doors of these desolate homes. In the past such conditions have been described, in similar periods of nation-wide destitution, by social workers, ministers, "agitators" and other equally irresponsible citizens of no standing—but today statements depicting these horrors come from the highest and most conservative official sources.

Grace Abbott, chief of the national Children's Bureau, said last November, a few days before President Hoover mentioned in his Thanksgiving proclamation the advance made in child welfare work, that in these periods of depression "it was the children who suffered most. With little or no money to buy food, the children's milk supply was cut down and in many cases cut off entirely. As a result, thousands of children were undernourished and their health permanently injured by the shortage or lack of proper food. . . ." "It is imperative," she said, "to come to the relief of the children before it is too late."

On January 14, 1931, Senators Caraway and Robinson, on the floor of the U. S. Senate, described conditions in their own state of Arkansas which would be unbelievable if the information had come from a less reliable source. Senator Caraway quoted John Barton Payne, chairman of the national Red Cross, as saying: "The situation in 21 states forms the greatest peace-time emergency in history." About a week before this statement was made, however—on January 6—I heard Mr. Payne testify before the Senate Appropriations Committee in answer to an inquiry of Senator Bratton "as to what money will be needed to meet the situation in a reasonably adequate way during the remainder of the winter months" that

"Our feeling has been, and I so advised President Hoover perhaps six or eight weeks ago, that if we are permitted to proceed in our normal way—that means without excitement, it means without clamor—we might get through the winter with our present resources."

Senator Bratton: "That is to say, about \$4,500,000 now on hand?"

Mr. Payne: "Yes."

Senator Bratton: "Is that your feeling now, Judge Payne?"

Mr. Payne: "Yes."

But within six days, Judge Payne developed a new perspective; had seen the President; a call for an additional \$10,000,000 was made; and the clamor and excitement were contributed to by truthful statements of existing conditions by both the President and Mr. Payne, who until that time had persistently minimized the conditions which he, Mr. Payne, of all men, should have known had existed for months. A few days later, General Harbord, head of the New York chapter of the Red Cross, said in a formal statement appealing for New York City's quota of the Red Cross fund, that there were in a certain district of the state of Kentucky 572 children in need of everything from food to clothing; and that in this district the majority of the families were digging edible roots and eating them raw or cooked to sustain life. Before that statement was published, Dr. George J. Ryan, president of the Board of Education of New York City, said, in a formal report: "In this city there are families where destitution and actual famine exist as acutely as anywhere in the world. The children of these families are in the schools. They come under our observation each day." About 2,000 families have been listed by the bureau of attendance as needing help, and for whom no continuing help can at present be assured. Shortly after the publication of this report, the Welfare Council, representing the combined social welfare agencies of New York City, made an appeal for funds to provide food for the greatly increased number of families in dire need in that city.

What, then, is the immediate situation? Not having previously planned an adequate system of public works by which the unemployed could support themselves through their own labor, we do not ever supply the necessary funds to support them and their children by charity. And when the Red Cross fund of \$10,000,000 is raised—as no doubt it eventually will be—how long will it last?

The Red Cross, by February 1, will be caring for 1,000,000 applicants for relief, presumably heads of families—meaning that four to five millions will be dependent upon this one charity for support. If an allowance for food of \$10.00 per month, 33c per day, is made for a family of five—which is almost double the amount a recent front page article in the *Chicago Tribune* states is given to heads of families of five, \$3.00 for two weeks—the whole sum of \$10,000,000 would last just one month. The period through which many of these families will require assistance will certainly be four to six months, until crops are harvested, if not in the meantime given work.

METHODS OF RELIEF

This brings us then to the specific and practical question of what can be done at once to give relief. Voluntary efforts of business to stabilize itself by capital construction expenditures, urged by President Hoover in November, 1929, and to provide funds by charity to feed the unemployed have failed after 15 months' trial. There remain two untried methods of relieving the situation: (1) Reduction of the hours of labor and increasing wages to absorb the unemployed and increase purchasing power—but neither employers, nor public opinion, are ready for this voluntary action; and (2) An extensive expansion of such federal public works as roads, afforestation, public buildings, river and harbor improvements, canal and river transport, reclamation of waste lands, elimination of grade crossings and flood control projects, all of which do not compete with private industry nor increase the volume of surplus commodities.

When it is realized that we have in the United States a machinery of production capable of supplying the normal annual needs of our population by six months' work, the necessity for a system of public works to absorb idle labor and maintain purchasing power is apparent.

"The use of public works as a relief for unemployment and as a stabilizing force in industry has, for a generation past, been advocated by socially-minded business men, statesmen, social workers, labor leaders and leading economists, but no Congress has had the courage to try it out on a scale sufficient to test its effectiveness." A few weeks ago over 100 of the best-known economists of the nation reaffirmed their position on this question by signing a statement, widely published in the press, the closing paragraph of which read:

"Public works, projected on a scale to check the present business depression, would, of course, require hundreds of millions of dollars, or possibly a billion, to be effective—but the cost cannot be compared to the loss sustained by all classes of the nation if such expenditures are not made. Taxation for such projects, equitably distributed, would not be seriously felt by any group. It is difficult to understand the timidity in this crisis of business men and legislators. The need of the hour is courage to act along lines of long-established economic principles. The time has come to test them on some adequate scale."

OBJECTIONS TO PUBLIC WORKS

Two objections are commonly made to the inauguration of public works by the federal government on a large scale: one concerns taxation; and the other, the difficulty of putting them into immediate operation in the midst of a depression. In reply to the first objection of an increase in taxation, to pay the interest on and amortize bond issues, the above statement of the economists would seem to be a complete answer. There is, however, an even more impressive and convincing argument in the dollars and cents loss involved in our policy of inaction. It is estimated that the present depression is costing half a billion dollars a month to the business men and investors of the nation, and another half billion to the salary and wage earners—one billion a month for every month that the present depression is allowed to continue unchecked.

Referring to the known figures of the cost of the last major business depression of 1921, we find these astounding results:

Gross business conducted by all the industries of the country in 1920.....	\$118,000,000,000
in 1921.....	55,000,000,000
A decrease of	\$63,000,000,000
Net incomes to investors and business men of the country dropped from \$4,500,000,000—or 4 per cent return—in 1920 to \$458,000,000—or 1 per cent return—in 1921.	
The decrease in net incomes in that one year was four billion dollars.	
Wages and salaries paid in 1921, as compared with 1920, showed a decrease of	\$7,291,000,000

Comparing 1921 with 1919 (when business done was 100 billion dollars, with an income of $8\frac{1}{2}$ billions or $8\frac{1}{2}$ per cent) the loss was over eight billion dollars. The loss in manufactured products in 1921, as against 1920,

was 36 billion dollars. In this one item alone we have a wage and wealth production loss sufficient in amount to pay the entire public debt of the country—federal, state, county and city—with enough left over to grid-iron the country with cement roads, at \$50,000 a mile, so that everyone would be within 50 miles of a modern highway reaching all states and large cities.

In answer to the second objection of the difficulty of putting into operation large scale public works, and the statement that the present appropriations by the federal government are all that could be promptly and economically spent in the next few months, allow me to state the following facts.

OPPORTUNITIES FOR PUBLIC WORKS

In the 1930 report of Thomas H. MacDonald, the very capable chief of the U. S. Bureau of Public Roads, there is a table—No. 21, page 16—in which are set forth over 48,000 miles of federal aid highways (dirt, clay and gravel) which have been constructed to the point of permanent surfacing. To surface these roads, built by federal and state moneys, with the type of surfacing which the present traffic might require, would mean an expenditure of \$600,000,000 with the simplest form of contract, not only employing scores of thousands of men in every state and almost every county but protecting the highways as well. If, as might well be done in such an emergency as the present, these roads were surfaced with a permanent cement surface, the amount of money which could be economically spent would be double, viz., \$1,200,000,000. The need for road-building is apparent when we realize that our bad roads cost the nation two billion dollars annually, and that congestion on our roads costs us another two billion dollars a year. Moreover, Secretary of Agriculture Hyde recently stated that "all the billions we are paying out for hard-surfaced roads in this country are justified on economic grounds."

In another field of public works, reforestation, there is an almost unlimited opportunity to purchase abandoned acreage in many of the states of our country and by an expenditure of from \$12 to \$18 an acre to replant these farms and water sheds. In the larger field of the elimination of grade crossings, much could be done by the expenditure of public funds. If but 70,000—or one-third of the 210,000 unprotected grade crossings, located in every state of the Union—were eliminated, the cost would be approximately $3\frac{1}{2}$ billion dollars, while the expenditure would be well warranted in the saving of time and life. And road-building, to the extent of surfacing the 48,000 miles now ready for surfacing, reforestation, and the elimination of grade crossings are but three examples of public works which might be given prompt attention.

In the light of these figures, the statement that public works on a large scale cannot be undertaken in the middle of a depression because of the time required to prepare the plans, purchase land and do other engineering work for such projects seems to be an excuse (or alibi, if you will) rather than a valid argument against public works at this juncture.

PROPOSED FEDERAL ACTION

Despite all these considerations neither the President nor the Congress, in this great national emergency, has taken any action along the lines of long-established economic principles which are commensurate with

the present economic needs of the nation. President Hoover, for fifteen years, as an engineer, an economist, as Secretary of Commerce, and for the past ten years as chairman of the President's Conference on Unemployment as well as of subsequent committees growing out of that Conference, has repeatedly advocated this principle of the extensive expansion of public works to relieve conditions such as have obtained during the past year, and yet it was not until last month (December), that he asked action by Congress and then only in the sum of 100 to 150 million dollars, although in November, 1928, three weeks after his election to the presidency, the "Hoover plan," presented to the Conference of Governors in New Orleans by Governor Brewster, of Maine, at Mr. Hoover's request and in his name, called for a fund of \$3,000,000,000 to be used in just such an emergency as the present. No effort, in the past two years, has been made to establish such a fund, and even now no call is made for adequate sums either to feed the victims of the depression or to inaugurate public works to provide employment. On the contrary, every effort has been put forth to prevent the passage of even the moderate amounts for relief now pending in Congress.

It is obvious that two forms of Congressional legislation are now imperative: (1) A bill appropriating not less than \$100,000,000 for relief of the millions not reached by existing charities, the expenditures to be supervised by a Congressional committee of relief. This relief should be continuous and without red tape until the workers in these stricken drought districts and throughout the country secure permanent income. (2) Congress should at once enact legislation providing for an extensive expansion of federal public works upon which at least \$3,000,000,000 could be spent, if necessary, and the work undertaken with a minimum of delay and the simplest form of contract. Such a public works bill was carefully drafted some months ago, has twice been presented to the President for his support, and is now ready for introduction in both Houses of Congress.

Economists, educators, publicists and ministers are saying that capitalism is on trial in this failure of industry to function in these economic crises of unemployment and wholesale destitution in the midst of plenty. This may be so. It is, however, equally true that the religious and ethical forces of the nation are on trial, and must defend themselves for their failure to act in some organized and effective manner to compel immediate relief of destitution and permanent remedies for this monstrous social injustice of unemployment. Employment is the structural necessity of the modern industrial world. Unemployment is the great communal crime of our generation. Organized religion has a high function to perform in modern civilization today, viz.: to abolish poverty!

Business men will neither tax themselves to give work to the unemployed nor will they support them by charity. Forty years ago Henry D. Lloyd, author of *Wealth against Commonwealth*, said: "History is the serial obituary of the men who thought they could drive men."

Be assured that if organized religion, in this national crisis, seeks to save its life by withholding its voice of protest and prophecy, it will certainly lose its life and its God-given opportunity for human service. The economists have spoken. Will the church and churchmen now act?

FUTURE PLANNING FOR PUBLIC WORKS

EDWARD EYRE HUNT

Secretary, The President's Emergency Committee for Employment

Unemployment has long been an economic problem; it is now known to be a moral problem.

That is why we have met in this conference. That is why the public interest in unemployment is so much keener than in previous depressions. That is why we feel that participation in public discussion of our recent experience will lead to sound measures in the future—sound economically as well as morally.

During the whole of the past decade one of our great public leaders, our foremost humanitarian, now our President, has steadily devoted himself to the task of increasing the bases of sound policy and promoting the idea of reducing the moral and material wastes which come with economic storms. If the problem were easy it would have been solved before this. It is a hard, complex and obscure problem. Only those who have had no responsible part in trying to solve it can think of it as simple.

The points of agreement among those in attendance at this conference are more important than the points of disagreement. We are all deeply concerned to alleviate the dreadful suffering and anxiety which comes with waves of unemployment. We are all deeply concerned to prevent or reduce the height of booms and the depth of depressions. I take it there will be complete agreement among us that the field of prevention is much wider and more promising than that of amelioration, and that increasing efforts toward regularization of employment are among the most significant developments in our recent economic life—more important than what government can do with public works.

As a member of the President's Emergency Committee for Employment I have derived more hope from the change in the business point of view since 1921 than from any other one thing. Regularization of employment has come in a number of industries. Among employers as well as employees have appeared advocates of shorter hours and the shorter working week. The belief in high wages—the higher the better so long as they go with low costs—is comparatively new and astonishingly strong. The joint determination of employers and employees to keep the industrial peace marks a great gain. Evidences of all kinds of efforts to look out for one's associates in industry—spreading work, experimenting with unemployment insurance, setting up loan funds and similar devices—all these point to a substantial growth in the conviction that industry is responsible for its own.

This seems to me, as I think it will seem to all who hear me, to be by far the most important development in our dealing with recurring waves of unemployment. It rests upon increasing social sensitiveness, increasing knowledge, research, and, if you like, propaganda: the educational work of governmental agencies, trade associations and institutes, universities, business schools, trade unions and the churches. In this great task all have a place.

But the problem which we are discussing this afternoon is not the problem of prevention. It is the problem of amelioration—the place of con-

struction, especially public construction, in our efforts to deal with unemployment.

ADVANCE PLANNING

We are all convinced advocates of advance planning. We believe that sound economic programs of public works are important to the upbuilding of the country. We believe that they can be so managed as to make a contribution to the relief of cyclical unemployment.

To do this we must have reliable information. The federal government is still handicapped by the fact that its construction activities are scattered among many departments, the supervising architect's office being in the Treasury Department, many non-military engineering activities being in the War Department, the Bureau of Public Roads being in the Agricultural Department, the Census and the Survey of Current Business being in the Commerce Department. But an important step was taken by the President more than a year ago when he created the Division of Public Construction in the Department of Commerce to serve as a clearing house for information on what the federal government, the states, the counties and the municipalities are doing.

In any sound program facts come first. I believe the facts show that the importance of public works in depression periods has been overestimated by some, underestimated by others. I have little patience with the person who talks about public construction as "a drop in the bucket." Our normal program calling for expenditures of \$3,500,000,000 and employing directly 900,000 men may be a drop in somebody's Gargantuan notion of a bucket, but it is a pretty big drop which directly contributes to fill 900,000 buckets and indirectly helps to fill about a million more. On the other hand I have little patience with those who mislead the public into thinking that there is some sort of white magic in road building, in bridge construction, in outlays for schoolhouses and hospitals and systems of water supply and sewage disposal to lift us out of the hole into which we stumble when consumption and production decline. Public works are no antidote for the headache and heartache which follow economic excess. It is a grave mistake to think that public works can be so manipulated as to ameliorate all the evils of depression. Public construction is a factor, but only one factor in alleviation. There is nothing in American experience, there is nothing in European experience, so far as I can learn, to support the belief that public works can take up the whole of the slack of cyclical unemployment.

A report upon this subject, treating of our experience with public works and unemployment in the United States, was made in June, 1930, by the Committee on Recent Economic Changes, of which I was secretary, based upon an economic survey by Dr. Leo Wolman of the National Bureau of Economic Research. The report was called *Planning and Control of Public Works*. It is the latest of a series of investigations conducted under the auspices of continuing committees of the President's Conference on Unemployment of 1921. Earlier studies resulted in reports called *Business Cycles and Unemployment*, *Seasonal Operation in the Construction Industries*, and *Recent Economic Changes in the United States*.

Presumably any future program must be based upon the experience covered in our report and the experience of the federal, state and local governments during the present depression. What does this experience show? It demonstrates beyond a doubt the great value of advance planning. Plan-

ning and budgeting are of the very essence of control of public works in future depression periods. The sources of current information as to expenditures for public works and for budgeted future projects can be improved, but in the expansion of city planning commissions, bureaus of municipal research, and special committees set up by the heads of local governments lies the best augury for further activities. Comprehensive physical planning of public works within each city and each region is a primary need. Long-range budgeting of capital expenditures must go with the planning.

PUBLIC CONSTRUCTION AND LIVING STANDARDS

If we take up one by one the factors which will affect future planning, first, I think, is the need to keep our public works in step with the increase in the American standard of living.

I presume we might project over a period of years the normal rate at which public works should grow. We look upon improvements in the national plant and equipment as a social investment. But I suggest that this investment must keep in step with such factors as increasing productivity, increasing per capita wealth, and increasing population. In general it should be paid for by governments out of current income as well as out of bond issues. Public borrowing like private borrowing in the long run is an expensive method of financing.

FINANCING PUBLIC CONSTRUCTION

Second, a condition of future programs is the financial status of the governments, federal, state and local, and here we find important limiting factors. Sampling studies of the margins of unused borrowing power would seem to indicate no financial embarrassment on the part of most of our governmental units, but the increases in state and local taxes undoubtedly affect and will in future affect the public attitude toward public expenditures. Per capita debt burdens have increased substantially in recent years.

Federal taxes were reduced by \$1,541,000,000 from 1921 to 1928, but in the same period state and local taxes were increased by \$2,162,000,000. The national debt was reduced by \$5,400,000,000 from 1922 to 1928, while state and local governments increased their indebtedness by \$5,300,000,000.

Various proposals have been made for building up public financial reserves on the analogy of the reserves built up by private industry. These proposals are frankly experimental. I do not know if they are sound, but it would be useful if one or more of the states were to attempt to set up credit reserves for use in depression periods.

Third, procedure governing future programs must be simple and direct. In every depression period there is a conflict between those who feel that expenditures must be closely controlled, and those who wish to relax control in favor of prompt action. Such public servants as President Hoover and former Governor Alfred E. Smith agree that there are too narrow limits to what the national, state and local governments can accomplish with their programs of public works, because of the tendency of legislative bodies to control too closely the way in which the funds are to be expended. On the other hand, earnest and honest legislators feel that appropriations

must be earmarked, that discretion must not be left to the President, the governor or the mayor.

I take it that we shall never get away from the necessity of safeguarding the expenditure of public funds. But we must, I think, provide for elasticity as well as safety, for prudence as well as energy. Even in the face of present legal requirements much can be done, but more can be done in the future to promote both the financial mobility of the states and municipalities and the safeguards and security of the taxpayers.

Here is a problem on which the American Bar Association is now working and on which it will doubtless report—a problem fundamental to the and usefulness of future programs of public works.

PUBLIC WORKS AND POOR RELIEF

Fourth, in our future programs, public works must not be confused with provisions for poor relief. Our public works programs in the past have been notably free from the color of charity. We advocate advance planning because in our judgment it is sound public policy. It is good business. It is good morals. It means active prosecution of public works at the most desirable time. It does not mean that we favor undesirable and uneconomic programs at any time. From our standpoint as taxpayers who must pay for the work, or from our standpoint as laborers to be employed upon the work, we have no desire to see unsound, uneconomical, unsocial public construction.

RESERVE PROJECTS

Fifth, acceleration is the key to the control of future programs. In past depression periods declines in public works began immediately and continued even after business had shown signs of revival. One of the notable achievements of 1930 has been to counteract this tendency, and to increase public construction over 1929. Our federal program in 1930 exceeds that of 1929 by about 30 per cent; our state and local programs exceed those of 1929 by about 10 per cent. Much of this increase came in the early months of 1930, supporting our belief that prompt acceleration is possible. This experience shows, also, that the best line of attack is in the acceleration of work on projects already planned rather than the initiation of new undertakings.

I think it also suggests the impracticability of withholding any substantial expenditures on public construction during years of prosperity in order to accumulate a reserve of work during business depression. As the Committee on Recent Economic Changes pointed out, the proposal to build up so-called "prosperity reserves" does not appear either "practicable or necessary on any large scale." We do not need to withhold expenditure on public construction during years of prosperity in order to accumulate a reserve of work during business depressions. "The skillful timing in the use of a comparatively small margin of public construction is far more important. In this lies the real opportunity for practical influence upon the economic balance."

CONCLUSION

This afternoon we have glanced at some aspects of public construction in relation to unemployment. What remains after such a rapid survey? What is there for us to do?

First, I think, we can see clearly, without exaggeration either of hopes or fears, the place of public works in our planned and coordinated attack upon cyclical unemployment. It is an ameliorative device. It is not a preventive. Next, we can endorse the principle of advance planning. Third, we can plan, having in mind such plain old-fashioned considerations as when and how much we must pay for our public works. Fourth, we can require of our public servants prudence as well as energy in spending, but we cannot tie their hands with red tape and expect them to free themselves overnight. Fifth, we can avoid confusing expenditure on public works with expenditures for poor relief. Fortunately this good American doctrine is familiar to all. Sixth, we can reject the alluring prospect of hoisting ourselves by our bootstraps. If we have failed to plan, to budget, to prepare, we cannot by suddenly taking thought add to our economic stature.



IV. MORAL AND ETHICAL IMPLICATIONS

THE PROFIT MOTIVE

By HARRY F. WARD

Professor of Christian Ethics, Union Theological Seminary

I am invited to discuss the question of the extent to which the profit motive is a causative factor in the production of unemployment. We have no time to consider the more refined manifestations of that incentive. We shall have to consider it in the rough, as the push and pull in our economic world of the fear of monetary loss and the hope of financial gain.

I will begin with a parable: You may call it if you please, in the manner of our Victorian fathers, the Parable of the First Cause; and I trust its meaning in the end will be clear.

It is the remark of one of Henry Ford's workers who, along with all the rest in the plant, had received that kind Christmas present, a two weeks' layoff just before the holidays, for inventory or repairs, or something else. That is one of those devices by which the gentlemen's agreement concerning the reduction of wages has been evaded.

When he went back to work he was told that all ratings were off, and everybody had to start on their merits. He was older than he was when he began to work on the belt. He had moved up to \$11 a day. But he only got back on the \$6 beginner's wage. He said to the man who roomed in his house: "I don't mind the unemployment; that came from God. What makes me sore is what Ford did to me."

Now, because we do not believe in that kind of a deity, it is all the more imperative for us to be quite sure concerning the nature of this God behind the machine, who drives these men into the wintry streets to eat the bitter bread of charity. We cannot, of course, find the permanent preventives that this Conference calls us to unless we do get back to first causes. We can prevent a good deal of the distress—certainly the initial distress—of our present unemployment by proper social insurance plans. They, if properly drawn, will exercise some preventive pressure upon employers. We can by proper planning take up a good deal of the slack in seasonal unemployment. And, of course, we can by a proper provision of public works, not only take up more of that slack, but also discover just how much of the down-curve of the business scale can be prevented by such advance planning.

But if we are to get down to the roots of the matter, we must go beyond seasonal unemployment and technological unemployment to the business depression, to this recurring cycle of disaster that has dogged the steps of the capitalistic economy from the days it was first organized. And, in view of what has been happening in the last decade in Great Britain and in Germany, we must face the possibility that this cyclical unemployment

may grow to such proportions as to swamp with a great tidal wave our advance measures of relief and planning.

And that need not happen, according to the Marxian forecast of successive crises of varying intensity, culminating in an irremediable disaster. It may happen, as the record in England shows, by a continuous decline in which unemployment mounts and mounts until it cannot be relieved by measures of insurance or prevented by public works.

What then is the first cause of the periodic depression?

Practically all persons who have examined the situation are agreed upon this generalization: It is the failure of purchasing power to keep pace with productive power. At the peak of a period of prosperity, suddenly purchasing power begins to lag a little behind; that lag gradually increases and is accelerated by a number of contributing factors which are easily and generally mistaken for primary causes, until finally we pass into complete depression in which no adjustment between productive power and purchasing power is possible except through a long period of shrinkage.

This process is often described by a superficial diagnosis which talks only in terms of consumers' goods and the ability of the market to absorb them. It can be stated in another way, in the shape of the familiar Siamese twins—overproduction and underconsumption. We have little actual surplus of capital plant. It does exist in one or two industries which were overbuilt in war time when the extraordinary demand could absorb the goods. That is notably the case in the shoe industry. Bituminous coal is another example but from a different cause. What we have for the most part is an absolutely planless development of capital plant each year, which yet does not reach the maximum needs of consumption for the population of this country.

If we had here such a map as has been prepared showing graphically the capital plant now being planned in the Soviet Union under the five-year industrial plan, and could put beside it such a map for the United States, you would be impressed by the fact that in certain basic industries—like bituminous coal and oil, as well as shoes—we have scattered our capital plant around the country with the recklessness of a drunken sailor throwing away his money; and with similarly disastrous consequences.

The corollary of this anarchic production of capital plant is widespread underconsumption. We now face the damning fact, that a supposedly intelligent civilization comes to its climax in bread lines while its elevators are stuffed with wheat that cannot be put on the market at any price that will pay the farmers for producing it, in machines that lie idle while those who could operate them go jobless and hungry. It is the adjustment of consumption need with capacity to produce that is the crux of the question.

It is necessary to proceed back of the evident maladjustment to the cause that produces overproduction on the one hand and underconsumption on the other. What is it? What makes the lack of purchasing power? A superficial view answers in terms of general flow of money or credit. The root difficulty, however, is not the total amount of money and credit but the location of it, the place where it is available. The initial difficulty is the lack of purchasing power in the portion of the community that needs the goods that the other portion requires to be moved. It is the excess of money and credit in the other portion of the community that is

interested in the investment market which starts trouble in the first place.

On that point, the most objective view is that of Hobson, recently set forth again in his little book on *Rationalization and Unemployment*. It demonstrates that the basic fact behind the business cycle is the lack of proper planning in the distribution of national income. This gives us not only inequality between persons, groups and classes, but also between the two basic parts of the economic process, between the need at the production end and the need at the consumption end.

Now, if Hobson is right—and I have yet to see his diagnosis controverted. I think you will all agree, after reading it, that we have seen it worked out step by step in the last few months in this country—then we have a basic technical defect in our competitive profit-seeking economy. Here is something that goes far beyond the moral appeal of the religious person, or the socialist, who is moved by inequality of distribution between the classes. Because of this basic technological defect, it is utterly misleading and confusing to say that the prevention of unemployment is a technical and not an ethical question.

It is a technical question, but the technical question itself is ethical. The question of whether our economy is ethical arises within its own nature. There it is a question of whether its own parts are properly coordinated for the performance of its function—for order is Heaven's first law and one of the first requirements of morality upon the earth. If you read the book by Briffault, entitled *Rational Evolution* you will find a stimulating suggestion at this point. He leads us to reflect that after all the problem of evil, which seems to be so insoluble in terms of individual life, takes on a different aspect when considered in terms of the life of the social organization, of humanity as a whole. He suggests that social justice is the equivalent for civilization of the climatic environment to which the human organism has had to adapt itself in its development. Therefore no social order, no civilization, can expect to survive, that cannot adapt itself increasingly to the requirement of social justice. On the other hand there is no necessity for civilization to decay simply because individual organisms must. Here we are dealing with social, not organic evolution. Civilizations need not pass out by failure in adaptation as certain animal species did. The deciding condition is the working out of sufficient social justice to provide enough harmony between the different parts of the social order to enable continuity of development.

So, if Hobson is correct and the basic trouble is increasing inequality between the essential parts of the economic order, this is a defect which—unless it is cured—the economic order cannot survive. The individual person can do evil and prosper, but not the social organization. Be not deceived; God is not mocked. In the end, justice cannot be successfully flouted in the universe.

But we do not stop here in our search for first causes. What is behind this basic inequality in the distribution of the national income? There must be something that produces it. So, we push our analysis beyond that of Hobson; and meet at once with inhibitions. For with the single exception of himself, none of the liberal, revisionist economists can get by this obstacle of inequality. They all insist that inequality is essential to the proper provision of capital plant. And thereby, if they are correct, they are dooming their system to destruction. For it is self-evident now that if inequality is permanently necessary to provide sufficient capital plant,

then it provides also that its goods cannot be taken sufficiently into consumption. So the capital plant cannot be used for the one end that makes its creation worth while, that is for the development of human lives in all their capacities. So, if they are right, we have a perfectly self-defeating system.

When we look for the cause behind inequality in distribution of income what do we find? We have, as the principal method of distributing the products of our joint effort the competitive, profit-seeking struggle. Trusting the incentive of possible success in a fight for the spoils to develop initiative we thereby create the inequality that defeats us. It is the victors in that struggle who gain concentrated wealth and power, whose chief interest becomes investment, whose primary concern is financial returns, not social welfare. The reason we have such great inequality in the distribution of wealth in our American scene is the enormous field open to this incentive, the vast amount of resources which it has had to operate with. For that reason if the system goes on unchecked, we will have more extensive disasters than other countries where concentration of ownership and income is not so great.

To see how the fight for profits is an accelerating cause of unemployment look, for example, at that aspect of present suffering which we erroneously cover up with the scholastic phrase "technological unemployment." It is one of those academic definitions with which we like to conceal the nature of reality from ourselves. A considerable part of our unemployment trouble is purely financial. It is caused by no improvements except in the collection of unearned increment. It is brought about by the inventive capacity of men who shut down plants and reduce the number of men employed solely to protect and increase the dividends on capital, a good part of which is fictitious. But when this motivation does increase productive efficiency in one of the highly competitive industries, like bituminous coal—what happens? Its labor-saving devices reduce employment. Its cutting of costs enables it to get an increasingly larger share of the declining market. Its margin of profit leads to further investment in an already overcapitalized industry, leaving a net balance of more operators and miners out of work. So, even efficiency, without social motivation and direction, increases unemployment.

Yet when you read a book like *The Road to Plenty*, you find that it starts with the assumption that you cannot touch the profit motive or you will wreck the capitalist system. It declares that profits are the life-blood of our economic system, but if this is true, then in the light of the analysis of Hobson it appears that there are poisonous germs in the blood. And you know what happens when blood poisoning reaches the vital organs. If you cannot introduce some vitalizing germs before it is too late, then the system destroys itself.

What then, are the proposals before us to meet this condition? What are the remedies? I understand you have listened to a guaranteed cure on a monetary basis, by increasing the flow of money to the producers and business men. But already our economy has been looking too long at the process of producing, with the result that nobody knows how to use what we can produce. We need now to turn to consumption needs, and plan production on the basis of the measured needs of the people who can beneficially use much more than they are now getting. In the last chapter of his book Hobson demonstrates that proposals to cure business depres-

sion by monetary remedies are in fact addressed only to secondary causes.

Then you have listened to the suggestion that the way to cure this whole thing is by prayer if not by faith. You are to turn your eyes devoutly heavenward, with a certain package under each of your arms. Now, there is a time to pray and there is a time to do something else. And in my church if we have an idea that somebody is hanging around to steal the collection, we keep our eyes in that direction.

You have also been offered a remedy which has a germ of truth in it, that is economic planning with proposals for different economic boards of varying grade, degree and function. We American people of this generation have a fatal facility for mechanical devices to cure all ills of human nature. Where our grandfathers relied on Almighty God, and our fathers put their faith in evolution, we trust to the machine or to some human mechanism or organization. But as a matter of fact no social planning alone can get us out of this situation because of the extent to which its roots are deep in moral impulses, judgments, standards, and values. Of course, we cannot cure unemployment without social planning, but adequate social planning involves and depends upon vital changes in the moral attitudes, judgments and wills of human beings.

For instance, we know that if we increase wages, we increase purchasing power. Our newer capitalists tried it. But nobody is attempting it now. On the contrary it is now being declared that the time has come to cut wages, and this despite the evidence of what has been done in England and still more in Germany. There they have cut the wages to the bone and reduced many workers to the last degree of human misery, but they have not solved the problem of unemployment.

Now, in this richest country of the world, we also are talking about reducing wages, so the next era of our history is to be ushered in by lowering the standard of living for many farmers and wage earners and stabilizing at a lower level for a time, until it is necessary to take another step down? And so, another dream of the American people goes the way of the dream of peace we had before Europe involved us in a war for a warless world.

If you are to get to the root of this matter, and remove the inequality which is the underlying cause of the business cycle we must adopt a method and plan for distributing national income according to the needs of human beings and the need for a continuing economic order. This means that we have not only to build up at the bottom, but also to cut down at the top. It is the unwillingness to face this necessity which is leading us into all the partial plans which are being proposed for the prevention of unemployment. There is no way out until we deflate the fictitious claims on income, which are in reality claims on the lives of others, that are now concentrated in this country in the hands of a few people. We must lower the income of those at the top, and raise the income of those at the bottom. That is the only way to the permanent prevention of our present situation.

But, as religious people, we have a bigger job ahead of us than that. Now, you see the nature of that god behind our commercial machine, the god whom the poor worker could not understand, a god terribly cruel and altogether false, yet a god who is more worshipped and obeyed in the work and life of the American people, than is the God of their churches and synagogues, the name of that god is Mammon. He has no redeeming quality. He does not require from his worshippers the generosity, the courage, the

sacrifice which are at least the redeeming feature of the cult of Mars. It is time now to turn our worship to a God who will not let us throw workers aside, whether technicians or daily laborers, because they cannot keep pace with the belt, a God who will not dwell with any people unless they continually work out justice and righteousness, as well as intelligence. He is the God we must set up. But to set Him up, we must kill this false god who is leading us to destruction. Kill him with the weapons of facts; kill him by analyzing situations and exploding the false beliefs that otherwise will sustain his power, long after the time when he should have been destroyed; kill him you must if you hope to find a way out of this situation.

THE DEMANDS OF JUSTICE

BY JOHN A. RYAN

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The traditional classification in Catholic treatises on ethics gives us three kinds of justice. They are legal, commutative, and distributive. Legal justice is that by which citizens or subjects are bound to promote the welfare of the community and the state. Commutative or strict justice regulates the relations among individuals and associations. Distributive justice binds the political authority. It requires public officials to distribute common goods and benefits among the members of the community in proportion to needs and merits and public burdens in proportion to capacities.

THE OBLIGATIONS OF EMPLOYERS

The relation between employer and employe is governed primarily by commutative or strict justice. This species of justice obliges the employer to make and fulfill just labor contracts, but it does not require him to enter any particular labor contract or to employ any particular laborer. Owing, however, to his position in the industrial and social organism the employer participates also in the functions of distributive justice. He is charged with the social obligation of making a fair distribution of the economic goods and opportunities which he controls. His duty is not merely contractual, but social. He fulfills not only an individual contract but a social function. If the state owned and operated all the instruments of production, it would clearly be obliged to provide all the wage-earning members of the community with employment at fair wages. Under the system of private capital this function is performed by employers. Upon them primarily falls the duty of enabling the wage earners to enjoy their natural right of obtaining a livelihood from the common bounty of the earth. Since they take the place of the state in the employment relation and in the control of the goods and opportunities of living for the laboring class, they have some obligation to provide employment.

To be sure, this obligation is not absolute. It is limited by the possibilities of the situation. An employer is not obliged, in justice, to furnish employment to anyone at a definite loss to himself. On the other hand, it would seem clear that he is morally obliged to retain present employes on his pay roll, even though he obtains no interest. Like the laborer, he

has the right to a livelihood in reasonable conformity with the standard of living to which he has been accustomed. But he has no right to shut his business down or to discharge any of his employees merely because he is unable to get interest on his capital or dividends on his stock or profits in excess of the amount required for his own livelihood.

Despite all the compliments that have been tendered to employers on account of their promises to keep up wages and to refrain from reducing their labor forces during the depression, we know that neither of these engagements has been completely fulfilled. Some of those who dismissed employees undoubtedly had to choose between that course and operating at a loss. On the other hand, many employers could have retained some or all of those discharged if they had been willing to get along without interest or without a normal rate of interest. Such employers violated not only charity but distributive justice. They failed to carry out their social obligation as distributors of economic resources and opportunities. They prevented the employees whom they discharged from enjoying the fundamental human right of access on reasonable terms to the common bounty of nature, the common heritage which God has destined for all the children of men. The fact that very few of the offending employers recognize this obligation frees them indeed from formal and conscious wrongdoing, but it still leaves their conduct at variance with the principles of distributive justice. They may be able to plead ignorance, but they can not plead innocence. Their attitude sadly illustrates the exaggerated notions of property and the inadequate conceptions of stewardship which prevail in our society.

Are the employers and the masters of industry morally obliged to increase the sum total of employment by finding a way out of the industrial depression? Here, again, they can exculpate themselves by a plea of ignorance. No one is bound to do a thing which he does not know how to do. A few months ago Mr. Gerard's 64 "rulers of the nation" were asked what they would do to end the depression. Only a few of them returned any answer at all; not one of those who did respond contributed a single concrete or useful suggestion. Indeed, most of the replies were trivial or platitudinous, the prize sample being, "The remedy is more work and less talk."

To the December, 1930, issue of *Nation's Business*, Julius H. Barnes, chairman of the board of the United States Chamber of Commerce, contributed an article entitled "The Road to Better Times." In the blurb accompanying this effusion we are told that "Mr. Barnes analyzes causes, weighs values, and gives the clue to the way out of the depression." As a matter of fact, he does none of these things. His statement of causes is hopelessly defective, while his description of remedies is verbal fog. "Words, words, words." I defy anyone to extricate from Mr. Barnes' article a single definite piece of practical and effective guidance. So far as finding the "way out" is concerned, our industrial leadership seems to be bankrupt. In this predicament the leaders can not fairly be charged with strictly moral responsibility for the continuation of the depression.

THE OBLIGATIONS OF THE STATE

We turn now from the obligations of justice resting upon employers to those binding upon the state, the political community. As already noted, these duties fall under the head of distributive justice. The state exists

to promote the common good, and, so far as possible, the welfare of social classes, families, and individuals. In pursuing these objects the state is obliged to exemplify distributive justice toward every part of the community; that is, it must distribute goods according to needs, and burdens according to capacities. The foremost duty of the rulers of the state, says Pope Leo XIII in his Encyclical on the Condition of Labor, is to make sure that the laws and institutions and administration "shall be such as of themselves to realize public well-being and private prosperity." They should exhibit, he continues, "that justice which is called by the schoolmen distributive—toward each and every class alike." They should give special attention to "the interests of the poorer classes," for "the poor and helpless have a claim to special consideration." Hence "wage earners should be especially cared for and protected by the government."

The immense scope of the state's functions is set forth by Pope Leo in this striking sentence: "Whenever the general interest or any particular class suffers, or is threatened with mischief which can in no other way be met or prevented, the public authority must step in to deal with it." No wider concept of state functions could be desired by any realistic person. Nor are we likely to find anywhere a more pointed condemnation of the shallow doctrine that the state should avoid "class legislation."

UNEMPLOYMENT RELIEF

The obligation of the state to the unemployed has two-phases, material relief and the provision of jobs. When private resources are inadequate it is clearly the duty of the public authorities to provide food, clothing, shelter, and the other necessities of life. In any given condition, therefore, the question of the state's obligation becomes the question whether the existing distress can be relieved through voluntary effort. Despite the complacent attitude of men in high places, it seems fairly well established that private charity will not bring adequate relief to all those who are in grave need in many parts of the United States this winter. In particular, the deplorable condition of thousands in the drought-stricken states seems to demand public in addition to private relief. The same thing is probably true of other thousands in several of our cities and towns. In this grave emergency, this disgraceful condition of dire want in the midst of plenty, the quality of mercy is not, or at least should not be, strained. It is infinitely better to sin on the side of abundant and even of wasteful relief than to permit men, women, and children to starve in the interest of a shallow and doctrinaire theory about the impropriety of public relief. Referring to a similar though less urgent and exigent situation, Pope Pius XI declares in his recent encyclical on Christian marriage: "If, however, private resources do not suffice, it is the duty of the public authority to supply for the insufficient forces of individual effort, particularly on a matter which is of such importance to the common weal, touching as it does the maintenance of the family and married people. . . . Hence, in the making the laws and in disposing of the public funds they (the rulers of the state) must do their utmost to relieve the penury of the needy, considering such as one of the most important of their administrative duties."

THE PROVISION OF JOBS

One frequently hears the assertion that the laborer has a right to work in the sense that he has a right to a job. Obviously, a man does not possess

such a right against employers in general; nor even against his present or former employer if it can not be realized without monetary loss. As stated above, an employe has a right in distributive justice, because of the employer's social function, to be continued in his present employment so long as this does not involve loss to the employer. When any considerable number of workingmen are unable to find employment, the duty of supplying it devolves upon the state. The argument for this proposition may be summarily stated in the following terms: Laborers have a right to obtain a livelihood from the common bounty of the earth on reasonable conditions; in the present system this right can be realized only through employment; the state is obliged to protect the rights and make adequate provision for the needs of every class; therefore the principles of distributive justice oblige it to furnish jobs to the jobless.

PUBLIC WORKS

How shall the state provide employment? The concentration and increase of public works in a period of depression has for many years been among the standard remedies proposed by economists. In December, 1928, Governor Brewster of Maine, recommended an elaborate program of this sort, and the public was given to understand that it represented the views of President-elect Hoover. Last June the President was requested to exercise his influence on behalf of a bond issue of \$3,000,000,000 for road building. He declined to do so. No adequate action along this line has been taken by Congress. The much-advertised increase in the federal outlay for public works in 1930 amounted to only \$4,000,000. The national administration has taken great satisfaction in declaring that the amount available for federal construction work during this year will be \$450,000,000 more than was spent in the year 1928. This additional appropriation is, however, utterly insufficient to provide jobs either directly or indirectly for our 5,000,000 unemployed.

A few weeks ago some eighty economists signed a statement expressing the view that the federal government should appropriate \$1,000,000,000 for public works. Even this amount would be inadequate. Five billion dollars would not be excessive. Suppose that the expenditure of this sum on public buildings, roads, navigation, flood control, forestry, elimination of grade crossings, and other legitimate public enterprises, required two years; suppose that one-half went for wages and one-half for materials, and suppose that the average wage was \$1,250 per year. On these suppositions, 1,000,000 persons would obtain employment for two years, while a considerably greater number would be required to produce the goods and the materials necessary to supply the demand evoked through the initial outlay for labor and materials. The beneficent and far-reaching effects of the original expenditure upon employment can be roughly estimated on the assumption that one-half of every dollar directly or indirectly added to the purchasing power of the community is paid out for wages. Incidentally, the effect upon the public mind, particularly the business mind, would be tremendous. In so far as fear is a factor in prolonging the depression and preventing recovery, its influence would be totally eliminated.

Of course, the administrative difficulties in the way of such a program are very great, but they are not insuperable. I have been informed on very high authority that upwards of a half million men could be employed

almost immediately upon necessary federal public works of various kinds. If the actual distribution of this fund in wages and for materials got well under way in six months, the project could be called a success. After all, no one knows whether there will be a considerable revival or any revival at all of business next spring. No industrial leader nor any business expert would stake his reputation upon the prediction that business next summer will not be worse than it was last summer. Definite forecasts of business recovery have gone out of fashion.

The distance, the difficulties, and the time involved in the uphill journey back to something like normal prosperity is indicated by the fact that, according to the *Analyst*, the decline in general business activities between October, 1929, and January, 1931, reached the astonishing figure of 28 per cent.

HIGHER INCOME TAXES

How shall a \$5,000,000,000 program of public works be financed? Obviously through a bond issue. Money is now so plentiful that \$5,000,000,000 of federal bonds, paying not more than three per cent interest, could be marketed within 30 days. Of course, the sale would be spread over a longer period, inasmuch as the proceeds would not all be needed at once. A substantial part of the amount might not be needed at all. At three per cent, the annual interest charge on the total issue would be \$150,000,000, which is \$10,000,000 less than the foolish reduction made in the personal income tax last year. The surtaxes could be increased sufficiently to produce that \$150,000,000 without depriving a single person of either comforts or luxuries. In the year 1928, 511 Americans paid taxes on a million or more dollars of personal income. Dividend and interest payments made by corporations to individuals during the "depressed" year of 1930 exceeded those of 1928 by more than \$2,000,000,000. These are merely a few illustrations of the general fact that the surtaxes on personal incomes could without any genuine hardship to any person be raised sufficiently to provide for a program of public works which would probably be adequate gradually to provide employment for almost all those now out of work and gradually to end the existing industrial depression. No other means of attaining these ends has been suggested or is in sight. When the government enacts such a measure for the unemployed and collects the cost of it from the receivers of large incomes it exemplifies both elements of the fundamental formula of distributive justice, namely, benefits according to needs and burdens according to capacities. The obligation to adopt this course rests primarily upon Congress and secondly upon the President of the United States.

A very short step in this direction is contemplated in the "prosperity reserve" bill introduced by Senator Wagner more than a year ago. The indifference toward this proposal exhibited by men in high public places is strikingly shown by the fact that it has not yet been enacted. Senator Wagner's bill providing for the effective and comprehensive collection of statistics about unemployment has become a law, but Congress failed to appropriate money for its operation. The same Senator's bill to set up an adequate system of employment exchanges passed the Senate, but has been effectively stopped in the House of Representatives. All three of these measures are elementary in any program dealing with unemployment. That none of them has yet been enabled to function is a very discouraging reflection upon the conception which Congress holds of its moral obliga-

tions to the laboring masses who, in the words of Pope Leo XIII, "have a claim to special consideration."

UNEMPLOYMENT INSURANCE

The enormous suffering caused by unemployment places upon the community a definite and grave obligation to provide an adequate system of insurance. Voluntary arrangements by employers or by employers and employees jointly, although praiseworthy in the few cases where they have been adopted, can not become either general or adequate. A compulsory universal scheme is necessary. However, none of the European state systems of unemployment insurance is desirable in the United States. The best plan for American conditions would be one embodying the essential features of our workmen's compensation laws. In the tentative draft of a bill made by the American Association for Labor Legislation for submission to the state legislatures the main feature is the creation of an unemployment reserve fund, exclusively through contributions by the employers. The chief merit of this proposal is that it would place the burden of unemployment precisely where it belongs.

Men who must spend all their lives as wage earners and who have no other way of realizing their natural right to a decent livelihood have a just claim upon industry for sufficient compensation to protect them against all the needs and contingencies of life. When the unemployment hazard can not be met out of wages it should be provided for through some other payment derived from industry. Justice demands that this obligation should be placed upon the masters of industry because they have preempted the wage earners' time and services and they possess or can obtain the means of making the necessary provision. And the state is properly charged with the obligation of enacting and administering the necessary legislation.

UNEMPLOYMENT PREVENTION

Both employers and the state are morally obliged, so far as they can, to prevent the recurrence of such depressions as have existed in the United States for the last 15 months. In order to be effective, preventive measures must obviously attack the principal causes. It is pretty generally recognized now that our present unemployment is mainly technological; that is, caused by a rapid and widely extended displacement of men by machinery and other improved processes. As a consequence we have a condition which may correctly be described, according to the point of view, as overproduction or underconsumption. Some restriction is necessary in certain industries where the overproduction may properly be called absolute, for example, in the production of wheat, cotton, shoes, and probably some other commodities. In these industries productive capacity seems to be in excess of all the demand that would be forthcoming even if all persons had the money to purchase all that they want of these commodities.

The main remedy, however, relates to underconsumption. Those who like to consume more should be provided with reasonably adequate purchasing power. The necessary and sufficient means to this end are higher wages and shorter working time. The latter would indirectly bring about the former through increase in the demand for labor. If employers were sufficiently organized, they could establish both higher wages and shorter

hours, although the latter is probably much easier of attainment than the former. A definite obligation rests upon the masters of industry to make a systematic, sustained, and organized effort to achieve both these objects. The suggestion occasionally heard that the directors of industry should combine to curtail the production of certain commodities without reducing the working time deserves no consideration whatever. To adopt this method would be to make the unemployment situation worse.

If Congress and the state legislatures had the requisite constitutional power, they could bring about the necessary redistribution of purchasing power and shortening of hours more quickly and more effectively than any combination of employers. Unfortunately, the Supreme Court has declared unconstitutional minimum-wage legislation, even by the states, and it would probably pass the same judgment upon short-hour laws, applying to men as well as women in all industries. At present there is very little that our legislative bodies can do in this direction beyond setting an example to private industries, by paying adequate wages to and reducing the working time of public employes and inserting the same regulations in all contracts for public work.

Throughout this address I have tried to expound one comprehensive proposition, namely, that the present unemployment places upon both the employers and the public authorities certain definite obligations of justice. The burden upon their consciences can not be adequately expressed in terms of a remote counsel of perfection, or a vague requirement of civic loyalty, or an empty profession of humanitarianism. The obligation binding them falls under the same virtue, which requires them to repay borrowed money. In attempting to apply the great principle of justice to the conditions of our unemployment situation I may have made some mistakes, but I know that I have not exaggerated the pertinency of the principle. Until the demands of justice are specifically and comprehensively recognized there can be no adequate solution of the problem of unemployment. Such is the general conviction of mankind. In the words of Henry George: "Though warped by habit, superstition, and selfishness into the most distorted forms, the sentiment of justice is yet fundamental to the human mind, and whatever dispute arouses the passions of men the conflict is sure to rage, not so much as to the question 'Is it wise?' as to the question 'Is it right?'"

UNEMPLOYMENT AND THE SOCIAL CONSCIENCE

By EDWARD L. ISRAEL

Chairman, Social Justice Commission, Central Conference of American Rabbis

Although I have spoken on the same program before with Dr. Harry Ward and Dr. John A. Ryan, I have never got over the sense of humbleness that I feel as I stand on any platform with these two great spirits; and I want, before I say anything else tonight, to record that innermost feeling of humble gratitude that, by some peculiar dispensation, it has been my lot to take a very insignificant place along with them.

This morning we heard from the mouth of a nationally known manufacturer that we have been undergoing a "so-called depression." I ad-

dress myself to what the eloquent manufacturer, who has appeared before us, has termed this "so-called depression." It is my task to voice the protest of the social conscience with reference to the cause of the present calamitous state.

I see not only the economic causes that have been described for us in a more or less dispassionate manner. Behind it all I see the devastating effects of unemployment on millions of individuals and their families; of women who have begged me for work for their men not only to feed their babies but to save the morale of these men who, under the grim touch of unemployment, are sinking into hopeless despair. I hear the cry of millions robbed of ambition, deprived of self-respect, becoming morose and suicidal. I see homes broken, divorces increasing, and crime expanding. I hear the cry of undernourished children and the plaintive sobs of men who prefer to starve to death before becoming objects of charity.

What have the experts told us are the economic causes of this great moral catastrophe? Some eloquent speakers have ascribed it to defects in our system of production and distribution. Others have said that it is a world-wide problem due to tariff, overpopulation, technological maladjustments, debasement of currency, collapses of credit and certain cyclical factors which not even the profound minds of economists can fathom; that production and dividends have increased but real wages are lower, so that adequate consumption is impossible. These same experts have brought to us suggestions of economic cures.

We have been told that we must have different methods of production and consumption and distribution; that we need public employment offices, dismissal wages for technological displacements. Some have said that the solution lies in expanding credit to keep up the flow of money. Others have even charged that our masters of business and finance want no solution, but want to use unemployment to beat labor into a submission to a lower wage scale. We have heard suggestions for unemployment insurance and for increases in wages and a shortening of hours. Some have gone farther and insist that all of these plans are only expedients which merely spread the burden of distress among a greater number and thus lighten but do not cure it. They say that the only answer lies in national boards of control which will take over our present economic system and limit it. Others have advocated the complete abandonment of the profit system and capitalism.

Obviously, these are not new thoughts. They have been in existence for a long time. Why is it, then, that society and business have stood by, allowing misery to grow, with not even a conservative effort at improvement? It is because we need more incentive to progress than mere economic analysis. We need a social conscience! It takes more to alleviate misery than a mere stating of a plan. It takes the moral courage to insist on certain social values and to demand that the plans for social betterment be put into effect.

"The religious approach" is an elusive and vague term. It is a significant fact that the speaker on our program who used most frequently the terms "God" and "religion" was the most anti-social person who came before us. We heard it stated that "religion lives by charity and that the life and mission of the church depend upon the need for charity." We had a speaker who boasted of his religiousness admit that, even with millions out of jobs and himself the head of a great body of American

manufacturers, he had not considered any private unemployment insurance plans, and that he believed "there were worse things in life than being out of a job and hungry." It is high time for the die to be cast. It is high time for us to serve notice that this type of conscience cannot dare to mouth sanctimonious words in the name of religion, and that we are not organized as churches to level, by charity, the ills of competition. Religion must declare unequivocally that an economic order, which, by its unbridled wastefulness and shortsightedness under the guise of "competition" and "rugged individualism" brings misery to millions, cannot endure with our sanction and without our protest.

There is the challenge brought to us by a brilliant economist who proclaimed the bankruptcy of professional political economics which, he asserted, has too often become the agent of private interests, and who begged us for a more vigorous ethical leadership.

What then are the social implications of our conference in the light of an ethical conscience?

First of all, we must serve notice that we cannot condone the easy forgetfulness by which society slips out of the worries of depression when times of prosperity again come. The ills of today must be remembered. Permanent commissions must be set up. The primary demand is to insure employment, and not compensation for unemployment.

We must voice the need of thoroughgoing reforms based on human values. It is these human values which must be stabilized and the economic order which must be made more flexible. We must support the public employment agency because private agencies have too often meant the exploitation of misery.

We must advocate an increase of public works in times of depression. We must fight for a more equitable distribution of the profits of industry. Yes, we must go farther! As one speaker has put it, "we cannot repair the well merely by painting the pump." We must serve notice that the human values cherished by religious forces are the only really inviolable things of life, and that the economic order and social institutions and all government itself are subservient to these.

We must challenge the profit system which has so much misery as its by-product and insist that, if it will not submit to collective control, it will have to give way to a more righteous order which will see to it that millions upon millions do not lie starving and jobless in a world that is more than surfeited with food and clothing.

We talk of the stabilization of business. What we need is the stabilization of human justice and happiness and the permanent employment of economic policies which will enable us to preserve the essential human values of life amid all the changing aspects of the economic order.

We must have a revamping of the entire method of approach to these problems of the economic order. We need a new type of social conscience which will give us the courage to act. We do not lack energy. We do not lack intelligence. But we lack the moral courage to put our knowledge into action.

Beyond all, we have to be mindful that this elusive thing we call a conscience, springing, as we feel, from religious sensibilities, is a very, very vague thing. We have a vivid picture of the fact that the most reactionary paper presented before this conference was presented by a man who used the terms "God" and "religion" more than any man who appeared

before us. So we heard, for example, that to be religious, one must realize that the church lives by capitalizing poverty, and if the need for charity is eradicated, so is the need for religion. If that be true, then by all means, let religion eliminate itself from the world as soon as possible. We heard it said that the function of religion was to iron out, by charity, the ills of competition. Well, my friends, I feel that the first demand of the social conscience, speaking in the name of religion, is to serve notice on all individuals who seriously think this, that religion is no such thing, that religion is not a plaster to put on the festering sores caused by economic ills, that religion is not a complacent handmaid of our competitive system which, by its wastefulness and improvidence, has caused the problems which have compelled the religious organizations to call this meeting into existence.

We have said that it takes more than the word of experts to move men. We see the need of bringing to the fore humanitarian sensibilities and the ethical impulses that flow from them. It is not only a discussion of the mathematical aspects of production and consumption that I recall as I stand before you, not only the words of wisdom of authorities on economics which have issued from our platform. I hear, above it all, the voices of hundreds of men and women who have come into my office in the past few months, beseeching work not only that they and their children might eat but that their faith in any finer meaning to life might be preserved.

I feel we must move the mind and heart and soul of society to consider more deeply than the economic aspects of balances of credit, or the expediency of issuing bonds for public works. We must stir men to a sense of righteous indignation concerning what is happening in the utter demoralization of society, the loss of morale and ambition. We must comprehend and be aroused at the domestic unrest, the undernourishment of children, the growth of crime, the increase of divorce, and above all, the impossibility of ever working out a satisfactory and contented and religious social order as long as the Damoclean sword of the constant fear of loss of job haunts every man employed under the capitalistic system.

We have heard experts. We know that they have sound and conservative plans to offer. Now we come to those in charge of our government and industry—these men who grope around so dizzily, who seem not to know what to do. We make our demands of them in the name of something more than a mathematical solution of our problems. We feel that we have a right to call for an application of the principle of justice, and to cry out our condemnation of the social order which allows millions to starve in the midst of overflowing plenty. We proclaim the dictates of a social conscience.

We sound the voice of social protest against the raising of a sanctimonious cry of "Americanism" and "the Constitution," whenever any fundamental social change is being projected. We must maintain, in unequivocal terms, that our government, our democracy, founded in an age when political freedom was the cry of the moment, now finds itself, due to a changing civilization, in a new age where not political freedom but social and industrial freedom is the most insistent cry; and unless that democracy of ours is flexible enough to adapt itself to the demands of the justice and the morality of the new day and the new age, then its future security is indeed dark with foreboding.

We need, in the name of social conscience, to cry out against such hollow statistical efforts to blind us to real facts like the quoting of figures showing that almost one-half of the population of the city of New York has savings bank accounts. Well, we ask, what about the remainder consisting of nearly four million people? Are they negligible? Furthermore, there are bank accounts which, by their paltry sums, are the indication of the poverty of the masses. I think of the bank runs which occurred recently. I think of the thousands of poor people who stood in the lines outside the banks frantically trying to reach the paying-teller in a wild effort to get the five or ten or even twenty-five dollars which represented the gross savings of years after the periodic inroads due to sickness and unemployment. We have to break down some of these false figures that try to lend any air of prosperity to this "so-called depression."

We need a distinct change of attitude, an attitude that will be expressive of a social conscience, a conscience that will not be awed into silence by such catch words as "rugged individualism."

And, my friends, we need more than science in this social conscience of ours. What is the contribution of modern science to the solution of social and economic problems? Organized philanthropy—the application of scientific measurement to questions of charity, mere case work, card-index systems, "statisticians of poverty," some one has said; things very necessary to meet the demands of the moment, but by no means the final or the completely ethical answer to the ills of the social order. There is need for something which goes beyond that a plan which is ready, if need be, to remake the bases of the social order. That is the cry of justice.

Finally, we ask, just what are the concrete, specific demands of the social conscience in the present instance?

I am not so sanguine about the results of even so fine a meeting as we have here. There is always to be considered the facile forgetfulness. Just as a lot of us can get together under the spirit of quiet and dedicate ourselves to international peace, yet, on occasions be swept away by mob psychology and run out on the streets and howl for the blood of an enemy, so here, while we become very much alarmed in these periods of depression and have conferences and cogitations, and while even the national government has taken cognizance of the crisis as it did in the year 1921, we so easily forget. Once the cry of the "so-called prosperity" is heard in the land, we all become so stampeded by the spirit of the god Mammon, that we cannot serve the dictates of a social conscience.

Resolutions can be forgotten. Far greater than the adoption of any resolution would be an inner consecration that we who are here *will not forget*. We are here to serve notice that the economic order is the invention of man; and that it cannot dominate certain eternal principles of justice. We must implant within our hearts, and ever give expression to the eternal demand that the responsibility of government to its people is to make those people happy. We must affirm that we are going to come out of this depression, not with forgetfulness, but with the determination that out of this bitter experience will issue certain definite and concrete lessons.

One of these is that the commissions which have been set up in the various cities to cope with unemployment will not be mere temporary affairs, but will be permanent. After all, the real problem of unemployment is but one aspect of that larger problem of permanent employment.

We have the right, in the name of the social conscience, to demand a well coordinated system of public employment services. One thing we must have learned, my friends, and that is that the private employment agency, no matter how honest it is, and sometimes it does not even try to be that, must be relegated to that limbo of civilization which harbored private postal services and privately operated water supply systems or anything of like nature that we regard now the function of government alone to supply and supervise. Employment has been shown to be such an integral part of the happiness of a community that we cannot leave it to the chance ministrations of those private organizations that merely exploit the misfortunes of people.

We have had told to us, in such eloquent terms, that we need only mention it in passing, the need of this social conscience to be concentrated in a support of widespread public works in times of depression. But we must go farther than that. We must go farther even than the demand for unemployment insurance. We need unemployment insurance. To a social conscience that is axiomatic. But we must demand, more than unemployment insurance, a social order which will give us a greater degree of "employment insurance." That is the demand, par excellence, of the social conscience. We utter, too, our determination to stand by the furtherance of a more equitable distribution of the profits of industry. We pledge ourselves to a breakdown of the concentration of all the potential resources of mankind more and more into the hands of the few. We voice our support of a greater inheritance tax to break down that concentration, and of various other measures which will safeguard the majority in the face of the minority that is not necessarily wicked, but which has taken advantage of an unjust economic order.

We have a mandate from the social conscience to state that we will not tolerate an economic system where the only answer to our problems is charity drives, bread lines, and apple vendors. And we need to affirm that if this system of profits, private profits, will not or cannot adapt itself to the social conscience, then it must give way to some more just social order that will answer the problem. If we are willing to follow the implications of the facts laid before us, we will have to commit ourselves to a program of greater social control, which does not allow one man, as he now does by the power of employment, to condemn so many others periodically to starvation.

We talk of stabilization of business. What we really need is the stabilization of human values and flexibility in administrative organization, the abolition of our current materialistic expediency in the treating of human values, and a more competent, more flexible administrative order guided by a social conscience.

This requires more than a conference. It requires more than experts. It needs more than formal resolutions. It needs an indubitable courage born only of a faith in the inviolable sanctity of human rights.

"Let us then determine that, out of that which we have learned, we will have the moral manhood to speak out and struggle for an economic and social order of which we need not blush before our God."

Information concerning their resolutions and programs for action on unemployment may be secured from the offices of each of the sponsoring agencies:

COMMISSION ON THE CHURCH AND SOCIAL SERVICE
FEDERAL COUNCIL OF CHURCHES OF CHRIST IN AMERICA
105 East 22nd Street
New York City

DEPARTMENT OF SOCIAL ACTION
NATIONAL CATHOLIC WELFARE CONFERENCE
1312 Massachusetts Avenue, N. W.
Washington, D. C.

SOCIAL SERVICE COMMISSION
CENTRAL CONFERENCE OF AMERICAN RABBIS
Har Sinai Temple
Bolton and Wilson Streets
Baltimore, Maryland

Additional copies of this report may be obtained at 50 cents each from the same sources.



First Report
of the
Royal Commission on
Unemployment
Insurance

*Presented by the Secretary of State for the Home Department
to Parliament by Command of His Majesty,
June, 1931.*

LONDON:

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE.
To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:
Admiral House, Kingsway, London, W.C.2; 120, George Street, Edinburgh;
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ROYAL COMMISSION ON UNEMPLOYMENT INSURANCE.

*(Appointed by Royal Warrant
dated the 9th December, 1930.)*

MEMBERSHIP OF THE COMMISSION.

His Honour Judge HOLMAN GREGORY, K.C. (*Chairman*).

Councillor W. ASBURY.

Mr. HENRY CLAY.

Dr. H. J. W. HETHERINGTON.

Mr. E. C. P. LASCELLES, O.B.E.

Mrs. C. D. RACKHAM.

Mr. H. M. TROUNCER, F.I.A.

Mr. H. C. EMMERSON (*Secretary*).

Mr. H. R. HODGES (*Assistant Secretary*).

TERMS OF REFERENCE.

To enquire into the provisions and working of the Unemployment Insurance Scheme, and to make recommendations with regard to :—

(1) its future scope, the provisions which it should contain and the means by which it may be made solvent and self-supporting, and,

(2) the arrangements which should be made outside the scheme for the unemployed who are capable of and available for work.

Note.—The cost of the Commission from the date of its appointment on 9th December, 1930, up to the present time has been approximately £5,350, of which £210 represents the estimated cost of printing and publishing this Report.

ROYAL COMMISSION ON UNEMPLOYMENT INSURANCE.

FIRST REPORT.

TO THE KING'S MOST EXCELLENT MAJESTY :
MAY IT PLEASE YOUR MAJESTY

1. We, the undersigned Commissioners, were appointed under Your Majesty's Royal Warrant of the 9th December, 1930, to enquire into the provisions and working of the Unemployment Insurance Scheme and to make recommendations with regard to :—

(i) its future scope, the provisions which it should contain and the means by which it may be made solvent and self-supporting, and

(ii) the arrangements which should be made outside the scheme for the unemployed who are capable of and available for work ;

and we humbly beg leave to report as follows :—

INTRODUCTORY.

The proceedings of the Commission.

2. We held our first meeting on 16th December, 1930, when we decided that the press and the public should be admitted to the meetings at which we heard oral evidence, and that the examination of witnesses should be conducted by ourselves. We held our first public meeting to take evidence on 19th December, 1930, and we have held twenty-seven public meetings and examined seventy witnesses a list of whom is given in Appendix V.

3. Representatives of the Ministry of Labour, the Ministry of Health, the Department of Health for Scotland, the Treasury, the Board of Trade, the Ministry of Agriculture, the Department of Agriculture for Scotland, and the Government Actuary have given evidence on the provisions, finance and working of the Unemployment Insurance Scheme, the provision made by Local Authorities for the relief of the able-bodied unemployed and, on other matters relevant to our enquiry.

4. The Unemployment Insurance Scheme is based upon contributions from employers and insured workpeople, as well as from the Exchequer, and we have therefore obtained evidence from representatives of organisations of employers and workpeople. The Local Authorities who are now responsible for the administration of public assistance are also deeply interested in the nature of the provision to be made for the unemployed and we have obtained evidence from the Associations of Local Authorities and from representatives and officials of individual Authorities throughout the country. Evidence has also been given by persons with special knowledge and experience of the problems before us. Verbatim

reports of the evidence given at each meeting have been published and placed on sale by Your Majesty's Stationery Office.

5. To acquaint ourselves with the practical administration of unemployment insurance and the Poor Law, we have visited several industrial areas where we have obtained information from representative employers, trade union officials, Local Authorities, Chairmen of Courts of Referees, and Local Employment Committees. We have also visited many Employment Exchanges and training centres.

The scope of the Report.

6. It will be realised that our enquiry has raised many complex questions. Foremost among them is the question whether or not the principle of a contributory insurance scheme is applicable to the present industrial situation of Great Britain. That principle has been forcibly challenged in parts of the evidence before us. Apart from this question of principle, numerous questions of importance as to the provisions of a scheme immediately arise. There is, for example, the matter of the *scope* of an unemployment insurance scheme; whether a scheme which includes *all industries*, whatever their varying risks of unemployment, is really practicable; whether industries or occupations at present outside the scheme should be brought in, and whether some of those now in should be wholly or in part excluded. There is, again, the question of the best method of fixing rates of contribution; and the further question whether there should be variable rates of benefit.

7. The evidence already given has shown that the existing Unemployment Insurance Scheme suffers from a rigidity which makes it difficult readily to adjust its provisions to the varying needs of the unemployed workers and of industry. It is the desire of both workers and employers, as voiced by the Trades Union Congress General Council and by the National Confederation of Employers' Organisations, that a much greater degree of elasticity should be introduced into the scheme. We shall have to consider, therefore, whether a method cannot be found by which, without departure from the expressed intention of Parliament, the scheme can be kept adaptable to the changing needs of the industrial situation.

8. Under the second part of our terms of reference we are asked to consider the arrangement to be made outside the Scheme for able-bodied workers. However wide the limits of an unemployment insurance scheme may be, there will always be some persons who fail to satisfy the conditions for the receipt of benefit and for whom assistance must be provided in some other way. At present this provision is made by transitional benefit and by out-door relief. It is therefore our duty to review the whole question of the relief to be provided for able-bodied workers on account of unemployment. The evidence we have received shows the complexity of this aspect of the problem. The Poor Law of Scotland differs in many respects

from that of England and Wales while in each country there is a diversity of practice in administration. During the last twenty years there has been a gradual and uncoordinated transfer from local to central government of the whole problem of the able-bodied unemployed, and of the distress due to unemployment. We regard as a most important part of our enquiry the determination of the proper sphere of the central government and of the Poor Law Authorities, and the best method of coordinating their activities so that the whole problem of the able-bodied unemployed may be properly covered without either gaps and hardships or duplication and waste.

9. Our examination of these problems is incomplete, and it will be some time before we are able to make final recommendations upon them. Had it been possible we should have wished to present in a Report our conclusions on the whole range of questions before us, but since we were appointed it has been pressed upon us by communications from Your Majesty's Government and by continuous references to the subject in Your Majesty's Houses of Parliament that there are matters raised by our enquiry of which, in the interests of the State, immediate consideration is required. In the first stage of our enquiry, therefore, we have given special attention to these matters and, in compliance with the request made to us, we present this interim Report in advance of our final conclusions. We confine our recommendations to the matters which have been represented to us as urgent. They are as follows :—

(1) the increasing indebtedness of the Unemployment Fund out of which unemployment benefit under the Insurance Scheme is paid ;

(2) the increasing cost to the Exchequer of transitional benefit ; and

(3) the suggestion that unemployment benefit is being paid to certain classes of persons in circumstances which the Unemployment Insurance Scheme was never intended to cover.

10. In order to make clear the essential facts of the present situation, we think it necessary to refer quite briefly to :—

(1) the extent of unemployment ;

(2) the development of Unemployment Insurance ;

(3) the provisions now in force ; and

(4) the finances of the Unemployment Fund and the cost of unemployment benefit to the Exchequer.

I.—THE EXTENT OF UNEMPLOYMENT.

11. It is not necessary for us to enter upon an elaborate examination of the causes of unemployment, the nature of post-war unemployment or the possible reactions of the Unemployment Insurance Scheme on employment. These are matters on which we shall have to report in some detail in making our final proposals. It is sufficient, therefore, if we indicate the extent to which the

present position of the Unemployment Fund is due (a) to an under-estimate of the average level of post-war unemployment, and (b) to the effects of the world-wide depression which began about 18 months ago.

The average level of unemployment.

12. The average percentage of the insured population recorded as unemployed at the end of each month since December, 1920, when the Unemployment Insurance Scheme was extended to its present limits, is 12.2; representing nearly one and a half million persons. The contributions and benefits provided by the Unemployment Insurance Act, 1922, and continuing to the second Act of 1924, balanced at about this percentage, and the Scheme may be taken to have been at this stage solvent and self-supporting. No other Act since 1920 has satisfied this condition. The Acts now in operation fall far short of it.

13. To take the average percentage over the last ten years as a measure of the risk is, however, unsafe, since the average may conceal a marked trend. Such a trend is suggested if the years 1921-24 be compared with the years 1925-28. In the earlier period of four years the average unemployment was 13.1 per cent., in the latter 10.9 per cent., these figures pointing to a progressive improvement. This improvement is probably explained in large measure by the reduction in the number of unemployed in the engineering and metal industries which were unduly expanded by the war demand for munitions. Between June 1923 and June 1928 the number of the recorded unemployed in engineering, shipbuilding, iron and steel fell by 147,500, from 308,000 to 160,500; in the same period the numbers insured in these industries fell by 119,000 from 1,243,000 to 1,124,000. Thus the improvement was effected by a contraction in the numbers engaged (in other words by transfer and absorption elsewhere), rather than by an increase in employment in those industries.

14. This improvement has, however, been checked. The average for the years 1927-30 was 11.6 per cent., the percentages for these four years separately being 9.6, 10.7, 10.3 and 15.9. The same conclusion is suggested by a comparison of the effects on employment of the present world depression in trade with the effects of the similar depression of 1921-22: 1930 had a higher percentage (15.9) than 1922 (14.1) and almost as high a percentage as the year of the coal stoppage, 1921 (16.6). It would, therefore, be unsafe to assume any trend in the direction of improved average employment.

Distribution of unemployment.

15. In addition to a high average level, unemployment since the war has had another characteristic which must be taken into account, viz., a high minimum of unemployment. The percentage has never fallen below 8.6, and in only three months in the last

ten years has it fallen below 9. The minimum number of unemployed above which fluctuations in employment have taken place, is therefore about 1,100,000. This high minimum is due in part to the persistence of high unemployment in certain industries. It points to certain obstinate factors that do not respond to ordinary trade improvement.

16. In the following table are listed a number of industries which, for three years now, have had at the end of each quarter (with very occasional exceptions), more than 10 per cent. of unemployment and also more unemployment than the average of all industry. The table gives for each industry the average of the percentage of unemployment at the end of each quarter in the years 1928-29, and the number of insured workers recorded as attached to the industry in July 1930:—

<i>Great Britain.</i>		
<i>Industry.</i>	<i>Average Unemployment per cent. 1928-1929.</i>	<i>Number attached to the industry in July, 1930.</i>
Fishing	12.0	28,000
Coal Mining	18.3	1,069,000
Pottery	14.7	78,000
Pig Iron	14.2	22,000
Steel	20.1	181,000
Tin Plates	20.3	32,000
Marine Engineering	11.7	54,000
Constructional En- gineering	10.8	26,000
Shipbuilding	25.5	192,000
Cutlery, etc.	14.5	35,000
Cotton	12.5	564,000
Wool	13.0	239,000
Linen	16.1	14,000
Hemp	10.6	17,000
Textile Finishing ...	15.2	108,000
Building	11.9	816,000
Public Works Con- tracting	21.0	180,000
Road Transport ...	11.6	185,000
Shipping	16.8	141,000
Docks	30.5	166,000
Miscellaneous Transport	12.2	17,000
Totals for the above- mentioned indus- tries	16.3	4,166,000
Other Industries ...	7.1	7,972,000
All Insured Indus- tries	10.3	12,138,000

17. This group of industries, comprising about a third of the insured population, accounted in the years taken, for half the recorded unemployment. The years 1928-29 were years of good employment judged by post-war standards; the Board of Trade Index of Production was 105.5 and 111.8 for the two years respectively, as compared with 103.3 in 1930 and 100 in 1924. Yet the average unemployment in these industries was 16.3 per cent.; while in the remaining two-thirds of insured industry, in years of good employment and after excluding all the "depressed" industries, 7.1 per cent. of the insured population was unemployed.

18. The causes of the depression in the industries of exceptional unemployment are easy to understand. These industries fall into three broad classes which, to some extent, overlap. There is *first*, the class of industry which is still suffering from a war-time expansion in excess of normal peace-time requirements. It must be remembered that the expansion in the industries supplying munitions was not confined to this country, and that the industries affected by it in this country were affected by it in the world as a whole. In this class fall iron and steel, shipbuilding and certain branches of engineering, and to some extent, coal-mining. There is *second*, the class of industry that before the war was dependent to a great extent on exports, and that has suffered since the war a loss of a part of its overseas markets, coupled in some cases with an invasion by imports of its home market. This is the largest class, overlapping the previous class, and accounting most obviously for the exceptional unemployment in the textile and coal-mining industries. There is *third*, a class of industries, which has been expanding rather than contracting and enjoying in some cases, a high degree of prosperity in which, in the words of the Ministry of Labour's Memorandum of Evidence,* "the extent of recorded unemployment is almost as much a matter of internal organisation as of external pressure of bad trade, and"—the Memorandum goes on—"the relation between the present 'organisation' and the insurance scheme is, on this account, of double importance." To this class belong building and public works contracting, in which a large expenditure of public money has stimulated employment without preventing unemployment; docks; and the expanding service of road transport.

19. The significance of the high level of unemployment in the rest of industry is not so readily apparent. Some significance must attach to a proportion of one in fourteen out of work in a period of active trade and, in other countries, of abounding prosperity, in a class of industries from which have been excluded, not only the industries adversely affected by the war or by the decline in exports, but also those in which there is a special problem of unemployment rising from internal organisation. Since it persists after the

* Paper No. 8 "Employment and Unemployment since 1920", Page 115. Fourth Day's Minutes of Evidence.

influence of the transient effects of the war has been excluded, it must be associated with some more permanent condition of British industry, possibly in part with the existence of the Unemployment Insurance Scheme itself. The discernment of this condition is a matter of the highest practical importance but a discussion of it would take us beyond the limits of the considerations which are necessary for the purposes of an interim Report.

20. It is clear from this brief survey that the most serious element in the situation is the average level of unemployment of 12.2 per cent. This represents a persistent and obdurate problem, and, in our view, it would be unwise to treat this experience of the last ten years as transitory or to assume that it over-values the risk that has to be provided for in the next few years. Moreover, for the purpose of immediate measures, it must be noted that the percentage of unemployment to-day is, in fact, far higher than 12.2 per cent.; since December, 1930, it has been 20 per cent. or over. This excess over the average is due to the second element to which we refer in paragraph 11 above, i.e., the effects of the world wide depression of the last 18 months. The indications are that unemployment will not fall appreciably in the next few months below the present level. What is necessary now is to adjust the finances of the Fund to present circumstances, and for the purposes of this Report we do not feel justified in anticipating an average Live Register* of less than 2,500,000.

II.—THE DEVELOPMENT OF UNEMPLOYMENT INSURANCE.

The position before 1911.

21. We do not propose to describe the history of unemployment insurance in detail. At the same time it is important to call attention to the principles on which the first Unemployment Insurance Scheme was based in 1911; to make plain the process by which increased provision has been made out of central funds for unemployed workers and to show how, in the course of frequent amending legislation, there has been a progressive relaxation, amounting practically to the abandonment, of the principles upon which the original Insurance Scheme was framed.

22. Before 1911, except for recourse to charity and to the Poor Law, an unemployed worker was dependent upon the provision which he himself made for unemployment, either by private savings or by trade union unemployment benefit. The provision of unemployment benefit, along with benefits for sickness, death, accidents, etc., was a feature of many trade unions for upwards of seventy

* The Live Register includes (1) insured persons in receipt of benefit, (2) insured persons in the waiting period or with claims to benefit under consideration, (3) insured persons whose benefit claims have been disallowed, (4) insured persons who have registered but have not made claims to benefit, and (5) uninsured persons.

years. This, however, was confined to workers in skilled occupations and, in general, no such provision existed for unskilled workers. Even in such industries as cotton and coal mining, trade union benefits were little developed; these industries met depression of trade by short-time working and trade unions did not supplement short-time earnings. The workers belonging to trade unions that provided unemployment benefit usually contributed 3d. or a smaller sum per week to the funds of the union for this kind of benefit, and seldom received as benefit when unemployed more than 10s. per week, and that only for a limited period, usually not exceeding 26 weeks in a year. If a member had exhausted his claim he could not, as a rule, claim again until he had been in work for a specified period.

23. Trade union benefit was obviously designed to tide the worker over a short period of unemployment and to avoid the necessity for members, in the event of unemployment, having to accept employment at less than the trade union rate of wages or having to apply for any form of relief to the Poor Law Authorities. Outdoor relief for able-bodied workers was not given freely by Boards of Guardians in England and Wales and, where it was given, it was the subject to the performance of a task of work. In Scotland there was no provision before the Act of 1921 for granting out-door relief to able-bodied workers.

The 1911 Scheme.

24. The introduction of statutory Unemployment Insurance followed the extensive enquiries into unemployment of the Royal Commission of 1905-1909. So far were the Commission from being satisfied as to the practicability of a general scheme which would not have unfavourable reactions on employment, that neither the Majority nor the Minority recommended such a scheme, both preferring the method of encouraging voluntary insurance by a subsidy to voluntary schemes. But the establishment of a State system of Employment Exchanges in 1909 made it possible in 1911 to introduce, as an experiment and for a few selected trades covering about 2½ million workers, compulsory State Insurance against unemployment. The weekly benefit for adults was 7s. There was no additional benefit for dependants. The joint weekly contributions from employers and employed was 5d., in equal proportions, to which the State added one-third. The amount of benefit payable to a claimant was limited to one week's benefit for five week's contributions, which could only be drawn for fifteen weeks in any twelve months.

25. Those responsible for the Scheme believed that it was necessary to put limits upon exceptionally bad risks and therefore held that "there must be a maximum limit to the amount of benefit which can be drawn, both absolutely and in relation to the amount

of contribution paid; or, in other words, we must in some way or other secure that the number of weeks for which a workman contributes should bear some relation to his claim upon the fund."*

26. Sir William Beveridge, who took an active part in the preparation of the Unemployment Insurance Scheme of 1911, in his evidence before us, explained that the scheme was conceived only as a first line of defence against distress due to unemployment. He stated:—

"Compulsory Unemployment Insurance was introduced in 1911, primarily as a means of extending something like the trade union system to unskilled and unorganised workmen. It was meant to provide a benefit strictly limited in duration, to men whose eligibility for benefits could be determined by some simple automatic test, and under rules designed to interest workpeople and employers alike in reducing unemployment and avoiding unnecessary claims. This last motive was, indeed, one of the main reasons for requiring contributions from employers; the contributions would vary from time to time with the rate of unemployment. The contribution from the State was justified partly as an expression of the interest of the State in reducing distress through unemployment, partly as a means of equalising risks and contributions. The scheme was introduced at first experimentally for a few trades, those where systematic short time was customary (such as cotton and coal) being deliberately excluded; unemployed benefit was regarded as an alternative to organised short time, not as a subsidy in aid of it. The trades insured at the outset included also, by design, hardly any women, so that the problem of insurance of women after marriage did not arise."

27. Great emphasis was placed upon interesting employers and workers alike in saving the Unemployment Fund from avoidable claims. It was realised that the mere provision of payments to unemployed workers might itself encourage unemployment in several ways, e.g., by relaxing the efforts of employers to maintain steady employment, by affecting the readiness of workers to move into new trades and new districts and by tending to rigidity of wage rates. Various devices were incorporated in the 1911 Scheme which were designed to reward and encourage the prevention of unemployment.

28. It is clear that there has been a radical change since 1911. The relation between contributions and benefits has been severed by the change in the qualifying contribution condition; the maximum limit to benefit has been abolished by the continued provision of "extended" or "transitional" benefit; the rate of benefit for a man with a family has been raised to the level of full-time earnings

* Presidential Address by the Permanent Secretary of the Board of Trade (Sir H. Llewellyn Smith, G.C.B.), to the Economic Section of the British Association, 1910.

in some occupations; the Scheme is no longer based on the trade group; casual engagements have been encouraged rather than discouraged; the necessity for voluntary provision has been in great part removed.

The 1920 Scheme.

29. It was not possible to give the 1911 Scheme a fair trial. The period immediately preceding the war was one of good employment, while during the war there was very little call upon the Fund. After the war, an attempt was made to meet the economic crisis with which the country was likely to be faced by extending the contributory scheme of Unemployment Insurance to all manual workers (with certain exceptions) and to non-manual workers earning not more than £250 a year. No material changes in the classes of workers insured have been made since 1920 and there are to-day about 12,000,000 workers insured. The main classes excluded are agriculture (1,000,000); private domestic service (1,400,000); railwaymen and permanent employees of Local Authorities covered by certificates of exception issued by the Ministry of Labour (525,000); Civil Servants; and persons under 16 and over 64 years of age. About 28,000 workers hold certificates of exemption and about 137,000 workers are covered by the two Special Schemes for the banking and insurance industries.

30. In the Act of 1920 the intention was to maintain some of the original principles of the 1911 Scheme. Benefit was to be payable to a claimant in the ratio of one week's benefit for six weeks' contributions, for a maximum period of fifteen weeks in a year.

Extensions of the Scheme.

31. These restrictions had a short life, for in 1921 an amendment was made to the effect that benefit was to be paid in advance of contributions to unemployed persons who, it was anticipated, would ordinarily find work in insurable trades. This was the first of a succession of attempts to adapt the Scheme to carry a load which it was not designed to bear, and successive Governments, confronted by an unprecedented mass of unemployment, have failed to recognise the limitations of the Insurance Scheme and, finding it available, have used it as a means of dealing with a situation for which it was not suited.

32. The provision of "uncovenanted benefit" or "extended benefit" to provide for unemployment, which continued beyond the limits of the Insurance Scheme, was continued until April, 1928, when the Act of 1927 came into operation. Except, however, for a period in 1924, this form of benefit was not a statutory right but was a privilege to be granted at the discretion of the Minister if he deemed it expedient in the public interest. The way in which the Minister exercised his discretion was to exclude certain classes of persons in whose case the grant of benefit beyond their insurance rights was deemed not to be necessary in view of other resources.

Dependants' Benefit.

33. Another important change made in 1921 was the introduction of supplementary benefit for dependants. This was originally intended as a temporary measure for six months, and was made ancillary to the main scheme but financially independent of it. Additional contributions were provided at the rate of 2d. each from employers and workers and 3d. from the Exchequer. The rates of dependants benefit were 5s. a week for an adult dependant and 1s. a week for each child. In 1922 the dependants' benefit scheme was merged into the Unemployment Insurance Scheme, and it has continued as part of the scheme ever since.

The Scheme of the Blanesburgh Committee.

34. A Committee under the Chairmanship of Lord Blanesburgh was appointed in November, 1925, to consider what changes should be made in the Scheme. When the Committee was appointed, the payment of "standard benefit" within the strict Insurance Scheme was limited by the following rules:—

(1) the claimant had to show that he had paid at least 20 contributions in a recent period varying from one to two years;

(2) benefit was payable in the ratio of one week's benefit for six contributions;

(3) there was a limit of 26 weeks' benefit in a year.

Persons who were unable to satisfy these rules were, however, still able to qualify for "extended benefit" under certain conditions.

35. The Committee recommended as a permanent scheme that unemployment benefit should be paid to an unemployed worker who complied with the conditions *inter alia*:—

(1) that he had paid thirty contributions in the preceding two years.

(2) that he was genuinely seeking work but unable to obtain suitable employment.

The Committee placed great emphasis on the need for ensuring that benefit was paid only in genuine cases. They said that "in so far as there are persons satisfying this test" (i.e., the thirty contributions qualification), "who are seeking benefit in preference to employment we rely upon their being excluded under the second condition, viz., that they are not 'genuinely seeking work.'"

36. In framing their scheme the Committee, after allowing for the abnormal unemployment due to the stoppage in the coal mining industry in 1926, anticipated that their proposals would disqualify for benefit only a small minority of workers who were continuously unemployed for any length of time and were unable to obtain work in an average of 15 weeks out of 52. On this premise the Committee proposed certain transitional arrangements

to last for one year " as an incidental matter consequent on the change from a temporary to a permanent scheme." The Act of 1927 which gave effect to their proposals accordingly provided that up to a date, varying according to individual circumstances between 19th April, 1929, and 18th April, 1930, a person of 18 years of age and over, who was unable to satisfy condition (1) above mentioned, might still qualify for " transitional benefit " if, in lieu thereof, he could satisfy the following three conditions :—

(a) that eight or more contributions have been paid during the period of two years immediately preceding the date of the application for benefit; or that thirty or more contributions have been paid at any time, and

(b) that he is normally employed in insurable employment and that he will normally seek to obtain his livelihood by means of insurable employment; and

(c) that he has during the past two years been employed in an insurable employment to such an extent as was reasonable having regard to all the circumstances of the case and in particular to the opportunities for obtaining insurable employment during that period.

37. The level of unemployment did not fall as anticipated by the Blanesburgh Committee and the number of persons who were admitted to transitional benefit far exceeded the number which was contemplated. On 28th January, 1929, the number in receipt of transitional benefit was about 120,000. In these circumstances an Act was passed on 27th March, 1929, extending the " transitional period " for another twelve months to 18th April, 1930. The 1930 Act postponed the termination of the period for another year and in 1931 it has again been extended so that it does not begin to expire until 18th October, 1931. The 1930 Act also repealed transitional condition (c).

38. Following upon the report of a Committee under the Chairmanship of Sir Harold Morris, K.C., the Act of 1930 also repealed the condition requiring a claimant to prove that he was " genuinely seeking work but unable to obtain suitable employment." No new condition was set up in its place but the Act introduced a new disqualification to the effect that in the event of its being proved that a claimant without good cause had refused or failed to apply for or to accept a vacant situation notified to him, or to carry out reasonable written directions given to him with a view to assisting him to find suitable employment, he should be disqualified for a period not exceeding six weeks. The importance of this step, both in its financial and social effects, lies in its abrogation of what the Blanesburgh Committee relied upon as the main defence against the exploitation of the easy qualifying contribution condition which they proposed.

III. THE PROVISIONS NOW IN FORCE.

39. It will be advisable at this point, even at the risk of partial repetition, to make clear the provisions at present in operation with regard to—

- (1) the Insurance Scheme,
- (2) transitional benefit,
- and (3) public assistance (out-door relief).

THE INSURANCE SCHEME.

40. The income of the Unemployment Fund is derived from contributions payable by employers, workers and the Exchequer at the following weekly rates:—

Class of Employed Persons.	Employer's Contribution.	Employed Person's Contribution.	Exchequer Contribution.	Total Contribution.
	d.	d.	d.	d.
Men aged 21 and under 65 ...	8	7	7½	22½
Young men aged 18 and under 21.	7	6	6½	19½
Boys under 18 ...	4	3½	3½	11½
Women aged 21 and under 65	7	6	6½	19½
Young women aged 18 and under 21.	6	5	5½	16½
Girls under 18...	3½	3	3½	9½

41. Contributions are payable only in respect of insured persons who are employed. The change in the income of the Fund due to changes in the total numbers of the insured contributors is negligible in comparison with the variation in the cost of unemployment benefit due to fluctuations in the Live Register. On the basis of a Live Register of 2,500,000 unemployed persons the income in 1931-2 derived from contributions at the rates set out in the above table will be about £44,550,000. In other words a 1d. a week contribution for a man, with appropriate contributions for other classes, produces about £2,000,000 per annum from each of the three parties (employers, employed persons and the Exchequer) or a total of £6,000,000.

42. A contribution is paid for each week in which any work is done, so that a contribution does not necessarily represent a full week's work; it may have been paid in respect of work on one day only in any week.

43. A person is entitled to Insurance benefit if he is able to satisfy the following conditions:—

- (a) that he has paid at least thirty contributions in the last two years;

(b) that he applies for benefit in the prescribed manner and proves that he is continuously unemployed;

(c) that he is capable of and available for work;

(d) that if so required he has attended an approved course of instruction.

44. As stated in para. 38 above, a claimant is disqualified for benefit (for not more than six weeks), if he refuses or fails to apply for suitable employment which is notified to him. The Acts also prescribe that the claimant shall be disqualified for benefit if he has lost his employment by reason of a stoppage of work due to a trade dispute, or through misconduct or if he has left his employment voluntarily without just cause. There are also certain other disqualifications of less importance.

45. A worker who has paid thirty contributions in thirty successive weeks and is then continuously unemployed and unable to pay further contributions, is qualified for Insurance benefit for 74 weeks. A worker who continues to satisfy the 30 contributions condition is qualified for Insurance benefit without limit.

46. The present rates of benefit for adult men and women are 17s. and 15s. per week respectively. In addition there is an allowance for not more than one adult dependant of 9s. per week and for each dependent child of 2s. per week. The rates of benefit for other classes are as follows:—

		s.	d.
Young men (18, 19 and 20) ...	...	14	0*
Boys (17 and under 18) ...	...	9	0
Boys (16 and under 17) ...	...	6	0
Young women (18, 19 and 20) ...	...	12	0*
Girls (17 and under 18) ...	...	7	6
Girls (16 and under 17) ...	...	5	0

TRANSITIONAL BENEFIT.

47. We have described in paragraphs 36 and 37 the circumstances in which it was decided to pay benefit to persons who fail to satisfy the Insurance test of thirty contributions in the preceding two years. The position to-day is that a claimant who has reached the age of 18 years and is unable to show that he has paid thirty contributions within the preceding two years can qualify for transitional benefit if he is able to prove—

(a) that eight or more contributions have been paid in respect of him during the period of two years immediately preceding the date of his application for benefit or that thirty contributions had been paid at any time;

* In these cases the rate of benefit is increased to the rate of benefit for the adult (in addition to the allowance for dependants), if the young person has dependants.

and (b) that he is normally employed in insurable employment and will normally seek to obtain his livelihood by means of insurable employment.

He must also show that he satisfies the other conditions for benefit and is free from disqualification.

48. The numbers of persons estimated to be in receipt of transitional benefit are :—

January, 1929	...	...	...	...	...	120,000
October, 1929	...	...	...	...	...	130,000
February, 1930	...	...	...	...	...	140,000

The Act of 1930 came into operation on 13th March, 1930, and was followed by an immediate increase in the numbers of persons in receipt of transitional benefit. In May, 1930, the number was estimated to have risen to over 300,000. Of this increase of 160,000 in a period of three months, some small part was no doubt due to the general increase of 246,000 in the "Live Register" between the two dates and to the termination of claims to ordinary benefit. Again, it was stated before us that 50,000 were persons transferred from the Poor Law. For the most part the others were persons who were not previously in receipt of benefit or Poor Law relief either because they were disqualified or because they had not applied for it. Out of the increase of 160,000 it is estimated that 60,000 were persons who had not previously registered themselves for employment at an Employment Exchange.

49. Since May, 1930, the number of persons in receipt of transitional benefit has further increased, and in May, 1931, it was 410,000. It must be anticipated that the numbers will continue to increase in view of the persistence of exceptionally heavy unemployment which will cause an increase in the number of workers with less than 30 contributions to their credit in the preceding two years.

50. The workers in receipt of transitional benefit are of all types. Some are persons who have been in receipt of Insurance benefit until recently but are no longer able to show that they have paid 30 contributions in the last two years. Others are workers who have had little or no insurable employment in recent years, and many of these are in areas which have suffered most severely from the continued depression in the export industries. They include older people who had been in steady employment for many years but who in recent years have paid few contributions and those irregularly, and a number of persons who came into employment only in recent years who therefore have paid only a small number of contributions but may be expected to pay contributions again in the future. And, lastly, there are those who are no more than just within the employment field and do little work at any time, and those with physical disabilities which make it extremely

improbable that they will be able to obtain further industrial employment.

51. At our request a detailed analysis of the persons applying for transitional benefit was made in February, 1931. The results are given in Appendix III together with some comparable statistics obtained from an analysis made in May, 1930. The features which this analysis reveals are—

(1) the disproportionate number of transitional benefit claimants in certain depressed industries, notably coal mining in the case of men, and cotton in the case of women;

(2) the comparatively small proportion of workers in receipt of transitional benefit in the southern divisions of the country, and the concentration of women transitional benefit claimants in the textile districts of Lancashire (North Western Division);

(3) in February, 1931, about 37 per cent. of the men were 50 years of age or over; 68.5 per cent. of the women were married and of these, 46.3 per cent. were under 30 years of age.

(4) on 31st January, 1931, nearly half of the men and more than half of the women had paid no contributions, and nearly three-quarters of both men and women had paid less than 8 contributions in the preceding twelve months.

PUBLIC ASSISTANCE (OUT-DOOR RELIEF).

52. The Poor Law is administered by Local Authorities on principles entirely different from those of an unemployment insurance scheme. The Poor Law deals with anyone who is destitute whether within or without the defined sphere of Unemployment Insurance. About six million workers employed under a contract of service and, in addition, a large number of persons engaged in business on their own account are not covered by the Unemployment Insurance Scheme. Those who, when unemployed, are not qualified for unemployment benefit (either Insurance or transitional) may be relieved according to need by the Poor Law Authorities.

53. It is a general Poor Law principle that in determining what relief should be afforded, income and means from every source available to the household* must be taken into account. The amount of the relief therefore varies not only from individual to individual, but also possibly from week to week in the case of the same individual. Nevertheless, many Poor Law Authorities have adopted scales of relief for the guidance of their Committees, as indicating generally the appropriate total to which income from

* This is subject in England and Wales to two statutory exceptions whereby the first 5s. of Friendly Societies sick pay and the first 7s. 6d. of National Health Insurance benefit are not taken into account in estimating the relief to be granted. In Scotland, only the second of these exceptions applies.

relief, plus income from other sources may be brought. We are informed that those authorities who have adopted such scales have been to a greater or less degree influenced by the scale of unemployment benefit. In most areas the scale is below that of unemployment benefit. In some areas it is higher, particularly in the case of persons with a large number of dependants, and the Poor Law Authorities may then supplement the unemployment benefit paid by the Exchange. Instances have been given to us, mainly from mining areas, where the amount of outdoor relief granted to unemployed persons on the basis of need is higher than the earnings of the applicant when in employment.

54. Since 1921 there has been a great increase in the number of able-bodied persons applying for outdoor relief. Witnesses of experience and authority have stated before us that while an unemployed worker prefers to obtain benefit from the Employment Exchange, the stigma which was formerly attached to outdoor relief has largely disappeared. At our request the Ministry of Health and the Scottish Department of Health undertook a special analysis of the persons, ordinarily engaged in some regular occupation, to whom out-door relief was given during the week ended 7th February, 1931. The results of that analysis show that the numbers relieved "on account of unemployment" in Great Britain at that date were 57,041 men and 4,592 women. The numbers relieved for "causes other than unemployment" were 42,777 men and 6,575 women. Of those relieved on account of unemployment, 39,052 men (68.4 per cent. of the men) and 1,554 women (33.8 per cent. of the women) were persons insured under the Unemployment Insurance Acts. They included persons with disallowed claims for benefit, persons serving a waiting period and a number of persons receiving concurrently out-relief (in money or kind) and unemployment benefit. The numbers in receipt of payment from both sources were 13,544 men (34.7 per cent. of the insured men), and 611 women (39.3 per cent. of the insured women), or a total of 14,155 (34.9 per cent.).

55. Some of these persons were receiving supplementary relief on account of the sickness of a member of the family. It is not known what proportion of transitional benefit claimants are included in these figures. But it is apparent that the number of cases in which unemployment benefit is so far insufficient to meet the needs of the worker and his family as to compel the worker to have resort to public assistance is but a small fraction (less than 1 per cent.) of the total number of workers in receipt of unemployment benefit.

The Cost of Out-door Relief.

56. The expenditure of Poor Law Authorities on the out-door relief of able-bodied unemployed is in no way comparable with the cost of unemployment benefit, and unlike the latter it has fallen considerably since 1927-28. In England and Wales the cost of out-door

relief in money and kind to the able-bodied unemployed* and their dependants in the past four years has been as follows:—

	£
Year ended 31st March, 1928	5,666,481
Year ended 31st March, 1929	4,088,472
Year ended 31st March, 1930	3,224,294
Year ended 31st March, 1931	1,550,033

Corresponding figures† for Scotland are as follows:—

	Total.
	£
Year ended 15th May, 1928	1,560,006
Year ended 15th May, 1929	1,184,376
Year ended 15th May, 1930	1,002,920
Year ended 15th May, 1931	589,000

57. The amendments in the conditions for the receipt of benefit made by the Unemployment Insurance Act, 1930, effected a very considerable reduction by transferring from poor relief to unemployment benefit, mainly transitional benefit, large numbers of persons who had previously been disallowed or were not eligible for benefit. There was a decrease between March and July, 1930, of the numbers of unemployed insured persons in receipt of out-door relief from 54,228 to 23,875 in England and Wales, and from 18,089 to 8,164 in Scotland. The decrease in this period for all unemployed persons and their dependants in receipt of out-door relief was from 233,920 to 109,226 in England and Wales, and from 66,172 to 32,058 in Scotland. Since then, however, the numbers of the able-bodied unemployed in receipt of out-door relief have gradually increased. This is no doubt due in part to the large increase of unemployment during the past winter, and in part to the subsequent disallowance of certain persons who were admitted to unemployment benefit in March and April, 1930.

58. Before the 1st April, 1930 (England and Wales), and 16th May, 1930 (Scotland), when the Councils took over Poor Law functions from the Boards of Guardians and the Parish Councils, the cost of poor relief was unevenly spread. In 1929, 75.5 per cent. of the total number of able-bodied persons receiving out-door relief in England and Wales were accounted for by 34 Unions out of 631. The burden of this unemployment had the most serious effects on those areas. The position has now been considerably eased by the Local Government Acts, 1929, whereby the number of authorities was reduced in England and Wales from 631 to 145, and in Scotland from 870 to 55. Although

* This description comprises (i) unemployed insured persons, and (ii) unemployed uninsured persons, registered at Employment Exchanges.

† The figures for Scotland relate to the cost of out-door relief to persons ordinarily engaged in some regular occupation (and their dependants) whose relief was due to their unemployment.

in February, 1931, approximately 75 per cent. of the able-bodied persons in receipt of out-door relief were accounted for by 23 out of 145 authorities in England and Wales, and by 8 out of 55 in Scotland, the 1929 Acts have removed, by spreading the burden, the many glaring inequalities which existed in the poor rates levied within the several areas comprised in a county, and the substitution of the county as the unit of administration and charge for public assistance, has assisted to solve the difficulties of a number of small industrial areas with limited financial resources which were severely hit by heavy and long continued unemployment. There has also been an increased measure of Exchequer assistance to necessitous areas, by the introduction of the system of "Block grants" distributed according to a formula of which one factor is the amount of unemployment in the area.

IV.—FINANCE.

FINANCES OF THE UNEMPLOYMENT FUND, 1920-1931.

59. We proceed now to outline the finances of Unemployment Insurance. Benefit is paid out of the Unemployment Fund, and before the Act of 1930, the cost of all benefit was charged against the ordinary revenue of the Fund. When the Act of 1920 came into operation the Fund had a credit balance of over £22,000,000. In July, 1921, this reserve was exhausted and recourse was had to borrowing. This borrowing was continued because it was considered that the heavy unemployment, though not likely to fall appreciably in the immediate future, could not be of long duration, and in March 1923 the Fund was in debt to the amount of about £16,750,000. The debt then fell gradually and in August, 1924, it had been largely repaid and only £4,500,000 was owing. At that time (1924) the income of the fund could finance a Live Register of a little over 1,400,000. By the Unemployment Insurance (No. 2) Act of 1924, however, the rates of benefit were increased, the waiting period was reduced to three days and "extended benefit" was granted as a right. As no extra income was provided to meet the cost of these changes, the balancing point of the Fund was reduced from a Live Register of 1,400,000 to 1,200,000. The Live Register rose above the new balancing point in September, 1924, and regular borrowing again became necessary.

60. The rates of contribution and benefit have been repeatedly changed, as shown by the statement in Appendix II. There was a sharp increase in contributions in July, 1921, from an aggregate of 10d. for an adult man to 18½d. This increase was to meet concessions granted by the two Acts of 1921, increasing the rates of benefit, for a short period, to 20s. in the case of men, increasing the maximum number of weeks for which benefit could be drawn from 15 to 26 weeks, and providing for "uncovenanted

benefit " or benefit in excess of that to which insured persons were entitled by virtue of contributions. Contributions were further increased to 25½d. in November, 1921, to meet the cost of additional benefit for dependants.

61. Since 1924 the changes have been briefly as follows. The contribution revenue of the Fund was reduced by two stages. The Act of 1925 made a reduction of 4d. per week in the case of men (employers 2d., workers 2d.) to assist in floating the Contributory Pensions Scheme. The Act provided for an extra contribution from the Exchequer but, in its stead, the Economy Act of 1926 reduced the Exchequer contribution by ½d. The total contribution revenue was thus reduced from 25½d., as it had existed since 1921, to 21d. per week. After allowing for the curtailments of benefits which were enacted at the same time, and by the Act of 1927, the revenue was sufficient only to cover expenditure while the live register did not exceed 1,000,000. Heavy demands were made on the Fund in 1926 and in the winter of 1928-29 and by June 1929, the Fund had borrowed £36,870,000. By the Act of 1929, the total contribution was increased to 22½d. by increasing the Exchequer contribution to one-half of the joint contribution of employer and employed.

62. The cost of transitional benefit is charged in the first instance to the Unemployment Fund but, by the 1930 Act, the Exchequer now makes a contribution to the Unemployment Fund equal to the cost of all transitional benefit paid to claimants and the cost of its administration. The effect of this has been to relieve the ordinary revenue of the Fund of about half the cost of transitional benefit in 1929-30 (£3,985,000), and of the whole cost in 1930-31 which was estimated to amount to £22,000,000.

The provision made in the estimate submitted to Parliament for the cost to the Exchequer of transitional benefit in the current financial year was £30 millions, on the present rates of benefit and conditions. This estimate is based on the assumption that transitional benefit will begin to expire in October, 1931.

63. In addition to placing the cost of transitional benefit on the Exchequer and extending the transitional period, the Act of 1930 repealed the "genuinely seeking work" condition contained in the Act of 1924, and transitional condition (c).^{*} It also increased the rates of benefit for young men and young women and raised the allowance for adult dependants from 7s. to 9s. There was no increase in contributions to meet the cost of these changes but, as stated above, the Fund was relieved of the cost of transitional benefit. In his evidence the Accountant General of the Ministry of Labour stated that the effect of these changes, so far as could then be ascertained, with a live register of about 2,300,000, was to increase the number of persons in receipt of benefit by about 180,000 and the annual cost by £13,000,000.

^{*} See para. 36.

64. It will be apparent from this brief summary that the outstanding debt of the Unemployment Fund is mainly due to (i) the increase in unemployment, (ii) the increase in rates of benefit with no corresponding increase in contributions, and (iii) the relaxation of the conditions for the receipt of benefit. The outstanding debt of the Fund on 23rd May, 1931, was £82,810,000. It has been borrowed at rates of interest varying between $4\frac{1}{2}$ and $5\frac{1}{2}$ per cent. and the average rate for the debt outstanding is about $4\frac{3}{4}$ per cent. So long as the debt remains a liability of the Unemployment Fund the interest must be taken into account in assessing the balance of income and expenditure. The interest charge on so large a debt absorbs 2d. out of the total weekly contribution of $22\frac{1}{2}$ d.

65. Under present conditions the income and expenditure of the Unemployment Fund balance when 900,000 persons* are qualified for Insurance benefit. The decrease in contribution income is about £350,000 per annum for each 100,000 persons added to the Live Register while the increase in benefit paid is about £4,500,000. Assuming that the average Live Register is 2,500,000 the annual income of the Fund by contributions in respect of employed persons is as follows :—

	£
From employers	15,650,000
From employed persons	13,650,000
From the Exchequer	14,850,000
Other receipts	400,000
	<hr/>
	£44,550,000
	<hr/>

66. The corresponding payments for Insurance benefit are estimated to amount to :—

	£
To the claimant	61,250,000
Additional payment for dependants	13,250,000
Cost of administration	5,000,000
Interest on debt	4,500,000
	<hr/>
	£84,000,000
	<hr/>

67. The income of the Fund is thus little more than 50 per cent. of the expenditure on a Live Register of this size, the deficit being

* 900,000 persons in receipt of Insurance benefit would correspond roughly with a "live register" of 1,275,000, of which the balance would consist of persons claiming transitional benefit, uninsured persons, and insured persons without a title to benefit.

£39,450,000. At this rate of unemployment, the beneficiaries are drawing out of the Unemployment Fund more than two and a half times the amount paid in contributions by employers and workers, *without taking into consideration the cost of transitional benefit.* The additional cost of transitional benefit is estimated for a full year to amount to £35,000,000.

COST OF UNEMPLOYMENT BENEFIT TO THE EXCHEQUER.

68. Provision has been made in the 1931 Budget for the following payments by the Exchequer (apart from borrowing) :—

					£
Exchequer contribution to the Unemploy-					
ment Fund ... ..	...	...	...	...	15,108,000
Transitional benefit ... ..	...	...	...	...	30,000,000
					<hr/>
Total ... ..	...	...	...	...	£45,108,000
					<hr/>

This estimate for transitional benefit is based on the assumption that such benefit will begin to expire in October, 1931. Under existing legislation the Fund may borrow up to a limit of £90,000,000.

69. The Controller of Finance and Supply Services in Your Majesty's Treasury, in his evidence in January, 1931, showed that the cost of Unemployment Insurance to the Exchequer increased from £11,750,000 in 1928-29 to nearly £37,000,000 (estimated) in 1930-31. His evidence has been published separately but it is of such importance that we reproduce here an extract from it :—

" Even in the most favourable conditions so great an increase, so swiftly incurred, would overtax the Budget. In present conditions it would, taken in conjunction with the other continuing liabilities of the State both for War debt and otherwise, not merely disturb, but entirely upset the equilibrium of the Budget on the basis of existing taxation. In 1931 revenue must be expected to fall; the extent of the fall cannot yet be estimated; the fall requires to be balanced, if equilibrium is to be preserved, by reduced expenditure. The large debt charge, however, representing this year 41 per cent. of the Budget, is fixed and savings in other branches of expenditure, such as would balance a great increase on any one item, cannot be obtained except by wide alterations of policies approved by Parliament.

" The amounts borrowed by the Fund from the Treasury in the last three years and the amount that may be similarly

borrowed in 1931 on the basis of existing conditions are as follows :—

Year commencing 1st April.	Debt at commencement.	Net Borrowing during year.
	£ Millions.	£ Millions
1928	24.53	11.43
1929	35.96	2.99
1930	38.95	33 to 36*
1931 (conjectural amount on basis of existing situation).	72 to 75	40 to 50

" The fluctuations in the extent of unemployment contrasted with the uniform rate of accrual of the income of the Fund renders it inevitable that the current revenue of the Fund will at some times be more than adequate and at other times less than adequate to meet current outgoings. It follows that according to orthodox canons the Fund should possess a reserve to meet periods of stress; for State borrowing for an unproductive purpose—i.e., an object not producing a monetary yield which will provide the service of the loan—such as the provision of money for unemployment benefit, is recognised to be unsound. In the conditions of to-day that position is unattainable. On the other hand continued State borrowing on the present vast scale without adequate provision for repayment by the Fund would quickly call in question the stability of the British financial system. The State has every year to borrow large sums for various productive purposes. This additional borrowing—for purposes other than productive—is now on a scale which in substance obliterates the effect of the Sinking Fund. Apart from the impairment of Government credit which such operations inevitably involve these vast Treasury loans are coming to represent in effect State borrowing to relieve current State obligations at the expense of the future and this is the ordinary and well-recognised sign of an unbalanced Budget."

70. The Controller also drew attention to the Exchequer charge for Unemployment Insurance in relation to the total expenditure from National Funds on Social Services. Excluding War Pensions, the contribution of the State to Social Services has increased since 1910 from £28,500,000 to £126,000,000 in 1927 and to £158,600,000 (estimated) in 1930. The increase has been rapid in the last three years and this is attributed to the effect of the Unemployment Insurance Acts, 1929 and 1930.

* The amount borrowed in the year commencing 1st April 1930 was £36,440,000.

71. If account be taken also of loans to the Unemployment Fund the growth of the charge for Unemployment Insurance is still more pronounced. In the last financial year borrowing amounted to £36,440,000. If this sum were included, the total State contributions to Social Services for 1930-31 would be raised to about £195,000,000, and the contribution to Unemployment Insurance alone would be £73,000,000 or 37 per cent. of the whole.

V—INTERIM MEASURES.

THE UNEMPLOYMENT INSURANCE SCHEME.

72. We are asked under the first head of our terms of reference to make recommendations with regard to the means by which the Unemployment Insurance Scheme may be made "solvent and self-supporting." In the circumstances of the present time, this appears to us to be an objective which cannot be fully realised without much greater changes in the provisions of the Scheme than we are prepared to recommend. Nor do we think that its attainment is the sole or even the principal consideration to which we should have regard.

73. Nevertheless, we believe it to be of great importance that immediate measures should be taken to arrest the deterioration of the Scheme. The grounds for this view are partly financial. But we are concerned also with the preservation of the principles upon which, in our opinion, any insurance scheme must rest. In relation to unemployment, the word "insurance" might cover many types of scheme: and later we may have to propose considerable changes in the present system. But since the inception of Unemployment "Insurance" a distinction has been recognised between one form of provision—that form in which payments to beneficiaries are based upon and related to their contributions—and other forms. We think that this distinction is essential to the principle of insurance against unemployment and that it is worth maintaining. Apart from all other considerations, some of them of great social importance, it has the advantage that it allows benefit to be paid on proof of unemployment, without enquiry into the means or needs of applicants, whereas we find it difficult to conceive that a similar freedom can attend the payment of benefits otherwise provided. Clearly the present situation imperils this basis. Hence, even to meet present conditions, we prefer to frame proposals which take account of the distinction implied in the principles on which the existing Scheme was founded, rather than to jeopardise the chances of maintaining those principles by a further departure from the original conception of Insurance.

74. In our interim measures we are not attempting to meet all contingencies in such a way that, whatever changes may occur in the volume of unemployment, the Scheme on its present basis may

be self-supporting. It would be easy to suggest that the present position should be dealt with by charging upon the Exchequer the balance of the cost of benefit which cannot be covered by the contributions of employers and workers. It would, of course, be less easy to suggest ways in which the Exchequer could find the money out of the current Revenue of the country without seriously reducing the funds available for industry and for other social services. We shall have to consider in greater detail for our final Report the incidence of the cost of benefit under a permanent Unemployment Insurance Scheme. For the moment we are concerned with practical measures to meet present-day facts.

75. The finances of the Unemployment Fund are at present adjusted so that income and expenditure balance when 900,000 workers are in receipt of Insurance benefit. Since the end of 1929, the number of persons unemployed has far exceeded this number and the actual income of the Fund has been only slightly more than half the actual expenditure. As we have stated in paragraph 20, there is no assurance that the volume of unemployment is likely to fall in the near future to anything approaching the 1929 level, and, bearing in mind the experience in recent years, we do not feel justified in assuming an average level of unemployment for the year 1931-32 of less than 2,500,000. Assuming that the number of workers claiming Insurance benefit *under the existing conditions* would be about 1,750,000, and that the number of workers claiming transitional benefit would be about 600,000, the cost of ordinary and transitional benefit paid to-day on figures of these dimensions would be about £119,000,000 per annum, of which approximately £84,000,000 would be in respect of Insurance benefit and interest on debt and £35,000,000 in respect of transitional benefit. The annual income of the Fund with an average Live Register of 2,500,000 would be about £44,550,000, so that on this basis a debit balance of £39,450,000 has to be dealt with, apart from the cost of transitional benefit.

BORROWING.

76. The present position is that a large part of current expenditure is treated not as a charge on current revenue, but as a loan to be repaid out of the receipts of the Unemployment Fund. Neither the past record of the Fund, which has incurred a deficit in eight years out of the last ten, nor the future prospects of employment, afford any justification for perpetuating this dangerous fiction. Borrowing on behalf and on the security of the Fund is not, in principle, objectionable, if the purpose of the borrowing be to meet a temporary emergency, under circumstances which disclose a reasonable promise of early liquidation of the debt. But it is quite clear that recent borrowing has not been of this character. It has been on a scale far exceeding the probable capacity of the

Fund to repay and the debt is now increasing annually at a rate which equals the annual income of the Fund.

77. Pending our final Report we make no recommendation for dealing with the accumulated debt. But whatever may have been the position in the past it is plain that the Fund is in no position now to borrow on its own security on any considerable scale. It is therefore important that borrowing on behalf of the Fund should, as nearly as possible, cease, and that the liabilities of the Fund, as such, should be restricted to those which can substantially be met from its current income. We recognise that the acceptance of this principle means that, for the time being, the Unemployment Fund will not be able to provide Insurance benefit for so large a number of unemployed workers as at present, and that there will be an increase in the numbers receiving transitional benefit at the direct cost of the Exchequer. We are of opinion, however, that this transfer of a larger proportion of the cost to be borne by the current year's Revenue is in accordance with the principles of sound finance and this view, we believe, accords with the statement of policy given by the Controller of Finance and Supply Services in Your Majesty's Treasury, which we have in part quoted in paragraph 69.

We suggest, therefore, measures for dealing with the present situation which would substantially reduce the rate of borrowing. For the rest, we have thought it right to confine our interim proposals to those which can be put into effect without any fundamental change in the basis or administrative structure of the Unemployment Insurance Scheme.

78. The difference between income and expenditure may be reduced by the savings to be expected from the steps which we suggest should be taken to remove certain anomalies. We are not able at this stage to suggest alterations in the general conditions for the receipt of benefit so that, apart from savings due to the removal of anomalies, and excluding borrowing, there are only three methods by which the deficit can immediately be reduced.

They are :—

- (1) by a reduction of the period for which benefit is paid;
- (2) by an increase of contributions;
- (3) by a reduction of benefit.

79. With a live register of 2,500,000 and allowing for a maximum saving of 10 per cent. by the elimination of certain classes of claims, we find that the ordinary income of the Unemployment Fund would meet the cost of insurance benefit :—

- (a) If no change be made in the rates of contribution or of benefit but the maximum period for which benefit can be drawn be reduced to 10 weeks in a period of 12 months;

(b) if no change be made in the rates of benefit or in the period of benefit, but rates of contributions be increased 100 per cent.;

(c) if no change be made in the period of benefit or in the rates of contribution, but rates of benefit be reduced by an average of 55 per cent.

It is impracticable to employ any one of these courses to the exclusion of the other two, and in our view such an approach to solvency as is practicable at this time can best be obtained by a reasonable combination of all three methods.

THE PERIOD OF BENEFIT.

80. It is inherent in any scheme of insurance that the contingency to be covered by the policy shall be defined as precisely as possible. In most types of insurance this may not be difficult, because the definition of the contingency acquires common form. In the case of unemployment it is by no means easy, for unemployment takes many forms, from the occasional loss of a day's work to continued involuntary idleness lasting over months and years without definite signs of termination. We cannot conceive of an insurance scheme within the meaning of our terms of reference, which will cover the mere fact of unemployment, without a limiting definition both of time and circumstances, if the scheme is to be fair to the general body of contributors.

81. Under existing conditions it is only by the operation of the 30 contributions rule that any limit is placed upon the period during which benefit can be drawn. We have shown (para. 35) that this rule was intended to be safeguarded by other conditions which are now repealed. In the absence of such conditions and on the present financial basis, we think it impossible for the Scheme to continue to permit so unrestricted a currency of claim. Hence, given the present easy qualifying contribution condition, as to which at present we suggest no change, we think it would be reasonable to restrict the payment of Insurance benefit to 26 weeks in a period of 12 months following the application. This period of benefit will cover the ordinary short term unemployment which, even in these days, constitutes the great bulk of unemployment. About six-sevenths of those now in receipt of Insurance benefit would be unaffected by this limit; the remainder would be transferred to transitional benefit and we later deal with their position.

RATES OF CONTRIBUTIONS.

82. The most direct method of restoring solvency to the Unemployment Fund would be by increasing contributions. An increase of 1d. in the worker's contribution for an adult male, with proportionate increases for other classes, would increase the annual income of the Fund by £2,000,000; since the present contributions are fixed

approximately on the basis of equal thirds for each of the contributing parties, this would secure a total increase in income of £6,000,000. Any substantial increase in contributions, however, would not in our view be advisable in the present circumstances of British industry.

83. The employer's contribution is, like wages, an element in direct costs which have to be paid before the product has been disposed of and without reference to the profit or loss resulting from the employment of the insured contributor. On the other hand the difficulty of financing the relief of unemployment on its present scale is so great that it is impossible to rule out this method altogether.

The level of contributions cannot be considered by itself and apart from other features of an insurance scheme. Relatively high contributions may be acceptable if the purpose of the expenditure and the conditions under which it is incurred command substantial approval, whereas an absence of confidence in the general conditions of a scheme may cause the weight of contributions to appear oppressive. Moreover it is important to remember that alternative methods of raising additional revenue for this purpose also have their disadvantages, especially the increase of taxation on funds that might otherwise be applied to the creation of further employment.

84. With regard to the worker's contribution, a substantial increase might be defended on the grounds that the risk of unemployment has increased and that the insured contributors are the main and the only direct beneficiaries of the Insurance Scheme. We believe that such an increase would readily be accepted by those whose earnings are substantial. But we recognise that it would be a heavy burden for those who are working short time or at comparatively low rates of wages. We therefore limit our immediate proposals to the restoration for an adult male worker of the rate of contribution in force in 1924, and we recommend that the employer's and the Exchequer contributions should be raised to the same figure.

85. The rates of contributions which we recommend for all classes are set out in the following table :—

Class of Employed Person.	Employer's Contribution.	Employed Person's Contribution.	Exchequer Contribution.	Total.
	d.	d.	d.	d.
Man (21-64)	9	9	9	27
Woman (21-64)	8	8	8	24
Young Man (18-21)	8	8	8	24
Young Woman (18-21)	7	7	7	21
Boy (16-18)	4½	4½	4½	13½
Girl (16-18)	4	4	4	12

86. These proposals will mean an additional 1d. from the employer, an additional 2d. from the worker and an additional 1½d. from the Exchequer in respect of the adult male worker, with appropriate increases for other classes. The increased income which will result from these changes will be approximately £9,000,000 per annum.

RATES OF BENEFIT.

87. If the above changes in the duration of benefit and the rates of contribution are made, then, in our view, the most favourable rates of benefit which the income of the Fund can provide are as follows :—

Ordinary Rates of Benefit.

<i>Age.</i>	<i>Males.</i>		<i>Females.</i>	
	<i>s.</i>		<i>s.</i>	
Over 21	...	15	...	13
18-21	...	12	...	10
17-18	...	7	...	6
16-17	...	5	...	5

Dependants' Benefit.

Rate of additional benefit for an adult dependant, 8s. per week.

Rate of additional benefit for a dependent child, 2s. per week.

We accordingly recommend that these rates should be adopted.

88. It is with reluctance that we have to suggest a reduction in existing rates of benefit. For every reason we desire to maintain the rates of benefit at the highest possible level. Obviously by raising contributions still further, and by further shortening the period of benefit, it would be possible to provide higher benefit rates than those which we recommend. But for reasons which we have given we believe that, in both these directions, our recommendations go as far as in present circumstances they can properly be carried. We have sought to arrange the rates in such a way that in general the reduction will fall less heavily on the wage earners who have to support a home.

89. Our recommendation, therefore, is directed towards providing benefits as high as, on the finances of the Scheme, they can prudently be put. To fix them at a higher rate would be to confuse Insurance and relief. At the same time we think it desirable to add two further observations. The first is that there is no warrant for the assumption that unemployment benefit is or ever has been intended to provide full maintenance. One of the questions we shall have to consider in a reconstructed scheme is whether or not full maintenance is a desirable objective, but it has not been a part of the present Scheme nor is it in fact the case that State unemployment benefit is the only resource of the unemployed worker. We have shown earlier in this Report that the rate of unemployment benefit was originally a low rate based upon trade union practice and designed merely to supplement a worker's savings during a short and temporary period of unemployment. With the introduction of

dependants' benefit in 1921, a new element was introduced into the situation, but at no time down to the present day can we find any authoritative acceptance of the view that unemployment benefit was intended to be sufficient to provide full maintenance. The Blanesburgh Committee, in 1927, laid down that the rate of benefit must not be such as to tempt to improvidence, and that it must be definitely less in amount than the general labourer's rate of wages. On the other hand they took the view that ideal benefits "should certainly be so substantial that the insured contributor can feel that, if he has the misfortune to need them, then, taken in conjunction with such resources as may reasonably, in the generality of cases, be expected to have been built up, they will be sufficient to prevent him from being haunted while at work by the fear of what must happen to him if he is unemployed". They added that, subject to these considerations, "the amount of benefit must depend upon the contributions that can fairly be called for".

90. Our second observation is that the present rates of benefit were fixed at a time of considerably less unemployment and of higher price levels. We attach in Appendix I a table supplied by the Ministry of Labour which compares past and present rates of benefit, having regard to changes in the cost-of-living. If a comparison be made between the rates of benefit paid in August, 1924, in 1928, and now proposed by us, with adjustments corresponding to changes in the cost of living as shown by the Ministry of Labour cost-of-living index, the results are as follows :—

	Single man.	Adult dependant.	Man and Wife.	Child.	Man, wife and two children.	Cost of Living Index.
	s. d.	s. d.	s. d.	s. d.	s. d.	
Actual weekly rate of benefit in August, 1924.*	18 0	5 0	23 0	2 0	27 0	175 (average of year).
Present equivalent of the 1924 rates of benefit, allowing for the fall in cost-of-living.	15 2	4 2	19 4	1 8	22 8	
Actual weekly rate of benefit in 1928.†	17 0	7 0	24 0	2 0	28 0	166 (average of year).
Present equivalent of the 1928 rates of benefit, allowing for the fall in the cost-of-living.	15 1	6 2	21 3	1 9	24 9	
Rates recommended by Commission.	15 0	8 0	23 0	2 0	27 0	147 (1st May).

* These are the rates of benefit under the No. 2 Act of 1924 which came into force in August, 1924.

† These are the rates of benefit under the Act of 1927 which came into force in April, 1928.

91. It will be clear that the rates which we propose are, in effect, higher than those in operation in the more prosperous years of 1924 and 1928, and it will be admitted generally that industry and the Exchequer are not now better able to support the higher rates than they then were.

An estimate of the effect of our recommendations on the finances of the Unemployment Fund will be found in paragraph 127 below.

TRANSITIONAL BENEFIT.

92. The present transitional provisions begin to expire on 15th October, 1931. This does not mean that benefit will be disallowed on that date for all workers in this class. Persons now receiving transitional benefit will continue to receive it after October until the expiration of a year from the date of their claim. The termination of transitional benefit would therefore be spread over twelve months. In the absence of alternative arrangements, those persons disqualified for transitional benefit, who had no other resources, would be obliged to apply to the Poor Law Authorities for relief. The cost to Poor Law Authorities would not be a sum equal to the amount of saving to the Exchequer. As we have explained in paragraph 48, of the increase of 160,000 in the recipients of transitional benefit which followed upon the 1930 Act, only 50,000 could be traced as coming from public assistance. Further, we have recently caused an enquiry to be made into the subsequent history of persons whose claims for benefit are disallowed. The enquiry shows that many of the persons disallowed benefit do not apply for out-door relief. We have no doubt, therefore, that if existing legislation were allowed to take effect and no new claims for transitional benefit were admitted after October, the increase in the number of persons applying for outdoor relief would be considerably less than the number of persons who ceased to draw transitional benefit. Moreover, the scales of relief adopted by Poor Law Authorities are in the main below the scale of benefit, so that even where relief was granted the amount would in most cases be less. In the result it is clear that considerable savings could be effected in the present cost of maintaining persons outside the insurance scheme if they were to be transferred to Poor Law Authorities to be relieved on a basis of need. There are, however, other considerations to be borne in mind in that connection.

93. The chief of these is that the existing burden of unemployment upon Local Authorities is unevenly spread. Those districts which have been most severely hit by the loss of export trade are already committed to a serious financial burden in respect of relief granted to those able-bodied unemployed workers who are not qualified for benefit. To transfer the whole cost of relieving those now in receipt of transitional benefit to Poor Law Authorities in such

areas unaided might be to place an insupportable burden upon the ratepayers and to make it even more difficult for industry in those areas to regain lost markets and so re-employ some of the workers who are now idle. It is true that some Poor Law Authorities would be prepared to take over the responsibility of dealing with workers who fall outside the provisions of an unemployment insurance scheme, but all alike state that if extra charges are put upon them they must largely be met by increased Exchequer contributions to local funds. There would therefore be immediately involved a considerable problem of adjusting central and local finance.

94. In these circumstances we are not prepared, in advance of our consideration of a permanent scheme, to suggest that transitional benefit should terminate in October 1931. We accordingly recommend, as an interim measure, and subject to the modified conditions which we suggest below, that the transitional period should be extended.

RATES OF TRANSITIONAL BENEFIT.

95. We see no reason at the present stage for proposing that workers in receipt of transitional benefit should receive less than the lower rates of benefit we have recommended for the worker in receipt of ordinary benefit. We therefore recommend that the rates of transitional benefit should be fixed at the scale we have recommended for Insurance benefit in para. 87.

CONDITIONS FOR THE RECEIPT OF TRANSITIONAL BENEFIT.

96. But if we make no differentiation in the rate of benefit we think it reasonable to make some further differentiation in conditions. Transitional benefit is paid outside the limits of the Insurance Scheme proper. Even the slightly stricter contribution condition which we propose below provides little more than a formal test of the beneficiary's inclusion within the industrial field. Benefit paid on such a basis partakes more of the character of unemployment relief than of Unemployment Insurance and we see no reason why such payment should be made without some regard to means or needs. But for the moment and, primarily, because of the difficulty of devising suitable administrative machinery for the scrutiny of a very large number of claims, we do not propose to apply new conditions except to a limited group of specified classes.

97. At present a worker who has paid eight contributions in two years or thirty contributions *at any time* may qualify for transitional benefit, if he satisfies the other conditions. We are of opinion that this lenient condition admits to benefit persons who have ceased to be within the industrial field and have become a

social rather than an industrial problem. We recommend therefore that the qualifying contribution condition for transitional benefit should be as follows :—

that a claimant to transitional benefit shall be required to prove, at the beginning of each benefit quarter, that he has paid not less than 8 contributions during the period of two years, or not less than 30 contributions *during the period of six years*, immediately preceding the date of the application for benefit.

98. We estimate that not more than 40,000 claimants spread all over the country will be affected by this alteration of the qualifying condition. It has been a principle from the beginning that there must be a qualifying contribution condition for the receipt of benefit, and clearly any such condition is bound to exclude some claimants. As we have shown, not all the claimants who are disallowed will have recourse to the Poor Law. But, even if our proposals should result in certain areas in an increase in the number of persons making claims for relief, we think this preferable to the continuance of the payment of benefit from the Unemployment Fund to persons who over the last six years have not succeeded in paying on an average more than five contributions a year, and who maintain their claim to benefit in virtue of a qualification acquired by reason of contributions paid more than six years ago.

99. There are certain classes of workers who are *prima facie* not in the same need of relief as the general body of workers. For these classes we are of opinion that transitional benefit should not be paid without some enquiry and that the amount of benefit should be related to their circumstances. The following are the classes of claimants to whom we recommend that this provision should apply :—

(1) Single persons (both young persons aged 18-21 and adults including widows and widowers without dependent children) who are residing with parents or relatives to whom, having regard to all the circumstances, they could reasonably look for support during unemployment.

(2) Married women living with their husbands who are in employment and whose incomings are sufficient to justify the withholding of transitional benefit from the wife. A similar limitation should also be applied to married men whose wives are in employment.

(3) Persons who are in receipt of Workmen's Compensation ; Service pensions (other than for War disability) ; and other fixed income (other than income from savings).

100. These classes of claimants for transitional benefit should be required to prove that, having regard to their circumstances, it is expedient that benefit should be paid to them. The decision

whether transitional benefit should be paid to such claimants, and, if so, at what rates, should be made by statutory authorities sitting locally with a final appeal in suitable cases to a higher authority covering a larger area. We do not think it necessary to indicate in detail the procedure which might be adopted, but we would suggest that, while local assessors might be used, these questions should not be referred either to the Courts of Referees or to the Umpire. We recommend that the Minister of Labour should prescribe the general principles to be followed by the local assessors in determining the amount of benefit to be paid in each case. The existing statutory authorities should, of course, continue to decide whether the claimant satisfies the rest of the statutory conditions and is not subject to disqualification.

101. It appears to us also to be desirable to make some change in the conditions affecting the position of workers who are offered suitable employment after a long continuous period during which they have done no work in their usual occupation. It was provided in the Act of 1927 (Section 5 (2)) that, after the lapse of such an interval as is reasonable, employment should not be deemed to be unsuitable by reason only that it is employment of a kind other than employment in the claimant's usual occupation. We are not satisfied, however, that this requirement which applies equally to all claimants is, as at present interpreted, sufficiently effective in the case of workers in receipt of transitional benefit. We accordingly recommend that the form of condition which was in operation for "extended benefit" before the 1927 Act, should be re-introduced for transitional benefit, i.e. that transitional benefit should not be paid to workers who refuse to accept on fair terms and conditions work other than that to which they were accustomed but which they are reasonably capable of performing.

102. It has been suggested that recipients of transitional benefit are less favourably placed, as regards the offer of suitable employment, than are workers in receipt of ordinary insurance benefit. We are satisfied that as regards the Employment Exchanges there is no such discrimination. The Exchange officials are equally active on their behalf as on behalf of those workers in receipt of ordinary benefit. We regard it as the most important part of the treatment of the recipients of transitional benefit that every effort should be made to rehabilitate them in suitable industrial employment, and we have every confidence that the efforts of the Exchanges will be continued.

ANOMALIES.

103. Much attention has been directed to certain provisions of the scheme which give rise to what have been commonly termed the "abuses" of the Acts but which may more fairly be called

"anomalies." It is difficult to make provision in an Act of Parliament for unanticipated problems, and it is not surprising that the general provisions of a scheme which is designed to deal with the normal type of unemployment should, in their application to an infinite variety of individual circumstances, operate in some cases in a way which was not within the intention of the Legislature. We wish to make it clear that the classes of claims which have been criticised as not properly within an insurance scheme are permissible under existing legislation. Moreover, as we shall show later, some of them arise out of long standing provisions of the Unemployment Insurance Acts which have only recently been called in question.

104. The seriousness of these anomalies lies in :—

- (1) the unnecessary expenditure from public funds to which employers, workers and the State have contributed ;
- (2) their effect on the repute of the scheme ;
- (3) their encouragement of methods of industrial organisation which may be harmful to trade and employment in general.

No comment is necessary as regards (1) and (2). As regards (3), we consider that sufficient attention has not been given in recent years to the effect of the Unemployment Insurance Scheme on industrial organisation, and the economic life of the country. One of the cardinal principles which was present in the minds of those who framed the original Scheme in 1911 was that State provision for the unemployed should not be such as to create unemployment, and that it should, so far as possible, be associated with measures tending to diminish unemployment by improving the organisation of the employment market. The prevention of unemployment is of more importance than its relief, and Unemployment Insurance should be subordinate to the encouragement of industry to reduce unemployment.

105. The classes of claimants to which our attention has been particularly directed in this respect are as follows :—

- (a) intermittent, short-time, and casual workers,
- (b) married women,
- (c) seasonal workers.

INTERMITTENT, SHORT-TIME AND CASUAL WORKERS.

106. There is a considerable body of workers who work for one, two or three days in a week, and by virtue of contributions paid for these short spells of employment, qualify for Insurance benefit in respect of other days in the week. Some of these workers may be in receipt of high earnings for the work done; others receive only a proportion of a normal week's wages. We have pointed out that before the operation of the Unemployment Insurance Act, 1927, Insurance benefit was directly related to contributions (so that benefit was limited to a fixed

number of days for a fixed number of contributions), and there was also a limitation upon the amount of benefit which could be drawn in a year. There is at present no such limitation upon the amount of benefit which can be drawn by a person who has paid thirty contributions in two years, and the only restriction is to be found in the continuity rule which lays down that a day of unemployment shall count for benefit purposes if it is one of at least three days of unemployment occurring within a period of six consecutive days. Benefit is not paid, for example, to a worker who is unemployed regularly for one day a week only or for the same two days in each successive week.

107. It has always been a deliberate part of the policy of Unemployment Insurance to permit the "linking-up", into a "continuous period", of short periods of unemployment which would, by themselves, not constitute periods of sufficient duration to qualify for the receipt of unemployment benefit. Many of the anomalies arise out of the operation of the present continuity rules. The present rule has been in operation since 1923 when it was amended in order to enable casual dock workers to qualify for benefit for broken periods of employment. The practice of short-time working has also been recognised and encouraged by Government, as a means of meeting trade depression which was regarded—incorrectly as we see now—as temporary.

108. The continuity rule has an important effect on the permanent prospects of employment, since it must either encourage or discourage the concentration of the available work on the smallest number of more or less fully employed workpeople. The present continuity rule appears to encourage industries to maintain reserves far in excess of their maximum requirements, at the expense of the Unemployment Fund. Thus the dock industry shows a normal unemployment percentage of over 30; in the building industry, while employment has expanded by 21.8 per cent. in the last seven years, unemployment also increased and averaged 16.3 per cent. in 1930. In the cotton industry and in textile finishing the number of workers dependent on the industry shows no contraction in spite of a reduction of exports by a half, the workers being retained in the industry largely by short-time working. In coal mining the subsidising of short-time also favours the retention of workers in districts where the demand for their regular labour has disappeared. The obstacle to trade improvement created by these practices was clearly stated in the evidence of the Ministry of Labour.*

Intermittent Workers.

109. By the term "intermittent workers" we mean those workers who habitually find their employment in occupations which

* Paper No. 8, Page 115 of the Fourth Day's Minutes of Evidence.

require their services for only one or two days in the week and often only for the week-end. As they pay contributions regularly they are able to satisfy the 30 contributions condition for Insurance benefit. Included in this class are, for example, some shop assistants; barmen; market porters; sandwichmen; bill distributors and certain workers in the printing and laundry trades. An insurance scheme clearly cannot contemplate the regular payment of benefit to workers in occupations which are regularly intermittent. There are certain administrative difficulties in the way of excluding these employments from the scope of the Unemployment Insurance Acts and, in our view, it is better to proceed by examining the individual industrial records of these claimants rather than by attempting to treat them as an uninsured class. We accordingly recommend that no claimant shall be treated as unemployed within the meaning of the Unemployment Insurance Acts, who habitually works for only two days or less in each week, and is unable to satisfy the statutory authorities that he is normally employed in regular insurable employment for the other working days of the week. If this recommendation is adopted we think, in justice to these workers, that they should be given the right to apply for a certificate of exemption entitling them to be excused from the payment of contributions. In making this recommendation we are not proposing any amendment which will exclude persons following a subsidiary occupation as defined in the 1920 Act, Section 7 (2) (a).

Casual Workers.

110. Many workers, especially those engaged in the dock industry, obtain their living by casual employment, and some of them receive high remuneration for one, two or three days' work in a week, and benefit for the other days. We recognise that it may be necessary to devise special measures to deal with occupations characterised by a large amount of casual labour but, as an interim measure, we recommend that the casual worker should be treated in the same way as we propose for the short-time worker.

Short-time Workers.

111. The criticisms of the payment of benefit to short-time workers may be summarised as follows:—

- (a) that it enables industries to maintain a reserve of labour at the cost of the contributors to the Unemployment Fund;
- (b) that it is equivalent to a subsidy of wages;
- (c) that many short-time workers receive benefit which they do not really need.

With regard to (a) and (b) it must, however, be borne in mind that short-time working is a ready and convenient way of dealing with temporary unemployment, and further that the payment of benefit to two half-time workers does not immediately impose a

greater burden on the Fund than the payment of benefit to one worker who is wholly unemployed.

112. Organised short-time working was the regular pre-war practice of many industries, particularly coal-mining and the textile industries, but it was then an alternative to or a substitute for unemployment insurance, and was adopted only to meet temporary fluctuations in demand. No reliable statistics exist of the extent of short-time working to-day, but we are satisfied that it has been and continues to be extensively adopted. Instances have been given of the deliberate arrangement of working days and non-working days, to enable workers to take full advantage of the concessions contained in the continuity rules, and so to qualify for the maximum amount of benefit obtainable under the provisions of those rules. Such arrangements seem to us to be a natural consequence of the continuity rules, and one which must have been foreseen when the concessions were embodied in the Unemployment Insurance Acts. The Governmental encouragement of short-time working in the past, before unemployment had assumed its present degree of intensity and duration, does not necessarily justify the continuance of the existing continuity rules; nor does the fact that short-time working is a well-established practice necessarily justify the use of the Unemployment Fund to support that practice. One of the questions we shall have later to consider, therefore, is whether or not the continuity rules in their present form require amendment.

113. The subject is one of great complexity. The experience to which we have referred above shows how difficult it is to devise a rule which will provide for the payment of benefit in cases where such payment is appropriate, i.e., in the case of unavoidable short-time working, without encouraging unnecessary resort to such a practice. At this stage, we can do no more than suggest a way of dealing with that part of the problem which arises in connection with claimants who are able to earn relatively high wages, although their work is confined to a part of the week, and to supplement these wages by benefit for the remaining days.

114. The proposal which we make is that the present arrangements should be modified by the introduction of the principle of an overriding limitation. We suggest that, subject as now to the waiting period, benefit should be paid in respect of any three or more days of unemployment within a period of six consecutive days, but that the amount of benefit to be paid should be the usual amount due, subject to the following proviso:—

that in respect of any period comprising both days of employment and days of unemployment, the amount of benefit payable for the days of unemployment shall be not more than the full amount of benefit which would be payable for the whole period less half the earnings received for the period.

In ordinary circumstances the period of one week should be the basis of the calculation, but in the case of a short-time worker who

is employed alternate weeks, we recommend that the period to be taken for the purpose of this proviso should be a fortnight. The earnings to be taken into account should not include earnings from a subsidiary occupation as defined in Section 7 (2) (a) of the 1920 Act.

The examples given in Appendix IV show how the formula will operate in the case of (a) a single man, and (b) a man, wife and two children, at the rates of benefit we have recommended.

115. This rule is the only method which we can devise to effect the three results which we wish to achieve—

(a) to provide reasonable benefit for short time working where such working represents a loss of wages;

(b) to prevent the payment of benefit in those cases of high earnings where no reasonable claim to benefit lies; and

(c) to make it worth a man's while, whatever the amount of benefit to which he is entitled, to find or accept additional employment.

116. We recognise that the rule introduces into the payment of Insurance benefit, a new consideration—the amount of earnings. In this case, we see no objection in principle to this consideration, nor indeed do we think that the situation can be satisfactorily treated without it. A much more serious ground for hesitation is the administrative difficulties in giving effect to the formula, including the difficulty which the Exchanges are likely to find in ascertaining the earnings of claimants without incurring an undue delay in the payment of benefit. We believe that these difficulties are not insuperable. But even if they should compel some modification of the rule we propose, we think that it should be possible to devise a procedure by which regard would be had, in determining the amount of benefit payable for the week, to the fact that earnings have been received in respect of the period.

MARRIED WOMEN.

117. The position of married women workers under an unemployment insurance scheme differs substantially from that of other insured contributors. It is a common, and perhaps a growing, practice among employers to refuse to engage married women and to dismiss women from employment on marriage. It is also a common practice for women to withdraw from industry on marriage if their husbands are able to support them; and again in many cases married women who might wish to seek employment are prevented by their domestic responsibilities from doing so. The number of women, aged 18 to 64 years, insured under the Unemployment Insurance Acts in July, 1930, was 2,880,000, of whom it is estimated that only 800,000 were married. In view of the fact that there are in Great Britain over 8,000,000 married women aged 18 to 64 years, (as compared with 6,000,000 single women and

widows), it is clear that it is the exception rather than the rule for women after marriage to earn their living by insurable employment. It follows that in the case of married women as a class, industrial employment cannot be regarded as the normal condition. These facts must be remembered in considering whether special provision should not be made for married women claimants under the Unemployment Insurance Acts.

118. That is one principal consideration. A second is that, whereas the volume of unemployment among married women might have been expected to bear to the unemployment of women workers as a whole, approximately the same relation as the total number of married women workers bears to the total number of women workers, the figures reveal a remarkable disparity. The evidence of the Ministry of Labour shows that whereas the number of insured married women is estimated to be between 25 and 30 per cent. of all insured women, the proportion of married women among the women claimants has for some time past been between 45 and 50 per cent. No explanation of this discrepancy can be found in the industrial circumstances of the areas in which the employment of married women is most common. The main increase followed the Unemployment Insurance Act, 1927, and this would seem to show that the new conditions for the receipt of benefit encouraged applications which would have been deterred by the previous restriction of benefit to one week in respect of six contributions.

119. Regard must, of course, be paid to the fact that many women work after marriage, especially in those districts and industries where they are customarily employed in large numbers. But we cannot avoid the conclusion that under the present conditions, married women who have no wish to work have no difficulty in obtaining unemployment benefit, and we are satisfied on the evidence before us that there are many married women receiving benefit who have not since marriage worked in an insurable trade, and, in their existing circumstances, have no intention of doing so.

120. In all the circumstances we are of opinion that, as an interim measure pending our final Report, the best method of eliminating those claims by married women which are not reasonable, is by requiring a married woman claimant, whenever the Insurance Officer thinks fit, to satisfy the Court of Referees, that she has not, as a result of marriage, withdrawn from industrial employment. We therefore recommend that a married woman shall be entitled to benefit only if she has satisfied the statutory authorities that—

- (1) she has not abandoned insurable employment;
- and (2) that having regard to her industrial experience and to the industrial circumstances of the district she can reasonably expect to obtain insurable employment in the district in which she is residing.

Expectant mothers.

121. There is another aspect of the problem of dealing with claims made by married women to which in this interim Report we desire to call attention. Evidence has been put before us as to the difficulty experienced by Exchange Officers in dealing with expectant mothers. These women are often discharged by their employers some weeks before their confinement is expected, and they claim unemployment benefit. They state that they are fit for light work, and they often continue to claim until the birth of the child. It is in practice impossible for an Exchange Officer to submit a woman in this position for employment: she has given up one wage-earning occupation as being unfit to perform it, and she is progressively unfit for any other. The question that arises is one of co-ordination between the National Health Insurance Scheme and the Unemployment Insurance Scheme. Married women contribute to both Funds, and when, owing to pregnancy, they are discharged from their employment, they expect to draw benefit from one Fund or the other. It is clear that a woman is not entitled to sickness benefit on account of pregnancy alone, but only if the doctor is satisfied that she is "incapable of work". On the other hand so long as she is capable of work she is entitled to unemployment benefit although she may not have the slightest chance of getting work. The matter was considered by the Royal Commission on National Health Insurance and certain recommendations with regard to it appear in their Report. We understand that the Ministry of Health has under consideration the general question of the provision to be made for women during pregnancy and childbirth, and we hope that, pending our final Report, it will be possible to find a solution to this problem which will be satisfactory to the women concerned and will, at the same time, relieve the Employment Exchanges and the Unemployment Fund of a burden which in our view they should not be called upon to bear.

SEASONAL WORKERS.

122. The position regarding seasonal workers has been defined to us by the Ministry of Labour as follows:—

"The term 'seasonal workers' is used to cover two different classes of case—(1) where there is a busy season alternating with a slack season during which, nevertheless, some employment in the trade is available, and (2) where the work is of a wholly seasonal character, beginning and ending on some more or less definite date and there is no work of the same sort available for the rest of the year.

Examples of the first class are the building, clothing, and certain other trades. There are large numbers in this class, which represents one of the main types of unemployment for which the insurance scheme was intended to provide. On general

grounds it is clearly desirable that everything possible should be done in these trades to reduce seasonal fluctuations to the minimum. So far as the Unemployment Insurance Scheme is concerned, the main consideration is that the provisions of the scheme should be so designed that they do not unduly favour methods of engagement of labour and methods of working which are uneconomic and against the general interest.

The second class of case, that is where the work is of a wholly seasonal character beginning and ending on some more or less definite date, comprises workers who, while their main occupation is the seasonal one, do seek, and in fact sometimes obtain, employment during the off-season.

The problem as regards the second class is to make sure that workers who hold themselves out as seeking work during the off-season really are available to take it. The Umpire has said that, where the only work available in the district is the seasonal work, applicants must be held to be not available for work during the off-season if their domestic circumstances prevent them from taking work at a distance from home. There are a number of cases, however, where this would not provide an infallible test. The persons in respect of whom difficulty may be experienced may be considered under three main heads, namely :—

- (a) persons employed at seaside and other holiday resorts;
- (b) fish curers;
- (c) others, such as jam workers, mineral water workers, fruit canners and persons employed in local seasonal industries such as toy making.*

123. Before the Act of 1930 came into force, claimants who worked only during the seasonal periods were, as a rule, disallowed benefit during the " off-season " on the grounds that they were not " genuinely seeking work." It was indeed so far recognised that employment of this kind by itself would not, as a rule, entitle the worker to benefit, that provision was made, in the Act of 1927, whereby a person whose occupation was seasonal and did not ordinarily extend beyond 18 weeks in the year, could voluntarily obtain a certificate exempting him from payment of his share of contributions. In exercise of this power 2,132 workers had been granted certificates up to 31st December, 1929, distributed mainly between the three classes mentioned above.

124. Under the easier conditions which have prevailed since the Act of 1930 came into force, it is possible for many seasonal workers who obtain enough contributions to qualify them for Insurance benefit, to receive benefit each year during the whole period of the off-season. Many of the certificates of exemption which were obtained in 1929 have been cancelled on the application of the workers concerned.

* Paper No. 6, page 96, Third day's Minutes of Evidence.

125. In our view a worker who habitually obtains his (or her) living for the year, by work in a seasonal occupation for a part of the year, should not be deemed to be unemployed and qualified for benefit during that part of the year which is the off-season. We therefore recommend that a seasonal worker should be entitled to benefit in respect of unemployment occurring within the season subject to the general conditions applying to all claimants, but that during the off-season a claimant who, from his industrial record, appears to the Insurance Officer to be a seasonal worker, should not be entitled to benefit unless he can prove to the satisfaction of the Court of Referees—

(a) that he has in the past worked in the off-season for a reasonable time in some insurable occupation; and

(b) that having regard to the industrial circumstances of the district, he can reasonably expect to obtain insurable work in the off-season in the district in which he is residing.

FINANCIAL EFFECT OF RECOMMENDATIONS.

126. As stated in paragraph 20, we are basing our estimates of the finances of Unemployment Insurance upon an assumed average live register of 2,500,000, representing 1,750,000 persons claiming Insurance benefit and 600,000 persons claiming transitional benefit. On this basis we now proceed to set out the finances of our proposals for a full year.

127. It is difficult to estimate precisely the effect of some of the changes, but the estimates given have been made after consultation with the Government Actuary and the Accountant General of the Ministry of Labour. The savings to be effected and the other changes will not be sufficient to cover the deficit on a year's operation of the scheme, even if transitional benefit be excluded. They would, however, make the scheme balance if the number of persons to be provided for were 200,000 less than we have assumed. On the basis we have taken, a Live Register of 2,500,000, a balance of income and expenditure could not be achieved without changes more drastic than we have felt justified in making as interim and therefore necessarily temporary measures. Our recommendations were indeed reached, not solely by seeking a financial saving under each head, but by an examination of the circumstances under which benefit is being paid. They are directed to adjusting the scheme to changes in the general economic situation and to eliminating obvious anomalies. It should be noted that of the deficit of £7,650,000, interest on the debt accounts for £4,500,000.

Much as we regret the necessity of increasing the charge upon the Exchequer, even as an interim measure, we consider that this course is inevitable within the practical limits of our task. Our recommendations substantially reduce the total cost of Insurance

and transitional benefit and they arrest the rate of increase of debt. In our view no other course is open unless there is to be a continued postponement, by the further accumulation of debt, of the necessity of facing the true facts.

I—THE INSURANCE SCHEME (excluding transitional benefit).

	£
Present expenditure	84,000,000
Present income from contributions	44,550,000
<hr/>	
Deficit in full year if no change be made ...	39,450,000

*Estimated savings if the recommendations
in this Report are adopted.*

	£
Limit of period of Insurance benefit to 26 weeks	9,100,000
Increase in contributions	9,000,000
Reduction in ordinary rate of benefit	7,600,000
Reduction in allowance for de- pendants	1,100,000
Special provisions for inter- mittent workers; casual and short-time workers; married women; and seasonal workers	5,000,000
<hr/>	
	31,800,000
<hr/>	
Reduced amount of deficit ...	7,650,000
<hr/>	

The finances of the Fund would therefore be :—

Expenditure	61,200,000
Income	53,550,000
Deficit	7,650,000

II—TRANSITIONAL BENEFIT.

	£
Estimated cost for a full year	35,000,000
Additional cost due to transfer from Insurance benefit (26 weeks' rule)	9,100,000
	<hr/>
	44,100,000

*Estimated savings if the recommendations
in this Report are adopted.*

	£
Reduction in ordinary rate of benefit	3,000,000
Reduction in allowance for de- pendants	700,000
Amendment of qualifying con- tribution condition	3,300,000
New conditions proposed for transitional benefit claimants	3,100,000
	<hr/>
	10,100,000
	<hr/>
Reduced cost of transitional benefit ...	34,000,000

III—TOTAL PROVISION FOR UNEMPLOYMENT BENEFIT TO BE MADE BY DIRECT CONTRIBUTION FROM THE EXCHEQUER AND BY BORROWING.

Present position.

	£
Contribution to Insurance benefit	14,850,000
Cost of transitional benefit	35,000,000
	<hr/>
Total cost to the Exchequer by direct contributions	49,850,000
Loan in course of year	39,450,000
	<hr/>
Total	89,300,000

Position if the recommendations are adopted.

Contribution to Insurance benefit	18,000,000
Cost of transitional benefit	34,000,000
	<hr/>
Total cost to the Exchequer	52,000,000
Loan in course of year	7,650,000
	<hr/>
Total	59,650,000

VI.—SUMMARY.

128. It will be convenient to summarise the main considerations immediately before us and the interim measures which we recommend.

I. It has not been possible for us to make a complete study of all the questions which should be taken into account before the basis of a satisfactory permanent scheme of Unemployment Insurance can be determined. We have, however, been pressed to present an interim Report on the following questions:—

- (1) the increasing indebtedness of the Unemployment Fund;
- (2) the increasing cost of transitional benefit to the Exchequer;
- (3) the suggestion that benefit is paid in circumstances which the scheme was not intended to cover.

II. The income of the Unemployment Fund is only sufficient to meet half the charges upon it. The present debt of the Fund exceeds £80 millions and is increasing by nearly £1 million every week.

III. The cost of transitional benefit, falling directly on the Exchequer, is estimated at £30 millions for the present year and may exceed that sum; in addition, the Exchequer has to find about £15 millions as the State contribution to the Unemployment Fund.

IV. This situation, though aggravated by the serious rise in unemployment during the past 18 months, has been steadily developing over several years. The risk of unemployment for which the Insurance Scheme has to provide has been repeatedly undervalued, and only for short intervals has there been any proper approximation of expenditure to income. The extent of the financial liabilities being incurred has been concealed by successive borrowings on the security of a Fund that is sinking deeper and deeper into debt.

V. For our interim Report we have thought it right to take the situation as we find it; to accept, at present, the existing structure of the Insurance Scheme, and to endeavour to discharge the duty placed upon us by the first part of our terms of reference. Similarly we have thought it proper for a Report dealing largely with a grave financial position, to take the present facts of the extent of unemployment and not to build upon some conjectural and rapid improvement of industrial prospects.

VI. With regard to the anomalies or "abuses," we have confined our recommendations mainly to those cases which have excited public misgiving and which can be corrected without serious hardship, and without serious prejudice to the principles which we may find it desirable to propose for a permanent scheme.

129. The following is a summary of the measures which we recommend to deal with the present situation pending our final Report.

I.—THE UNEMPLOYMENT INSURANCE SCHEME (paras. 72-91.)

In order that the income and expenditure of the Unemployment Fund may be brought more closely to balancing point with a Live Register of 2,500,000 we recommend :—

(1) A limit upon the period for which benefit may be paid of 26 weeks within the period of 12 months following the date of application.

(2) An increase in the weekly rates of contributions so that, in the case of the adult man, each of the three parties (the worker, the employer and the Exchequer) pays 9d., with appropriate increases in the rates of contribution for other classes.

(3) An amendment of the weekly rates of unemployment benefit in accordance with the following scale :—

Ordinary Rates of Benefit.

<i>Age.</i>	<i>Males.</i>	<i>Females.</i>
	<i>£.</i>	<i>s.</i>
Over 21	15	13
18-21	12	10
17-18	7	6
16-17	5	5

Dependants Benefit.

Rate of additional benefit for an adult dependant, 8s. per week.

Rate of additional benefit for a dependent child, 2s. per week.

II.—TRANSITIONAL BENEFIT (paras. 92-102).

We recommend that the existing transitional provisions should be continued, subject to the following amendments :—

(1) The rates of transitional benefit should be fixed at the scale we have recommended for Insurance benefit.

(2) A claimant for transitional benefit should be required to prove, at the beginning of each benefit quarter, that he has paid not less than 8 contributions during the preceding two years, or not less than 30 contributions during the period of six years immediately preceding the date of his application.

(3) That the amount of benefit to be paid to certain classes of workers (specified in paragraph 99) should be considered in relation to certain of their other resources.

(4) That a worker should not be allowed transitional benefit who refuses to accept on fair terms and conditions an offer of work suited to his capacities.

III.—ANOMALIES (paras. 103-125).

We make the following recommendations to deal with unreasonable claims (whether for benefit under the Insurance Scheme or for transitional benefit), that are adding to expenditure and bringing the scheme into disrepute :—

(1) Workers who habitually work for only two days or less in each week and are unable to satisfy the statutory authorities that they are normally employed in regular insurable employment for the other days of the week should not be regarded as unemployed within the meaning of the Unemployment Insurance Acts. This class of worker should be given the right to apply for a certificate of exemption (paragraph 109).

(2) Casual workers and short-time workers in receipt of high earnings should be entitled to benefit in accordance with the formula set out in paragraph 114.

(3) A married woman should be entitled to benefit only if she has satisfied the statutory authorities—

(a) that she has not abandoned insurable employment; and (b) that having regard to her industrial experience and to the industrial circumstances of the district, she can reasonably expect to obtain insurable employment in the district in which she is residing (paras. 117-120).

(4) A seasonal worker should be entitled to benefit in the off-season only if he can prove to the satisfaction of the Court of Referees—

(a) that he has in the past worked in the off-season for a reasonable time in some insurable occupation, and

(b) that, having regard to the industrial circumstances of the district, he can reasonably expect to obtain insurable work in the off-season in the district in which he is residing (paras. 122-125).

VII.—GENERAL.

130. In this Report we have dealt mainly with the finances of the Scheme. We have taken this course because this aspect of the problem has been most urgently brought to our attention. But we should wish to add that the finance of the Scheme is not more important or more difficult than other questions which arise in connection with it. The social and economic effects of the Scheme as a whole deserve most careful consideration and we shall have something to say on these matters in our final Report. Nevertheless in closing this part of our enquiry, we desire to say that in spite of difficulties and in spite of the criticism that may fairly be made

against the present position and against some of the features of the Unemployment Insurance Scheme, it has prevented serious distress in a period of unprecedented unemployment. To put the Scheme on right lines for the future is worth some effort and sacrifice. We are convinced that the principle of insurance against industrial unemployment has an important part to play in the adaptation of our industrial structure to changing needs.

ALL WHICH WE HUMBLY SUBMIT FOR YOUR MAJESTY'S GRACIOUS CONSIDERATION.

(Signed) HOLMAN GREGORY,
(Chairman).

HENRY CLAY.

H. J. W. HETHERINGTON.

E. C. P. LASCELLES.

H. M. TROUNCER.

H. C. EMMERSON (*Secretary*).

H. R. HODGES (*Assistant Secretary*).

1st June, 1931.

NOTE BY MR. HENRY CLAY AND
MR. H. M. TROUNCER, F.I.A.

While being in full agreement with the Majority of our Colleagues in the statement of principles and with their recommendations so far as they go, we desire to add that in our view the changes designed to relieve the present burden on the national finances might reasonably in the present circumstances of industry have been carried further.

(Signed) HENRY CLAY.

H. M. TROUNCER.

MINORITY REPORT.

MAY IT PLEASE YOUR MAJESTY,

1. We are unable to agree with the Majority of the Commission in the interim recommendations which they make in the direction of placing the Unemployment Fund on a self-supporting basis, and for reducing the cost to the Exchequer of Transitional Benefit. We beg, therefore, to present our views in a separate Report.

GENERAL.

2. We regret that it was considered necessary for the Commission to present an interim Report on these lines at this stage. The Commission has under consideration proposals which involve the whole scope of an Unemployment Insurance Scheme. There has not yet been time to hear and consider the many interests concerned, or to review the evidence that has already been received. All proposals, therefore, which involve large issues of policy, are properly reserved for the final Report. For this reason, if for no other, we think it undesirable that, at this time, interim recommendations should be made which seriously disturb the existing basis of the Unemployment Fund. But we have another reason of greater importance; we are convinced that any attempt to balance the Fund under existing circumstances can only result in worsening the condition of the unemployed. We, therefore, recommend that (with the exception of some alterations referred to later under the heading of "Anomalies") no changes be made in the existing Unemployment Insurance Scheme until the Commission has presented its final Report, and we confine ourselves in this interim Report to those questions on which recommendations are made by the majority.

3. Our colleagues have given a detailed account of the past and present finances of the Scheme, and it is not necessary for us to go over the same ground again. We may recall the fact that the Fund has been in debt since unemployment became acute in 1921. The cost of unemployment was beyond what the scheme could bear, and money had to be found to meet it. We regret that recourse was had to borrowing and that that method of balancing the Fund has continued till to-day. The hope that trade would improve, and that it would be possible to repay the sums borrowed, was never justified by the event. Unemployment, persistent and prolonged, still continues. Its cost, in so far as it is not met by contributions to the Fund, should be met by general taxation. The nation, in this matter of the daily or weekly maintenance of those who have no earnings, should pay its way. At the same time, we realise that it is a vital concern of the taxpayer that the money raised should be spent for the purpose intended by Parliament in framing the Unemployment Insurance Acts, and for none

other. We have reason to believe that to an overwhelming extent this is the case to-day. In so far as money is being spent in ways that were not foreseen at the outset of the scheme, we think that certain of the proposals for dealing with existing anomalies which are made in the Majority Report and to which we shall refer later, go as far to meet the difficulty as is possible for a temporary expedient.

4. The finance of the Scheme has become disorganised, and the insurance principle of relating benefits to contributions has broken down. But a more important consideration from the standpoint of the national welfare is that the Scheme was expanded from time to time to meet the needs of increasing numbers of unemployed, and that the alternative course of attempting to fit the unemployed into the strict limits of the original Scheme was avoided. Even with the expansion of the Scheme that did take place, there were at times instances in which the burdens that fell upon the Local Authorities in relieving those unemployed who were outside the scheme proved almost intolerable, but speaking generally, the Acts of Parliament expanding the Scheme have enabled it to cover the great bulk of able-bodied unemployment. It is difficult to see how, without these extensions of the Scheme, the nation could have met an unparalleled trade depression as well as it has done.

5. It is obvious that with unemployment at the figure at which it stands to-day, the Unemployment Fund does not balance. The majority of the Commission have set themselves the task of achieving solvency by various methods, including an increase in contributions and a decrease in benefits. We do not accept the position that the main object at the present time is a scheme under which income and expenditure can be made to balance. In our opinion the chief purpose to be kept in view is to maintain the unemployed on a level of subsistence at least no lower than that at which they are to-day. It is they who have already felt the force of economic depression with much greater severity than any other section of the community, and they should be the last to be called upon to bear any further burden. Not only do we regard this as a matter of equity, but we also consider it an essential of national economy that nothing should be done which would tend in any degree to impair still further the physical strength and productive efficiency of those who, though unemployed to-day, may at any time be needed again to take their place as workers in the industrial field.

6. The sum spent on the maintenance of the unemployed amounted during the year ended 31st March, 1931, to about £92½ millions in benefit and about £2½ millions in out-door relief. The average live register during the same period was 2,202,000 and the cost, though large, must therefore be looked at in relation to the

numbers of the unemployed. It must also be realised that this sum has to meet not only the needs of the unemployed persons themselves, but also of all those dependent on them. It is clear that an enormous gap, indicating privation of every kind, exists between the benefit that has been received and the wages that would have been earned had the unemployed been in work.

7. But even if it were desirable or necessary that sacrifices should be called for in the interests of solvency, and if an equilibrium in the finances of the Fund could be for the time achieved, there can be no guarantee whatever that such an equilibrium could be maintained. For just as there has been no sure financial basis for the Scheme in the past because it has proved entirely impossible for its framers to forecast correctly from time to time the amount of unemployment for which they ought to provide, so we maintain there is no sure financial basis to-day. It is possible to assume a level of unemployment based on a Live Register of 2,500,000, but at any time strikes, lock-outs or even large schemes of re-organisation at home, or boycotts, upheavals, or reversals of national policy abroad, may cause the figures to soar, and the relation between contributions and benefits may again be completely upset. No limitation of the number of weeks for which benefit can be drawn will meet this difficulty. It is as impossible to say how many persons will be unemployed for 26 weeks during next year or the year after as it is to say how many will be unemployed for the whole time. As long as an Insurance Scheme exists at all, the only financial basis for it (unless it is to fail completely in its task of providing for the unemployed) is to fix such contributions from the employers and the workers as can reasonably be borne, and for the residue required to be paid by the State.

We now proceed to examine the proposals of the Majority for balancing the income and expenditure of the Unemployment Fund.

REDUCTION OF THE PERIOD OF BENEFIT.

8. With regard to the proposal for limiting the period for which benefit can be drawn under the Unemployment Insurance Scheme as at present constituted, the effect would be to transfer to transitional benefit no less a number than about 250,000 making a total in the transitional class of 850,000 or about 34 per cent. of the total unemployed.

9. Such a proposal cannot in the existing circumstances be justified: in fact it appears to us to be singularly inappropriate. A feature of present day unemployment is the length of the periods during which individuals are out of work. In industrial areas heavily hit by trade depression, where persons in large numbers are unemployed for long periods, the effect will be to place in the transitional class persons who before the slump in trade had excellent industrial records. They would then have to fulfil not only

the conditions applicable to Transitional Benefit to-day, but (if the proposals of the Majority were carried into effect) other new conditions also. These would place them at a still further disadvantage as compared with the recipients of ordinary benefit.

10. That provision must be made for the unemployed, whether within or without the Insurance Scheme, is universally recognised. The financial effect of the above proposal will be merely to transfer the cost of benefit from one account to another. Our view is that there is nothing to be gained by taking this step in advance of our final recommendations.

CONTRIBUTIONS.

11. We are unable to agree that the employers' and the workers' contribution should be increased.

12. As pointed out in paragraph 61 of the Majority Report, in 1925 when the Widows', Orphans', and Old Age Contributory Pensions Scheme was launched, the contributions to the Unemployment Fund were reduced. This was in fact a recognition of the very heavy burden of the cost of social insurance on industry and the worker. What was appropriate at that time applies with much greater force to-day.

13. As regards the employer's contribution, we consider it in every way undesirable that, when additional money is required to finance the Fund, any further burden should be placed upon industry alone, rather than upon the general taxpayer. Such a charge, instead of being shared among incomes, many of which are derived from a much steadier source than industry provides to-day, falls directly upon the costs of production at the very outset before any profits can be made, and it can only have the effect of further hampering industry in its efforts to bring down these costs to the lowest practicable level.

14. An increase in the rate of the worker's contributions of 2d. a week would make the total contribution of the adult male 9d. a week or 39s. per annum. In addition to this there is the payment he already makes in respect of Health Insurance and the Widows', Orphans', and Old Age Contributory Pensions Scheme, which amounts to another 9d. a week or a further sum of 39s. per year. In the case of the low paid worker, this is equivalent to two weeks' wages in the year. It should also be borne in mind that wages have recently been falling and the worker is less able to pay increased contributions at the present time.

RATES OF BENEFIT.

15. We consider any proposal for the reduction of benefits at the present time as definitely harmful. It should be remembered that the rates of benefit for young persons and for the adult dependant

were increased as recently as March, 1930, and there is no justification for reducing them now.

16. The intention of the original Act of 1911 was to enable the unemployed to tide over short spells of unemployment, and at that time the possibility of prolonged unemployment such as we are experiencing to-day was certainly not in the minds of those who framed that measure. Even assuming the conception of an Unemployment Insurance Scheme, as embodied in the 1911 Act, we do not admit that the present scale of benefit is more than sufficient for a short spell. But when considered in conjunction with the impoverishment of the unemployed which must follow long spells of unemployment, it falls much below the sum that is required to make adequate provision in order to ensure that a decent standard of physical and mental capacity is maintained.

17. So long as the rate of unemployment benefit is less than a reasonable subsistence level, any variation in the rate of benefit to take account of variations of the cost of living is irrelevant. In any event, if a comparison is to be made between the cost of living at present and at any other period, it should obviously be March, 1930, when, as we have already stated, the benefits for young persons and adult dependants were increased. If this date is taken it will be discovered that the effect of a reduction of 3s. for the man and wife (from 26s. to 23s. as proposed by the Majority) would be to place them in a worse position than they were then. We view with alarm any reduction of benefit; it can only result in further privation. The effect of this will be seen in a substantial addition to the cost of other social services.

TRANSITIONAL BENEFIT.

18. We agree with the Majority in their recommendation that the transitional period, which begins to expire in October, 1931, should be extended, but we are not in favour of the new conditions for the receipt of benefit which they propose should apply to this class of claimants. We are at a loss to understand why in an Interim Report proposals should be put forward, even as a temporary measure, which will have the effect of creating greater difficulties for those who, owing to prolonged unemployment and the poverty associated with it, are entitled to more rather than less consideration at the hands of the rest of the community. We deal with the three proposed new conditions in the following paragraphs.

Thirty contributions in the past six years.

19. The recommendation of the Majority Report is to require a claimant for transitional benefit to show that he has paid eight contributions in two years or 30 contributions in the last six years, instead of the existing conditions of eight contributions in two years or 30 contributions at any time. We think that this proposal will

not only place those in receipt of transitional benefit in a worse position, but will also make it more difficult to deal with the whole subject at a later stage. In our view the conditions under which transitional benefit can be obtained are sufficiently strict. The onus of proof is placed upon the claimant to show that "he is normally employed in insurable employment and will normally seek to obtain his livelihood by means of insurable employment." During the six months ended 31st March, 1931, no less than 84,543 persons failed to satisfy this condition, as compared with a total of 233,092 disallowances on all grounds. To add to this test a further restriction based on contributions paid in the last six years would certainly exclude a number of those who are now able to satisfy the Court of Referees that they fulfil this condition. It is estimated that the effect of this further restriction would mean the immediate disallowance of 40,000 persons who in the main will be resident in those areas where employment has been, in the circumstances of the last six years, most difficult to obtain. There is no doubt that many of them would be obliged to apply immediately for public assistance.

20. It is estimated that the saving on transitional benefit at present rates, by this exclusion, in a full year would be £3,300,000. This sum borne by the nation as a whole cannot be regarded as a burden in the same sense as all or even a fair proportion of it would be to those local authorities who could least afford it, and by whom it would have to be borne. On these grounds we cannot agree with this recommendation, the effect of which will be to transfer part of the cost of relieving unemployment from the Exchequer to the local rates and we are of the opinion that the conditions of transitional benefit should remain as at present, pending our final report.

Limitation of benefit to certain classes.

21. A second proposal is that certain classes of claimant for transitional benefit should be required to attend before Local Assessors who would decide whether benefit was to be paid, and, if so, whether in full or in part. The persons included in the three classes are :—

(1) Single persons who are residing with parents or relations to whom, having regard to all the circumstances, they could reasonably look for support during unemployment.

(2) Married women living with their husbands who are in employment and whose incomings are sufficient to justify the withholding of transitional benefit from the wife. A similar limitation should also be applied to married men whose wives are in employment.

(3) Persons who are in receipt of Workmen's Compensation, Service pensions (other than for War Disability), and other fixed income other than income from savings.

We have strong objections on many grounds to this proposal. Apart from questions of principle, we think there are many difficulties which would make any course such as is here proposed undesirable in practice.

22. It is estimated that the number of persons who would be transferred to transitional benefit if ordinary benefit were restricted to 26 weeks in the year would be 250,000, making a total of 850,000. It may be presumed, therefore, that the numbers that would have to attend before the Local Assessors would be high. The question whether such bodies are suitable to be entrusted with these large powers of making decisions of vital importance to claimants for benefit is one which ought in our opinion to receive much greater consideration. This proposal bears a resemblance to the arrangements which were in operation between April, 1925, and April, 1928, when Extended Benefit was granted to certain classes (including (1) and (2) above but not (3)), only at the discretion of the Minister, and the applications were considered by Rota Committees at the local Employment Exchanges. It was found that, between these dates, the total number of persons in classes (1) and (2) above who were disallowed benefit, only amounted to 3.4 per cent. of all the applications for extended benefit considered by the Rota Committees. It is true that there is an important difference in the new proposal from the old, in that under the old procedure benefit could only be allowed or disallowed, whereas in the new it could when thought advisable, be paid at a reduced rate. But even with this difference it seems as if the financial result would scarcely be such as to justify the setting up of new procedure with all the detailed organisation that would be entailed.

23. But though the number disallowed might be small in comparison with the work that would be involved, it would be large enough to inflict hardship upon many individuals and to lower the standard of life in many households. It is on the single men and women that (judging from previous experience) the disallowance would chiefly fall, as the number in this class disallowed between the dates given above was nearly three times as many as the number of married persons. These young people, if without earnings, should be enabled to pay their way without burdening their relatives with their support, or resorting to other less desirable methods of gaining money, or leaving home in order thus to qualify themselves for benefit.

24. Our final objection to this proposal is that it is unsuited to an interim Report. Seeing that large changes will shortly be under consideration, it cannot be wise to alter the existing procedure by the introduction of an investigation into circumstances which would be in itself highly contentious, as well as difficult to

work out in practical administration, and requiring the establishment of new machinery. We urge that any small financial savings that might be effected would be of little value as compared to the anxiety caused to claimants for transitional benefit and the possible prejudice to later and permanent proposals.

Refusal of work condition.

25. A third recommendation is made with regard to claimants for transitional benefit. The Majority Report states that the provision laid down in the Act of 1927 in connection with the offer of suitable employment is, as at present interpreted, not sufficiently effective in the case of applicants for transitional benefit. It is therefore recommended that a former condition which operated before the 1927 Act in the case of applicants for extended benefit should be re-introduced. It appears that the Act of 1927 was intended to provide proper safeguards, applicable to all claimants alike, against the refusal of suitable employment. We consider that if the interpretation of the Act is at variance with that intention, an amendment should be considered. In our view that would be a better method of dealing with the difficulty than by any further discrimination between the recipients of transitional and ordinary benefit.

WRIS ANOMALIES.

Intermittent and Seasonal Workers.

26. We are in agreement with our colleagues in the proposals for dealing with intermittent workers and seasonal workers.

Casual Workers and Short-time Workers.

27. The formula proposed in the Majority Report under this heading appears to us to make an effective contribution towards the solution of the particular difficulties associated with these classes of workers. It will reduce the amount of benefit in cases where exceptionally high earnings are received for a short spell of work, without affecting the position of the low paid worker. It introduces, however, an entirely new principle and it could not be brought into operation without considerable readjustment of the existing arrangements. We do not think, therefore, that it is suitable for inclusion among recommendations intended to cover only a temporary period. Moreover, the proposal would affect large numbers of those employed in the Dock Industry, and in all the circumstances our view is that it would be inadvisable to deal with the problem of casual and short-time workers until we have had an opportunity of studying the Report of the Committee on Port Labour, under the Chairmanship of the Right Hon. Sir Donald Maclean, M.P., and of hearing further evidence.

Married Women.

28. On the subject of the position of married women under the Unemployment Insurance Acts, we append two notes setting out our respective views.

Other Anomalies.

29. The anomalies which the Commission has been able to investigate, in the time at its disposal, have mainly been those in which benefit is being paid in circumstances which it is suggested the scheme was not intended to cover. But on the other hand, evidence has also been placed before the Commission showing that there are many instances in which the conditions for the receipt of benefit operate to exclude persons who should be entitled to benefit under a reasonable scheme. It is impossible for the Commission to examine cases of this latter kind at the present time and to suggest remedies, but it is hoped that close consideration will be given to them and that suitable recommendations may be made in the final report.

ALL WHICH, WITH OUR HUMBLE DUTY, WE SUBMIT FOR YOUR MAJESTY'S GRACIOUS CONSIDERATION.

(Signed) W. ASBURY.

CLARA D. RACKHAM.

1st June, 1931.

NOTE NO. I TO THE MINORITY REPORT.

NOTE BY COUNCILLOR W. ASBURY.

With regard to the position of married women under the Unemployment Insurance Acts, I am in agreement with the views and recommendations contained in the Majority Report.

(Signed) W. ASBURY.

NOTE NO. II TO THE MINORITY REPORT.

NOTE BY MRS. C. D. RACKHAM.

1. I am unable to agree with the Majority of the Commission in the recommendations which they make on the subject of married women claimants to benefit, and I therefore beg leave to present my views in a separate memorandum.

2. It must be noted at the outset that, in proposing special conditions for benefit to apply to married women only, a serious departure is being made from the principles of the Unemployment Insurance Acts. There has never since 1911 been any discrimination against any claimant for benefit on account of sex or marriage.

Such a departure cannot be justified on the grounds that the large majority of women cease after marriage to earn their living in insurable employment. There is a minority who remain in the industrial field and who are entitled to the benefits for which they have contributed so long as they fulfil the conditions imposed on other insured persons. It may be noted that in so far as women leave industry on marriage, the Fund must greatly benefit: such women contribute to the Fund during their period of least unemployment and then make no further claims upon it in later years.

3. It is true that a large number of married women are claiming benefit to-day, but the figures do not support the suggestion that married women are to any extent misusing the Fund. The proportion of married women among women claimants increased from 26.1 per cent. in April, 1927, to 43.7 per cent. in February, 1930, but during these years there was a heavy increase in unemployment in the textile areas and in the potteries where large numbers of married women are employed: and it must also be noted that during the whole of this time the "Genuinely Seeking Work" condition was in operation. Since this clause was dropped in March, 1930, the increase has been only from 43.7 per cent. to 50 per cent. in October, 1930, and since that date there has been a fall to 47 per cent. in February, 1931. It must be remembered that there is always a tendency on the part of employers, when reductions in staff have to be made, to select the married women as in their opinion the least likely to suffer as a result of dismissal. This tendency operates at a time when many married women, owing to the unemployment, short time, or falling wages of their husbands, are being forced back into industry. These factors help to explain the large number of married women claiming benefit at this time.

4. The figures given above cover both ordinary and transitional benefit. A married woman claimant for transitional benefit in order to satisfy transitional condition (b) is required to prove to the Court of Referees that she has been making efforts to obtain work. Her financial circumstances can also be taken into consideration as giving an indication of her intention to obtain her livelihood by means of insurable employment. Bearing this in mind, it is noteworthy that the proportion of married women drawing transitional benefit as compared with those drawing ordinary benefit is increasing, and that to a greater degree than is the case with single women. The proportions in the case of married women in July, 1930, were 18.5 on transitional benefit and 81.5 on ordinary benefit, while for single women they were 7.4 and 92.6. By February, 1931, the figures were for married women 23.3 and 76.7; for single women 9.7 and 90.3. It is obvious that larger proportions of married women are suffering from prolonged unemployment, but it is equally clear that the proportion which passes the severer test placed upon claimants for transitional benefit is also increasing.

5. The married women claiming ordinary benefit are of course a much larger problem. The majority of the Commission propose two new conditions, the first being that a married woman should not be entitled to benefit unless she has satisfied the statutory authorities "that she has not abandoned insurable employment." It might be very difficult for a married woman who had been unable to obtain employment since her marriage to satisfy this condition, and yet she might be fully entitled to benefit on grounds of equity. Such would be the position of a woman discharged on marriage and anxious to obtain other work and unable to do so, or of a woman who may have left wage earning for a short period after marriage but has been for economic reasons compelled to return to it. In each case the woman would be a genuine worker and qualified for benefit by her contributions, and yet, as has been said, she might be hard put to it to prove that she had not abandoned insurable employment. The experience of the National Health Insurance Fund in connection with married women claimants goes to show the impossibility of judging a married woman's intention to work by her ability to obtain work, especially in a time of depression such as the present.

6. The second proposed condition is that a married woman must show that "having regard to her industrial experience and to the industrial circumstances of the district, she can reasonably expect to obtain insurable employment in the district in which she is residing." The idea presumably is that if a woman can show by the efforts she is making that she has not abandoned insurable occupation, she is still not to be entitled to benefit unless there is a reasonable expectation that those efforts will be crowned with success. Much is said in this connection about firms refusing to employ married women, but there is no evidence as to how widespread this custom is, or whether it is increasing, or (what is more important) how far it is merely a feature of the present depression. Firms that can only employ a small proportion of those who apply to them for work find it convenient to engage single women only, and so to simplify the situation to some extent. There is no doubt that if employment increased there would be much less discrimination between married and single women, and employers would be more interested in securing those workers who would best meet their needs, without regard to their status.

7. It is necessary however to look more closely at the large numbers of married women who are drawing ordinary benefit, and to consider if there are any steps which should be taken to prevent any possible abuse of the Fund. In the first place it must be noted that the proposals of the Commission regarding intermittent and seasonal workers, if carried into effect, would remove from the Fund some married women among the claimants belonging to those two classes. If expectant mothers were in all cases entitled to Sickness Benefit during the last weeks of pregnancy, this would also relieve the

Fund of a certain number of married women who claim benefit while doubtfully capable of work.

8. A claimant for ordinary benefit must be available for work. The word "available" has caused some difficulty in the case of married women as they may have domestic duties to perform at home, and the question arises as to whether these interfere with their availability for work. Married women who claim benefit should be genuinely available for an ordinary industrial occupation, and generally speaking they should not be treated differently from other claimants in the degree of availability which is required of them.

9. A claimant can be disallowed benefit for six weeks for refusing suitable employment. This disallowance is much more frequent in the case of women than of men, on account of the unsatisfied demand for women in domestic service and the unpopularity of that calling. Resident domestic service is not of course suitable employment for married women, but numbers of them are disallowed benefit for refusing daily domestic service. It must be remembered that, for various reasons which need not be discussed here, the Women's Departments of Exchanges have a very much larger number of vacancies notified to them in proportion to the number of claimants than have the men's, and this naturally means that their opportunities of submitting candidates for vacancies are more numerous also. Of course, there are districts in which the only industries have been so severely hit by the present depression that there is very little work available for women at all. It is difficult to know in such places what reasonable expectation any claimant of either sex has of getting work, and there is no reason why married women should be specially penalised for this state of things.

10. It is clear that, if we are to rely upon a fair and reasonable interpretation of the statutory conditions to exclude from benefit married women who are not really entitled to it, much depends on the regular review of claims and interviewing of claimants. The Morris Committee laid stress on the importance of interviews between claimants and representatives of the statutory authorities as the most convenient way of ascertaining whether a claimant was eligible for benefit, and that in particular the question of what work outside his usual occupation was suitable for him should be a matter for frank and full discussion. It is on the lines of such individual effort combined with careful and equitable use of existing machinery that the position must be faced.

11. The problem under discussion is not a new one; it was placed before the Blanesburgh Committee with many of the same arguments as it has been placed before us. The Committee did not accept the suggestions made to them that married women should be treated as a special class to whom special conditions should be applied. They stated that, "the evidence did not indicate that the

special problems of married women when they are included within the scheme are incapable of administrative solution." Nothing that has since occurred appears in my view to justify any departure from this principle.

12. Married women differ completely one from another, not only in their domestic circumstances, but also in their value in the labour market, and in their whole outlook upon industry; any attempt to treat them as a class, to be governed by uniform rules applicable to no other section of insured persons, could only result in friction and in hardship.

(Signed) CLARA D. RACKHAM.



APPENDIX I.

Unemployment Insurance: Rates of Benefit and the Cost of Living.

Statement comparing present and past rates of Unemployment Benefit having regard to the changes in the Cost of Living Index. The statement compares the actual rate of benefit in 1931 with the rate paid in each previous year reduced to correspond to the "Cost of Living Index" on 1st May, 1931, viz., 147.

Year.	*Cost of Living Index.	Single Men.				Man with Wife and Two Children.			
		† Actual rate in year.	Rate in year reduced to correspond to "Cost of Living Index" in May, 1931, viz., 147.	Actual rate in 1931.	Excess of actual rate in 1931 over the rate paid in each previous year allowing for the fall in the "Cost of Living Index," i.e., excess of Col. 5 over Col. 4.	† Actual rate in year.	Rate in year reduced to correspond to "Cost of Living Index" in May, 1931, viz., 147.	Actual rate in 1931.	Excess of actual rate in 1931 over the rate paid in each previous year allowing for the fall in the "Cost of Living Index," i.e., excess of Col. 9 over Col. 8.
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1931 (1st May)	147	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
1930	158	17 0	17 0	17 0	—	30 0	30 0	30 0	—
1929	164	17 0	16 3	17 0	1 2	30 0	27 11	30 0	2 1
1928	166	17 0	15 1	17 0	1 9	28 0	25 1	30 0	4 11
1927	168	18 0	15 9	17 0	1 11	28 0	24 9	30 0	5 3
1926	172	18 0	15 5	17 0	1 3	27 0	23 7	30 0	6 5
1925	172	18 0	15 5	17 0	1 7	27 0	23 1	30 0	6 11
1924	176	18 0	15 0	17 0	2 0	27 0	22 7	30 0	7 5
1923	175	15 0	12 7	17 0	4 5	23 0	18 6	30 0	11 6
1922	174	15 0	12 8	17 0	4 4	22 0	18 7	30 0	11 5
1921	183	15 0	12 1	10 0	1 11	22 0	17 6	30 0	12 4
1921:—									
10 Nov.—31 Dec.	226	15 0	9 9	17 0	7 3	22 0	14 4	30 0	15 8
30 June—9 Nov.		15 0	9 9		7 3	15 0	9 9		20 3
3 Mar.—29 June		20 0	13 0		4 0	20 0	13 0		17 0
1 Jan.—2 Mar.		15 0	9 9		7 3	15 0	9 9		20 3
1920	249	15 0	8 10	17 0	8 2	15 0	5 10	30 0	21 2

* Average for year, except that for 1931 the figure of 147 is that for 1st May, 1931.

† In 1924, 1928 and 1930 there were changes in the rates. Those shown are those which were in force for the greater part of the year.

‡ At these dates, Married and Single Men received the same rates of benefit; and these rates do not, therefore, include any allowances for dependants.

APPENDIX II.

Rates of Contributions and Benefit.

Statement showing changes for adult male persons.

Date.	Contributions.				Benefit.	
	Em- ployer.	Worker.	Ex- cheq- uer.	Total.	Ordinary rate.	Depend- ants.
15.7.12	d. 24	d. 24	d. 11	d. 63	s. d. —	s. d. —
8.1.13	}	No change.			7 0	—
25.12.19					11 0	—
8.11.20	4	4	2	10	15 0	—
3.3.21	}	No change.			20 0	—
30.6.21					15 0	—
4.7.21	8	7	3½	18½	—	—
7.11.21	10	9	6½	25½*	—	—
10.11.21	}	No change.			—	Adult 5 0
14.8.24					18 0	Child 1 0
4.1.26	8†	7†	6½	21½	—	Adult 5 0
5.4.26	8	7	6½	21	—	Child 2 0
19.4.28	No change.				17 0	Adult 7 0
1.4.29	8	7	7½	22½	—	Child 2 0
13.3.30	No change.				—	Adult 9 0
						Child 2 0

* This increase in contributions was to provide for the payment of dependants benefit.

† This reduction in the employer's and worker's contribution was made to assist in floating the Widows', Orphans' and Old Age Contributory Pensions Scheme.

‡ The Economy Act, 1926, reduced the rate of contribution by 1d. and repealed the additional contribution of 2½d. per week which the Act of 1925 provided that the Exchequer should pay.

APPENDIX III.

SAMPLE ANALYSES OF CLAIMANTS TO TRANSITIONAL BENEFIT UNDER THE
UNEMPLOYMENT INSURANCE ACTS.

Industry.	Numbers of insured persons in each industry in Great Britain at July, 1930, as percentages of total insured.	Claimants to transitional benefit in each industry.	
		26th May, 1930.	2nd February 1931.
(1) Men.			
Coal Mining	12.3	22.7	21.0
Distributive Trades	11.1	8.1	8.8
Building	9.4	7.6	8.2
Engineering	7.7	7.0	7.6
Transport and Communication ...	9.1	7.7	5.9
Public Works Contracting ...	2.2	5.9	5.6
Shipbuilding and Ship Repairing...	2.2	5.3	5.3
Cotton	2.2	1.8	3.1
Pig Iron (Blast Furnaces); Steel Melting and Iron Puddling; Iron and Steel Rolling and Forging.	2.3	4.8	2.5
Metal Trades	4.1	3.0	2.5
Other	37.4	20.1	29.5
	100.0	100.0	100.0
(2) Women.			
Cotton	11.6	28.5	29.2
Distributive Trades	19.9	10.5	10.3
Textiles (other than Cotton, Woollen and Worsted and Silk and Artificial Silk).	6.5	8.9	8.2
Metal Trades	5.3	7.6	8.0
Clothing Trades	10.8	4.1	6.1
Food, Drink and Tobacco	6.4	6.4	4.5
Woollen and Worsted	4.5	5.3	4.5
Pottery, Earthenware, etc. ...	1.3	2.4	2.4
Engineering, etc.	2.1	1.5	2.4
Silk and Artificial Silk	1.3	24.8	2.1
Other	30.3		22.3
	100.0	100.0	100.0

Distribution among the Administrative Divisions of the Ministry of Labour.

Division.	26th May, 1930.			2nd February, 1931.		
	Men.	Women.	Total.	Men.	Women.	Total.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
London	4.4	3.5	4.2	7.7	5.8	7.3
South Eastern ...	1.6	0.9	1.5	2.6	1.1	2.2
South Western ...	3.6	2.0	3.3	4.0	2.4	3.7
Midlands	10.0	15.9	11.0	12.6	15.9	13.3
North Eastern ...	29.3	14.7	26.9	23.7	14.6	21.8
North Western ...	19.2	46.5	23.7	20.4	46.7	26.0
Scotland	18.1	15.6	17.7	16.4	12.2	15.5
Wales	13.8	0.9	11.7	12.6	1.3	10.2
Great Britain ...	100.0	100.0	100.0	100.0	100.0	100.0

Age Distribution (2nd February, 1931).

Age.	Men.	Women.	
	Percentage of total.	Married. Percentage of total.	Single and Widowed Percentage of total.
18-20	3.6	0.6	15.2
21-24	10.7	18.1	22.7
25-29	9.8	27.6	15.2
30-34	10.2	19.7	9.7
35-39	9.7	12.1	8.3
40-44	9.7	8.6	7.6
45-49	9.4	4.1	5.5
50-54	11.6	4.1	7.6
55-59	12.2	2.9	5.5
60-64	13.1	1.9	2.7
Not stated	0.0	0.3	0.0
Total	100.0	100.0	100.0

Marital State of Women.

	26th May, 1930.	2nd Feb., 1931.
	Per cent.	Per cent.
Single and Widowed	28.7	31.5
Married	71.3	68.5
	100.0	100.0

Contribution Position.

Period.	Percentages who had paid			
	No contributions.		Less than 8 contributions.	
	Men.	Women.	Men.	Women.
Period of 52 weeks ended June, 1929. (Sample of 26th May, 1930) ...	47.3	40.6	72.6	62.1
Period of 52 weeks ended 31st January, 1931. (Sample of 2nd February, 1931)	44.8	57.4	70.2	71.7

APPENDIX IV

EXAMPLES TO SHOW HOW THE FORMULA RECOMMENDED IN
PARAGRAPH 114 WILL OPERATE.

SINGLE MAN.

Rate of benefit for six days of unemployment 15s.

Example I.

Earnings for day or days worked in the week (say 15s.).

Number of days of unemployment in the week.	Benefit payable under existing rules.	Benefit to be paid under the proposed formula.	Total of earnings and benefit under the proposed formula.
1	s. d. Nil	s. d. Nil	£ s. d. 15 0
2	Nil	Nil	15 0
3	7 6	7 6	1 2 6
4	10 0	7 6	1 2 6
5	12 6	7 6	1 2 6

Example II.

Earnings for day or days worked in the week (say 20s.)

Number of days of unemployment in the week.	Benefit payable under existing rules.	Benefit to be paid under the proposed formula.	Total of earnings and benefit under the proposed formula.
	s. d.	s. d.	£ s. d.
1	Nil	Nil	1 0 0
2	Nil	Nil	1 0 0
3	7 6	5 0	1 5 0
4	10 0	5 0	1 5 0
5	12 6	5 0	1 5 0

No benefit would be payable to a single man under the proposed formula when the earnings amounted to 30s. in respect of days worked in the week.

MARRIED MAN WITH WIFE AND 2 CHILDREN.

Rate of benefit for six days of unemployment 27s.

Example I.

Earnings for days worked in the week (say 20s.)

Number of days of unemployment in the week.	Benefit payable under existing rules.	Benefit to be paid under the proposed formula.	Total of earnings and benefit under the proposed formula.
	s. d.	s. d.	£ s. d.
1	Nil	Nil	1 0 0
2	Nil	Nil	1 0 0
3	13 6	13 6	1 13 6
4	18 0	17 0	1 17 0
5	22 6	17 0	1 17 0

Example II.

Earnings for days worked in the week (say 30s.)

Number of days of unemployment in the week.	Benefit payable under existing rules.	Benefit to be paid under the proposed formula.	Total of earnings and benefit under the proposed formula.
	s. d.	s. d.	£ s. d.
1	Nil	Nil	1 10 0
2	Nil	Nil	1 10 0
3	13 6	12 0	2 2 0
4	18 0	12 0	2 2 0
5	22 6	12 0	2 2 0

No benefit would be payable to a married man, with wife and two children, when the earnings amounted to 54s. in respect of days worked in the week.

APPENDIX V.

LIST OF WITNESSES WHO HAVE GIVEN ORAL EVIDENCE.

GOVERNMENT DEPARTMENTS.

Ministry of Agriculture and Fisheries.

Mr. H. L. French, C.B., O.B.E., Principal Assistant Secretary.

Department of Agriculture for Scotland.

Mr. J. M. Ramsay, O.B.E., Superintendent of Statistics.

Government Actuary's Department.

Sir A. W. Watson, K.C.B., Government Actuary.

Ministry of Health.

Sir Arthur Robinson, G.C.B., C.B.E., Secretary.

Sir Arthur B. Lowry, C.B., Chief General Inspector.

Sir Walter S. Kinnear, K.B.E., Controller, Insurance Department.

Mr. Edgar Hackforth, C.B., Deputy Controller, Insurance Department.

Department of Health for Scotland.

Mr. John Jeffrey, C.B., C.B.E., Secretary.

Ministry of Labour.

Sir Francis Floud, K.C.B., Secretary.

Mr. J. A. N. Barlow, C.B., C.B.E., Principal Assistant Secretary.

Mr. W. Eady, Principal Assistant Secretary.

Mr. J. F. G. Price, C.B., Principal Assistant Secretary.

Mr. F. G. Bowers, C.B., C.B.E., Accountant General

Mr. W. R. L. Blakiston, Divisional Controller (Wales Division)

Mr. S. Warrington, Divisional Controller (North Western Division).

Miss E. S. Fraser, Deputy Divisional Controller (North Western Division).

Mr. W. Broad, M.B.E., Manager, Borough Employment Exchange.

Miss M. A. Cox, Chief Woman Officer (North Eastern Division).

Mr. G. L. Duncan, M.B.E., Manager, Glasgow Central Employment Exchange.

Mr. C. P. Kesteven, M.B.E., Manager, Newcastle-on-Tyne Employment Exchange.

Mr. J. H. C. Ottley, Chief Juvenile Officer (North Eastern Division).

Board of Trade.

Mr. Percy Ashley, C.B., Principal Assistant Secretary.

Treasury.

Sir Richard V. N. Hopkins, K.C.B., Controller of Finance and Supply Services Department.

LOCAL AUTHORITIES' ASSOCIATIONS.

Association of County Councils in Scotland.

Mr. Robert Bryce Walker, County Clerk of Lanarkshire.

Mr. T. B. Marshall, County Clerk of Perthshire.

Association of Municipal Corporations.

Sir William E. Hart, LL.D., O.B.E., Chairman of the Public Assistance Committee of the Association.

Councillor E. A. Braddock, Chairman of Nottingham Public Assistance Committee.

Councillor W. J. Loxley, Chairman of Birmingham Public Assistance Committee.

Convention of Royal Burghs.

Sir Henry S. Keith, LL.D., J.P.

County Councils Association.

Sir James Hinchliffe, J.P., Chairman of West Riding of Yorkshire County Council and Chairman of the Public Assistance Committee of the Association.

Dr. E. W. Maples, M.A., LL.D., O.B.E., Clerk to the Herefordshire County Council.

Mr. L. Richmond, O.B.E., Public Assistance Officer of the West Riding of Yorkshire.

POOR LAW AUTHORITIES.

Councillor Kinloch Anderson, Chairman of Edinburgh Public Assistance Committee.

Mr. A. Crownshaw, Superintendent of Out-Relief, Sheffield.

Mr. Hugh Christopher Davies, Clerk to the Norfolk County Council.

Bailie James Falconer, J.P., Chairman, Banffshire Public Assistance Committee.

Mr. J. W. Garaid, Accountant to Sheffield Public Assistance Committee.

Mr. R. B. Hindmarsh, Public Assistance Officer of the Durham County Council.

Councillor A. E. Martin, Chairman of Liverpool Public Assistance Committee.

Mr. R. C. Norman, London County Council.

Councillor G. H. Rowland, Deputy Chairman of Sheffield Public Assistance Committee.

Mr. James S. Scott, Depute Town Clerk, Edinburgh

PUBLIC ASSISTANCE OFFICERS.

Mr. Robert Anderson, Chief Public Assistance Officer for the County of Lanark.

Mr. Thomas S. Lamb, LL.B., Director of Public Assistance, Bristol.

Mr. J. M. Loughran, Public Assistance Officer, Port Glasgow, and President of the Society of Inspectors of Poor and Public Assistance Officials of Scotland.

Mr. William Milne Mowat, Chief Public Assistance Officer, Edinburgh.

Sir Allan Powell, C.B.E., Chief Officer of Public Assistance, London County Council.

Mr. Matthew A. Reynard,* Director of Public Assistance, Glasgow.

RELIEVING OFFICERS IN ENGLAND AND WALES.

Mr. James Hood, Relieving Officer, County Borough of Sunderland.

Mr. W. S. Newberry, Relieving Officer, etc., London County Council Public Assistance Department, Area II.

Mr. J. W. Newham, Superintendent, Relief Department, City of Nottingham.

Mr. E. A. Walker, Relieving Officer, Norfolk County Council, Area IX.

EMPLOYERS' ORGANISATION.

The National Confederation of Employers' Organisations.

Mr. J. B. Forbes Watson, Director of the Confederation.

Mr. John A. Gregorson, Member of the General Purposes Committee.

Mr. W. A. Lee, Chairman of the Unemployment Standing Committee.

Mr. H. M. Piper, Secretary of the Confederation.

* Also gave evidence on behalf of the Corporation of the City of Glasgow.

WORKPEOPLE'S ORGANISATIONS.

The Trades Union Congress General Council.

Mr. A. Hayday, M.P., Chairman of the Council.

Mr. W. Kean, a member of the Council.

Mr. J. A. Newrick, a member of the Council's Social Insurance Advisory Committee.

Mr. J. L. Smyth, Secretary of the Social Insurance Department of the Council.

The Standing Joint Committee of Industrial Women's Organisations.

Miss Dorothy Elliott, B.A., Chairman.

Dr. Marion Phillips, J.P., M.P., Secretary.

Scottish Council of Textile Trade Unions.

Mr. John C. Hendry, J.P., Secretary.

INDEPENDENT LABOUR PARTY GROUP IN THE HOUSE OF COMMONS.

Mr. George Buchanan, M.P.

Mr. Campbell Stephen, M.P.

OTHERS.

Sir William Beveridge, K.C.B., Director of the London School of Economics and Political Science.

Mr. A. S. Comyns Carr, K.C.

Mr. G. D. H. Cole.

Mr. Ben Greene.

Mr. Lewis Stone.



The New
REPUBLIC

Published Weekly

Wednesday September 9, 1931

Unemployment

In Great Britain:

The British Dole in Operation

by SUZANNE LA FOLLETTE

In the U. S. A.:

Ten Million Unemployed?

by W. P. MANGOLD

The American "Dole"

EDITORIAL

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VOL. LXVIII. NO. 875

September 8th

WALTER LIPPMANN

joins the Herald Tribune

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He will write what he likes on whatever subjects he likes.

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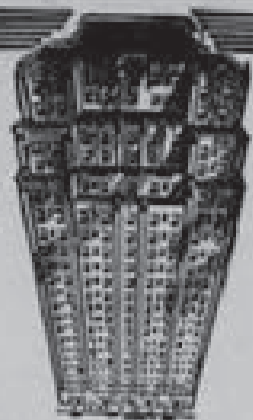
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The Week

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there was an alliance between the international bankers and the capitalistic classes in Britain in support of the fiscal policy favored by both. As allies, they were temporarily invincible.

THE immediately interesting question concerns the future of British exchange, now that the \$400,000,000 loan has been obtained. Obviously this alone provides no cure for Britain's troubles. If the recent \$250,000,000 loan was so quickly exhausted, why should the new credit last more than a few weeks or months? It could provide a permanent remedy only on the assumption that the fall of sterling was caused by a panicky flight of capital out of the country, which will be stopped by a renewal of confidence arising from the political change. But this assumption does not appear to be well founded. The basic causes of the trouble were not an unwarranted fear and a transfer of liquid funds to safer countries, but the slower pressures exerted by the falling away of Britain's foreign trade, the drastic decline of prices and the tying up of her capital throughout the world during the depression—especially in Germany. What can the new government do about these things? It will, indeed, get out of office when it has passed the budget, and the chances are that the pressure on the pound will not become critical again until after the new general election. Then it is likely that the Conservatives will have their opportunity to rescue British and European capitalism from the mess it has drifted into. With the best of luck, they may succeed, but at present it is difficult to see just how.

SECRETARY Mellon, by floating the largest bond issue since the Victory loan, at the low rate of 3 percent, is wisely taking advantage of the money market at a time when credit is plentiful in the aggregate, but almost nobody can borrow except the federal government on account of the prevailing lack of confidence. Here his wisdom stops, so long as he does not press urgently for increased taxation. New long-term borrowing at low rates, applied against the older bonds paying larger interest, is sound governmental finance. But new borrowing applied to meeting current deficits and paying

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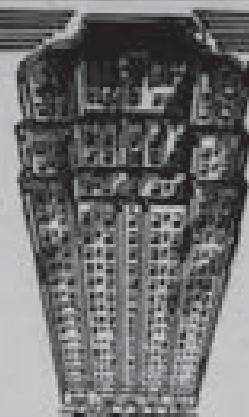
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SECRETARY Mellon, by floating the largest bond issue since the Victory loan, at the low rate of 3 percent, is wisely taking advantage of the money market at a time when credit is plentiful in the aggregate, but almost nobody can borrow except the federal government on account of the prevailing lack of confidence. Here his wisdom stops, so long as he does not press urgently for increased taxation. New long-term borrowing at low rates, applied against the older bonds paying larger interest, is sound governmental finance. But new borrowing applied to meeting current deficits and paying

ordinary governmental expenses is unsound both economically and socially. The immense size of the floating debt, against which much of the new bonds are to be applied, arose largely from current deficits. Without larger tax revenues, the national debt is bound to increase by leaps and bounds as the months pass—and all without permanent benefit. If we increased taxes only enough to meet current expenses, we could then take advantage of the money market to carry on public-construction activities in a way somewhere nearly adequate to the need. At present, the money is being borrowed, in effect, to protect large incomes rather than to war against unemployment.

EVERY time the Russians go to Geneva they spill the rest of the world's beans. They did it long ago by proposing immediate world-wide disarmament, thereby showing with embarrassing clarity that the other great powers had no intention of doing any such thing. They have done it again in the suggestion for a general pact of economic nonaggression, just made by Maxim Litvinov, Russian Commissar for Foreign Affairs, before the conference of the Commission on European Union. The Russian proposal boils down simply to the suggestion that there shall be no economic measures of discrimination against one state alone. It would prevent, in all probability, such embargoes as the United States Treasury is now trying half-heartedly to enforce against goods manufactured in the U.S.S.R. The desirability of this proposal is only equaled by the certainty that the other powers represented at Geneva will at present have as little to do with it as possible. They have begun by referring it to a committee, an old reliable way to get rid of an embarrassing idea. The spirit of economic nationalism still stalks the scene at Geneva; and while it does, there is little hope for suggestions which, however they might help in dragging Europe back from the verge of the economic abyss, might interfere with the position enjoyed by one national group or another of industrialists.

JOSEPH PAUL-BONCOUR, chairman of the Foreign Affairs Committee of the French Chamber of Deputies, has proposed that after next year's arms conference the nations of the world shall agree to turn over their military and naval forces to the League for joint use against any power officially judged to be engaged in a war of aggression. France, he says, is ready to do this, and he asks whether the rest of the world is ready to join her. The proposal is typically French: it is plausible, logical, persuasive, yet it will not be accepted at present and it should not be. For what it really amounts to is France's desire to put the British and American navies behind her present hegemony over Europe. She would freeze for all time the injustices recorded in the treaties of 1919, by uniting the military force of the world in their support. Moreover, there is as yet no definition of "an aggressor"

which makes certain that the nation so adjudged is not actually the innocent party in the dispute. Even a country which refuses to submit its case to arbitration may conceivably be innocent and may consider that the tribunal is packed against it in advance. A much safer road for the world to follow than "putting teeth in the League" is to work toward the goal of total disarmament and, in the meantime, seek to do away with those causes of international friction—mainly economic—which lead toward war. This last effort is one to which successive French governments in recent years have paid practically no attention at all.

SIX thousand American workingmen are going to Russia to live, leaving the land of rugged individualism and the risk of starvation to work in a land where individualism is at a discount but jobs are plentiful. One hundred thousand other Americans have applied for permission to cast in their lot with the U.S.S.R., and the number who will cross the ocean will eventually be very large: Russia is seeking 10,000 American railroad men alone, and seems likely to obtain them. Not all these persons, of course, will stay in Russia permanently; probably many of them will not like the new life so alien to their own. Still, the news of this migration, the first of its kind and scope in our history, should give us food for thought. Irate conservatives have been fond of answering critics of America with a warm invitation to go to Russia and see how they like it. Their advice is being taken by a picked lot of our more highly skilled productive workers, whom we have not the wit to keep employed at home.

SECRETARY Doak reports to John L. Lewis, president of the United Mine Workers of America, that no conference of operators and miners will be held to consider the ills of the industry. Invitations to 160 operators elicited thirty-eight replies favoring a conference and twenty-one replies questioning the value of a conference, but expressing willingness to attend. The remainder either did not reply or declined the invitation. This unfavorable remainder represented 2,000,000 tons of production, against 450,000 tons of those who accepted. What, we wonder, has happened to the reported conclusion of the large Pittsburgh operators that government regulation of the industry was essential? It is true that they saw no use in conferring with labor, but are they ready to urge a more fundamental remedy? The crisis in coal cannot be considered the private affair of a few ignorant or recalcitrant coal companies. Even at the time of the unemployment census in April, 1930, 20 percent of the miners were out of work, and the number has increased since then. Starvation and disorder have steadily grown. The Red Cross is on record with the judgment that it cannot help the miners since their condition is not an "act of God." Of course it is not; it is the result of the acts of men. If the coal operators persist in their failure to organize the industry

intelligently, the responsibility for doing so must be taken over by the public at large through the only agency it possesses for the purpose—the federal government.

FOR some years, the postal rate on letters between Great Britain and the United States has been two cents—a minor contribution to international communication and cordiality but nevertheless one of some importance. Now the rate from America to England is five cents, although the charge in the opposite direction remains what it was. The increase is the work of the American Post Office Department, and the reason alleged is the necessity for economy. It is true that the American budget shows a heavy deficiency, and that the post office does not pay its own way by many millions per annum. On the other hand, the additional revenue to be derived from this particular increase in postage cannot be of great importance measured against the whole deficit. Although Great Britain, like ourselves, has a budgetary deficit so heavy that her government has just been overturned because of it, she has not suggested an increase in her own trans-Atlantic postal rate. We propose to Postmaster Brown (though not, we admit, very hopefully) that if he needs to save money he start a campaign instead against the present disgraceful misuse of the franking privilege by members of Congress, who dump into the mails every day of the year tons of windy speeches distributed at the government's expense for the solitary purpose of getting themselves reelected.

THE Y. M. C. A. has not, over most of its history, been noted for moral courage. It has been cautiously conservative, perhaps because it has been subsidized so largely by equally cautious and conservative millionaires. It has notoriously been losing its hold on important sections of American youth: there is even a movement for the college Young Men's and Young Women's Associations to secede and become wholly secular organizations. In these circumstances it is particularly interesting to see the strikingly liberal group of resolutions adopted at the recent international Y. M. C. A. convention at Cleveland. In the field of international relations, the Association asked for "an actual and considerable" reduction of armament at the Geneva conference next year, and the ultimate total abolition of armies and navies. In the field of industry, it urged that service rather than profit should be the dominating motive; and that whatever alteration of the existing industrial order is necessary should be made to prevent future depressions. It stressed the right of continuous employment at wages high enough to maintain a decent standard of living, the right to organize, and urged the abolition of all wage discrimination on grounds of sex and race. It asked that hours of employment should be continuously reduced until they are as short as possible. Of particular interest were reso-

lutions urging the abolition of all racial discrimination, including the modification of immigration laws of the United States and Canada—which obviously means that Japanese, Chinese and Hindus should be put on the same basis as immigrants from European countries. Local Y. M. C. A.'s are urged to maintain open forums for the discussion of all social, political and economic matters, and are urged to intervene actively in local labor disputes whenever possible. It is, of course, much easier to write handsome paper programs of this sort than to put them into effect; and it will be interesting to see to what extent the Y. M. C. A. tries to live up to these fine-sounding declarations. Certainly, if it goes very far in this direction, it is in for a fight such as it never dreamed of.

THE state of Massachusetts is unique in that her savings banks are permitted to write life insurance. Readers of *The New Republic* will remember the article in our issue of January 8, 1930, which described the long struggle to put this scheme, first worked out by Mr. Justice Brandeis, into effect, and the conspicuous success which has attended its operations. Despite the prophecies of gloom broadcast by the private insurance companies, who resorted to every honorable and dishonorable means to discredit the idea, some twenty savings banks now have in operation policies with a face value exceeding \$90,000,000, at a cost to the insured which averages 26 percent less than that of the private companies. We are glad to report that the depression has not halted the forward march of Massachusetts savings-bank insurance. While private insurance companies report a fall of 13 percent in new policies during the first seven months of 1931, the savings-bank-insurance system has gained more than 60 percent as compared with the same period last year. Meanwhile, the competition thus provided has forced the private companies in Massachusetts to reduce the rates and eliminate various abuses, so that by this means alone their policy holders in Massachusetts are saving more than \$11,000,000 a year. How long will it be before other states have the courage to follow Massachusetts' example?

MOVIE censors habitually move in a mysterious way their blunders, as someone has aptly phrased it, to perform, but during the past year their movements have been more blunderful and mysterious than usual. We have seen them, for example, suppressing a "Silly Symphony" cow because it was portrayed reading a copy of "Three Weeks" and we also saw the unfortunate animal's udders deleted because another board of censors considered them a grave outrage upon public good taste. However, the year's censorship prize must go to the New York State Board of Censors for their work on Clarence Darrow's film, "The Mystery of Life." In this film, a purely scientific one depicting the various processes of biological evolution, the

censors, banned, among other scenes, one showing an infant being suckled at its mother's breast, the argument being that the breasts of a civilized (their emphasis was on the word "civilized") woman must not be displayed. They also barred a scene between two snails whose feelers were entwined and another of an amoeba splitting in two. How a portrayal of the mating proclivities of these lower forms of life could corrupt the morals of the young or lead them from the lilies and languors of virtue toward the roses and raptures of vice, is certainly not within our poor capacities to explain. But it does arouse a suspicion that so far as censorship boards are concerned, evolution has not made such strides along the high road of intelligence as we have always been taught to believe.

The American "Dole"

IT WAS to be expected that the collapse of the MacDonald government by an internal conflict over whether the "dole" ought to be reduced 10 percent would be utilized by the enemies of unemployment insurance in the United States as a smashing argument against that systematic form of provision against involuntary joblessness. And it is obvious, to all those who understand even the A. B. C.'s of the situation, that this argument is utterly illogical. The facts have been told so many times that it is almost an insult to the intelligence to repeat them.

Unemployment insurance proper is not the "dole." It is a system by which funds are built up out of stated contributions by employers, or by employers and employees, or by employers, employees and the government, to be distributed at fixed rates and for limited periods to those out of work through no fault of their own, if no suitable jobs can be found for them. It is figured as expertly as possible, so that the fund shall be adequate to the burden of benefits. This sort of system operated successfully in Great Britain for many years. But the post-war readjustment and depression so increased the volume of unemployment that the government made additional contributions and loans in order to tide over what was supposed to be a period of extraordinary distress. These additional state subsidies are the "dole." It is entirely possible to conceive of a system of unemployment insurance without any contribution from public treasuries at all—such as is suggested in the draft bill by the American Association for Labor Legislation. And any system which is called unemployment insurance should be kept on a sound actuarial basis.

A further question arises, of course, concerning what is to be done for the relief of those out of work in an acute or long continued crisis, unforeseen when the plan is drawn up, who fall outside the scope of insurance benefits. Suppose many remain jobless for a longer period than that allowed for benefits by the scheme. Suppose there are many

out of work who are not covered by the law at all. The more intelligent opponents of unemployment insurance argue that under such circumstances political pressure will inevitably extend the benefits by resort to public subsidy, as it has in Britain and in Germany since the War. The United States, on the other hand, say these champions of rugged individualism, has been able to avoid the "dole" because it did not begin with systematic unemployment insurance. This amounts to saying that we must sacrifice the intelligent and far-sighted way to support at least a portion of the unemployed for fear of the burden on the Treasury which might follow.

But let us see what really happens in the United States in a time of crisis. The absence of unemployment insurance certainly does not ensure the absence of unemployment. On the contrary, the probably ten million unemployed in the United States (see Mr. Mangold's article on page 88) form a larger percentage of the gainfully occupied population than those at present out of work in Great Britain. Over 20 percent of our people who normally have jobs appear to be out of work. Nor can it be argued, in the face of the current \$900,000,000 deficit in the federal Treasury, that the absence of the "dole" ensures us against budgetary troubles. While the resources of this country are undoubtedly much larger than those of Great Britain, it must be remembered that the threatened deficit which caused the crisis there is not more than one-quarter of our own. And it would certainly not be contended by any competent student of the subject that the relief obtained by our unemployed from our improvised and inefficient machinery is as nearly sufficient to the need, or as little injurious to self-respect, as the benefits distributed at the British employment offices under definite provisions and expert administration. There remains, then, the question of policy in raising and distributing the relief funds.

The administration, the press and the accredited leaders of opinion in the United States have all talked as if our governmental treasury and our taxpayers had not been assessed for the benefit of the unemployed. As a matter of fact, the figures show that something over 70 percent of the relief funds have come from public, not private, sources. Private charity has been nowhere nearly adequate even to that part of the need which has been met, nor will it be in the future. The public contributions have come from municipal treasuries instead of from the national treasury—that is the chief difference. If we had had unemployment-insurance funds to apply before extraordinary relief had to be undertaken, the taxpayers would not have had to contribute so much as they have.

The often repeated dogma of Mr. Hoover, Mr. Gifford and the rest that responsibility for relief is local means in effect that those who pay municipal taxes are to bear the burden—if they can—rather than those who pay federal taxes. The difference

is vital to the possessors of large incomes. For municipalities do not tax incomes; they tax real estate. Real-estate taxes are not assessed according to ability to pay, but according to the "value" of the physical property. And they are largely passed on to the general public in the form of high rents and prices. The home owner who is barely able to pay the instalments on his mortgage bears the brunt of municipal taxes; though the factory which may yield to its owners a large income is taxed only on the basis of its land and buildings. The mainly industrial city, in which unemployment is concentrated and out of which the incomes of the rich flow, may contain less wealth than communities where the proprietors dwell. Even the localized charity drives are likely to be assessed largely against the salaries and wages of employees, while the centers of wealth may escape with a smaller levy. And if the national treasury is protected against any relief burden, the local treasuries, borrowing and taxing to the limit, are likely to be in difficulties for years to come, and will have to skimp on essential services like health, education, recreation, police and fire protection.

Even if the "locality" is considered to be as broad as the state, and relief funds are raised in some instances, as is proposed by Governor Roosevelt of New York, by state income taxes, the burden will not be equalized and the money will probably not be enough. Not many states can do this, because not many have income taxes. Most state revenues are derived from local taxation. New income-tax laws cannot be devised in time. And income is distributed unevenly by states. A New York stockholder, or a corporation with headquarters in New York, may be receiving income from a factory in Ohio, whose employees are laid off. New York individuals and corporations pay about 33 percent of the total federal income taxes. Yet, according to the unemployment census, slightly less than 13 percent of the nation's unemployed were in New York. Probably the proportion has not greatly changed. Rich New Yorkers who are being asked to contribute to the local funds may not have to raise anything to relieve unemployment where their factories are located. Whether they pay to the charity collectors or to state tax collectors, they will have to furnish only one-third as much in relation to their incomes in order to provide the same degree of relief in their state as will the inhabitants of the United States generally. Michigan, to take an example at the lower end of the scale, paying one-half of one percent of the federal income taxes, will have to relieve 6 percent of the unemployed.

The American "dole" is just as truly a dole as the British. It is insufficient; its burden is inequitably distributed; it is far more harmful to the economic and social life of the country. The rich, with their henchmen in federal offices, have deliberately chosen the inefficient and unjust method, in order that the burden may be transferred from themselves to those less able to pay.

The Harlan Trials

THE TRIAL of thirty-odd miners in Harlan, Kentucky, resulting from one of the bitterest labor struggles in recent American history has suddenly been postponed, and a change of venue ordered to Montgomery County, a hundred miles away. Court officials have tried to make it appear that the change of venue was granted at the request of the defense that another trial judge be appointed, because of the manifest prejudice of Circuit Judge D. C. Jones and his business connections with the mine owners. In reality it is clear that the prosecution itself desires to get away from Harlan, where martial law now prevails, and where a large part of the community from which jurors must be drawn is openly sympathetic to the strikers.

Harlan has witnessed an astonishing series of acts of violence since the miners struck last February against a 10-percent reduction in their wages. More than a hundred strikers and strike sympathizers are facing trial, about a third being charged with murder and the rest with "conspiracy" and "criminal syndicalism." The present trial is the sequel of an incident on May 5 at the nearby mining community of Evarts, when a group of armed guards raided and shot up the place. They were fired upon in turn from ambush, and five of their number were killed. The coal operators of the region include powerful interests, some of the mines being operated by Insull and Mellon subsidiaries, and stand strongly behind the local authorities in the demand that the coal miners be punished.

In the meantime, Harlan resembles a scene of war. Fleets of automobiles parade the community, filled with guards and deputies armed with shot-guns, machine guns and tear-gas bombs. Civil rights have been trampled on, arrests made on the flimsiest grounds and houses broken into without warrant. There is good ground for the belief that gunmen from Chicago have been brought in and made deputy sheriffs. Union leaders have been slugged, arrested, or persecuted until driven into hiding. Two ministers, the Reverend Jason Alford and the Reverend Allen Keedy, were arrested on the dreadful charge of having solicited aid for the hungry strikers, and their homes were searched for evidence of "criminal syndicalism." Dynamite has been used against strikers; an automobile laden with relief supplies was blown up, and so was a soup kitchen which had been feeding 400 persons a day. As recently as August 30, a deputy sheriff shot three miners, killing one and wounding the others, one of whom is likely to die.

A remarkable aspect of the situation has been the ruthless mistreatment of newspaper correspondents. Bruce Crawford, editor of Crawford's Weekly of Norton, Virginia, was fired upon, and wounded in the legs, because he showed sympathy with the starving and desperate miners. Boris Israels of The Federated Press was also shot, and forcibly

deported from the region. Kirby Page described in *The New Republic* of September 2 the case of Arnold Johnson, a young divinity student, who went to Harlan as an observer for the American Civil Liberties Union. He was arrested on the trumped-up charge of "criminal syndicalism," the evidence against him being that he had in his possession publications of the A. C. L. U., the League for Industrial Democracy and similar organizations.

In support of the charge that Judge Jones is prejudiced, it is stated that he condemned the striking unions as "lawless" and that he told prospective jurors "if they hadn't enough backbone to enforce the law, he would get someone who would." The prosecuting attorney declared, "We've got to put the chill of cold steel down the necks of the criminal element of this county"—meaning the strikers.

The defense committee which is aiding the men about to go on trial is trying to arouse nationwide interest in the case, believing that otherwise, and no matter where the trial is held in Kentucky, there will be a repetition of labor frame-ups of the past, this time on a gigantic scale. The American Civil Liberties Union has applied to Governor Sampson to interfere, end "the state of armed siege" and restore the due processes of law. The Governor, however, has shown no signs of sympathy for the strikers. Terror continues to flourish in Harlan County, in the comfortable obscurity provided by a virtual censorship on news. The attention of our whole press should be drawn to the special situation created by the shooting and intimidation of reporters. The sporting blood of our newspapers—if they have any left—should accept this challenge. The first step toward normal conditions in Harlan would be the publication of full and accurate reports from this new battlefield.

Stricken China

NEWSPAPER readers a few days ago saw a curious phenomenon: they saw the violent death of approximately a quarter of a million people recorded about as casually as though it were some stereotyped event like a denunciation of Senator Nye by Bishop Cannon, or an announcement of prohibition's failure by Major Curran. No doubt the news editors were correct in their judgment, for the quarter of a million persons died in China: and China has in recent years so tired us out by successive catastrophes on a huge scale that the calamities of her people hardly come any more under the heading of human misfortunes which evoke a humanitarian response.

This latest Chinese tragedy centers in the Yangtze Kiang Valley, and is the result, first of unexampled floods and then of a typhoon. How many are dead no one knows and no one ever will, but the estimates of those killed in the past few weeks range upward from 450,000. Among those who are still alive, many thousands more are sure to

perish of starvation or pestilence. The government is doing what it can, which is next to nothing; its resources are infinitesimal compared to the need. It is talking hopefully of buying 15,000,000 bushels of America's surplus wheat on long-term credits to feed the survivors; but Uncle Sam, while he would like to be rid of his wheat, won't part with it until he sees some guarantee that he will finally be paid; and China, all but beggared by the fall in silver, and exhausted by incessant internal war, can offer little security. Meanwhile, "six or seven million" people are homeless among the flood sufferers, and many of them cannot even set about the physical task of rehousing themselves for another month, when the waters will have receded.

To what extent is human effort, or want of it, responsible for this disaster? Some geographers believe that generations of faulty agriculture have made floods more likely and more severe in the Yangtze Valley, by destroying vegetation which would have served to impede the rapid collection of the water. It is doubtless also true that during the long period of civil war the dykes have been badly neglected. The Nationalist government charges that Communist soldiers have recently been blowing up the dykes. This may or may not be the case, but in any event could not be more than a minor contributory cause of the disaster.

The real blame must again be placed on China's terrible burden of overpopulation. The flood would be a catastrophe under any circumstances; but it is rendered fifty times worse by the swarming hordes of people, clinging desperately to the margin of life even when all goes well, and promptly dying by regiments whenever things go wrong. A benevolent deity looking over the world with an eye to emergency repairs would certainly cut the population of China in two and keep it down to the new level. The Chinese could do the same thing in two generations by birth control, and perhaps some day they will. But for the present, they must continue to perish by the hundred thousand or the million, and bored American newspaper readers will continue to glance at the record, yawn and turn over to the baseball scores.

THE NEW REPUBLIC

PUBLISHED WEEKLY AND COPYRIGHT, 1931, IN THE U. S., BY THE NEW REPUBLIC, INC., 421 WEST 21ST STREET, NEW YORK CITY.
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RATES: SINGLE COPIES, FIFTEEN CENTS; YEARLY SUBSCRIPTION, FIVE DOLLARS; CANADIAN, FIVE DOLLARS AND FIFTY CENTS; FOREIGN, SIX DOLLARS; THREE MONTHS' TRIAL, ONE DOLLAR.

Ten Million Unemployed?

DURING the past two years the opinion has been freely expressed by business leaders and administration officials that the workers have never before fared so well in a depression. With the third winter of industrial unpleasantness soon upon us, the statement no longer sounds so plausible as it did six months or a year ago. Each month adds additional numbers to the unemployed, while wage cuts become more numerous and more drastic. Granted that President Hoover's well publicized efforts to maintain wages were helpful in the early part of 1930, the situation is very different today. For, when the industrial leaders pledged their support of the President's policy, they were given to understand that a revival of prosperity would be in hand within the next thirty or sixty or ninety days. Now, facing their third winter of drastically reduced operations, they can hardly be expected to stand by a pledge made with much happier prospects in mind.

But wage rates, even if maintained 100 percent, are not so significant as they might seem at first glance. They mean less than nothing to the millions of unemployed—aside from the highly theoretical consideration of income which they are not getting; and they have meaning to those still holding jobs only to the extent that they actually work. For part-time employment reduces a worker's income just as effectively as do lower wages. Although the administration has not as yet taken notice of this rather important distinction (at least in public), its Department of Labor has spoken eloquently. It has reported a drop of 41 percent in manufacturing pay rolls since 1929, while its employment index declined only 28 percent.

To ascertain the full effect on the workers of these various factors—particularly the decline in employment—is, of course, a highly important consideration, if for no other reason than that adequate relief can be planned and provided only if we know the full extent of the burden imposed on workers by the depression. From the information usually available, however, it has not been possible to know much more than the general trend. The index of employment in manufacturing, for example, declined 21 percent from April, 1930, to July, 1931. But translating this decline into the actual number of workers discharged has depended, more or less, on a guess as to how many employees were working in manufacturing in April, 1930. The indications are that these guesses have erred, as a general rule, on the side of conservatism.

It is for this reason that the complete summary of the 1930 census recently made public is especially valuable. For the first time in recent years it

provides full data on the number of workers gainfully employed in each of the important occupational groups—manufacturing, trade, transportation, mining, construction, and so on. By having this actual bench-mark for the workers in each important group, as of April, 1930, it is possible to compute the number who have lost their jobs in the last fifteen months—provided we know the percentage decline in employment in each group. Doing this for the more significant classifications yields some interesting results.

For manufacturing, the Bureau of Labor Statistics' index of employment declined from 89.1 in April, 1930, to 70.4 in July of this year—a drop of 21 percent. Since the census reported 11,500,000 as gainfully employed at the time, it is inferred that 21 percent of these, or 2,415,000, lost their jobs during the succeeding sixteen months. By applying the same procedure to the various types of mining, there is indicated in the same period a decline for the group as a whole of about 270,000 workers. In transportation, the July index for steam railroads has not yet been published, but on the basis of I. C. C. reports up to April there is indicated a drop of about 250,000 in the number employed. For street railroads the index has dropped 10 percent, indicating the discharge of 19,600. In the telephone and telegraph group, employment is off 12.4 percent; this percentage, on the 578,000 reported as gainful workers in April a year ago, means 71,700. In the trade group, the Department of Labor reports two indices, one showing a decline of 10.8 percent in wholesale trade, the other a decline of 14.5 percent in the retail division. Of the 5,350,000 reported by the census employed in wholesale and retail trade combined it is indicated that approximately 750,000 have been dropped. In hotels and restaurants there was a 6.8 percent drop in employment, or 91,900 fewer jobs.

From the indices on construction contracts let, as computed both by the Federal Reserve and The Engineering News Record, it seems reasonable to assume that there has been a decline in construction volume between April, 1930, and this July of at least 25 percent. Taking this as an indicator of what has happened to the 3,015,000 reported as gainful workers in the construction field, about 754,000 have lost their jobs. The eight groups which have been considered so far had a total of 24,732,000 gainful workers at the time of the census, or roughly half of the 48,833,000 workers reported as gainfully employed. Yet the decrease in employment in this half alone, as computed above, totals to more than 4,600,000, as follows:

	<i>Gainful Workers, April, 1930</i>	<i>Number of Jobs Lost to July, 1931</i>
Manufacturing	11,500,000	2,415,000
Mining	1,158,000	270,000
Steam Railroads	1,583,000	250,000
Electric Railroads	196,000	19,000
Telephone and Telegraph.....	578,000	71,700
Wholesale and Retail Trade....	5,350,000	750,000
Hotels and Restaurants.....	1,352,000	91,900
Construction	3,015,000	754,000
Total.....	24,712,000	4,622,200

Adding the total number of jobs lost to July, 1931, to the number reported unemployed at the time of the census—3,188,000—gives a total of over 7,800,000 unemployed at the present time, a figure which assumes two things: first, that those who have lost their jobs have not found employment in other fields such as bootlegging and racketeering, for which indices are not available, and second, that no change whatever has occurred in the employment situation among the 24,000,000 workers not included in the preceding groups.

The bootleggers we shall permit to shift for themselves. But looking at the other 24,000,000, the observation seems warranted that they were not entirely immune to the downward trend in employment. The principal occupational groups were the following:

	<i>Gainful Workers, April, 1930</i>
Professional Service	3,425,000
Domestic and Personal Service.....	3,459,000
Automobile Agencies and Repair Shops.....	1,187,000
Banking and Brokerage.....	625,000
Insurance and Real Estate.....	798,000
Public Service (not elsewhere classified)....	1,053,000
Transportation and Communications (not elsewhere classified)	919,000
Industry not specified.....	1,333,000
Farm laborers, wage and hired workers.....	3,287,000
Farmers, owners, tenants and unpaid family workers	7,194,000

Indices on the trend of employment for these groups are not available, but it is obvious that the first five groups, representing about 9,500,000 workers, have been particularly vulnerable. A decline of only 10 percent—which is approximately half the decline registered in the preceding 24,000,000—would displace about 950,000. If the decline in these groups were as great as that found in the classifications for which indices were available, the gainful workers to lose their jobs between April, 1930, and this July would be closer to 1,750,000. If the class listed as public service by the census is comparable to the group for which the Bureau of Labor Statistics reports its "power, light and water" index, there has been a decline here of about 5 percent, or about 50,000 workers.

There remain approximately five and a half million workers (excluding the 7,000,000 farm owners and tenants) for whom no estimate has been made. Here again, if the decline in employment has been only 10 percent, there would be an additional half million out of work, while if the decline were as severe as that established in the groups of

the preceding 24,000,000, the amount would approach 1,000,000. Thus, in this second group of occupations it is indicated, on the basis of the lower estimates, that approximately a million and half workers have been dismissed; if the higher estimates are taken, the total is two and three-quarter millions.

For the complete picture of what has happened to the workers—showing how many have lost their jobs since April, 1930, together with the number who were already idle at that time—the following recapitulation is offered:

	<i>Minimum Estimate</i>	<i>Maximum Estimate</i>
Jobs lost since April, 1930:		
Group I	4,622,000	4,622,000
Group II	1,500,000	2,750,000
Total	6,122,000	7,372,000
Jobless in April, 1930	3,188,000	3,188,000
Total	9,310,000	10,560,000

No claim is made, of course, that either the figure of 9,310,000 or that of 10,560,000 represents the exact number of workers who are actually unemployed today. For there is no way of measuring the real number exactly, except by another census—and even that may be found to have its uncertainties. No doubt the estimates here submitted are subject to the vagaries of statistics. Perhaps the various indices of the Bureau of Labor Statistics do not hold true for their occupational classifications as a whole, and possibly the census tabulations do not mean quite what they seem to say. Despite these reservations, however, and others which come to mind, it is believed that the foregoing analysis, taking the available information at its face value, discloses more completely than has hitherto been possible the real dimensions of the unemployment problem.

W. P. MANGOLD.

Poem to Be Mingled with a Later Glacier

Crystal annihilation, glittering spars
Of frozen ancient foam,
Receive me equally with stones and stars!
I have come home.

Long, long ago, within a place as cold
I was conceived, and grew:
A heart grown winter, when the mind foretold
Darkness, and you.

I am content. Against my seventh line
A shattered star is pressed;
A crown, a trident with a broken tine
Prod at my rest,

And delicate small bones that once could flower
In dreams. But to this end
My strength was fashioned in that distant hour.
Receive me, friend!

DOROTHY E. REID.

Bread Without Circuses

The British "Dole" in Operation

The fall of the Labor government in Great Britain, an event in which the unemployment-insurance system played such an important part, makes particularly timely this study of the actual workings of the "dole." A second article by Miss La Follette, giving additional facts about the English situation, will be published in the near future.

—THE EDITORS.

THE BRITISH workingman, said a government official to me the other day, "is a highly privileged individual. For him, and for him alone, there is a state insurance against unemployment. For him, and for him alone, there is state insurance against illness. For him, and for him alone, there is a state system of Widows' and Orphans' and Old Age Pensions. He need fear neither starvation, nor illness, nor superannuation. And he pays no direct taxes."

There you have one view of the many to be heard when one asks Englishmen what they think of their government's various kinds of insurance for workers. Whether one will agree with it or not will depend, I suppose, upon one's own particular social philosophy. If one retains the traditional view that the economic system owes the worker nothing more than he can manage, by his own unaided efforts, to get out of it, one will no doubt agree that at present the British workingman is a privileged person. If, on the other hand, one believes that the economic system is unjust, one will be likely to say that what the state gives to the workers, even though it amounts to a fabulous sum per annum, is but poor compensation for what the economic system, under the state's protection, takes away. Or again, if one belongs to that school of social philosophers who believe in doing everything for the workers except to get off their backs, one may regard the social services as laudable philanthropies and piously hope that they may be improved and extended. Yet again, if one be a "gradualist" like certain members of the present British government, one may regard them as a step toward full justice for the worker—one stage in a long process which is presumably to be completed at a time when the present beneficiaries of Things as They Are shall have passed safely to their reward.

However one may regard them, there is no doubt that the workers' insurance does much to mitigate the hardships of life under an economic order which assures the fulfilment of Darby O'Gill's condition for the proper enjoyment of riches: that there shall be plenty of poor. And, in addition to insurance, there is the system of poor relief, which

has been rechristened "public assistance," to save the feelings of the poor. This service is in the hands of the local authorities, and is supported out of the local rates, or taxes. In recent years the incidence of this burden has been somewhat more evenly distributed, so that the poorer districts of London, for example, are no longer forced to support a large number of destitute persons while the wealthy districts of the West End support almost none. Since, under the law, the authorities who administer this relief are obliged, if they allow relief at all, to allow enough for maintenance, the worker who for one reason or another cannot draw insurance benefits may fall back for support upon the public-assistance fund. The workers do not like this alternative, for where their insurance benefits are theirs to spend and no questions asked, poor relief involves submitting to a humiliating inquiry into their needs and supervision of their expenditures. Still, public assistance is a sort of last defense against starvation, which is no longer regarded with complacency in this country. Between the workers' insurance and public assistance, therefore, the British worker is able to count at least upon subsistence—and this in itself is something in the nature of social revolution.

The workers' insurance is "contributory." That is to say, the funds from which benefits are paid are (theoretically at least) composed of contributions from workers, employers and the state. The total contribution of the male worker to these funds is one shilling and four pence a week, or about thirty-two cents—that is, something over ten days' wages a year in the case of the low-paid worker. The unemployed worker is liable to lapse from insurance under the health and pensions legislation; and if he loses his job through his own fault or through becoming involved in a trade dispute, or if he refuses to accept "suitable employment," he may be refused benefit from the unemployment-insurance fund. The worker can hardly be said, therefore, even to get his privileges as cheaply or to be as secure in their enjoyment as are, for example, the members of the House of Lords.

It would be unjust to the owning classes of Great Britain to assume that these services are entirely benevolent. My readers will remember that Mr. Lloyd George was quoted in the American press last winter as having said that the "dole," as the Conservatives call it, had stood between England and revolution. I have heard that view expressed several times in the course of my inquiries by sober, rather conservative individuals. It was fear of rev-

olution, they say, that caused the government to extend the insurance system after the War to all wage-earning occupations save agriculture, domestic service and those occupations covered by special schemes of insurance, and to throw the burden of the returning soldiers upon the insurance fund. And where there is fear of revolution there is the knowledge that the oppressed are becoming conscious of their power. One sees evidences in London of the spirit which forced the British government to guarantee the British worker against want—and not only on the Labor benches in the House of Commons. The old London slum has vanished. I cannot say this on the strength of my own observation, for I never saw the old London slums; I was able to judge of present conditions only by comparison with the descriptions I had read. But a friend who knew the slums of London before the War, and who was inspired by my accounts of them to go and see for herself, reported that she could not believe her eyes and that she went about asking policemen to direct her, please, to the *real* slums.

Not that conditions are ideal—far from it. One reads in the papers constant references to overcrowding, and in my Times only this morning there is a review of a book called "The Slum" by Major Harry Barnes, which bears testimony to an appalling want of adequate space and sanitation in the dwellings of the poor. The privilege of living in merely decent surroundings is by no means guaranteed to the majority of the really poor of Great Britain. And yet, in those sections of London where conditions are at their worst, whole blocks of new tenements are to be seen, built by the county councils on land wrested (at a price) by special legislation from reluctant owners; tenements set among flowers and fruit trees, which remind one of those American "garden cities" that are now and then projected for the poor and somehow always turn out to be exclusive suburbs for the well-to-do. As for the gaunt and tattered derelicts of pre-war days, they have disappeared. Instead one sees decent looking men and women and healthy looking children. Public baths enable even the dwellers in cold-water tenements to keep their persons clean; and a splendid system of public laundries where for twelve cents an hour a woman may do her family washing with every sort of labor-saving device, enables them to wear clean clothing. I also saw several excellent public libraries where the people of the district may come and select their own books from the shelves. These institutions, of course, are no part of the state services, but are provided by socialistic county councils at the expense of indignant rate-payers. I mention them, however, because it seems to me that the constant improvement that is being made in the living conditions of the poor is an important part of the movement that has created the social services, and cannot be dissociated from them.

To the American accustomed to his country's

way of leaving its unemployed to rely upon their own "rugged individualism" and the charity of the breadlines, a government employment exchange in one of London's poorer districts on a Thursday or a Friday is a sight at once humiliating and pleasing. It is on Thursday and Friday that the unemployed workers receive their benefits. I went last Friday to the exchange in Shoreditch. In the men's division, before a counter running the full length of a room about one hundred and fifty feet long, there were at the time I entered some seven hundred men either making application for or receiving benefit. Here the discharged worker brings his unemployment book, a four-page card which bears his name, his occupation and stamps for each week's payment to the insurance fund that his employer has deducted from his wage. This book he leaves with the exchange, together with his application for benefit. The exchange officials may allow benefit, but they may not refuse it. If the worker's claim is doubtful it must be referred to the board of referees which is composed of a workers' representative, an employers' representative and a third person, preferably a lawyer, who acts as chairman. If the referees refuse benefit they may give the worker the right of appeal to the umpire, in the Ministry of Labor, whose decision is final. But there is in every exchange an official who reviews the applications denied by the referees, and who, if their decision seems to him unfair, may allow the claim. Or if he is doubtful he may refer it to a district official for decision.

So much for the procedure, which a friendly assistant manager explained to me most carefully, little knowing the routine-shy intelligence to which he spoke. It was the people who chiefly interested me. This exchange alone pays benefit each week to 9,000 men and 3,000 women, chiefly casual laborers—that is to say, low-paid, unskilled workers, some of them unable even to sign their names. There was no air of condescension or authority on the part of the people behind the counter. They are often people who have been on the other side. They have no feeling of superiority and their only trouble with the unemployed is in getting them out of the exchange, for they are disposed to remain and talk with one another or confide their troubles to the officials. As for the hundreds in front of the counter, in both the men's and the women's divisions, although there were a few derelict-looking ones among them for the most part they looked decently clothed and adequately fed. The comparison with the New York breadlines was not to be resisted, or with a photograph which appeared in The New York Times last winter, of a line of Arkansas farmers standing in line to receive clothing from a chit of a Red Cross worker, men whose resigned and hopeless faces left an impression not easily to be forgotten. Here were no hopeless faces; patient faces, yes, but none that bore the mark of a long struggle for existence against odds too great, as did the faces of those Arkansas farm-

ers. Perhaps one may see that look on the faces of British farmers, or of other British citizens in languishing small business enterprises, who have no insurance to draw upon if they lose what little they have. But the specter of want no longer haunts the British wage earner, and the fear of it has vanished from his eyes.

This, then, so far as one may judge from observation and from conversations with people of all shades of opinion, is the effect of the "dole" upon the British worker. Among the many people whom I have bedeviled about this question—government officials, employers of labor, workers and politicians of all parties—I have met with complete unanimity of opinion about the value of unemployment insurance and the importance of maintaining it. The differences, and there are many, arise when it comes to the question of the nature and scope of the system and the qualifications for benefit. That the system has got out of hand is certain, and the government has been under a constant fire of criticism from both the Conservatives and the left wing of its own party. I shall deal with this aspect of the matter further in my next letter.

What I wish to stress here is that I have heard nobody in a position to know what he was talking about who mentioned that demoralization of British

workers through the dole which has so often been the theme of American editors. One hears of abuses, and unquestionably they exist, but everyone admits that these abuses account only for a very small share of the staggering present cost of the scheme. The officials in the Ministry of Labor, who have an embarrassing way of keeping in touch with American newspapers and of remembering what they read, are inclined to remind one with polite amusement of the superior tone in which our editors, in the days of Permanent Prosperity, used to talk about the demoralizing effect of the dole on the British worker. And they supplement the reminder with the information that a large share of their time this summer has been given over to an unending procession of Americans—professors, journalists, yes, and even officials—asking hopefully, "How does it work?" Well, there is nothing to do but laugh with them; the joke is on us, and a rather grim joke it seems to the American who, fresh from the pitiable makeshifts of American unemployment relief, has the opportunity to compare the kind of demoralization that comes from being out of work and yet sure of food and shelter with that which comes from being out of work and utterly destitute.

London.

SUZANNE LA FOLLETTE.

In Our School

DURING and since the War it became evident to most thinking people that changes in the relations of individuals to one another, and of nations to one another, must be brought about if civilized life was to survive on this planet. Traditional economic theories, traditional beliefs as to the attitude of men and women to each other and of parents to children, no longer seemed satisfactory. Yet experience of political attempts at reform shows that the prejudices of adults are almost ineradicable, and will always make progress slow and difficult, if they do not succeed in blocking progress altogether. Some such thoughts as these led my wife and myself to consider whether human development might not be served by an attempt at providing a really modern education which, instead of training young children to maintain every prejudice of traditional society, or teaching them new dogmas, should try to help them to think and work for themselves, and so fit them for meeting the problems of the changing world they will have to face when they grow up. This was what we set out to try and do in our school.

Old-fashioned education at bottom only recognized one thing as essential—that a child should learn by beating and dogmatic instruction from his elders what was his duty to his parents and society, and in most cases to his God. Concern for

intelligence and health was introduced gradually by reformers, as the community became aware that it needed them, and not because they were of importance to the child himself. The modern educator begins, or should begin, with the child's chemical composition, caring for his health as if he were a young seedling, and cherishing his initiative and intelligence as his most vital possessions, which are capable of making him happy and active as an individual, and through that activity and contact with other individuals, of finding his place in the work and life of society.

Our school therefore is open to the child as soon as he can talk and walk with ease—at about two years—or as soon after that as his parents are willing to send him. From then on the child lives with his contemporaries, watched over by adults whose function is to be kind and reliable, never to tell him lies, to safeguard him from severe fright or harm, and to control his diet, hygiene and sleep with as little interference with his concentration and liberty as is humanly possible. "Rules" are made only gradually and as the children see the need for them themselves, the reasons given for such rules being always the social needs of the children rather than the dogmatism of their elders.

The technique of caring for these early years is

delicate and obviously demands well trained and thoughtful adults, who are able to hold in check their own desire to dominate and be unduly revered, or to make all the children alike and inhibited by imposing an artificial standard of order or manners. The very young child is so impressionable that in these two last matters the nurse or teacher often does great harm. Behaviorist psychology informs the teacher of the importance of right "conditioning," and she proceeds to produce perfect little automata. She forgets that a set of manners and habits, even though they be scientifically introduced and the child scarcely aware of them, may be as great a prison to his personality as the old moral precepts that he had to obey but did not understand. A certain waywardness in self-expression and rollicking movements are as necessary to young children as to puppies. Too early or too rigid control takes away the spontaneous self-confidence which is the child's whole motive power. To lose that is for him to lose everything that matters. So, while we take the utmost care of our children's health, we refuse to pester them with petty ceremonies. We have been able to observe that social behavior grows in them gradually out of the needs of their daily life.

For similar reasons we allow the older children who begin to understand the need for self-discipline about hours and the choice of work, a freedom of speech which may shock the conventional but does not surprise the modern psychologist. That children should "answer back" to teachers, who are not rude to them, may seem unfair. But unless full self-government is possible, as it is not with children, suppression of free speech is as galling to the young and just as likely to produce sullen and stupid docility as it is in an adult population. Intelligence and honesty are warped if a child must always consider how the question he wants to utter will be received or whether he dare speak the thought that is in his mind. Our lack of censorship is justifying itself in the children's concern for accuracy—leading them to the study of science as well as straightforward relations with one another; and also in their advanced and artistic use of language as emotional expression. Their love of poetry is remarkable, their own poetry, plays and stories have the direct relation between feeling and language which only uncensored literature can have. It does not occur to them that anything cannot be said, or thought about, or that any question cannot ultimately be answered. To one child with an almost excessive passion for accuracy and rightness, someone said: "People's feelings are sometimes hurt if you are always telling them when they are wrong." "But I don't tell them they are wrong unless they *are* wrong," was the reply. She is a girl, but even if she were not, social life would ultimately teach enough moderating tact to live harmoniously with others. And intellectual honesty is a more valuable quality than insincere manners.

Modern children are often called heartless, and

many become so because, on the one hand, their elders do not love them and try to make up by elaborate spoiling and extravagant liberty; while, on the other hand, those who love them are influenced by Freud and Watson to keep themselves withdrawn from the children so that they shall never become emotionally entangled with adults. We find that children suffer deeply in their self-respect if they feel themselves unloved, and this makes them savage and destructive. We believe that more people are spoiled by lack of love than by excess of it. The adults here try therefore to give the children the mature companionship and undemanding affection which make them feel safe and which they cannot get from one another. Asked once (six-to-nine-years group) what they thought most important in parents and teachers, they unanimously put kindness first. Adults too readily forget the pathetic dependence of the young child.

Straightforwardness about reproduction and bodily functions helps emotional stability as well as intelligence. Even the older boys are kindly and interested in quite young babies, and the boys and girls seem to respect rather than despise each other's difference of function. Neglect of children's curiosity about the body has robbed education of a most powerful stimulus to the study of biology, diet, medicine, and even architecture and sanitation. So much is clear from these children's conversations on such matters as food, health, housing and caring for families. A chance remark often starts them on a serious study. There are no idle adults here, and no distractions but those of outdoor life.

Our older children combine work with hand and brain, and are encouraged to respect both. They do some work by "project method," and some work in "subjects," including music, two languages besides English, nature study, chemistry and handicrafts. There are no prizes, and no competition except an occasional test or class game. Their timetable is posted up, and they are free to attend or not, but cannot go and annoy others if they want to be idle. We find that they come with increasing regularity and do keen work. A greater degree of compulsion, once attempted, did not produce more or better work. Our experience suggests, however, that the children would be willing to proceed to greater discipline as their minds develop. All but one are as yet under ten years.

It must be plainly stated that mere freedom to play about with the materials of the arts and sciences is not our ideal. Much exact knowledge is needed to cope with modern civilization, and can only be acquired by application. Some disciples of freedom seem to forget this, whereas the conventional educator continues to stupefy his pupils by prohibitions and then expects them to absorb complicated instruction unrelated to their desires and interests. But it is possible to find a way from children's eager curiosity, their desire for power and interest in their own life, to constantly widen-

ing fields of study. It is possible gradually to show them how hard work and the use of the mind have been important in past history, while future history lies in their own hands. We present the past—inventions, customs and beliefs—as something for them to discuss and improve upon if they are willing to take enough trouble. We encourage them to see value in science and art and any honest work. We do not believe that free education will work with children who have been conventionally handled and overdisciplined, while those who are severely disturbed in their emotional life need a greater freedom than we provide, and will probably always be behind the more harmonious in achievement.

The educator is in fact more useful in preventing harm than in doing positive good.

But we do believe that if an early start is made, the child's health cared for, emotional disturbance and loss of initiative and concentration if possible prevented, a child can educate himself as a social being by the company of his contemporaries, and as an isolated individual learn to make use under expert guidance of opportunities which suit his talents. He should remain able to think for himself even after acquiring knowledge, and may perhaps when fully grown even become an adult human being, and not, like so many of his predecessors, no more than an overgrown child. BERTRAND RUSSELL.

Paterson Goes On Strike

THE LOOMS of Paterson are again silent. Another strike has been added to the long list of labor disturbances which mark the history of the "Silk City." Ghosts of anarchist and Socialist Labor party agitators, of Chicago and Detroit I. W. W.'s, of independent unions, coming and going, hover over the singing and cheering picket lines and mass meetings.

Between 8,000 and 9,000 workers in broad silk have responded to the general strike call. This is almost three times the number affected in the Associated Silk Workers' walkout of 1928. In shops struck the dislocation of industry is perhaps greater in the present upheaval than in the big broad-silk battle of 1924.

They are striking today for that basic point for which they fought in the great strike of 1913 under the I. W. W.—the eight-hour day. Time after time Paterson has resounded with that demand, and yet in 1931 the twelve to fifteen-hour day was prevalent. Wages were almost impossible of computation by reason of irregular piece prices and irregular employment. It is safe to say that wages of the weavers averaged from \$12 to \$26 per week, while in the dye houses, as yet unaffected by the strike, \$10 is a general weekly average. Health and sanitary codes were openly defied, with the authorities abandoning all serious effort to enforce them. Five hundred family shops, popularly known as "cockroaches," stimulated sweatshop conditions and contributed to the breakdown of all labor standards.

In the latter part of the winter of 1930, the critical character of this situation was called to the attention of the Conference for Progressive Labor Action by Carl Holderman, vice president of the American Federation of Full Fashioned Hosiery Workers and executive board member of the United Textile Workers. It was evident, upon investigation, that no effective action could be taken without some form of unity among the various labor

organizations in the field. The independent Associated Silk Workers had control, in the main, of such organized weavers as there were, while the United Textile Workers maintained some organization among the more skilled crafts, loomfixers, warpers and twisters. The Communist-controlled National Textile Workers' Union had no appreciable influence and was not popular among the workers, largely because of its factional activities in the 1928 fight. Its sectarian exclusiveness, by which it will not work with any other group, further ruled it out of any united action endeavor.

Upon being approached, the local branches of the United Textile Workers expressed themselves as sympathetic to unity, but the secretary of the Associated Silk Workers opposed the idea vigorously. After a number of weeks, however, they voted in favor of the creation of a committee for united action to meet with a similar committee to be chosen by the U. T. W. Week after week of the early summer months was devoted to the meetings of these committees, which agreed that not merely formal unity but actual amalgamation was an urgent necessity. A plan was finally drawn up which provided for the creation of an autonomous national federation of silk workers affiliated with the U. T. W. on the same basis as the Full Fashioned Hosiery Workers. This plan of amalgamation was approved by the Associated Silk Workers at a membership meeting of July 17, and thereby became effective.

Important as it was in itself, the amalgamation move had only been an essential prelude to an intensive organization drive leading up to a general strike. That had been stated at the very beginning of the negotiations. Even before these were under way, a joint-action committee for organization purposes had been formed, of which A. J. Muste was chairman and the writer, executive secretary and director. The committee, composed of the representatives of the two unions, included like-

wise such "left wing" elements as Ben Gitlow and Eli Keller, who had been active in the Passaic strike and who was now a silk loomfixer in Paterson.

Meanwhile, the National Textile Workers' Union had rushed in with a view to anticipating the amalgamated unions' strike. The original plan of the United Textile Workers and Associated Silk Workers had been to initiate a walkout on August 3. The N. T. W. U., however, announced that it would call a general strike for July 22, and in order to prevent confusion the amalgamated groups advanced their strike date to July 28. Six hundred workers responded to the N. T. W. U. call on the first day, and 3,000 came out on the twenty-eighth at the call of the amalgamated unions. By the end of the week of July 28, over 7,000 men and women were on strike in broad silk.

The big point of attack in the walkout drive was the Henry S. Doherty mill in Clifton, the largest silk plant in northern New Jersey. Ever since the 1913 strike, this company had successfully resisted every attempt to draw its workers out in succeeding shutdowns. The police officials of Clifton closed the town to any mass picket lines that might seek to "pull" the Doherty workers. Thirty to forty police guarded the Clifton-Paterson borderline against any such invasion. But on the morning of August 3 the pickets of the amalgamated unions filtered through the police lines and picketed the mill. The Doherty workers then shut down their looms and walked out, although they persisted in meeting by themselves in Plog's Grove in Clifton. This place was heavily guarded by police, who refused to allow any speakers to attend the Doherty meetings. Although invited by a committee to address these workers, I was forcibly conducted by three policemen to the automobile in which I had come and told to stay away from Clifton.

In another week the Doherty workers moved their meeting place to Paterson. After hearing representatives of the two striking groups, they voted to join the amalgamated unions. Thereupon they marched with me to the Clifton line to picket the mill. Of 750 workers, only fifteen had remained in as strikebreakers. The Clifton police met us with clubs and drove us back. Reinforced by 1,000 pickets from Paterson we insisted upon our right to enter Clifton and picket, two by two, ten paces apart. We demanded of the police that they arrest us or let us pass. For twenty minutes the police clubbed us and tore our clothing, while our picket lines maintained perfect order. Finally, they put fifteen of us under arrest, held us for hours without seeing counsel, changed the charges against us and eventually held the fourteen pickets for disorderly conduct and myself for assault and battery against a police officer!

Two days later, 2,000 pickets headed by clergymen and lawyers marched before the Doherty Mill, singing and cheering. Public sentiment had forced the police to yield, particularly since a Paterson

daily had denounced them for clubbing newspaper men in the melee.

The outcome of the Paterson struggle still lies in the lap of the gods. This is a period of misery strikes, increasing in numbers and proportions, in which the workers walk out in sheer desperation. Unions must be built under severe handicaps, but the Paterson workers in becoming articulate have evidenced a militancy which contains an assurance that present reactionary wage-slashing policies will not go unanswered, and they are laying the foundations for a real functioning union.

LOUIS FRANCIS BUDENZ.

Where Al Capone Grew Up

THIRTY years ago the Williamsburg Bridge was completed from Delancey Street in the East Side, supplanting the slow, uncertain ferries. From that time on, the Brooklyn section began to lose its identity, developing surely into an expansion of the Manhattan Ghetto. At present Williamsburg is rapidly approaching its relative's elaborate reputation for gangs and gangsters.

The district as I knew it in my boyhood was still comparatively free of serious crime. On the other hand, it was neatly parceled off into areas each of which was ruled and represented as well as possible by its own gang. At this stage rough-house was mainly semi-pastime in nature, providing a kind of sporting *gradus honorum* for all red-blooded youths. But boy gangsters grew up into men, the East Side influence was strong, and hooliganism became in one generation a business colorlessly operated by many of the very individuals for whom it had been a boyhood sport.

I lived on South Second Street for fifteen years. Situated as it was, the street was in the center of hostile gangs. The Maujers from the east, the Irish from the docks at the west, the Metropolitan Avenue Italians from the north, and the Harrison Avenue gang from the south, enclosed us completely, so that any extensive expedition was really a dangerous adventure. Around Grand Street were a number of Negroes, remnants of a time when the section was chiefly inhabited by that race, but they were an unaggressive lot, shooting craps, hanging about hallways, looking out of windows and otherwise engaged in peaceful pursuits.

One winter night the Maujer Street gang came down, armed with onion-bags of stones and helmeted with milk-can covers, ready for battle. We saw them a block off, in time to marshal our gang at full strength and run for the ammunition caches we had planted in lots and yards for emergencies like this. Coke, our leader, lined the best men up in front, protected behind wash-kettle and ash-can covers for shields and supplied with little piles of rocks at the sides. As one of the younger boys, I had the menial job of picking up stones as they

fell from the enemy and rushing them forward to my own men.

The fight began at the corner of Hooper Street and at the outset looked like an easy conquest for the Maujers. By taking us by surprise, they gave us little time to build up an effective morale for the battle. We were being pushed back steadily, some of the more timid were deserting into hallways, and the worst of it was that we were soon lacking ammunition. For the farther we retreated, the more we fell back on land that had not been visited by the Maujer hail of stones. Then Natic the Buller, a highly imaginative fellow and next in command, conferred with Coke on a plan of action. They decided to surround the Maujers.

Coke remained at the front while Natic dived down the cellar steps of the nearest house. Gradually the boys at the rear slipped down after him, one at a time to attract no notice, until about fifteen were gone. They climbed over fences, reached South Third Street through the opposite building, and marched down Hooper Street. There was a short wait until Natic had gathered all his men. Then with a concerted whoop they fell upon the back of the enemy, who suddenly found themselves attacked from both sides. With the Maujers thrown into confusion, the rest was simple. They ran off in panic, scattering into the yards and scuttling over the fences, while our men relentlessly pegged away at them until they were out of sight.

In the calm of victory, Natic's group and Coke's men walked up slowly to one another in the middle of the street. "One thing about these *goyim*," Natic said with the triumph that greets the strong, "they never got no brains."

The Maujers were a comparatively weak crew, but particularly hated by us for a nasty trick they alone used. When one of us, usually to get to the Leonard Street library, entered their territory, they would not jump on him and give him his beating forthwith. Instead they would send out a kid of four or five who would start a fight with him. Naturally the South Seconder would hit back, only to find himself instantly surrounded by Maujers popping out of hallways. "You dirty Jew kike," their leader would say with painful deliberation, "you cheap Jew bastard, hitting a kid below your size. Well, we'll show you." Then the dozen or so defenders of true sportsmanship would proceed to show him.

The most vicious of all the gangs were easily the Italians, whether from Metropolitan Avenue or elsewhere. They were severe in their methods, seldom willing to fight with their fists or with stones, but resorting unethically to knives and guns. After all, the Irish could be said to fight almost for the fun of it; while the Jews always fought in self-defense. But the Italians went out definitely to maim or kill.

It was they who introduced from Sicily the practice of disfiguring squealers and other objection-

ables. For various offenses a man would be slit on one side of his face from eye to ear. This was "rat-work" and became so extensive that at one time gangsters of other races would cut their victims in this fashion to misdirect suspicion.

As for my gang, we were a pretty anemic bunch, never venturing on any attack. Coke, a recent importation from the East Side, owed his leadership chiefly to his swagger and the gaudy stories he told us of his former neighborhood. He displaced Natic the Buller, who lied so spontaneously that he hardly realized he was lying at all. The only Jewish gang of any importance was the Haver-meyer Streeters, all newcomers from the East Side, skilled in gang warfare and vicious in their methods. They furnished fierce opposition to the Italians especially, and now boast, with doubtful truth, that they compelled the Italian migration to Bensonhurst and Bay Ridge. One of the Havermeyer's specialties was to smash repeatedly the windows of the Williamsburg Mission for Jews, an organization on the Bridge Plaza for converting Jews to Christianity. The worst my gang had done in this connection was to parade inside the meeting house in a snake dance, chanting:

We'll all stand up for Jesus,
We'll all stand up for Jesus,
We'll all stand up for Jesus,
For the love of Christ, sit down!

For a time we had as allies the Hooper Street gang, friendly Irish boys who, however, swiftly disbanded. Originally a reckless, fearless crowd, they found the Jewish influence too much for their morale, weakened by the complicated allegiance to the *goyim* and to us. They soon degenerated into a lot whose wildest adventure was centered about election-night celebrations, when they made huge fires built from ripped-down fences and stray wagons. These were held at the corner of Hooper and South Second Streets and were ended only by the fire engines and a detail of cops. The pavement was scarred for months afterwards. Once an entire frame house was burned. After one last wild orgy in which the whole membership became drunk on gin and kept an entire block at bay with maniacal violence, a mad time when the police themselves were completely at a loss, the Hoopers folded up quietly and disappeared as a unit.

Halloween was the most dangerous night for Jews. Just as certain days are signaled in Europe for pogroms, so Halloween meant beatings for us. Forgetting personal quarrels for the day, all the Christian gangs allied and swooped down on us, presumably to avenge their Lord's death. The only safe place for us was in our homes. The *goyim* came down, like barbarians sacking Rome, swinging stockings the ends of which were packed with rocks.

On only one occasion did we do anything to upset them. As Halloween approached one year, Natic schemed in the wealth of his imagination

for a way to hit back. He decided at first to form an alliance with the Havermeyers, and Coke, who had a cousin in that gang, was delegated to bring them over. He came back with a fellow called Ikey the Kikey, who told us that they were having troubles of their own and besides wouldn't have anything to do with a cheap outfit like ours. But he left an outline of battle which had been used extensively on the East Side.

We gathered milk bottles for a week and cached them on roofs. When the *goyim* swooped down, joyously expecting smooth victories, the bottles fell on their heads from the sky like rain.

Certain corners in Williamsburg retained their popularity as hang-outs over periods of fifteen and twenty years and sometimes even longer, the legacy being handed down from one generation of bad eggs to another. A corner was set on its way to fame usually because in the beginning a saloon did business there. Such was Broadway and Flushing Avenue, toughest and most historic. For this was the stamping ground of Al Capone as a youth. Strangely enough, in those days Capone was hardly the typical bad man in the formative stage. He is remembered as something of a nonentity, affable, soft of speech and even mediocre in everything but dancing. Capone, always a well dressed individual, was like many other Italians an excellent dancer. He frequented a hall called the Broadway Casino, now elegantly redecorated and renamed the Lorraine. All in all, when this Brooklyn boy made good in the world, the surprise was general among his old friends and acquaintances.

The vicinity of Broadway and Flushing is still a pretty bad spot. Tipsters, bookies, coke peddlers among others, the scum of the bigger business men, have claimed the place, and the report is that murder is for sale here at fifty to one hundred dollars the head. The gang is now led by a "lunger," a tuberculosis victim.

There were and are many other corners varying in reputation, some the headquarters of younger hoodlums, interested mainly in rough-house; others, the meeting places of the more dangerous older fellows, many of them addicted to drugs. Outstanding were the corners on Myrtle Avenue, under the El, which have given the country such public figures as Peg-Leg Lonergan and Wild Bill Lovett, the latter recently electrocuted.

At this time, of course, I came into direct contact only with the younger gangs of boys more or less like my own. Their operations were confined chiefly to petty stealing and raids into the Jew streets, down which they rushed upsetting pushcarts, grocers' bread bins and milk cans, breaking windows and pulling old men's beards. A favorite sport was to smash the big arc lights in front of the old Colonial Theatre on South Third and Hooper Streets. On Jewish holidays they gathered about synagogues to molest old Jews. Aided by some of the older men of the congregation, my

gang usually went out to the defense with varying effectiveness.

While the greater number of these young gangsters passed on to become good citizens, many turned into genuinely bad characters. A whole gang rarely developed with time into a definitely criminal group as a unit, but individual youths were able to use their boy gangs as a training school from which they were graduated at seventeen and eighteen into more adult activities. Most of us dropped off to enter business or the higher schools. A tougher nucleus remained. They began with habitual truancy from grade schools, craps, girls, thieving, extended their associations to more experienced hands, and now they are completing their records in jails, in gangs, in rackets and in graves, prosperous and poor, famous and unsung.

DANIEL FUCHS.

Nose Bleed

SEAMI MOTOKIYO writing in 1363 observed that children introduced on the stage are likely to falsify the artistic effect and to confuse the dramatic issue. This was in far-away Japan and far off in time, but it bears somehow on our present situation concerning the gangsters. There have been gang shootings, robberies of wedding parties, racketeering murders, for some time now, these last two years especially. But lining people up against walls, picking off pedestrians, killing bystanders in speakeasies, such matters as these were not impressive enough, nor were the several billions stated to be the sum that racketeering cost the country every year. Little children had to be introduced into the scene; and, as if in a play, an emotion had to begin that was, if you like, a genuine emotion but one with only a minor bearing on the main issue, on the plot and problem, that is, of the drama we are forced to attend. The result, nevertheless, may have merit. Stirring things up to tell the public what it already knows and to tell the state and city administrations what they have known very well for a long time, has at least a degree of excitable value. It makes a certain amount of publicity and public entertainment involving a good cause.

I had been saying this to C——, under the disapproving glance in those eyes so accustomed to the diversions of a great city full of events and lively wrongs and rights. The occasion for my remarks was his stopping by for a cocktail, and in the course of our talk suddenly sitting up with animation and telling me that he was going that night to the meeting at Madison Square Garden, where there was to be a rally against the gangsters and the crime that reigns in our midst.

C—— has many friends, though none of them has ever told me just what his business is; they call it some business connection, which is all they know of it very likely; and you see him at our New York dances and parties now and again, where no-

body is very clear as to whether one has been off to Europe, or in town all the while, or when we shall all meet again. In sum, he is a good floating New Yorker, full of it, quoting smart magazines and reviews, taking New York quite seriously, bobbing up and down with its sensations and fads, its gliding indignations and all its lively brokerage of theories and movements. After his days, which are doubtless very busy and occupied, C—— spends his evenings at dinner parties or beside the hearthstone of speakeasies or at the newest night clubs perhaps, or some successful play. His call on me was merely incidental, of course; in New York he is naturally always on his way somewhere else.

If C—— had been struck with horror at my bringing Japanese classics into the mention of these gangsters thus so suddenly grown conspicuous to him, he seemed equally rebellious against my next observation, which like our gangs and politicians must surely be a platitude. I merely said how ridiculous it was the way in which we flounder and flourish around about conclusions; I was really pointing out that the simple sagacity in most of us, plus a willingness to let it act, will usually tell us what the truth is and what is the right thing. Colonel House's great gifts, for example, during the months after the World War, consisted basically of a certain sagacity—if only his advice had been taken oftener!—a freedom and will to see the whole business as you would a village row, the same passions raging, the same right elements involved and clear to any villager who would let himself see it without claims, aims and wants that get in the way. I said to C—— how far disinterestedness and instinct could go, plus a little honest mental housekeeping.

At this, seeing that my visitor had no intention of indulging in the obvious, I spoke of what everybody knows: that the source of the crisis is our city administration, so rich in solid financial connections with bootlegging; and that from these springs of bribery, crime and manipulation he and I drink, were at that moment drinking. We all may like to roar, boil or denounce, anything except attack the chief cause. Not that he is the chief cause, but we may pause also to reflect, I said, on the brightest flower of this pretty political dunghill, and on how even such a newspaper as *The Times* features him, the mayor, the honorable James J. Walker, his face, his clothes, his travels, lively contacts and comments on the world, turning him thus into such news and diversion for us, while his reputation is and has been so long unsavory, and his gambols abroad confirm the present choice European opinion of America. And what of all those birds that C—— himself has often told me of, whom he has seen in speakeasies? And what, for instance, of the block's policeman coming in for his drink, or the friend of C——'s who whenever his stock runs short has only to inform a friend on the force, who promptly raids some place to the extent of a taxi load, which he brings around, or the young woman in a picture hat, screeching tipsily in the corner drug

store, slashing about, too, with her fists, until the salesman got her pushed into a backroom, while the policeman stopped outside a moment with the on-lookers, smiling; the backroom he knew very well, it was where he stopped regularly for a drink. But I was ashamed of myself, two grown men wasting time with such tales, any goose would know a hundred such.

Still, according to C——, we were going to see what would happen now. Look at the people, he said, who were going to the great meeting that night, what a crowd!

What a crowd, if you like, and if you find New York impressive in that way. There are people enough for everything. If you went to the south end of the park and dug a hole and put your foot in it, you would have in half an hour a very promising crowd. At least no prominent people, C—— said, and nothing official about it. No, I granted him, nothing official about it. As to what prominence in New York is we had better not get into that.

Just the same, C—— said.

Just the same; and what would happen at the citizens' meeting that night would in its final result be at least a little frightening, useful and newsy; though we must hope for the best and not let doubts deter our actions, of course. Someone would say that the situation is grave, with embellishments worded after the congressional style; surely the administration must have power to correct, et cetera; we shall tolerate no more delay, gangsters and so forth must pass, we must have no more cowardice or corruption in the law, et cetera, all said sincerely enough. After which there should in the nature of events arise some police commissioner; he would lay everything on prohibition, the people's will and the sale of firearms; the speaker in this case would very likely be Irish enough to put it warmly, promising the American nation the aid of the police, who are out in battle order, criminals shall be swept away, this in a tone that might imply that the millions of Xerxes had come into little Attica; embattled, the order has gone forth! Governors and ex-Governors might send messages, letters—they would hardly be present—and their rich-hued words and sentiments will remind us of time-honored saviors of the republic, with allusions to the citizen's responsibility, every man's right to happiness, government by, for and of the people. Let us, therefore, resolve—and so on.

The merest schoolboy, watching his adored gangster hero in the movie, knows what wind is in all this. The clerk listening to restaurant talk knows that our great governing leaders either would not risk politically bucking this state of things or would despair of being able to do anything against such strong odds. The little Sicilian iceman, hearing the implication of the foreign element and crime—despite the recent statistics as to the native born, who comprise so large a part of the present crimi-

nals—and noting the implication of the Italians' blame in it all, thinks in his heart that a little of the present Italian governing, imported from Rome, could stop most of it in a month. The tabloid reporter, listening to the speeches, knows that the police, as well as he, could go straight to the addresses, hangouts and beer saloons where the great gangsters are to be found, if they really wanted to.

Perhaps children are right about us when they think we do in a roundabout and drawling way what would almost do itself. Nevertheless, such a meeting would be, I knew as I listened to C—— talking, a grave and just way to approach exciting, grave matters, somewhat as a newspaper editorial may be wisely put that says in the midst of overwhelming commotion, "The condition is serious and worthy of legislative attention"; we must not forget we are grown people now, and what is cricket. The bums apprehended and questioned at the subway turnstiles would feel the law's arm, though they lack prestige in gangdom and wish only a few more of those cup-of-coffee dimes for a mug of beer. And like romance at a wedding, whatever else may follow in after years, the tone of the meeting would, for the time at least, leave people glowing and pink.

At any rate, good or bad, the results of the big meeting would not weigh forever on C——'s thoughts and mental appetite, I seemed to feel ungenerously sure of that. After such a protest matters may mend or may drop out of the news, which doubtless comes to the same thing in the end; and he will be thinking about something else. We moved on to other topics and presently C—— went off to his engagement.

It was later in the same day, around ten in the evening, when, coming out of the Paramount, I ran into, on Forty-third Street, a little west of the square, a noticeable crowd. People pressed each other forward or sideways, pushed, stretched their necks, turned to each other asking what it was. The motion of the crowd seemed to be toward a taxi that stood, among other taxis, at the edge of the pavement. I stopped to see what it was all about, but got very little nearer. After a moment, however, I was surprised to bump into C——, who was nudging his way from out the press. I exclaimed at meeting him there and all that, and asked what had happened. He had dined rather later than he meant, C—— said, and coming along here, to go to Madison Square Garden, he had found this excitement. He had made his way to the pavement edge at last, where he could see. And what was it? I asked. A man had a bleeding at the nose, he said; there was a girl with him, who was looking at him worried while he held his handkerchief up.

If there had been more room there in that Times Square district, and if that bloody nose had, as they say around the oil fields, come in a gusher, there would have been in New York that night another handsome crowd.

STARK YOUNG.

Washington Notes

*Stuffed Shirts—The Astute Postmaster General—
Wet Leaders and Dry Platforms—
The Future Campaign*

THERE has been this summer so much discussion about international affairs and economic issues, so much to say about agriculture, prohibition and power, unemployment, the "dole," the deficit and taxation, that the newspapers not infrequently have had almost a presidential-campaign tinge and one easily might think at times that the election was to come this November instead of a year from then. It has been an unusual political condition caused largely, I believe, by the lack of prosperity and the quickening of political interest which always accompanies that state. To a considerable extent it has obscured what has really been going on among the practical politicians of the dominant party. By practical politicians I do not mean the vocal boys of the Fess stripe, who are used by the publicity bureaus as mouthpieces and whose names appear attached to interviews and statements on almost every variety of public question. The class I mean includes the real managers, the campaign strategists and administration political agents and advisers, of whom I might say, despite his conspicuous party position, Senator Fess is not one. Senator Fess is what is popularly known as window dressing and not, in my opinion, such very fine window dressing at that.

The real politics of the administration is played by an entirely different type of fellow—men whose activities rarely make news and whose talking is not done in the newspapers. Chief among them, as I have pointed out more than once, is that astute and seasoned person, Mr. Walter Franklin Brown, one of our most unostentatious and, at the same time, one of our most political Postmaster Generals. The more I see of Mr. Brown and reflect upon what he has done politically—and is doing—for the administration, the more credit I am disposed to give him.

It has been the custom in the past for the Postmaster General to be the prime politician and patronage dispenser of the administration. The names of Hays, Hitchcock and Burleson will at once occur as examples. It is the one Cabinet place which better than any other lends itself to politics, and nearly every President has named his Postmaster General with politics in view. The point I wish to make about Mr. Brown is that he is just as political as any Postmaster General we ever had. He is the real political power in the administration, and its real patronage dispenser. Yet he has been able somehow to avoid having these facts publicly proclaimed in such manner as to cramp his style and minimize his effectiveness. One reason for this, I think, is that Mr. Brown, unlike several of his predecessors, has no itch for personal publicity.

He is a skilled and canny player of the political game, and despite the fact that he is not a member of the Old Guard, he talks their language and has their confidence. Though for years he was a factor in Ohio politics, he was never allied with the Harding-Daugherty gang. He went with the Roosevelt progressives in 1912, but he has always kept

himself in a position to be reckoned with. The fact that Mr. Brown shuns rather than courts newspaper notice of his political prowess, and is disposed to hide his political light under a bushel, deploring the effort to make him out a power and denying that he is, has strengthened him with the hard-boiled fellows who will control delegates in the several states. He is the one man in the whole administration with whom they can talk politics and patronage in a wholly satisfactory manner. And they need no newspaper stories to convince them of Mr. Brown's political position. They know perfectly well it was he who made Fess chairman and that it is he who is the real directing force behind the committee. Mr. Benjamin is close personally to the President and is being exceedingly useful to him politically. I do not want to detract from his prestige or position, but he has neither the scope nor the wide personal contacts of the unostentatious and engaging Mr. Brown. The closer we come to the campaign, the more clearly the hand of Mr. Brown will be seen by those who care to look beneath the surface, though I doubt whether at any time the general public will be aware of the extent of his participation. His whole game is not to get out in front, and I do not believe that either the eager correspondents or the Democratic publicity agents will be successful in focusing the light on him for more than a few passing moments.

Yet my belief is that the administration pre-convention strategy is more completely in Mr. Brown's hands now than at any other time, and that while the "Chief" will make all the really vital decisions himself, he will decide largely on Mr. Brown's recommendation. For instance, I think that in such matters as the temporary and permanent chairmen of the convention, the selection of the nominating speech maker and the candidate for Vice President, Brown's influence will be stronger than any other.

On everything except the platform Brown's voice will come pretty close to being the determining one. As to the platform, the interesting thing is that Mr. Brown, concededly the closest political adviser to the President, is entirely out of harmony with him so far as the most controversial and interesting issue of the campaign is concerned, to wit, prohibition. Mr. Brown is a Wet and, unless I am badly informed, believes the best Republican policy would be to cut loose from the Dry side and appeal to the growing Wet sentiment in the important states with the largest electoral vote. It is Mr. Brown's view, I am told, that this is the best way for the Republican party to get the support of the younger generation of voters, who are enrolling by the hundreds of thousands each year and are overwhelmingly Wet. The result of the election in his own state of Ohio last year, it is said, confirmed Mr. Brown in this view.

He has not publicly proclaimed any such opinions and I think he will not, but that he entertains them is interesting because of the accepted fact that the candidate for whose reelection he is laboring does not share these views. On the contrary, no one doubts that Mr. Hoover will run again as a Dry and that the Republican platform will declare for the continued enforcement of the Eighteenth Amendment. What makes this interesting is that so wide a difference of attitude between the Republican presidential candidate and his chief political agent and adviser on so important an issue simply makes no difference at all. I

cite it merely to show how absurdly small a part principles, policies and issues cut in the lives of our practical politicians.

The support of Mr. Hoover as a Dry by Mr. Brown as a Wet is inconsistent, illogical and altogether without reason. Yet so accustomed are we to regularity that the idea of Mr. Brown's splitting with Mr. Hoover over this question is ridiculous. Regularity in these political matters is so recognized a thing that the public and the press have no sense of humor in dealing with them. In the Republican party, leading and vociferous Wets, who regard the repeal of prohibition as our most vital need, will support the Dry Hoover, just as the most ardent Democratic Dries in the South will enthusiastically endorse the Wet Roosevelt or whomever their party nominates next year.

It is a pathetic rather than funny state of affairs, which ought to depress those who stop to think about it. These, however, will be very few—and that in itself is depressing. But to return to Mr. Brown, whether he is Wet, as his friends tell me, or Dry, he is an efficient politician and has rendered signal service. I do not think anyone quite appreciates the smoothness with which he straightened out the Republican tangles in the South, pacified the ruffled national committeemen whom Mr. Hoover so boldly read out of the party two and a half years ago, and landed the delegates from practically all of them in the administration bag nearly a year ahead of the convention. Not even the devoted Bascom Slemph himself could have done better. Personally, I don't think he could do nearly so well. I always did regard the power of Bascom to deliver the South as more or less fanciful.

Washington.

T. R. B.

"Street Scene"

KING VIDOR'S movie version of "Street Scene" is but a slice of life, depending little upon intrigue and much upon character portraiture: hence pretty serious fare for the cinema public. From the opening flash, as the cinema sweeps over the New York horizon, to the accompanying strains of "East Side, West Side," and settles upon the particular corner of the city slums in which Elmer Rice's tragedy is enacted, one feels the sure grip of the director developing his theme without waste motion or faltering. He lifts the talking picture a little toward the level of our serious American dramatic productions, such as they are, and leaves it there as if with a great question mark.

It is a painting of a moment of gregarious, urban life, passed on the front steps of a tenement. The little crowd of Irish, Italian, Swedish and Jewish characters are but a cross-section of the greater crowd that swarms about them. Their loves and hates flourish publicly in the street, deeply stamped by their common situation in the lower stratum of society. The story of Anna Maurrant—who wishes "to get something out of life"—and her milk-collector paramour is set against the purer passion of her daughter Rose for the earnest young Sam Kaplan. Figures out of the lower depths, working women, taxi drivers, street urchins, prostitutes, realistically treated, circulate about these principals, and become a gossiping chorus which gives warning,

emphasis or commentary upon the progress of disaster. The return of Marrant, the jealous husband, to spy upon his wife, brings the foreseen crime of passion, which is given in episodes of brilliant and rapid movement. As poor Rose Marrant comes home, calamity bursts upon her with the sound of the white ambulance's siren, in the madly curious, upturned faces of the crowd which soon blackens the street scene; it howls at her, only a few moments later, from the front pages of tabloids thrust at her pitilessly.

For the climax of the play, Mr. Vidor develops his best technical effects. The camera, like a marvelous eye, darting from one expressive face to another, focuses all interest with the utmost intensity upon the single point of action. Here the skillfully manipulated camera contributes effects of compelling visual suggestion, peculiar to the motion picture at its best. In King Vidor's silent pictures such as "The Big Parade," and especially "The Crowd," we have previously seen the American film at very nearly its best. However, in his experiment with the talkies, it seems to me, he has tried, to his own disadvantage, to be extremely faithful to the play. He has sought a high degree of realism. But more than ever, the success of the total effect depends upon the voice, while the visual qualities play a much smaller role than in the past. Thus, if the limitations of the sound machines still cause actors to talk too loudly, grow too broadly comic, the artistic intention is partly defeated. Moreover, the director has stuck to the play to the extent of leaving us with a sense of confinement from which the motion picture seemed free. The camera is almost always fixed upon the one street scene, the one façade; save for brief flights, it no longer roams about with abandon, as if it can see all around objects.

Mr. Vidor's tactics are of interest because he is still one of the most talented of movie directors. His notion of how to deal with the form of the talking picture, in its present phase, is plainly to accept all the limitations of the stage. The talkies thus become but the imitation, in monochrome and mechanized sound, of the living theatre, and therefore are found greatly wanting.

MATTHEW JOSEPHSON.

A COMMUNICATION

Mrs. Grady Sees Red

SIR: Among the hundreds of amateur experts on Soviet Russia, one of the most active, of late, has been a Mrs. Eve Garrette Grady. This lady has so energetically and persistently exploited every possible avenue of publicity that her views on the Soviet Union have gained considerable currency, while she herself has achieved something of a reputation as a specialist on Soviet affairs. What would have happened had Mrs. Grady been compelled to rely entirely on her merits as a writer and speaker it is hard to say, but her words suddenly gained a weight entirely extrinsic when she announced that she had been expelled from the Soviet Union for publishing a joke about Stalin in an American magazine. Anyone familiar with American publicity methods will realize at once the value of this "episode"; the obscure wife of an obscure American mining engineer had gotten under the skin of the authori-

ties of a country upon which the eyes of the world are centered. It appeared to give the "victim" a status not merely equal to that of her "persecutors" but even superior, since she had succeeded in making them peevish by the publication of a shabby anecdote. As was to be expected, the story of Mrs. Grady's expulsion was plastered on the front pages of our press. Mrs. Grady was widely interviewed on her return to this country, and overnight she became a "Russian expert," despite the fact that the Soviet Foreign Office has more than once denied that she was ever expelled from the Soviet Union.

Mrs. Grady's book, "Seeing Red," paints a violent and distorted picture of Russian life. Everything is horrible in the Soviet Union: food, living conditions, G. P. U., censorship, transportation, morals, journalism, politics, the treatment of American engineers, Russian working methods; everything and everybody is either stupid or evil in this land of terror and hardship.

Among other things, Mrs. Grady poses as an expert on Soviet coal mining. She has asserted, for instance, that fatalities in Russian coal mines are 1,000 per million tons of coal produced. Mrs. Grady attributes this appalling situation to Russian inefficiency and to lax mining laws. Such statements naturally caused considerable comment in mining circles. Mr. James H. Pierce, vice president of Stuart, James and Cooke, an American engineering firm which has been working in the Donetz Basin for several years, has denied Mrs. Grady's statements in a recent letter to *The Coal Age*. Mr. Pierce declared that instead of 1,000 fatalities per million tons of coal mined, the actual number is only thirteen, as compared with 7.5 in Pennsylvania. Furthermore, if fatalities are calculated not on the basis of tonnage, but on the basis of the number of workers employed in the industry, Soviet fatalities are 22.4 per 10,000 miners as compared with 46 per 10,000 miners in the United States.

In general, Mrs. Grady's extreme views regarding conditions which American engineers face in Russia flatly contradict reports by such leading American engineers as Colonel Hugh L. Cooper, H. L. Freyn and Albert Kahn. However, what is most puzzling on the surface about Mrs. Grady's book is that its wild accusations were refuted in advance by no less an expert on Russia than Eve Garrette Grady herself.

Here indeed is a strange case of dual personality; for Mrs. Grady, just before receiving fat checks for attacking the Soviet Union in the pages of an American magazine, elsewhere published a number of articles describing Soviet conditions in the most favorable terms. Mrs. Grady wrote these favorable articles voluntarily; she was not paid for them and they presumably expressed her genuine feelings at the time. Perhaps the history of the Gradys in the Soviet Union will throw some light on this bizarre psychological case.

In January, 1930, Mr. William H. Grady, American mining engineer then employed by a Chicago firm which had a contract with the Soviet coal-mine-designing organization, went to Kharkov to work. In March he was joined by his wife, Eve Garrette Grady, by profession and inclination a publicity woman.

Three months after Mr. and Mrs. Grady arrived in Kharkov, the Soviet Coal Trust requested Grady's re-

moval on the ground that he was unfit for the post he was occupying. Although the Grady's subsequently described the Soviet Union as a hell-hole where living conditions were unbearable for Americans, Grady exerted every effort to retain his post. He even went so far as to cable on August 31, 1930, from Kharkov to the Amtorg Trading Corporation in New York demanding that immediate steps be taken to keep him at his post and threatening that "widespread unfavorable publicity will result from my return to America at this time." Amtorg disregarded this telegram, which seemed to have about it a suspicious aroma of blackmail.

While Grady was turning heaven and earth to remain in the country which he later maligned, there appeared, on October 5, 1930, the first issue of *The Moscow News*, an English-language weekly published for the benefit of Americans and Englishmen residing in the Soviet Union. This issue carried a contribution by Mrs. Grady, who was not paid for acting as Kharkov correspondent and was certainly under no compulsion to write for the paper. In its issue of November 26, 1930, *The Moscow News* carried another signed story by Mrs. Grady. The article, written in Mrs. Grady's usual enthusiastic style, was featured on the first page with big headlines, and was an interview with M. S. Deutsch, the "dynamic new director of the Coal Trust." On January 11, 1931, *The Moscow News* carried on page five still another article by Mrs. Grady. This article was an attack on faked news about the Soviet Union, which had appeared in the American press. It said in part:

Americans in Siberia, in Turkestan, in the Ukraine and in the north are sitting down and penning firmly worded epistles home stating in no uncertain terms that they WERE AND WILL CONTINUE TO BE perfectly safe during the entirety of their stay in the Soviet Union, that newspaper reports of Russian activities are usually exaggerated, and therefore not to be believed, and that, far from crumbling into dust the Soviet Union is about to become an economic menace to the whole capitalist world.

The following issue of *The Moscow News* (January 16, 1931) carried a signed article by Mrs. Grady describing with lyrical enthusiasm a New Year's party given by the Kharkov authorities to the foreign specialists. After going into all the details in her best high-school style, Mrs. Grady concluded: "Just a few more parties like that, just a few more goodwill offerings like that—and the foreign specialists will finish up the Five Year Plan in three years."

Some professional psychologist will have to explain what went on in Mrs. Grady's soul in the month of January, 1931, for about the time she wrote the above articles for *The Moscow News* she was also writing the lines, contradictory in every way, which appear in the opening pages of her book; she had first sold them to the American magazine which pays the highest prices for anti-Soviet articles. There are many American women in the Soviet Union, the wives of American engineers, who did not feel compelled to contribute, free of charge, to the columns of *The Moscow News* articles in praise of the Soviet system—nor to draw fat checks from American magazines for attacking

the Soviet system. What is one to make, for example, of a mind so divided against itself that it is capable of the most glaring contradictions on such simple matters as food and housing? The "humble two-room and bath-kitchen menage" of Mrs. Grady's book, published this summer, was, in her article printed by *The Forecast*, a dietetics magazine published in New York City, in February of this year, "a swank three-room apartment in an apartment house every bit as modern in appearance and layout as any you would see in an American city." Psychologists interested in the problem of split personality, would do well to compare Mrs. Grady's article in *The Forecast*, where she describes food conditions in the Soviet Union, with passages in her book on the same subject.

Light on Mrs. Grady's double life as a journalist may, perhaps, be gleaned from the somewhat different literary activities of her husband. Amtorg records, which the author of this article has seen, reveal that Mr. Grady continued to cable threats to Amtorg officials. "Believe interests all parties best served," he wired on October 11, 1930, "by engaging me here on important work promptly." Amtorg replied to Grady in a cable saying that the matter of his work in the Don Basin was outside its jurisdiction, and that he would have to apply to the Soviet Coal Trust. Meantime the Soviet Coal Trust, assuming that Grady, whom the Soviet coal-mine-designing organization found unfit for his first post, might prove useful in another, engaged him for other work.

It was about this time that Mrs. Grady published her joke about Stalin, which, she claims, led to her expulsion from the Soviet Union and which certainly made her career in the United States. The joke, which Mrs. Grady claimed was Russia's way of finding relief in laughter from the hardships of the present situation, is an old chestnut, one published by William Allen White at the expense of William Howard Taft, and since told about any number of political leaders. Mrs. Grady's version is that a Jewish boy saved a man from drowning in the Black Sea. The man, grasping the hand of his savior, offered to reward him, saying: "I can give you anything you want. I am Stalin."

"If you are Stalin," the Jewish boy stammered, "why—if it's all the same to you—just don't tell anyone that it was me that saved you."

After the article containing this stale joke appeared in an American magazine, Mrs. Grady, on her own initiative, sent a letter to the Soviet Coal Trust apologizing for it. The Soviet authorities ignored the incident. She was not held up at the border, but she did, on arriving in the United States, issue interviews to the press in which she not only contradicted what she had previously written in favor of Russia, but told the story of her "expulsion"—which the Soviet Foreign Office at once branded as false.

These facts may help to explain Mrs. Grady's sudden transition from Soviet apologist to Soviet slanderer. In her book she emerges as an expert not only on shopping, food and shower baths, but on forced labor, sociology, economics and politics. She claims that her knowledge of Russian is such that most of her material was gathered from talking to the people, yet spells a simple phrase like *na zdorovye* (your health) three different ways in one

chapter, and never once right; she pretend^d to have traveled widely in the Soviet Union when every American who met her in Russia knows that she was only in Moscow, Kharkov and occasionally in the coal district; she asserts that Soviet Russia's "only woman ambassador" was "recalled to Moscow and her diplomatic career ended" because of her "weakness for pretty clothes," although Kollontay's diplomatic career is by no means ended and she is still the Soviet ambassador to Sweden. In short, in compensation for a split personality which can see Soviet conditions in two diametrically opposed ways, Mrs. Grady has discovered the Red Racket, where consistency is unnecessary, and checks large and regular.

JOSEPH FREEMAN.

New York City.

CORRESPONDENCE

A Blast from Ohio

SIR: Your bilious publication gives me a pain. All you "parlor pinks" are alike. You all have the same disease, diarrhoea of words and constipation of thoughts.

If Russia is such a wonderful country to live new freedom, and America is all that is vile, whyinell don't you take yourself and your "Journal of Opinion" over there?

If I had a pot of gold at the end of the rainbow—believe me I should take the first boat over and obtain it P. D. Q.

I just wonder how long your magazine would last. You know! That is why you are here.

This may not be utopia, but it is a d—— good place to live and earn money, and in spite of The New Republic there are about one hundred million who think the same.

THO IAS PAGE.

Cleveland, Ohio.

The Strikers' Children

SIR: I have just completed a health study, for the Emergency Committee for Strikers' Relief, of the children of the coal miners of the West Virginia Miners' Union. And it occurred to me that your readers would be interested in knowing the results of my examination of more than 290 children taken at random from the striking miners' families in the camps of the towns of Ward and Gallagher.

In Ward, where work has been fairly steady, the coal diggers being employed five-eighths of the working year, I found that the average weight for all the children was 12 percent below the standard and that a diet consisting of pinto beans, potatoes and sow-belly (salt pork) had resulted in lowered resistance to all types of infection, colds, middle-ear infections, tonsillitis, etc. In Gallagher, where work was not steady, conditions were far worse. There was, for example, a higher incidence of such preventable diseases as scarlet fever, diphtheria and typhoid, which have been wiped out in working-class districts in New York City so successfully that in the Bellevue-Yorkville district of New York no diphtheria cases have been reported during the last twenty-five months and almost none of typhoid fever.

The children I examined had never been given milk of any sort after they were weaned, nor had they known fresh meat or vegetables except on very rare occasions. Their only change from the diet described above was berries gathered from the woodlands near their camp.

The average family in Gallagher consists of seven persons; in Ward of nine, due to the fact that the mothers in Gallagher were younger than those in Ward. It is taken for granted that a woman should have a child every year. Every mother I questioned eagerly asked for birth-control information.

There is a direct connection between undernourishment, low wages, irregular work and indecent living conditions, as evidenced

by the fact that the incidence of typhoid and dysentery is far beyond the statistics of any civilized community, due to the pollution of water supplied by the coal companies, which in Gallagher, for instance, comes from a source immediately adjacent to outhouses used by the miners.

When the mines are working, there is left an expenditure of seventy-seven cents per person a week for food and clothing for the population of Ward, and seventy-one cents for that of Gallagher. From the miners' pay, which is in the form of scrip-currency redeemable only at the company stores, there is checked by the operators two dollars a month for the pay of company doctors, who, by the way, are shunned by the coal diggers in most instances; \$1.50 for hospital charges; \$1 for burial expenses and a charge for powder, tools and timber used in extracting coal. The average total left for miners, after a two weeks' shift, comes to less than \$25, from which the rent for living in company houses and the debt from dealing at company stores is subtracted, so that in many instances the unorganized miner finds that he is in debt to the company for from \$7 to \$17 as a result of his labor.

The miners in both towns have never been able to afford the luxuries of ice, proper screens and other preventives against infection, and as a result the resistance to infectious disease among the children is startlingly low, so that there is a mortality of one in every five children. Among those who survive preventable diseases are notably rife. An entire generation of the children of American citizens engaged in the production of a basic need for our civilization is being reared among conditions which inevitably lead to feebleness, degeneration and crime.

It seems to me that men and women of good will and common decency can no longer permit the continuance of such a tragic situation. They must come together to save the innocent victims of industrial maladjustment from the fate which has overtaken a great cross-section of productive workers.

One of the most direct ways of helping miners in their struggle for decent conditions is to contribute toward their relief during the present strike through the Emergency Committee for Strikers' Relief at 112 East Nineteenth Street, New York City, Forrest Bailey, Treasurer.

RUTH FOX, M.D.,
Researcher in Pediatrics at the
Fifth Avenue Hospital.

New York City.

From the I. L. P.

SIR: Nowhere else in the United States today is there a more promising or practical effort being made toward building an honestly radical "third" party than in the city of Philadelphia. Progressive labor unions and the Socialist party have united in nominating a full slate of candidates for the municipal elections in November which will be headed by Alexander McKeown, president of the Philadelphia branch of the American Federation of Full Fashioned Hosiery Workers (an A. F. of L. affiliate).

The Independent Labor party of Philadelphia County which has been organized by the textile unions in this city as a direct result of the strike troubles here in the past three years and the political movements is sponsored by the district council of United Textile Workers' (A. F. of L.) unions in the city. Scattered local unions from other trades are now joining the new political movement. The Socialists and unionists are working together in a thoroughly coöperative spirit and no secret is made of the fact that if the Independent Labor party demonstrates that it is not a flash in the pan, the Socialist party may later merge its identity as a political party with the I. L. P.

Copies of the program and platform of the Independent Labor party can be had from its headquarters at 2510 North Fourth Street, Philadelphia. Through this new organization, composed almost entirely of energetic, young, native-born workers, readers of The New Republic would find the most fruitful opportunity for constructive activities and interesting educational work that now offers itself in this city today. Those interested may communicate with the undersigned.

JOHN W. EDELMAN,
Secretary Independent Labor Party.

Philadelphia, Pa.

In Quest of the Way

A New Model of the Universe, by P. D. Ouspensky. Translated by R. R. Merton under the supervision of the author. New York: Alfred A. Knopf. 554 pages. \$7.50.

THE MANY absurdities in which pure science has found itself, coupled with the many grave problems of social readjustment which applied science has brought upon us, have provided both intellectual and emotional grounds for a turn to other attitudes. Thus, there are signs that the positivistic West would gladly renounce its positivism in favor of a mystical guidance, though men of intelligence and emotional decency have, for the most part, been denied much opportunity in this direction unless they were content to piece together little religions of their own. The dogmatists of the contemporary Church could obviously offer them nothing, as these men were generally of a very unenterprising nature—and whatever talents they had were enlisted more in the cause of institutionalism than of insight. Accordingly, when Mr. Ouspensky came forward some years ago with his "Tertium Organum: A Key to the Enigmas of the World," the situation was considerably improved. In him mysticism found an apologist of distinction.

It is no wonder that a very reputable group of readers rallied behind him. For here is a man of broad learning and even broader sympathies, an ingenious and independent thinker, and above all a mystically inclined person who realized that the organized forces of virtue are much farther from a sense of religious values than a thief or a child-slayer could ever be. To Californian Christianity, the doctrine that customers go streaming into the Kingdom of Heaven by the millions, if they have but earned good salaries and advocated more laws, he is wholly impervious. Whereas our cults have generally been recruited among the slow witted, this man's critical weapons are sharp enough to make any contented statistics-gatherer-in-the-name-of-science uneasy. He knows that insufficient facts can often be more misleading than no facts at all; and since we must admit that on "ultimate" questions our facts are always insufficient, he has here a good entering wedge for what he calls the "psychological method," the "reevaluation of all values from the point of view of their own psychological meaning and independently of the outer or accompanying facts on the basis of which they are generally judged." That is, if one under gas dreamed a metaphysical "revelation," we could not dispose of the "revelation" by saying that the man was under gas; it would remain a revelation regardless of the "facts." The universe can look entirely different, if we but make this one slight change in our rules of thumb for thinking.

There are, says Mr. Ouspensky, four ways that lead to the Unknown, "four forms of conception of the world—religion, philosophy, science and art." These ways have diverged until they contradict themselves and one another. But "the more they have broken up and separated from one another, the farther they depart from truth. Truth is at the center, where the four ways converge. Consequently the nearer they are to one another, the nearer they are to truth, the farther from one another, the farther from truth." In Egypt, Greece and India, "there were periods when the four ways constituted one whole." The knowledge of these times was "esoteric" knowledge—and the author lays great weight upon this knowledge in the attempt to construct his new model of the universe which,

in contrast with the specializing works of the contemporary West, would tend to make religion, philosophy, science and art again converge. The convergence, as one might expect, cannot be readily followed within the exclusive field of any one of the four. He considers knowledge "based upon senses which surpass our five senses and upon a capacity for thinking which surpasses ordinary thinking." He holds that "ordinary logical language" is but an approximation to the "truth." For there is also the insight of mysticism, which is "entirely emotional, entirely made up of subtle, incommunicable sensations, which are even more incapable of verbal expression and logical definition than are such things as sound and color and line."

The author has examined holy texts, in particular the religious lore of the East. His chapter on "Experimental Mysticism" would lead us to suppose that he had made many tests with hasheesh, deriving from it that sense of impersonality, of the subjective merging into the objective, of "unity," which this drug seems to have induced even in people much less mystically inclined than he. He studied the symbolism of the Tarot. He stood beneath the Sphinx, or listened to the remarkable set of echoes which went hurtling about the mausoleum of the Taj Mahal when one of the gatekeepers had called out the name of Allah—and at such times he felt himself in the presence of a profound secret which was all but revealed to him. He looked into the matter of the five Yogas, which teach "the way to find the hidden truth concealed in things, in the actions of men, in the writings of great sages of all times and peoples." He holds that our development must be toward a "higher consciousness." There is an inner circle of humanity, those in possession of esoteric knowledge, who have had a great influence upon the course of mankind, though such effects are generally disguised, particularly as the masses pervert the doctrines by bringing them to lower levels in the very process of accepting them. Nature is purposive: there is the great laboratory of nature which produced all the inferior forms of life as "preliminary experiments" in the attempt to create a "self-evolving being," which is man. Man has the power, by the selection and disciplining of certain faculties, to become "superman," and thereupon to pass into that higher plane of being which transcends the cycles of such life as we, of the outer circle, live.

This constitutes in brief summary the part of the present volume preceding the chapter on "A New Model of the Universe" proper. This chapter, whatever else one may think of it, is certainly among the world's most ingenious pieces of thinking. It considers the underlying factors of "old physics," shows how certain discoveries of "old physics" led to a breaking of the frame—then concludes that certain considerations of "new physics" must break the frame in turn and lead to the supposition of some such universe as he describes. Old physics broke down, the author says, primarily because it did not consider time as a "fourth dimension." But the new physics is inadequate because there are in reality *three* dimensions of time, whereas the new physics considers but the "line of time." Thus:

Motion by itself is a very complex phenomenon. At the very first approach to motion we meet with an interesting fact. Motion has in itself three clearly expressed dimensions: duration, velocity and "direction." But this direction does not lie in Euclidean space, as it was taken by old physics; it is a direction from before to after, which for us never changes and never disappears.

Time is the measure of motion. If we represent time by a line, then the only line which will satisfy all

the demands of time will be a *spiral*. A spiral is a "three-dimensional line," so to speak, a line which requires three coordinates for its construction and designation.

Six-dimensional space is reality, "the world as it is." We see this reality only "through the slit of the senses," thus translating it into a world of three space dimensions and one time dimension. The author now proceeds to examine these added dimensions more closely. Direction, velocity and duration are not, of course, their "real" description, but merely their translation into the terms of our limited vision. They have properties which take them beyond the realm of physics. Thus:

Let us, he says, consider a three-dimensional body in space as a point in time. Now let us draw a line, with "Before" at the left end and "After" at the right end. Anywhere along this line let us choose a point to call "Now." And we can choose other points along the same line to call "Now." Let us next imagine perpendiculars drawn from these Now's. Each one of these perpendiculars will be the "Perpetual Now" for that particular moment. This is the fifth dimension. Each Now will, by the nature of this dimension, exist forever, though we, on the line of the fourth dimension, or "historical time," will move on from one Now to the next as we progress from moment to moment. Each moment, that is, has its Perpetual Now going off "perpendicular" to it.

But each moment of "now" on the line of time . . . contains not one, but a certain number, of possibilities. . . . I may actualize one of the existing possibilities, that is, I may do something. I may do nothing. But whatever I do, that is, whichever of the possibilities contained in the given moment is actualized, the actualization of this possibility will determine the following moment of time, the following now. . . . Thus, the line of the direction of time can be defined as the line of the actualization of one possibility out of the number of possibilities which were contained in the preceding point. The line of this actualization will be the line of the fourth dimension, the line of time. We visualize it as a straight line, but it would be more correct to think of it as a zigzag line. The perpetual existence of this actualization, the line perpendicular to the line of time, will be the line of the fifth dimension, or the line of eternity.

And the sixth dimension will be the "line of the actualization of other possibilities which were contained in the preceding moment but were not actualized 'in time.' . . . The line of time, repeated infinitely in eternity, leaves at every point unactualized possibilities. But these possibilities, which have not been actualized in one time, are actualized in the sixth dimension, which is an aggregate of 'all times.'"

I had some difficulty in thinking of these "possibilities" until I imagined them as bottles on a shelf. At a given moment on the line of "historical time" there are a number of bottles, variously labeled, sitting on the shelf, and we choose one of them. This choice presumably affects the number and assortment of bottles that will be on the shelf at the next moment of time. But the bottle we chose at the preceding moment will have an infinite extension in the fifth dimension; it will be the eternal bottle for that moment. The bottles we did not choose, however, will not be destroyed; they are still on the shelf, the shelf of the sixth dimension.

This hypostatizing of "possibilities" seems less arbitrary

when we see what the author does with it. We understand the nature of these two dimensions better when we understand the conclusions and exhortations which he draws from them. They are, in brief, coupled with a doctrine of recurrence. A man lives over and over again, "in the same town, in the same street." He will have the same relatives, "will make the same mistakes, laugh and cry in the same way," etc. This explains the feeling we sometimes have that this has *happened before*. It also explains the unerringness with which some men play their roles: their certainty as to the outcome of some act indicates a previous acquaintanceship with the situation. Thus, if we are to improve ourselves, and are implicated in the events of our previous cycles, we must remove the evil *by remedying the past*. We now see the function of the bottles of "unactualized possibilities" which were left standing on the shelf of the sixth dimension. We can make a different selection, putting back the bottle which we had taken down before and choosing another in its stead.

"There would be no possibility of thinking of the *revolution of humanity*, if the possibility did not exist for individually evolving men to go into the past and struggle against the causes of the present evil which lie there. This explains *where those people disappear who have remembered their past lives*." That is, they have reincarnated into the past, have gone to influence the choice of possibilities. Reincarnation, however, is possible "only into places which become free, into 'vacancies.'" These vacancies are made either "when a soul, after many lives of conscious struggle, obtains freedom, leaves the circle of lives in the particular 'place in time' and goes in the direction of its source, that is, into the past." And there are also undesirable vacancies left when a soul has so degenerated that, as it were, it drops out the bottom, "ceases to be born." The closing chapter, on "Sex and Evolution," suggests that as sex is ordinarily employed in birth, it may, as is evidenced by the pronounced attitude toward sex usually taken in religious disciplines, be "transmuted" into a mechanism for spiritual rebirth. Sex alone contains, for ordinary man, something of the ecstasy which marks the normal mystic state; and the melancholy which often accompanies strong sexual feeling is perhaps an admonition, a dim foreboding, of the "departure" into higher realms of being that might occur if this sex were more accurately transmuted.

Such are the outlines of this work. They should serve, I think, to indicate that the work is practically beyond "argument." There is nothing to "disprove." In the sixth dimension, the author says, "every point of time touches every point of space and everything is anywhere and always." To offer such a conception in opposition to the paradoxes of relativism may seem to some like "reconciling" the logical absurdities of a four-dimensional system by postulating a fifth dimension in which all logical absurdities are reconciled. If someone cares to say that there is such a dimension, there is certainly no mechanism for saying him nay. One can, if he is out of sympathy with the author, simply test the message by aspects with which he is in sympathy. It takes no "believer," for instance, to find much that is admirable and overwhelming and even "revealing" in the vast mythology of Blake. Similarly, in the present work one will find many observations which indicate great sensitiveness to human values, though in this case the perceptions are critical rather than poetic. On the whole, those of us who, however grudgingly, are still weighted down with positivism will prefer our "new models of the universe" as a Blake or a Milton conceives

them. The great cry for synthesis is more popular than compelling. No one would ask for a synthesis between bridge building and botany. Two different fields of investigation are "synthesized," not by the merging of their concepts, but by a similarity of method; there is "synthesis" when we develop a "form" of procedure which can be applied *mutandis mutatis* to varying subject matters; botany and bridge building are "brought together" when our ways of studying the one have their equivalent in our ways of studying the other—and this essential aspect of synthesis is already with us. And whatever the values of a synthesis may be, they are hardly great enough to justify an approach which mingles the dialectic of philosophy, the metaphors of art, the measurements of science and the "higher knowledge" of religion. The result is an indeterminate shifting of vocabulary which, far from avoiding the deceptions of speech which Yoga equips us to reveal, makes it possible for deceptions of speech to flourish at their greatest.

KENNETH BURKE.

Plato's Illinois Republic

The Case of Frank L. Smith, a Study in Representative Government, by Carroll Hill Woody. University of Chicago Press. 393 pages. \$3.

THAT MONEY is the nemesis of democracy was apparent in America long before Spengler included this principle in his philosophy of history. The purchase of candidates and public officials by the possessors of great wealth is scarcely news in the United States. But when the purchased turn upon the unsuccessful purchasers, the result is a front-page scandal. On August 16, Frank L. Smith, the subject of the present volume, published an open letter to Professor Woody of the University of Chicago, its author. He demanded that the book be revised to include the story of a temptation which he had nobly scorned. Julius Rosenwald, he said, had offered him 10,000 shares of Sears Roebuck stock, worth more than half a million dollars, to withdraw his candidacy for the United States Senate.

The two-day flurry which followed is a safe indication that public and press are still uninterested in the contributions of political scientists to an understanding of practical politics—that they listen only when the politicians themselves choose to speak. Professor Woody's book appeared on April 1. Although it did not go into circumstantial details, it did, as a matter of fact, reveal Julius Rosenwald's offer. But the public showed no interest in the question until four months later, when Smith's letter was published. The letter itself was not so much a charge against the book or against Rosenwald as an effort to rehabilitate Frank L. Smith by showing his uprightness in refusing what amounted to a bribe. Sophisticated readers will interpret the incident differently. They will say, with justice, that Smith regarded the profits and prestige of his senatorship as being of such paramount importance that he was willing to accept a large amount of money from an improper source to procure them, but unwilling to accept a still larger sum from an untainted source to forego them.

Professor Woody's work, however, is no mere political biography to be judged by reference to the recent headlines. It is a contribution to the dynamics of the American party system—a penetrating analysis and a dramatic tale, full of life and reality for all those interested in "the

true story of the business of politics as it is actually conducted in a representative American commonwealth." The book shows evidence throughout of the intelligent use of the techniques of statistics and psychology in unraveling political problems and evaluating political leaders. Here, in bright colors, are William Lorimer, Cook County boss, Springfield grafter and federal Senator; Len Small, hoodling Governor and political racketeer; Frank Landin, "poor Swede" king-maker and vendor of "Juniper-ade"; "Big Bill" Thompson, until yesterday Chicago's playboy mayor and the world's clown; and Charles S. Dencen, one of the "respectables" but a sorry figure withal.

The career of Frank L. Smith is typical of many second-rate politicians: successful realtor, prosperous banker, aspirant for public office, and finally chairman of the Illinois Commerce Commission. In the latter post he was in a position to grant substantial favors in fixing public-utility rates to Samuel Insull, millionaire enterpriser, anti-World-Court wower and sponsor of Civic Opera. Insull donated \$125,000 to the campaign fund which enabled Smith to win the Republican nomination for the senatorship in 1926. But the Vane scandals in Pennsylvania led the Senate to launch an investigation into primary-election expenses, and the inquisitiveness of Jim Reed revealed the Insullation of the Republican candidate. Smith rejected Rosenwald's overtures and, with the aid of the Anti-Saloon League and the Republican machine, was "vindicated" by the voters, who elected him in preference to his supposedly "honest" rivals. The Senate, however, closed its doors to one who, while still chairman of the Commerce Commission, had accepted huge sums from Insull and other utility magnates in order to obtain his election. He was finally refused his seat in January, 1928, and turned out into the cold—not quite clever enough to have gotten away with tactics no more reprehensible than those of his cronies and colleagues.

The whole episode, which Professor Woody relates graphically and in detail, with illustrations well chosen from contemporary cartoons, is enormously illuminating of the relationship between "honest" business and "dishonest" politics in the contemporary American scene. The publication of such a revealing volume by a university press in the very city in which Messrs. Insull and Rosenwald live and do business is a heartening indication that academic freedom has not yet succumbed completely to the assaults of the bagmen. Smith's ultimate exclusion from the Senate is less significant than the means by which he got himself elected. Like other politicians, he was supported by Insull for a very tangible *quid pro quo*, which the book fully discloses. Rosenwald's offer is less significant for the unusual motives behind it than for the light it throws upon the methods which business men regard as necessary and legitimate to obtain political results. The whole situation, far from being exceptional, is quite normal, as the author recognizes, and makes clear "how the game must be played by those who aspire for success in Illinois politics."

Professor Woody does not stop with his admirably behavioristic and well documented account of what took place. He has few illusions regarding the processes of democracy under conditions of economic oligarchy, but he has much common-sense advice to offer on the subject of primary elections, corrupt-practices legislation and the like. He sees hope of salvation in the modification of the machinery of government and of elections to bring them into conformity with modern conditions. Others may be more dubious after surveying the evidence here assembled. When bribery becomes not merely an accepted method of political

control but also an instrument of civic righteousness and reform, the prospects are indeed dismal. Marxians, however, may derive some comfort from a curious fact: the present admirable piece of objective scholarship was financed by Julius Rosenwald himself. When capitalists contribute the money with which social scientists are enabled to analyze the capitalistic corruption of political democracy, then the established order is almost literally sowing the seeds of its own destruction.

FREDERICK L. SCHUMAN.

Young Harvard People

New England Holiday, by Charles Allen Smart. New York: W. W. Norton and Company. \$2.50.

IN ROADSTERS flashing by, in sailboats, at theatres and on pullman trains, we see the young people of Harvard and Wellesley, and wonder what, if anything, as inheritors of a definite culture, they think and feel. One can therefore be grateful to this author for his interpretations of nine guests and their hosts at a house party south of Boston. Apparently they are sensitive, inclined both to satire—either simply erudite or actually creative satire—and to regret for the clipper ships and China tea long gone. One of them is given to say of the others: "They were all touched, and some were deeply dyed, by a more profound skepticism, a more subtle discontent, a deeper unrest, a lower vitality, than I have seen in their youngers or elders, and that, I think, will cloud their days until they are dead."

Each personality carries the story along one lap, telling it in the terms of his own adventure. The chapter of Eric Warren comes off most successfully, being at once tragic and comic, and that unwittingly so far as the youngster himself is concerned. The author, however, does not quite touch bottom, and neither do his characters; discontented skeptics seldom do. He comes nearer to it in the afternoon-tea incident than elsewhere. Gordon Grieg, an outsider from Ohio, was "pretty well scared . . . because everyone seemed so quick and highbrow." At tea in the parsonage talk turned to a hymn which a student at Harvard had written for the baccalaureate service containing in acrostic "the most contemptuous and dirtiest word in the English language."

"But what I have always wanted to know," says a girl pertly, "is the word."

Gordon repeats it, and suddenly has a tremendous sensation of relief. Tea parties, even in Cambridge itself, will not frighten him again. With a contrary effect the daughter of the house felt suddenly at the word "as Odysseus must have felt when he saw all his friends turning into hogs," but her mother, Mrs. John W. Morgon, *née* Quincy, "groped back through a hundred and fifty years, found what she wanted, and came back smiling." It was her look of surprise, relief and inner laughter which confirmed Gordon's release, and proved her own right to the crown of individuality of the well born. This is the most stirring event of the holiday, and its title, "Mud Bottom," is significant.

The Unitarian clergyman preaches, the hurtfully clever New Yorker writes his mistress about his flirtations with the college girls, the young writer from Cape Cod goes on "a psychic binge" at the sound of the church bell, and round about are the peaceful woods and the severe little white houses which are like the eccentric minds of New Englanders.

HAZEL HAWTHORNE.

Book Notes

HISTORY

MODERN HISTORY: *The Rise of a Democratic, Scientific and Industrialized Civilization*, by Carl L. Becker. New York: Silver, Burdett and Guntz. 325 pages. \$2.25.

Professor Becker begins his "Modern History" at about the year 1600, and comes down to the Kellogg Pact and the Young Plan. The book contains many novel features; it is written throughout in a fine spirit of impartiality and detachment, and in a fluent style. Amid so much that is good, there are nevertheless some sections that stand out for their especial excellence: among these might be mentioned the treatment of the Ancien Régime, the French Revolution, the Napoleonic era, the industrial revolution, the rise of socialism and of social reform. The young students of today may indeed congratulate themselves that they are being offered textbooks of history that are at once so instructive and so interesting; their fathers were not so lucky.

Some errors of fact or of interpretation have crept in. Queen Mary was James's daughter, not his sister. New Lanark was not a "community," but a capitalistic enterprise, of which Owen was the managing partner. The economic theory of Marx does not "aim to show the injustice of the present capitalistic system of industry"; on the contrary, all ethical considerations are excluded. The Gotha Program of the united German Social-Democratic party did not "accept the scientific socialism of Marx"; on the contrary, Marx tore that program to shreds, but his criticism was ignored and suppressed by the German Socialist leaders of the time. Morocco was not, even nominally, a part of the Turkish empire. Rosa Luxemburg and Karl Liebknecht were murdered by soldiers in whose custody they were, not "by a mob," nor while "attempting to escape." There is no direct evidence that the mass of the Italian people willingly supports Mussolini; the two Napoleons showed how plebiscitary votes could be manufactured, while any Balkan or South American government knows how to obtain a majority vote. The Red army that put an end to the interventions and the civil war in Russia numbered several million, not about 100,000 men. These errors, the list of which might be somewhat extended, could easily be remedied in a second edition. They do not detract in an important way from the most promising and socially conscious history yet written for pupils in our secondary schools.

SOCIAL SCIENCES

THE FAMILY, by Edward Byron Reuter and Jessie Ridgway Runner. New York: Whittlesey House. 615 pages. \$4.

In this collection there are more than one hundred selections from books and magazine articles. They deal not only with marriage and the family, but also with various phases of sex life, and there are even stories of individual sex experience. A few of the selections treat of primitive or historical forms of the family; but in the main the book aims at presenting the contemporary family and contemporary sex life in their multitudinous aspects and relations.

THE FALL OF PRICES, by John A. Todd. New York: Oxford University Press. 68 pages. \$1.25.

This book brings up to date the analysis of the post-war monetary situation contained in the author's "Mechanism of Exchange." A demonstration of the increasing economy in the use of gold through a widening employment of credit instruments by the public and a parallel concentration of gold reserves in the central banks leads Mr. Todd to reject the hypothesis that the present world dislocation has been due to scarcity of gold. An examination of the unequal rates at which the prices of various commodities have fallen convinces him that the trouble is rather due to disturbances in the balance of supply and demand. Since America bulks large as both producer and consumer of the commodities which have suffered most, he suggests that any turn for the better must begin here. He ends with the warning, however, that while gold stringency has not been a primary cause of difficulty to date, it may very well become one in the near future.

and indicates the need of establishing, through the Bank for International Settlements, an international clearing house to effect on a world scale the economies which in the past ten years have proved invaluable to the national central banks.

TRAVEL

ENGLAND, THE UNKNOWN ISLE, by Paul Cohen-Portheim. Translated by Alan Harris. New York: E. P. Dutton and Company. 237 pages. \$3.

A German who has spent many years in England, including four in an internment camp during the War, describes the people and the appearance of the country. His object being to remove German prejudices against the English, he emphasizes their virtues, and defends their politics. He makes occasional errors of fact, but his understanding of English psychology is remarkably accurate and subtle. Of the half-dozen books recently published about the English this is the best.

TURI'S BOOK OF LAPPLAND, by John Turi. Edited and translated into Danish by Emilce Demant Hatt, and from the Danish by E. Gee Nash. New York: Harper and Brothers. 295 pages. \$4.

Lapland spreads over the territories of three nations, Norway, Sweden and Finland. Settlers from each have occupied the arable land and have constricted the Lapps, who are nomads living on the milk, flesh and hides of their reindeer, to the coldest and most inaccessible part of the Scandinavian peninsula. With the settlers have come religion, coffee, wool, taxes, education and other products of civilization; also racial self-consciousness and the desire to articulate it. Turi's book tells how reindeer are herded, of the seasonal migrations, of reindeer diseases, of wolves and other enemies of the reindeer, of the Lapp manner of living in encampments and on the march; it contains recollections of the recent history of Turi's people, their beliefs before and since the spread of Christianity, their legends, songs, etc. It reveals an attractive personality, honest, considerate and manly. Its factual material and its manner of writing (itself an important ethnological datum) are obviously of great scientific value. Turi, however, is a primitive professor rather than a primitive writer. After the novelty of the first few pages, his book is a droning catalogue, interesting more to ethnologists than to the general reader.

WORLD POLITICS

BUILDING THE WORLD SOCIETY, a Handbook of International Relations, by Laura W. McMullen. New York: Whittier House. 434 pages. \$2.50.

A serviceable compilation of articles on various phases of international relations, apparently designed for women's study groups.

THE SOVIET PLANNED ECONOMIC ORDER, by William Henry Chamberlin. Boston: World Peace Foundation. 253 pages. \$2.50.

The author of "Soviet Russia" has given us another excellent book—a monograph on the planned economy of Russia. It is clear, simple and compact, dispassionate and impartial. Ever since the Bolshevik revolution, Russian industry has tended toward a system of more or less complete planning. Hence, Mr. Chamberlin rightly regards the introduction of large-scale state and collective farming as the major innovation of the Five Year Plan. The agricultural revolution implies three important results: the ending of the stagnation and unproductiveness of agriculture; its inclusion within the sphere of planned economy; its mechanization and socialization. At the beginning of 1931, that is to say, after the Plan had been working not much more than two years, Mr. Chamberlin finds its principal gains to consist in the above-mentioned agricultural revolution, the annual growth of the output of state industries by about 25 percent and the abolition of nonpolitical unemployment. Its principal losses consist in the deterioration of living standards, the failure of qualitative improvements in industry to match quantitative gains, and the widespread destruction of livestock by the peasants who were forced to join the collectives.

FICTION

FROM DAY TO DAY, by Ferdynand Gortel. New York: The Filing Press. \$2.50.

The difference between Polish and American potboilers: here the Almighty supplies coincidences to help the lovers find each other's arms; in Poland God is also helpful, if less an optimist: after unearthly vicissitudes and difficulties, on the very eve of the to-us-familiar clinch, death steps in, sudden, unexplained, unreasonable, though six more hours of life would have brought happiness. In "From Day to Day" one woman takes poison, another just plain dies, without even exposing her method of demise. It sounds very deep, and it is very sad, and full of What is life? and when a lady is taken by the wrists "her resistance completely vanished . . . her pale face burned like fire, and her eyes, filled with an eerie light, stabbed me." In the last line of the book: "There's no man without God," Szmid replied.

CHILDREN AND OLDER PEOPLE, by Ruth Suckow. New York: Alfred A. Knopf. \$2.50.

Ruth Suckow has a profound tolerance for the people and the occasions usually regarded as unworthy of imaginative treatment. In fourteen short stories, she reveals little girls and boys in small towns, spinsters loved and unloved, tourists, wives of Rotarians, Midwestern primitives (the last, by the way, is her own phrase). She does not let herself be betrayed by her own sensibilities; whether her method is a concession to the magazines or her own chosen way, it succeeds. This method is the presentation of details which are commonplace, but which clarify into a fine-drawn poignance.

Contributors

WILLIAM P. MANGOLD, who studied at Yale and was at one time a member of the staff of The Nation, is now engaged in industrial research and magazine writing in New York City.

DOROTHY E. REID, several of whose poems have been published in The New Republic, is the author of "Coach into Pumpkin," a book of verse.

SUZANNE LA FOLLETTE was the editor of The New Freeman. She is now in London observing the political situation and the results of unemployment.

BERTRAND RUSSELL, now Lord Russell, having recently succeeded to the family title, is the distinguished mathematician and philosopher. The progressive school which he conducts upon principles described in the present article has attracted international attention.

LOUIS FRANCIS BUDENZ, before becoming the national executive secretary of the Conference for Progressive Labor Action and the editor of Labor Age, was the leader of several strikes—of the hosiery workers in Kenosha, Wis., of the street-car workers in St. Louis, of the hosiery workers in Nazareth, Pa.

DANIEL FUCHS is writing the reminiscences of a Brooklyn boyhood spent in the shadow of the Williamsburg Bridge. This, we believe, is his first published article.

JOSEPH FREEMAN, co-author with Scott Nearing of "Dollar Diplomacy," edited "Voices of October" with Louis Lorowitz and Joshua Kunitz.

MATTHEW JOSEPHSON, after writing "Zola and His Time" and "Portrait of the Artist as American," has settled on a farm near the Housatonic River, where he recently completed a long biography of Rousseau.

KENNETH BURKE, born in Pittsburgh, where he attended Peabody High School with James Light, Malcolm Cowley and Susan Jenkins, now spends a semi-studious, semi-aquatic life on his New Jersey farm. He was given the Dial Award in 1927.

FREDERICK L. SCHUMAN, the author of "American Policy Toward Russia Since 1917," is a member of the Political Science department at the University of Chicago. He was a frequent contributor to The New Freeman.

HAZEL HAWTHORNE is spending the summer at Provincetown, where she is finishing a novel of New England life.

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My Brother Commits Suicide

published in The New Republic of May 6, 1931, are available at \$2 a hundred copies.

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421 West 21st Street
New York City

Merry-Go-Round

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- XII Little Nemo, The Wonder-Worker
- XIII Lenin and Machiavelli
- XIV The Vestal Virgins
- XV The Press

It is fashionable to deride politics, and popular to profess indifference to matters political—a derision and a boredom well justified by the staleness with which political information, particularly that coming from Washington, is commonly retailed in the press.

But give those same indifferent people a chance to read political news which is shrewd, realistic, preferably a bit irreverent, but above all, independent—and note the response.

The New Republic has been noting it for years, reading the letters and listening to the comments of people who get excited about T. R. B. and his weekly Washington Notes.

Noteworthy, also, is the reception which has recently been given to another political writer—the anonymous author (or authors) of "Washington Merry-Go-Round," a book which has gone through seven large printings in a few weeks.

Readers of The New Republic know that they are interested in politics. For the benefit of others who may need to be convinced, we print on the left the list of chapters which comprise "Washington Merry-Go-Round," and suggest that anyone looking for entertaining reading examine the chapters which arouse his curiosity. Our offer is:

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To be published in October

Rebel India

by H. N. BRAILSFORD

THE twentieth century has produced two great leaders of the world's oppressed masses: Lenin and Gandhi. The revolution achieved by the former has now attained stability; the ideas and aspirations of its "new social order" are being tried out with the whole-hearted support of the Russian peoples. Gandhi's revolution is as yet to be achieved; it involves a submerged population double that of Russia, almost equal to that of China, 70 per cent of the British Empire. Given such numbers, and the geographical fact that Bombay is directly south of Tashkent and Omsk, its immense significance for the world of the West, is apparent. ¶ H. N. Brailsford is known to Americans as a keen and intelligent observer of world politics whose writings are characterized by clarity, brilliance of style and strict honesty. His acquaintance with India's problems dates back many years; in 1930 he travelled extensively in the peninsula, gathering facts and impressions at first hand. His book is a record of that journey, but it is more. He brings into focus the whole revolutionary movement and presents the ideals and leading characters in the setting of the next great world drama. ¶ Design for the title page by Clare Leighton.

In The New Republic Series of Dollar Books

CHARLES BEARD DISCUSSES REPEAL OF ANTI-TRUST LAW

Sees People Reluctant to Grant Corporation Managers
Free Hand Without Competition

In the following article, Charles A. Beard, noted historian, applies the historian's objective point of view to the great problems confronting the United States today. Beginning where "The Rise of American Civilization," of which he is co-author, left off, he finds unmistakable trends toward concentration of wealth and toward state planning to raise the standard of living.

By CHARLES A. BEARD

(Copyright, 1931, by United Press)

NEW MILFORD, Conn., Oct. 5

—We are in the midst of trends so plain that no student of American life can fail to see them. One is the steady growth of corporate enterprise, the concentration of business wealth in the hands of immense combinations. On this point the statistics of our economists are indubitable as the hills. The second trend is the extension of federal, state and municipal undertakings in the economic field — regulation, planning and enterprises designed to create better standards of living.

In other words, we are at the close of the age in which business can inflate, expand, float dubious issues of stocks and bonds, gather up the savings of the multitude, cut melons and then burst, leaving millions of men and women who tended its wheels to shift for themselves, to sink to degradation, if not starvation.

Anti-Trust Laws

Our far-sighted economic leaders, such as Gerard Swope of the General Electric Co., see the handwriting on the wall and are prepared to accept the new responsibilities.

But standing in the way of prudent planning are the anti-trust acts designed to force the very kind of disastrous and uncontrolled competition which produces inflation and collapse. If there is to be planning in industry, then these laws must be repealed.

But is it conceivable that the people of the United States will allow the corporation managers an absolutely free hand to consolidate, merge and stabilize prices? No one familiar with American politics can answer in the affirmative. If the anti-trust laws are to be repealed, then other measures will be substituted. No single industry, like the electrical industry, can be exempted from the law. The legislation must be general and inevitably based upon another system of economy than that incorporated in the Sherman and Clayton acts.

The Inescapable Issue

It will accept planning in industry as distinguished from enforced competition and will provide the outlines within which planned economy can proceed and the measures of control necessary to protect public interest. Here then seems to be the inescapable issue: The irrepressible conflict and the solution of the contradictions which confront us will call for the best talent the country can afford.

Are we equal to it? No one can spend years studying the growth of this nation from a few straggling colonies on the Atlantic seaboard to its present proportions without believing that it is capable of heroic work. Whatever its faults, it is not defeatist in philosophy.

Asks Trust Law Change

By United Press

WASHINGTON, Oct. 5—Amendment of the anti-trust laws to permit manufacturers to equalize production and consumption is recommended in a report made public today by the Federal Reserve Board.

ment relief in such times as these also were disapproved.

Workers to Fit Jobs

Measures for immediate alleviation of unemployment included "individualizing the unemployed" or sorting out workers to fit jobs that might be available. This would be done locally. It was recommended also that employers and householders do all they can to provide work and distribute available work among the greatest possible number.

POLLY MORAN TO GIVE DOGS TO FOUR

Eight More Await Writers of
Best Letters

A school girl who must stay home because of injuries—

An invalid, confined to her bed, who recently lost a pet—

A housewife who must stay in all day alone, who wants a dog for a companion, and—

A youth who is lonesome for a dog and has a fine park in the rear of his home in which the puppy can romp.

These are the first four winners of twelve who are to be selected and given puppies awarded by Polly Moran, film star now making personal appearances at Loew's State Theater.

The winners are:
Katherine Keith Smith, 343 Overlook Park, off Lake Shore boulevard, the injured school girl. She will call her dog "Pal."

J. C. Boylan, 2331 Delaware drive, Cleveland Heights, where the puppy will have an invalid mistress and will be called "Teddy."

Mrs. Betty Hogmer, 2495 W. 25th street, who will call her dog "Mickey."

Albin Hancik, 2021 Clarence avenue, Lakewood, who will call his dog "King."

Four more puppies will be awarded thru The Press today and four more Tuesday.

All letters must be in by Tuesday noon. Each letter should give the following details:

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Mail your letter to the Dog Editor, The Cleveland Press, at once.

ON WAY TO U



Marshal Petain, above, French war hero, sailing on the cruiser Duquesne, is en route to Yorktown, Va., to attend the sesquicentennial celebration marking France's aid to the colonies in securing the surrender of Cornwallis.

NEURALGIA

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A Journal of Religion

A Dry Democrat Looks Forward

By Wayne C. Williams

Re-open the Macintosh Case!

An Editorial

What Is a Dole?

An Editorial

The Crisis in British Socialism

By Reinhold Niebuhr

Fifteen Cents a Copy—Sept. 30, 1931—Four Dollars a Year

The CHRISTIAN CENTURY

September 30, 1931

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Entered as second-class matter February 28, 1902, at Chicago, Ill., under the act of March 3, 1879. Published weekly by the Christian Century Press, 449 South Dearborn Street, Chicago, Ill.

\$4.00 a year. Canadian postage, 52 cents extra; foreign postage, \$1.04 extra.

The Christian Century is indexed in the Readers' Guide to Periodical Literature generally found in the larger public libraries.

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The Office Notebook

"Nearly every one tells me that the subject of church unity is temporarily in eclipse," writes a subscriber who has been out of the country for nearly a year, and has returned with an increased sense of the tragic cost of our sectarian divisions in terms of spiritual power and moral leadership.

His informants are partially correct. Nothing sensational or especially stirring has been happening in the field of inter-church rapprochement since the Christian Unity league meeting in New York, in 1929, whose communion service Bishop Manning banned.

"I have just gone over the issues of The Christian Century for about a year and a half," continues our correspondent, "and find that prior to the last three months or so you had from two to three references on Christian unity per week. Recently you have kept almost complete silence on the subject. I assume that this is not due to change of heart, but to some strategic shifting of policy. Could you confidentially explain what the idea is?"

No need to be "confidential" about it. It is merely one of our many sins of omission for which we pray forgiveness—not only from the Lord, but from our reading public.

But there is no "strategic shifting of policy," any more than there is a change of heart. No problem presses more sharply upon the heart of this paper in these days of economic constriction than the insufficiency of the church on account of its sectarianism to match its grave responsibility with adequate power.

And while we are confessing our sins of omission, we record another letter from another subscriber.

"I am moved to confess my disappointment with what seems to me the scant attention which has been given to the subject of prohibition, since you became the champion of the great subject which stands so much in need of a defender. This especially in view of the numerous misrepresentations which are so conspicuously in need of answers. I feel a distinct lack on my own account, but more yet on account of those friends whom I caused to take the paper."

Evidently this letter was written before the subscriber had read the editorial of last week "The Drys Start Talking Again!"

Contributors to This Issue

HENRY NELSON WIEMAN, professor of the philosophy of religion, divinity school, the University of Chicago. This is a continuation of Dr. Wieman's article in the series, "What's Coming In Religion," and is the nineteenth article in the series.

REINHOLD NIEBUHR, contributing editor of The Christian Century, was in Great Britain at the time of the political crisis with which his article deals.

JAMES V. LATIMER, executive secretary of the Hankow branch of the American Army and Navy Y. M. C. A., Hankow, China.

WAYNE C. WILLIAMS, attorney, Denver, Colorado.

The CHRISTIAN CENTURY

An Undenominational Journal of Religion

VOLUME XLVIII

CHICAGO, SEPTEMBER 30, 1931

NUMBER 39

EDITORIAL

THE ABANDONMENT of the gold standard by Great Britain, even temporarily—for six months, according to the act of parliament, but then what?—is the most startling event in the field of public finance since the war. The repeal of the

Great Britain Suspends Gold Payments

law by which the Bank of England was required to sell gold at a fixed price and in unlimited quantities means that the government no longer promises to redeem its paper money at par in terms of gold, for "sell gold" is merely one way of saying "redeem paper." Within the past two months not less than one billion dollars' worth of gold has been withdrawn from London, reducing the gold reserve of the Bank of England to something like two-thirds of that amount. The stopping of this drain was an obvious necessity. If it had not been stopped by the repeal of the law while there was still a reasonable gold reserve on hand, it would have stopped automatically by the exhaustion of that reserve. The British pound has been a standard of value and the Bank of England has stood with Gibraltar-like strength for so long that the memory of man runneth not to the contrary. The sudden fall of the pound from \$4.85 to \$3.71 in New York, even though it was followed by an immediate rally to \$4.20, seems to mark the end of one epoch and the beginning of another.

Stabilization Is a Worldwide Need

WHETHER the suspension of gold payments will actually be for only six months or whether it will lead to the stabilization of the pound at a lower level, is still to be determined. During the post-war years we have seen the franc stabilized at approximately one-fifth of its former value, and the lira at one-fourth. The mark and the rouble were put on a firm footing only after the old issues had been completely wiped out. Nothing so devastating as either one of those courses can happen in Great Britain, but it is entirely thinkable that the pound will fluctuate

until it comes to rest at the level of half or something more than half of its gold value. Such an event would produce profound disturbances in British industry and in the real incomes and standards of living of the people of Great Britain. Its effect in the enhancement of America's financial power and prestige is something to be contemplated with more apprehension than pride. America already has a larger proportion of the world's gold and a greater degree of dominance in world finance than is good for her. It is with no sense of gratification that we view the possibility of a further increase of both. But whether the dollar goes up or down as the immediate result of the fluctuations of the pound, whether New York becomes more completely than it already is the financial capital of the world, the most inescapable conclusion from the British difficulty is that the financial structure of the world is not so indestructibly sound as it has been supposed to be. Is it not possible that, in the words of Shakespeare's Wolsey, we have all ventured "like little wanton boys" on bladders too far from shore? The tottering pound is only one symbol of the necessity of sweeping reconstructions to make the world safe for the great human enterprise.

The President Faces The Legion

THE PRESIDENT did a fine, courageous thing when he went to Detroit to tell the assembled American Legion that patriotism at present means economy in governmental expenditures. There has been much pressure in the legion for legislation authorizing immediate loans to the full value of the "adjusted compensation certificates." Although the legion's commander rather tentatively advised against this course, the President had every reason to know that he would not be speaking pleasing words when he called on the legion to support him in a campaign of economy which would include this item, and urged its "determined opposition to additional demands upon the nation until we have won this war against world depression." He made it clear that he was speaking "not only of veterans' legislation which has

been urged for action at this convention, but equally of demands for every other project proposed in the country which would require increased federal expenditure." Nevertheless, the veterans' legislation was clearly in the foreground of everybody's thought. Certainly it was foremost in the President's mind. That is why he went to Detroit. So far as could be judged by the immediate reaction of the audience, his words carried weight and made a favorable impression. It would, indeed, be difficult to believe that the members of a patriotic organization would so far put their personal financial interests ahead of the public welfare as to back a raid upon the treasury at such a time as this. The President was wise as well as courageous in appealing, face to face, to the legion to consider first what service it can render to the country rather than what they can get from it.

David Starr Jordan, Scientist, Educator and Pacifist

IN HIS YOUTH David Starr Jordan acquired fame as a zoologist. In his middle years, while maintaining and enhancing his reputation as a scientist, he became still more widely known as an educator, as the first president and virtually the organizer of Leland Stanford university. But neither science nor education offered a wide enough field for his powers and interests, and in his old age he devoted his still unabated energies to social reform. It was said that at one time he knew more about fish than any other man in America, but his interest in humanity was greater than his interest in fish. So he became a student of heredity and eugenics, an advocate of world peace, and an apostle of temperance. His antipathy to alcohol dated from early in his career and many thousands have heard his famous lecture in which he said that, when a man invites another to have a drink, what he should say, if he spoke with scientific accuracy, is, "Come, let us paralyze our phagocytes together." During and after the war, Dr. Jordan became more and more internationally minded. He realized the inhumanity of war and the futility of militarism as a means of preserving peace, and raised his voice at every opportunity in favor of friendly and pacific attitudes among the nations, disarmament and the outlawry of war. He lived to the good age of eighty, and his death last week marked the passing of a great American.

The Japanese Take Mukden

AS USUAL, it is necessary to counsel extreme caution in reaching conclusions as to what has happened in Manchuria and who is to blame. All the reports so far cabled to this country are either the product of Japanese news agencies or originated in Chinese cities hundreds of miles from the scene of the fighting. It seems fairly certain that Japanese troops have occupied not only the Manchurian capi-

tal, Mukden, but all the important centers of southern Manchuria. Something approximating a Japanese military occupation of more than half of this large province has apparently been set up. Whether this was provoked by Chinese military aggressions, either on the Japanese-administered South Manchurian railway or on Japanese soldiers acting as railway guards, is yet to be determined. It is also unknown as to how seriously the Chinese attempted to dispute the advance of the Japanese troops. It will be very hard indeed to apportion blame with certainty. The whole situation in Manchuria makes it easy to escape responsibility for breaches of the peace which may occur there. Technically, Manchuria is a Chinese province. But it is a province over which the central Chinese government, in Nanking, has no control, and in which the authority of the local governor, Marshal Chang Hsueh-liang, is, in practice, reduced to a shadow by the presence of Russian and Japanese troops. Moreover, it is not clear that the Japanese troops, in this instance, acted on any higher authority than that of local commanders, and there are undisguised hints, in dispatches from Tokyo, of a break between the Japanese foreign office and the war office over the outburst of hostilities.

Will Manchuria Become an Eastern Balkans?

WITH this clash coming on the heels of the fighting between the Chinese and the Russians over the other railway in Manchuria, one wonders whether the prophecy that Manchuria is to be the Balkans of the orient is being fulfilled. The elements which may combine to produce major international trouble are certainly present in Manchuria in greater profusion than anywhere else in the east. In the first place, there is the foggy political situation, already mentioned. In the second place, there is the fact that the province is the nexus for the ambitions of three great nations. And in the third place, there is the economic urge involved in the colonization of one of the few remaining uncrowded fertile regions of Asia. Ever since the close of the world war, Manchuria has been pushing its way to the front in the economic life of the orient. It is already the home of the important soy bean industry, and it is rapidly becoming one of the world's principal wheat raising regions. Immigration has set in with a rush. The Chinese have gone north by the millions, and large colonies of Japanese have been settled in the province under the protection of the Japanese railroad administration. Some of this immigration has been of Koreans, who are now subjects of the Japanese empire. Clashes last summer led to the massacre of hundreds—it is alleged, thousands—of Chinese by Koreans. The failure of the Japanese authorities to prevent these outbreaks convinced the Chinese of virtual Japanese connivance. The temperature at Mukden, where Chinese authority and Japanese aggressiveness most directly clashed, has been steadily mounting. Now it seems to have

boiled over. We expect that this incident will be patched up, but the prospects for a future and more serious outburst remain altogether too good.

Are We To Be Scared Into Humanity?

ONE aspect of the developing campaign for unemployment relief goes far toward supporting the thesis of those who hold that the possessing group in our society will only respond adequately to the needs of others when they have been sufficiently scared. It is becoming more and more clear that the chief argument, in seeking contributions for relief funds, is to be the threat of an uprising—and particularly a communist uprising. Senator Borah's warning to the rich has been printed everywhere throughout the nation. The declaration of Mr. Silas H. Strawn, president of the United States chamber of commerce, that charity gifts are a form of insurance against socialism is to be found in another column of this paper. A good illustration of the way in which this pressure of fear is being applied has been shown by the deep interest of the governor's emergency commission in Illinois in the relief of the unemployed Negroes on Chicago's south side. The plight of this community, in which a total population of about 250,000 contains 40,000 unemployed, is desperate. But it is not a great deal worse now than it was last winter. Yet last winter responsible Negro leaders were convinced that they could not obtain adequate attention for the needs of their people, while this year help for the Negroes is at the forefront of the community's planning. Why? The answer is to be found in the communist riots that accompanied last summer's evictions in the black belt of Chicago, and the communist massmeetings that are being held ceaselessly in one of the south side parks. Christianity holds that problems of social maladjustment are to be solved by appeal to the power of good will, but actual experience tends to prove that most people who call themselves Christians respond much more quickly and generously to a good scare.

A Test Case Concerning the Freedom of the Air

WITHIN the next few weeks the federal radio commission will render final judgment as to whether radio station WEVD is to be excluded from the air. The station has had temporary suspension orders entered against it; it is now announced that the technical advisers of the commission have recommended that its license be not renewed and its share of the air be turned over to station WFOX, a commercial station operated from the Fox theater building in Brooklyn, and carrying certain Fox theater programs to the public. Here is a case which gives a clear-cut test of the intentions of the radio commission so far as the future freedom of the air is concerned. Undoubtedly, station WEVD has been guilty of the technical violations of commission rules with which it has

been charged. These have never been very serious, and we are assured that they have been remedied in recent months. It may also be granted that the station has been restricted in its type of program. Here, too, there has been recent and important improvement. But the case against the station, as compiled by the radio commission's examiners, may be granted, and the question of policy involved in putting it off the air still remains. Whatever its past shortcomings, station WEVD is one of the very few stations in all the more than six hundred now operating which is openly dedicated to giving minority views. It was founded as a memorial to Eugene V. Debs, as its call letters signify; the president of the corporation maintaining it is Norman Thomas. It is planned as a non-commercial station, giving major attention to educational, religious, philanthropic and social affairs. It is important not so much because of what it is now as because of what it may become. If it is taken off the air, and its license turned over to a station of the type recommended by the examiner, that can be taken as evidence that the radio commission is against the future development of non-commercial, minority group broadcasting. Watch the decision in the WEVD case and you will learn much about the air's freedom in the United States.

Another Wet Canard Spiked

ON JUNE 10 the Sheboygan, Wisconsin, Press printed an editorial on economic conditions in the Virgin islands which, after quoting President Hoover's reference to "an effective poorhouse," added, "President Hoover might have gone on further and said: 'It was unfortunate that this country enacted prohibition, for it changed the Virgin islands from a prosperous to the poorhouse condition that I have referred to.'" This interpretation of the poverty of the Virgin islands as having been caused by the ruthless destruction of the native source of livelihood under the operations of American prohibition has been broadcast by the press of this country. Now, however, Mr. Harry E. Taylor, commissioner of industry of the islands, comes forward with a public letter to the Wisconsin editor which in 2500 words demolishes the entire argument, and exposes its principal elements as myths. Thus, instead of prohibition having ruined the bay rum industry, as has been charged, Commissioner Taylor shows that, while the total exportation of bay rum in 1911-20 was 321,589 gallons, the exportation during 1921-30, under the "destructive" American regime, was 823,453 gallons! He quotes, moreover, from the report of the Danish parliamentary commission, made in 1916, to show that the Danish West Indies had been on the economic downgrade for a generation, "the chief reasons" being "the low sugar prices . . . and the changed conditions in commerce and navigation brought about by the replacement of sailing ships by modern steam vessels, so that Saint Thomas, for the

greater part, has lost her importance as a port of call and an emporium." Commissioner Taylor also points out that the boll weevil has wiped out the islands' once flourishing cotton industry. There is no question about the severity of economic conditions in the islands, as Mr. Hoover stated. But Commissioner Taylor's whole document amply sustains his graphic summary: "Prohibition added little more to the economic downfall of the Virgin islands than did the anti-spitting ordinance in New York."

What Is a Dole?

AS ONE necessary act of preparation for the hardest winter in memory it is time that American citizens were taking a long and careful look at this word "dole." The newspapers are full of it. Public speakers ring the changes on it. It appears in the resolutions of one convention after another. It is as certain as the return of breadlines that the coming winter will hear it repeated over and over and over again. Always, the reference will be made in such a way as to warn the country against it. "Beware the dole!" The words may soon assume the proportions of a national slogan. The more reason, therefore, why they should be understood. What is a dole?

If the word is to be anything more than a papier maché dragon or a pumpkin-head to frighten the timid, we ought to find out what it means.

The other night Mr. Silas H. Strawn, of Chicago, attempted to tell the American public about the danger of a dole. Mr. Strawn is one of the nation's most conspicuous men. He has been president of the American Bar association. He is the president of the United States chamber of commerce. He is chairman of the board of Montgomery Ward and Company. He was one of the first men summoned by President Hoover when the formation of the Gifford committee was in the offing. When, therefore, Mr. Strawn desired to address the public on the proper policy to be followed during the coming winter a nationwide radio hook-up was put at his disposal, and almost the entire press of the country printed his words.

The very title of Mr. Strawn's speech, "More Faith and Fewer Nostrums," shows the spirit in which he approached consideration of the present crisis. That is exactly what big business has been calling for since the crash first came, now more than two years ago. Faith that the worst would be over in sixty days; faith that recovery was just around the corner; faith that the amount of unemployment and human suffering was exaggerated—with the result that the country enters on its third winter of misery as much without a sense of direction as when it plunged into the depression. Nostrums? What nostrums, pray, have been employed, except the incessant business adjuration to economic Couéism?

But that, after all, is not the feature of Mr. Strawn's speech with which we are now principally

concerned. What interests us is the fact that this representative of the business interests, given this opportunity to speak to the entire nation, and warning his hearers, as he did, that the whole world was looking to them for leadership, spent practically all of his time decrying "the dole." To set up a dole system, either "private or governmental," said Mr. Strawn, "would be a greater calamity than any that has yet befallen this country."

"Beware the dole!" But what, it is fair to ask, does big business favor? Certainly it knows that *something* of an organized character will have to be done. If not a dole, then what? Mr. Strawn put his answer in this fashion: "I am in entire accord with the plan of the President in the selection of a general overseeing committee to encourage local communities to take care of their own unemployed during the coming winter. I regard it as the duty of every employer of labor and of every one else who can by reasonable sacrifice do so to contribute liberally to the unemployed funds now being collected throughout the country. These contributions are not charitable gifts. They are premiums on insurance against socialism and the stability of our government."

"Beware the dole; contribute to the unemployed funds!" In humanity's name, what absurdity is this! Yet this is typical of the nonsense that is being talked by a large part of the nation's leadership. What does it mean? Have our men of power lost their reason? Do words have no meaning for them? Of course not. But the bitter truth is that we are going into this critical winter handicapped, so far as intelligent public action is concerned, by a deliberate attempt to confuse the national mind over this word "dole."

It is time to stop this attempt at confusion before it does untold harm.

The nation needs to face the facts. The facts show that, up to the present, and in the future if the plans of the Gifford committee are adhered to, by far the largest part of the effort to deal with the unemployment crisis has been and will be by resort to a dole. Last winter was a dole winter. This winter is to be a dole winter. And as long as unemployment persists on a vast scale and relief is on a charity basis the winters that stretch ahead will be dole winters.

Stop fooling with words! A breadline is a dole. A soup kitchen is a dole. The sort of charity relief that our cities were forced to resort to last winter is a dole. Even the job that is obviously manufactured, not because it needs to be done but as a sort of ticket for a meal, is a dole. America is on a dole basis at this minute, and it is headed—if big business has its way—deeper and deeper into the dole quicksand.

Of course it will be objected that the leaders who are warning the nation against the peril of a dole are using the word in a specialized sense. Well, what sense? When Mr. Strawn used it, what was he really trying to keep the nation from doing? A study of his speech shows that he was really against two things: compulsory unemployment insurance and a federal program of unemployment relief. That, it is fair to

say, is what is meant in ninety per cent of the cases when the country is warned against the dole. It does not mean, as some will contend, that the dole is *any* relief financed from public funds. The report of the Russell Sage foundation, just published, shows that last winter local public funds provided more than seventy per cent of the unemployment relief. (That, it should be noted, is a much higher percentage of public relief than in England, where the dole is regarded as such an incubus on the taxpayer.) No, the present "American" system has plenty of room in it for the employment of public funds. But the dole begins, according to the thinking of big business, when the funds come from the federal treasury, or when unemployment insurance is forced on the employer by the state.

It is not hard to understand why big business is attempting to establish this definition. If relief is to come from the federal treasury, there is a practical certainty of an increase in income taxes. And the demand will be for placing the burden of this new taxation on the upper brackets, no question about that. Local taxation, however, is seldom on income. Neither is it, in most cases, on plant investment. It is on the small home owner and, indirectly but none the less actually, on the rent payer. Hence, a system which requires seventy per cent of its funds from local taxation is "American," while a system that requires federal taxation of those best able to stand it is a "dole."

In the same way, compulsory unemployment insurance is to be tagged with a misleading label. Mr. Gerard Swope, president of the General Electric company, has shown that it is perfectly possible so to organize an industry as to provide stable employment or, in case of major industrial dislocation, adequate unemployment insurance. To accomplish this, however, in the present condition of American industry, based on its heritage of "rugged individualism," would require a revolution. Less than three per cent of the big business corporations have shown any readiness to attempt it voluntarily. Hence, any move that state or federal government might make to compel industry to assume the burden of its own human wreckage is to be resisted as a "dole."

A major social struggle lies ahead of the nation. With the suspicion growing on the one hand that unemployment on a vast scale is to be a chronic condition—even Mr. Strawn looks forward to nothing better than a continuation of the seven depression cycles in a century, which he enumerated—and with the evidence growing on the other that there are vast hordes of hidden wealth which the government can borrow at unprecedentedly low rates or can tax without imposing hardships, an upheaval is inevitable. Whatever may be the outcome, it is sound patriotism to try, from the beginning, to make the issues clear. If interested parties want to argue that private or local or state doles are all right and only federal doles are dangerous, let them tell why. If the public is to be told that the struggle is over a "dole," then let the public understand that a dole is precisely what we have now got.

Re-open the Macintosh Case!

A NEWS NOTE five lines long, tucked in an obscure corner of the morning paper, says that Chief Justice Hughes has returned to his office in Washington and is preparing for the reconvening of the Supreme Court of the United States on October 5, following the summer recess. To the casual reader this is but a bit of routine information. To the religious people of the nation, Christians and those of all other faiths, this bit of information has special significance. It is probable that at this session of the court a decision will be made of greater consequence to the spiritual and moral freedom of American citizens than the supreme court has ever made in its entire history. The case of Professor Macintosh, professor of Christian theology in Yale university, a Canadian subject whose application for citizenship in the United States was refused by a five to four decision of the court last spring, will come before the court at this session in the form of a petition for a rehearing. In this case is involved not alone the fate of Professor Macintosh, but the liberty of conscience of every American citizen, native-born as well as naturalized.

The principle at issue, in a word, is this: Does citizenship under the constitution exact advance consent from the native-born citizen that in the event of a conflict between his bona fide conscientious conviction and an act of congress he will accept the enactment of congress as the will of God?

We have stated the issue in terms of the native-born citizen, because that is where the supreme court placed it. The question as to whether Professor Macintosh was eligible for citizenship was argued by the court on the ground that he should not be given a privileged status as compared to the status of native-born citizens. This principle is not in dispute, either inside the court or in these pages. Certainly Professor Macintosh does not dispute it. He asks for no privileged position as a citizen. He would refuse it if it were offered him. In filing his application, he assumed that his statement of the right to exercise his conscience in withholding support from a hypothetical war which he believed unjust and contrary to the will of God was the assertion of a right now held by every native-born citizen.

The case of Professor Macintosh thus becomes the case of every American citizen. It is in no mood of sympathy for Professor Macintosh, but of moral self-interest that opposition to the court's decision has been aroused. It is not because Professor Macintosh has been affronted, but because our own citizenship has been outraged by the supreme court. Our constitution has been given a meaning it does not have, a meaning which has never before been imputed to it, a meaning which the fathers would have repudiated had it been suggested to them. It is a meaning which debases citizenship, poisons patriotism at the root, shifts our democracy to a basis of tyranny, erects the state

into a kind of pagan deity whose will is superior to the law of God, and casts such a blight upon spiritual religion that it can exist only in potential defiance of the law of the land.

Let us state the question at issue in the form of a syllogism, so that any school boy will grasp it.

Major premise: An alien applying for citizenship must not be given a privileged status as compared with native-born citizens.

Minor premise: In refusing to consent in advance that he will subordinate his conscience to the will of congress in the event of a war which he holds to be unjust and contrary to the will of God, Professor Macintosh is asking for such a privileged status, as the constitution requires this consent from every native-born citizen, and every native-born citizen impliedly gives it.

Conclusion: Therefore, the application of Professor Macintosh for citizenship is denied.

The argument, obviously, turns on the minor premise. If that premise is true, the conclusion is sound. If it is not true, the conclusion is not warranted. But native-born citizens are concerned, not with the conclusion, but with the minor premise. If that premise is true, they are vitally involved. They have already, by all the implications of their actual citizenship, given in advance their consent to support a future war which in good conscience they hold to be unjust and contrary to the will of God.

How does Chief Justice Hughes, supported by his minority colleagues, deal with this issue? He argues that no such obligation is imposed upon native-born citizens *as a condition of citizenship*. The constitution imposes no such obligation; the oath imposes no such obligation; congress has imposed no such obligation in the naturalization statute, where its omission, in the light of other express requirements touching an applicant's belief, is "highly significant." As a matter of fact, the chief justice continues, it is not true that such an obligation is involved in citizenship, because we have now, and always have had, many citizens, of whom Quakers are an illustration, who explicitly repudiate any such obligation, and a great multitude of citizens, not pacifists, who if they were asked "whether they would obey a law believed in conflict with religious duty," would answer as Professor Macintosh answers. Therefore Justice Hughes is unwilling to impose upon Professor Macintosh special requirements which are not imposed upon native-born citizens.

Continuing Mr. Hughes' argument in our own paraphrase, he asks, Is there, then, no obligation of citizens in the event of war? And he answers, Yes; but it is an obligation imposed upon *those who are already citizens*, not an obligation imposed as a condition of their being citizens or of their becoming citizens. This obligation is not inherent in the constitution, but arises only when an actual war arises. It is not constitutional, but *ad hoc*. The obligation to bear arms is *created by congress* when congress, in the exercise of its power, sees fit to impose it. But the

power of congress to impose it exists only when war is an actuality. It therefore cannot be regarded as a condition of citizenship. It is not a *continuing* obligation but an *occasional* obligation.

This is the essence of Justice Hughes' argument. That the distinction which he makes between an obligation as a *condition* of citizenship and what we have called an *ad hoc* obligation is sound, will be evident if we keep in mind the fact that an act of congress conscripting citizens for war is essentially an act of martial law. As the court's majority opinion points out, when war arises all civil rights—freedom of the press, speech, conscience, assemblage, etc.—are or may be superseded by the requirements of war. But this observation is fatal to the majority opinion. For the abrogation of these civil rights in war-time is an act of martial law. The court majority, therefore, in asserting that American citizenship is conditioned by unqualified consent to bear arms, asserts, in effect, that the basis of American citizenship is not civil law but martial law! What, patriotic reader, do you suppose the makers of the constitution would have said to such an interpretation of their handiwork?

Returning to the minority argument of Chief Justice Hughes, he contends that it has always been the practice of congress, whenever it laid this military obligation upon citizens, to treat the conscientious objector under a special ruling. Native-born and naturalized conscientious objectors alike have trusted congress to relieve them of that part of the obligation which was peculiarly repugnant to their religious convictions. The chief justice would have Professor Macintosh granted citizenship on this same basis, allowing him to entrust his fate to the continuance by congress of its traditional procedure. The majority denied him this fundamental right—the right of trusting congress to do justly by him. Instead, it would compel him to *pledge in advance* that he would not exercise this right which every native-born citizen may exercise—the right to trust congress to exempt him on grounds of conscience from the obligation to render combatant service.

A practice corroborative of Justice Hughes' conception of citizenship exists in our traditional treatment of those conscientious objectors who not only refuse to do combatant service but refuse to accept conscription at all. We put them in prison for the term of the war. *But we do not take their citizenship from them.* They are held guilty of a crime, but not of treason. They violated a law which was in operation while the war was on. When the war ended, the law was repealed and these prisoners were returned to their homes with their citizenship unimpaired. Such men even become candidates for the Presidency of the United States!

Two observations should be made before we close. One is that the foregoing treatment ignores the existence of the new law which the Kellogg pact brought into existence. This new law, which makes war illegal, greatly simplifies the case for a conscientious objector to war. But Professor Macintosh did not take

his stand on this new law, and his attorneys have not utilized it in their argument. We do not advise them now to do so. Our reason is that Professor Macintosh's position falls below the level of the Kellogg pact. He is not against war as such. He allows for the possibility of a just war, as distinguished from an unjust war. The Kellogg pact has legally abolished this distinction, and written into international law a condemnation and renunciation of war as such, and an agreement never to resort to it for the settlement of any dispute or conflict whatever. It is not war that is the essential issue in the Macintosh case, but the right of conscience. And we hold with his attorneys and Chief Justice Hughes that the constitution and the law which we received from the fathers are sufficient to justify his position.

The second observation is that no doubt should exist as to the propriety of letting the supreme court know that its decision is an outrage upon our citizenship. Some timid souls shrink at doing this. But the Macintosh case is not yet legally closed. The petition for a rehearing is an integral part of the legal process, and until it is refused, the pressure of intelligent public opinion should be brought to bear upon the court through public address, letters, articles, resolutions and in any other way that the court may be advised of the monumental error which it will commit if it insists upon writing martial law into the civil constitution of the United States.

Is It Sport?

EDITOR THE CHRISTIAN CENTURY:

SIR: I notice by the rotogravure pages of my newspaper that the city of Los Angeles has completed a large stadium in which the Olympic games of 1932 are to be held. The games, I take it, will be advertised to the ends of the earth as an agency for the promotion of international good will. That is the prophecy with which each of these quadrennial events is greeted. But unless my memory serves me false, actual experience has, in almost every case, been quite to the contrary. The games, instead of promoting international good will, have practically never failed to stir up international discord. Their principal result, if the columns of the press bear true witness, has been to furnish occasion for endless international backbiting.

Few indeed are the instances in which international sport in any form makes that contribution to international friendliness that its promoters promise. Consider, for instance, the squabbles that have accompanied competition for the "America" cup. And is it not true that, altogether aside from the disputes over particular races, the British public in general has gained the opinion that American sportsmanship insists on imposing conditions for that regatta which make a British victory practically impossible? If, sir, that is the effect of such a sport as yachting, what

must be the contribution to international misunderstanding of, shall we say, prize fighting? I venture the opinion that the reports in the Latin American press of the manner of Mr. Jack Dempsey's victory over Mr. Luis Firpo did as much to create ill will toward the "colossus of the north" as the marine expeditions sent to Nicaragua.

Perhaps you have noticed the reports of the recent motorboat races on the Detroit river. If so, you will know that the impression has been spread abroad that the American contestant, finding his boat outclassed by that of the British entrant, resorted to sharp practice to bring about the disqualification of his opponent. Even the American press, in so far as it has mentioned the matter at all, has almost unanimously condemned the action of the American. All sorts of explanations and extenuations have been offered in his behalf, but without affecting in the slightest the impression firmly fixed in the minds of the motorboating enthusiasts of the rest of the world that the United States is bound to win by hook or crook, and cares little whether it is hook or crook.

I have no doubt but that most of the bickerings which come out of international sporting events are very silly. And I am ready to agree that to make single incidents a basis of judgment of national character is even sillier. But that does not change the actualities. Considering the enormous costs of most of these contests, and the unfortunate results that come from them, might it not be one valuable contribution to that process of international pacification which you desire if, for say a decade, we might have a moratorium on these events that are dedicated to fun but breed fury?

Yours for peace, even on the playing fields,
QUINTUS QUIZ.

VERSE

Evidence

NEVER a soul to earth is born
But it greets life with a cry:
And always men tell of the strange white peace
On the faces of those who die.

CATHERINE CATE COBLENTZ.

Prayer

THOU who didst multiply, by Galilee,
Scant loaves and fishes for humanity,
Teach us to multiply our love and care,
Till no least life goes hungering anywhere.

FRANCES CROSBY HAMLET.

Love's Miracle

I DO not wonder that He raised the dead
And trod so surely the impatient sea.
I wonder only that He bowed His head
And bore His cross to save a thing like me.

ALEXANDER HARVEY.

The Crisis in British Socialism

By Reinhold Niebuhr

London, September 12.

THE crisis which brought into life the new "national" government which for the moment rules Great Britain, and the methods used to meet that crisis, bid fair to become epochal in British history. In brief words they spell the end of an era in the development of British parliamentary socialism. British socialism has been, for some years, the hope of all those in every nation who sought for methods to reorganize modern society without resort to violence and who believed that constitutional methods would prove adequate for even so stupendous a task. What has happened in Britain may not prove these hopes to be vain, but it has certainly proved that they have been held too complacently.

The facts, superficially considered, do not warrant such a tragic interpretation. All we see on the surface is that a growing deficit in the budget and in the national trade balance threatened a "flight from the pound," i.e., the gold basis of British currency, and that the labor cabinet found itself unable to agree upon the strategy necessary to avoid disaster. Whereupon a coalition cabinet was formed to propose a taxation and economy program for purposes of balancing the budget. The particular rock upon which the labor cabinet suffered shipwreck was the proposal to cut unemployment benefits by ten per cent. The basic "dole" for unemployed workers in Britain is \$4.25 per week with \$2.25 extra for married men and 50 cents extra for dependent children. The fact that a ten per cent cut in such benefits could cause a parliamentary crisis in Britain while America will worry through another winter of unemployment without any recognition by the federal government of the nation's responsibility for the misery of the unemployed marks the difference in social conscience between the two nations.

Abuses of the Dole

There have undoubtedly been abuses of the dole in Britain; but social facts are never justly judged from a partial perspective. The degree of severity with which one judges the vices of the idle poor and the idle rich depends upon previous political convictions. The majority of the labor cabinet decided that proposed economies should not include a diminution of the living standards of the poorest. MacDonald and Snowden adhered to the principle of "equality of sacrifice," a rather meaningless phrase in a society in which inequality is a basic characteristic. In the light of the economy budget which has been adopted the phrase really means that the poorest lose ten per cent of their income, salaries which come out of the budget are cut roughly 15 per cent, while taxation on unearned income is increased by 2.5 per cent, from 22.5 per cent to 25 per cent.

The mutual recriminations which have attended the crisis are instructive. Labor charges that the ten per cent cut in the dole was ordered by the bankers, including French and American bankers, who were expected to advance a loan to save the British sterling. The conservatives insist that the labor cabinet was intimidated by the trade unions. Each side expresses abhorrence of the interference in parliamentary business by extra-parliamentary influence. The facts seem to justify the charges of both sides, but the facts are merely a revelation of the character of modern society. Essential power in modern society is economic; and constitutional authority is more frequently the expression of, rather than the check upon, this power. The real struggle is between forces symbolized by bankers and trade unions. To be outraged by this fact is either to display ignorance or to feign ignorance for the sake of political effect. The possibility that American bankers may have brought pressure to bear against the dole for the sake of postponing its adoption here by discrediting it in Britain is an interesting and not improbable surmise.

The March Toward Social Justice

The problem which really confronted Britain in her emergency was whether the march toward social and economic justice could continue in a time of crisis, or whether the peril to the whole community was sufficient warrant to sacrifice the needs of the least powerful to the claims of the most powerful. It is significant that the labor party as a whole stood firm in avowing the former position while the two most eminent leaders of the party, MacDonald and Snowden, associated themselves with those who insisted on the latter course. MacDonald's explanation of his course is not without logical force. When a patient is in imminent danger of his life, he asserted, we offer whatever restoratives are available without too much concern for the ultimate regimen which will restore complete health. No other restorative than the one used was available; for labor, as a minority government, did not have sufficient force to dictate another course. Even if it had had complete parliamentary power it is questionable whether it could have carried through a more rigorous course so long as banking and credit are not under a more complete state control and subsist as independent sources of authority. The question which the British crisis raises, in other words, is whether constitutional socialism can continue its march toward the goal of economic justice and equality chiefly by the method of taxing the rich to feed the poor. The past decades of British history prove that it is possible to go a considerable distance upon that road and to achieve essential gains in social justice. The past weeks of British history prove that there are definite limits to such methods.

The most obvious limitation is that so long as pri-

vate capitalism lasts as the basic organization of economic society there are limits to the social burdens which may be placed upon it by taxation. The limits are given partly by the temper of the privileged community which consents to a diminution of its privileges only up to a certain point; partly they are given by the actual economic situation. A privately organized industry may actually break down under a too heavy taxation load, while a socialized industry could easily bear the same social burdens. Taxation is, in other words, no adequate method for achieving the final end of the socialization of industry. It was natural that men like MacDonald and Snowden, not only because of their natural conservatism, but also because of their positions of high responsibility in the immediate business of the state, should have been prompted by their fear of immediate disaster which threatened the economic life of Britain; and it is equally natural that more rigorous socialists should have had their eye on the more ultimate goal.

Heroes and Villains

The fact that MacDonald, who was an outcast during the war, has become the hero of middle class Britain, while Arthur Henderson, who led the labor party into the war and whose distinguished services as foreign minister have earned the praise of the entire nation, is suddenly cast for the role of villain in the plot by the entire non-labor press, is an interesting revelation of the passion and prejudice of politics. If economic interest, and the prejudices which attend it, can make and unmake heroes and villains as quickly as that, in a nation justly noted for the urbanity with which it conducts its political struggles, one wonders what can be expected of other nations who try to preserve political sanity in a day of social reconstruction.

The fact is that the recent crisis has sharpened the class struggle in Britain tremendously. The social conflict has had a better chance of proceeding without violence in that nation than in any other. In Germany the possibility of avoiding violence is practically gone. In America it is too early to say what will happen; for as a nation we are only beginning to awaken to the seriousness of the social struggle which all industrial nations must face. In Britain alone the forces of reason and conscience seemed strong enough to mitigate the severities of the class struggle so that society could readjust its life to the necessities of an industrial civilization without undergoing periodic convulsions. British labor was less class-conscious, and the more privileged British community was more inclined to yield to pressure and to consent to the gradual approximation of social justice in an industrial society than any other similar group.

But the recent crisis has made labor more cynical and less confident of the adequacy of constitutional methods than ever before in its history. Its cynicism is clearly derived from the revelation of the power of the class interest of the privileged classes and the certainty with which that interest colors and determines

political judgment and policy. It is one of the ironies of history that privileged groups should be honestly affronted by the class-consciousness of laboring groups, which they regard as a peril to the state, while they do not realize how much their identification of their own interests with the welfare of the state is the very root of the proletarian mood.

Social Imagination

It requires a rather higher degree of social imagination than seems available in even the most enlightened state for a privileged man who has his income tax increased by five per cent in order that the needs of the poor may be met, not to feel aggrieved by the claims of society upon him and not to resist them with all the political weapons he possesses. In the limited imagination of most men privileges, no matter how fortuitously bestowed, are immediately transmuted into rights which must be defended at all costs. Naturally the classes who are bereft of such privileges, and who can hardly be expected to accept the fiction that privilege is the inevitable reward of virtue, will increase their revolutionary temper in proportion to the stubbornness of the privileged groups. This is what is happening in Britain.

This does not mean that the English are fated to march in the direction of revolution. The saving graces of English political life are not completely dissipated. It is still true that there are large circles in which a high degree of social intelligence and of religious imagination enables men to see the needs of other groups than their own and to qualify political prejudice by community consciousness. Only it has become a more open question whether such forces are sufficiently powerful and have sufficient promise of increasing strength to avert ultimate political catastrophe.

In some respects the rigorous Snowden budget, which the nation has accepted with stolid fortitude, is not the immediate restorative which a patient expects when he swallows a bitter pill. British currency was endangered not chiefly because the budget was not balanced, but because the trade balance was becoming more and more consistently adverse so that even invisible exports (profits from foreign investments) did not make up the deficit. A budget deficit alone can not destroy confidence in the monetary system, or the American dollar would be in worse peril than the British pound, for our budget deficit is a billion dollars and the British deficit is only one-third that amount.

Britain's Dwindling Foreign Trade

The worst peril which Britain faces is its dwindling foreign trade and the constant drain upon its gold reserves caused by this fact and by the effects of reparations and war debts. The centralization of two-thirds of the world's gold supply in the hands of America and France, the two nations which profit from reparation payments, has virtually placed England under the heel of France. Its original sentiment-

tal subservience to French policy, for which the tories and more particularly Austen Chamberlain, are responsible, has become an involuntary servitude. French bankers hold the whip hand in both the economic and political life of Europe. What they do with their power may be seen very clearly in their recent successful prohibition of the Austro-German custom union. The British will try to extricate themselves from their situation by tariffs and possibly by the prohibition of luxury imports. Tariffs are a virtual certainty in the immediate future of Britain. The labor party will join the tories in voting tariffs and even such liberals as Sir John Simon will desert the ship of free trade.

They may offer the nation immediate relief, but its ultimate salvation depends upon a rehabilitation of industrial efficiency so that they will be more capable of meeting American and German competition, and upon a new deal in reparations and war debts. Both the English and the German domestic crisis must finally wait for solution upon new international arrangements. Dean Donham has pointed out that un-

der the present arrangement America has it in her power to destroy the economic life of both Germany and England. It is easy to see that there would be no final advantage in such a course for us. We might reap an immediate economic advantage and France an immediate political one from a perpetuation of the present policy. But the whole structure of western civilization is ultimately imperiled by it. Germany is in the more immediate peril, but Britain is in danger almost as great. Whichever way we turn, and the problem of whatever nation we consider, we must finally discover the international character of the problem. We live in an interdependent world and every domestic problem, including our own, becomes an international one. In view of that fact one can have an optimistic view of the future only if one estimates the international intelligence of contemporary man more highly than the facts seem to warrant. There is a slight warrant for such optimism, for one never knows how much the pressure of need may create or develop hitherto unsuspected resources of reason and imagination.

In China's Flood

By James V. Latimer

TONIGHT at dinner I was asked, "Well, how do you feel today?" I'll tell you how I feel. I am a Navy Y. M. C. A. secretary in Hankow, one of the three splendid cities that form the Wuhan center. These are Hankow and Hanyang on the west bank of the Yangtze, and Wuchang, across the river. I had heard of the capers of the Yangtze river and sincerely hoped I might be here some summer when she went on a rampage. I shall never again wish to see a flood, much less experience one. During the last three years I have experienced the coldest winter recorded in Hankow and also the hottest summer. I have gone through a few local uprisings and changes of governments. I have been through bandit territory in an effort to help in the rescue of men who had then been held for seven months by a roving band of communists. I had cholera once, and that was enough, and amoebic dysentery a few times. I have also lived here without my wife and with her. She left for New York city on the 17th of June and I was sorry to see her go, and I expected to join her in October. I am now glad she is not here. I may be wished onto Hankow for an indefinite period of time, because I do want to see our streets again and walk on land once more before leaving for the states.

Burials Where There Is No Land

Yet today I seem to be sure of but one thing, and that is, if any one of our good citizens should decide to pass on and enter upon that great adventure called death, all we could do for him would be to dress him

in his best white suit, tie a bag of river mud to his feet and ease him overboard a mile or two out in the river. Did you ever see a burial where there is no land and no coffin? I have. When the Chinese give up the struggle these days they just float around for a few days, then are caught by some current that carries them out into the main stream.

Under usual conditions August brings us a rise of from forty to forty-five feet in the water of the Yangtze here, measured from a fixed low water average known as zero. I have seen the 90 foot high water mark in Chungking and the water mark in the gorges, which was near to the 200 foot mark. Such records are possible when the melting snows of Tibet add their abundance to our rainfall. It does not rain much here, yet I have seen twenty-one inches fall in seven days. That is a good high average. The high water marks of the upper river are due to the narrow banks and the rock barriers which hold the waters in check. A rise of ten feet at Ichang does not worry us because we know that will mean only a foot or so here.

The river here is about a mile wide between the cities of Hankow and Wuchang. It runs almost due north. A few miles below the city it turns to the east, and continues on its way to Shanghai, six hundred miles away, then on out to paint the sea yellow half-way to Japan. From the northwest comes the Han river, which fastened its name to the two Han cities here; Hankow ("The mouth of the Han") and Hanyang. Wuchang is on the east side of the big

river. These three cities form the Wuhan municipality, which is the most important shipping center in China. Wood oil for America and Europe passes through here at the rate of a thousand tons per week, under usual conditions, while four million goatskins from Szechuen are transhipped here for American ports and leather manufactories. We ship tea into Siberia and Russia, sausage casings to all parts of the world, pig bristles for American tooth brushes, frozen and powdered eggs to all countries, etc., etc. Yes, this is an important center. The bund is five miles long and has pontoons and wharfs for nearly every line of steamers in the world. Without transshipment, cargo can be sent from Hankow to Hamburg, to New York, and to various other important shipping centers of the world.

Hankow's Concessions

Lying next to the Han river is the Chinese city, with its splendid and newly built bunding. To the north lies the former British concession, yielded in 1927 under the terms of the Chen-O'Malley agreement, upon demand of the communists here. Then follow in order the former Russian concession, the French concession, the ex-German concession and the Japanese concession. If you ask me why these two concessions are permitted to remain concessions, I shall have to suggest that you ask someone who knows, for I do not. Beyond the Japanese concession there is more Chinese city, and the great oil installations of the Asiatic Petroleum company, the Standard Oil company of New York and the Texas company. Behind all these to the west, and on a much lower level, is some more Chinese city, the Race club, and a residential section for foreigners, known as the Jardine estate.

This portion was bought up some years ago by one of the great shipping firms here, filled in and developed. Many of my friends have lived there and the residences are the best in the city, with ample grounds well laid out. A month ago the Cosmopolitan club held its meeting out in the park there, known as a "Garden." It was a wonderful place. That section of the city is at a 31 foot level. So when I tell you that we have 53 ft. 8 in. of water here you will know that they have about 22 feet in their residences in the estate. You will also know about how I feel when I think of those splendid homes where my friends have been gracious and hospitable and where we have dined, danced and played bridge.

Heavy Going on the Race Tracks

In this same district which was protected by a fifty-six foot dyke on the west and the railway grade on the east just back of the city, built to take a fifty-four foot head of water—in this district are the race clubs. One was the Chinese race club for Chinese, one the International race club for all peoples, and one the Hankow race club and recreation grounds built up and maintained for foreigners. The Chinese were not permitted excepting on race days. Our Mon-

golian ponies can't run much and we know it, but they are among the best in China. At "our" race club we have a layout that causes Americans to open their eyes in wonder, and even New Yorkers admit that it is unique. Several hundred acres of land are surrounded by a concrete wall. There is but one entrance and exit. We have a club house, a card room, a parimutuel room, a bar, a swimming pool which is covered over in the autumn and forms the Bull Pen which is used for afternoon teas, concerts, parties, dances and such balls as St. George's (British), St. Andrew's (Scotch), St. David's (Welsh), and "St." George Washington's (American).

To the left of the club lies the race track. Inside of this are a nine hole golf course and ample ground for pony polo, hockey, football, and so on. In front lies a splendid garden and the children's playground. To the right and back of the building we find lawn bowls, tennis courts, the cricket field, baseball diamond, and an eighteen hole golf course. We also have stables for the ponies, whether racers or otherwise, and quarters for the jockeys and mafoos. These faithful servants and their families took to the grandstand when the water rose, and are there yet, a few hundred of them. The ponies were shipped out to Shanghai on short notice and consigned to the race club there, without the knowledge or consent of the parties concerned.

The last time I saw the race club there were seven inches of muddy water over the main floor. I am sure the dancing floor was altogether too slippery and that the bar was the "wettest" in the world. But the water was just getting a good start then. We now seem to be fairly stationary at the 53 ft. 8 in. level. By studying the water charts covering many years we are persuaded that our city streets will not be free of water until sometime in October and that the Jardine estate will not show land much before December. Then do you ask me how I feel?

A Joke That Palled

During the early stages of the high water here we all took it as a joke and had a lot of fun. When it got into a friend's kitchen or godown we jollied him and he laughed with us. When boats first began to appear in the streets instead of motor cars and rickshas, some friends hired one at night, put in a victrola and went serenading. Really our high water was a big joke. The river here, a mile wide, used to afford a pleasant ferry ride on a hot evening when one needed a change and Wuchang friends on the other side always kept open house. But now the mail pilots tell us that when flying at an altitude of five thousand feet they cannot see land on either side. Some think the river here is a hundred miles wide now, or wider.

For a long time the railway embankment offered a footing for tens of thousands of refugees, but that is now covered. I do not know what has become of the people, but I can guess. It was funny at first to see people wading the main streets, but it was not amusing to me yesterday when I saw a father in the streets

in front of us with his naked six year old son on his shoulders, and his wife and younger daughter following as best they could in water up to their shoulders. They were headed for the river two blocks away and were going into deeper water all the while. I was utterly helpless. They carried no baggage or parcel, either of food or of clothing.

It was funny at first to see a man towing a plank on which were six spring chickens. These were possibly all he had saved from his wrecked home and he was doing his best to save a few to give him a new start when and if the waters receded. But it is not amusing to see thousands every day milling around in the water, with a garment or two balanced on their heads—just milling around trying to find some better place, and failing at every turn. Then they meet thousands of others on the same street milling around, but going in the opposite direction.

It was exceedingly funny to see Professor Stenn Bugge just after he had gone over backwards in a ricksha and came up sputtering and waded out. He had been riding up on top with his feet on the seat, and he overbalanced the fellow between the handle bars. But it was not so funny to look out over the dirt and filth of the water and to realize that you had to go in also, and that your own visit would be for hours at a time. We joked the fellow a lot whose car was on a low bit of land and who was trying to jack it up so as to save the engine and wiring. But it was not so funny to watch the water creep up onto your own car, just a little each day, and finally submerge it while you waded around utterly helpless. Then, too, I have looked in on the show rooms of the Gale company and of Arnholds' and Gillespie's and others and have seen splendid Packards, Buicks, Dodges, Fords, and all the others just rusting away in the Yangtze water and with no help possible for months to come.

When the "Y" Went Wet

My own experience here is not far from the average. We have a beautiful new building two blocks from the river and in the heart of the business district of Hankow. When the water began to creep up on us we dammed off the front gates and put coolies at work with pails dipping water. In that way we kept our walks dry and people could step over the dams from their cars or rickshas and come in to enjoy the soda fountain and other services offered. Later on we built the dams higher and installed pumps, and dammed off the doors to the barber shop, to the billiard room, auxiliary kitchen, etc. The next step was to put on a night force of pumpers and continue our twenty-four hour effort to keep above the water.

Every day we expected a drop in the water level, but it did not come. We built the dams higher, then higher. The elevated walk to the gates was often found floating in the morning, and no one could get out or in until we had rebuilt it higher. The discharge from the septic tanks, sewers, and from the

open closets backed up in the streets and into our compound. Nothing was carried out to sea, because the water was coming in all the time. We learned how the ex-German concession and the Japanese concession had kept the water out of their territory by the building of dams of sand bags and of clay, and we were critical of our city managers for not taking foresight. Then the water invaded those city sections also, not breaking through or over the dams, but from underneath the streets, and the water spouted up like water from broken mains which had been laid too near the surface.

The newspapers ceased publication because of the press rooms being flooded, the telephones worked only sometimes, the ice plants were forced to close down, the shops closed their doors and moved upstairs, if they had one, the electric lights went off in nine-tenths of these cities, food stuffs became scarce and almost impossible to obtain—but we fought on.

One morning I found three inches of water over our ground floor, and the next morning it stood at eighteen inches. It is now about four feet deep. We realized that we were licked. We began to salvage in eighteen inches of water, and continued until yesterday when we worked in forty-eight. It was not pleasant to go down into the water and its filth, alive with vermin and snakes, but I have already had nine hours of it. After coming out, only a strong lysol bath makes one feel presentable and outwardly sterilized. Yet I could not ask my staff, whether steward or coolies, to do that which I myself was unwilling to do. They have stood by me faithfully and have given me the finest cooperation. They followed me into the water and filth with a smile, and I heard not a single word of complaint. We have now salvaged all we can, and await the final results as the water continues to creep up at the rate of an inch per day. It will get us eventually, but not today. Two public utilities still remain for us in this section of the city. These are lights and water. But we have been warned to expect the lights to go at any time. We fought the good fight and were licked. Yet we refuse to retreat.

Worst Still to Come

The bishop of Hankow asked me two days ago what good suggestions I have toward the solution of our tremendous problems. I have no suggestions and no plans. It is estimated that we have three million people destitute. The worst has not yet been reached. Look where you will and you cannot see a spear of grass, a field for planting, an animal of any description, or any promise of continuation of life after the water goes down in December. My only suggestion is that the people be shipped out to where there is dry land and something to eat. That would be considered an unsocial act, I suppose, but there is no profit in holding them here. I have not set foot on dry land in more than three weeks and shall probably not do so for a long time to come. The river recedes about an inch per day after the fall begins. You can then figure for yourself how long it will take to

clear the back city of its twenty-two feet of water.

And a friend asked me how I feel! I have seen the greatest flood in the written history of China, and do not feel elated. I am losing feeling of all kind. I am crushed. One does not see people smile these days, nor does he hear a laugh. All carry a worried look. We are inoculating against cholera, typhoid, typhus, and the like, but there is no vaccine against

the after effects of such an experience. We are told that war is hell. But in war you can put up a devil of a fight. Then war has one heavenly virtue. When you stop fighting the enemy usually stops also and takes pity on the vanquished. Not so with a flood. It just keeps on and on and on.

How do I feel? Just a bit worse than any of you who have read this article through.

A Dry Democrat Looks Forward

By Wayne C. Williams

THE NEXT democratic nominee for the presidency resides in the city of New York. He is about five feet seven inches tall; has blue eyes and a conspicuous nose, is fair haired slightly tinged with gray, and wears a brown derby on certain conspicuous occasions. He is fifty-seven years old. Lest these descriptive items may not furnish a clue to this "mysterious stranger," we hasten to say that his name is Alfred Emanuel Smith.

This unqualified prophecy must, after all, be somewhat spoiled by two qualifications; the first being that in 1932 Smith shall be alive and capable of taking the nomination, and the second that he does not purposely remove himself from the race. Barring these two conditions (and they by no means destroy the force of our prophecy) Smith intends to nominate Smith.

A fundamental mistake is being made by the opponents of the last democratic nominee. This mistake lies in underestimating the ambition, the persistence and the cleverness of Al Smith. Why should Smith listen to the pleas of anti-Smith democrats (even among the wets) and wait until 1936 or 1940? He will be past sixty, four years hence and out of the running. If he had begun as Bryan did at the age of thirty-six, he might well wait. But Bryan did not wait, and his brilliant career abundantly proves that one defeat does not disqualify a man for running again for the highest office in the land. Clay ran three times and it is no more unnatural for Smith to seek to run again than it was for Clay or Bryan.

An interesting parallel: Bryan made his first race for the presidency in 1896 and a few months after his first defeat wrote and published "The First Battle." Smith lost in 1928 and soon thereafter published a story of his life which he called "Up to Now." Does an ambitious leader commit political suicide and inscribe on his political tombstone "Up to Now"?

Smith and Raskob are in absolute control of the democratic party. In over thirty states they hold the organization in the hollow of the hand and can hand-pick delegates to the next nominating convention as deftly as a Tammany boss picks delegates at a caucus. Unquestionably they will control a majority and, while it takes two-thirds to nominate, it takes only a majority to write their platform. Will Smith write a

dry platform or one silent on the liquor question, with millions of thirsty followers howling at his heels and his one pet issue about to be sidetracked? He will write a wet platform and then dare Roosevelt to run on it.

But the picture is not complete for we have much more indubitable evidence that Smith has planned to run again ever since the night of his defeat, and this comes from the carefully laid plan to take revenge on those daring, courageous southern dry democrats who dared to bolt him in 1928! With a deliberation and a foresight that cannot be gainsaid or misunderstood, Smith set out to drive from public life every democrat who placed his convictions above his personal ambitions. Indeed the punishment of these brave men was the first step in the Smith plan to run again and the marvel to northern dry democrats is that so many southern dry democrats lent themselves to the plan. With punishment written in large letters on the careers of these men who dared to bolt him, Smith now expects to hold the solid, dry democratic south in line for 1932 and along with them to gain back at least two border states. Then it remains for him to secure the heavy industrial cities so largely populated by an alien immigrant vote, and Smith is the idol and darling of this group as no other man in our time has ever been.

Roosevelt

The plan is all laid; every step has been taken with deliberate foresight and the democratic party is about to wake up again on a dull and sleepy summer morning and find Al Smith firmly seated in the saddle, with booze on the party banners and "The Sidewalks of New York" ringing in its ears.

But where does this leave Governor Roosevelt? His friends are declaring that personal and political gratitude argue trumpet-tongued for the support of Roosevelt by Smith. The Smith followers and the dry democrats could agree that Roosevelt is physically unable to lead the ticket next year, but even this consideration is a minor one with dry democrats who of course admire the spirit of a man who is fighting his way back to health from the withering effects of a blighting disease.

Dry democrats are interested chiefly in the convic-

tions and policies of Franklin D. Roosevelt on prohibition, and here we find complete disappointment. There is not one item in the Roosevelt program, personal attitude or record as governor from which any dry democrat can take either comfort or hope. The record is not one whit better than the Smith record, and in some things less appealing, for Roosevelt once saw the light and stood with the dries, and deserted them for his personal ambition, while Smith has at least been consistent in his position. The plain truth is that Roosevelt's views on prohibition preclude any consistent dry democrat from favoring him for the presidency. He has declared for the repeal of the 18th amendment and is hiding behind the transparent plea of the booze crowd for "states' rights." In New York his executive record on prohibition is a nullity, and has been as complete a nullification of the constitution of the United States (on that amendment) as Smith's record ever was.

What comfort or hope can a dry democrat find in placing in the white house a man openly committed to the repeal of the 18th amendment, the nullifying of every effort for the past seventy-five years to dedicate America to the principle of prohibition? Is the great cause to be bartered away for mere party success, or in order that one man's ambition to sit in the seats of the mighty shall be gratified at the sacrifice of a nation's moral position?

Overlooking the Votes

To state this issue is to answer it. No matter how anxious democrats may be to win a national election, the dry democrats who do the voting in the border states and in the north have committed themselves too far, are too deeply dedicated to the cause of prohibition to yield now and surrender their dearest principles to the wets.

Here is where both the Smith and Roosevelt voters are constantly missing it, and where they have failed to discern the underlying currents of American life. They have overlooked the votes of those who are not ambitious for passing fame, for place or power. They have neglected the power of Christian womanhood in America. Led by women like Mrs. Jesse W. Nicholson or Catherine Waugh McCulloch, the dry democratic women cannot be scared, or bossed, or herded into the wet camp. The thing has been tried. It failed ignominiously in 1928 and it will fail again.

They have failed, too, in underestimating the depth of conviction of dry democrats, the historic background of this whole struggle, its relation to national wellbeing and sound public morality. It only shows how much deeper are moral issues than other issues. The lifelong convictions of the dry voter are a part of him; an element in his religion, created in him at some altar or fireside. For these convictions he has given up hope of party preferment, or personal ambition. Men and women have died for this cause. Tammany and the wet democrats cannot understand how a man or men can die for any issue. That is their fundamental weakness.

Here is a startling political anomaly—several million dry democrats but not one of them may aspire to the presidency. Why? Because Smith and Raskob do not want a dry democratic candidate. They contemptuously notify dry democrats who believe in prohibition that they are not wanted as candidates, as leaders, nor to participate in any part of the party program. They are expected to smother their lifelong convictions and support wet candidates, especially the Tammany hall brand. Smith and Raskob feel that they can disregard the dry democrats of the west and border states. They have dealt with the south dry rebels by administering third degree punishment to their leaders and feel that they have the south coerced.

Why is it that no dry democrat dare aspire to the presidential nomination? What chance has a Senator Costigan, or any of that brilliant galaxy of Washingtonians upon whom the mantle of Wilson and Bryan descended—Houston Thompson, Daniel Roper and Congressman Jamieson? Why has Catholic Senator Walsh (of Montana, of course) not a chance to be considered?

Yet a Ritchie, a Smith, a Lewis meets instant favor in the wet councils of the party? Can only a wet democrat be a future nominee for the presidency? Must a dry democrat henceforth look only to dripping wets as his party nominees?

If there is any real hope for the dry democrats it is in Mr. McAdoo. Were he now to sound a call to battle the whole situation would be changed in an instant. His reluctance again to take definite leadership is the one thing that gives the wet democrats such an apparent lease of power. Should this gifted and brilliant champion (of progressivism as well as prohibition) again assume leadership there would be a new day for democracy.

A Daring Dry Leadership

But leadership now must be daring; it must be a leadership that is unafraid and will go on through to the end of the fight, no matter where that may lead. The dry democrats of the nation will not in this crisis follow a policy that leads inevitably to a blind alley and an abject surrender to the wets under Smith or Roosevelt leadership. The Bryan-Wilson democracy of the nation has not had a fighting issue nor a fighting spirit since the days of its great leaders.

The chances that a third party will be any real factor in the 1932 contest are extremely remote. Conditions do not exist out of which a third party can develop into anything formidable. No leadership is yet ready. The plans and policies are not specific enough to permit of the formulation of a concrete party program which will represent a rallying point for any large groups, now so diverse. A recent third party movement of intellectual people headed by John Dewey will not figure largely in votes, though it may well form the nucleus of a new party some quadrenniums hence.

Moreover, the third party progressives, the economic radicals, fail to take into account the nature of the great prohibition sweep, the sincerity and depth of conviction of the prohibition element. It is as wide as the nation, it prevails wherever Christians are found; it is a part of the Christian creed, Protestant and Catholic, for the dry Catholics are the staunchest advocates of prohibition to be found in the nation.

The economic radicals of both parties will undoubtedly some day form a new party, but if and when they do they must take the prohibition sentiment into account. Any movement, any new party that defies the eighteenth amendment is doomed in advance to overwhelming defeat. No one is asking that a new third party shall specially champion prohibition. We recognize that such a party will be formed to go into the

arena for other special causes. But such a movement cannot attack or flout law enforcement or the amendment. It must recognize the amendment as a settled national policy and must pledge itself to its enforcement. Such a party can then go on to its new reforms that may be required for the social conditions of that time in which it will become a real national movement. It can attract both dries and wets. No reform party can win by attacking prohibition.

On an independent dry democratic ticket McAdoo can poll many millions of votes (north and south) and carry a number of doubtful states. Either the great war secretary of the treasury or some other dry democratic leader can profoundly influence the future political history of the nation, and immortality waits for such a leader.

God, the Inescapable

(Part II)

By Henry Nelson Wieman

WE ARE seeking for that for which we can live and die in loving devotion because it is supremely worthful. Is there something to which all the resources of humanity can be committed, not only now but throughout all time, not only the resources of my race but all races? Is there something for which all humanity can blaze to destruction if need be, because it is more precious than anything else that is or ever can be? Can such passionate devotion of all men throughout all time be rationally justified? Yes, we say, if there is anything going on which carries the very highest possibilities of value, it alone is that for which all men should live supremely, and there is no other way of life which can be rationally justified.

We propose that that which carries highest possibilities of value is a kind of interaction which springs up between individuals and groups, which generates a growing body of shared experience. Through mutual criticism, clarification, and self-expression between individuals and groups, this body of shared experience takes on that kind of order which is called beauty and truth. It produces that kind of community which is called Christian love. Through it error is corrected, vision is magnified, sorrow and evil transmuted, creative synthesis achieved, stimulus and suggestion provided which give rise to new and unpredictable discoveries.

It is superhuman because it operates without the conscious intent of man and in opposition to most of his ways. This is revealed most clearly in the case of the child just as he learns how to talk. Then he babbles out his heart to those about him and seeks to share all their experience, without reservation of any kind. This he does quite spontaneously, without

any plan or purpose on his part. It is an activity that springs up within him and between him and others, when any favorable opportunity is offered. But it is thwarted and killed as soon as the plans and customs of men are brought to bear upon the child. So we say it is superhuman, although it operates in human life.

It is superhuman, furthermore, because it generates personality. It is a commonplace of social psychology that personality can exist only in a society. Personality is something that develops only when there is some interaction of the sort we have described. Therefore, human personality does not create this kind of interaction. Rather this interaction creates personality. The biological organism is created biologically. But the personality is created by this kind of social interaction. Fortunately for the child, there is always enough of this sharing of experience to make him a personality. But all other kinds of interaction maim and stunt our personalities. We are all more or less maimed and stunted. But here is what alone can save us and crown us with the supreme good. Here is God.

Genuine Creativity

Whatever is creative is on that account unpredictable, because creativity means precisely to bring forth what cannot be predicted. This interaction by which creative synthesis of experience is achieved, is the most creative activity we know anything about. It is progressive integration at the level of human society. We can sometimes observe it in operation when a group of individuals come together to discuss experiences, providing they come into this common presence with open minds, no one of them trying to display his own leadership or knowledge or brilliance, no one

trying to dominate, no one insisting on his own infallibility and yet no one fearing to express his truest conviction. Sometimes this process will get under way in such a group where two or three are gathered together in the right spirit. The consequences are then quite unpredictable and uncontrollable. No man going into such a group can predict what his ideas and his view of the world will be when he comes out of it. No man can tell how his own personality will be transformed. We are not referring to any emotional upheaval. We mean simply the transforming and molding power of this process of interaction.

No man can tell how the actual world in which he is to live will be transformed by it. We mean he cannot tell how different will be henceforth the objects that enlist his interest, how different will be the meaning he attaches to them, nor what new enterprise will hold him because of the work of this process of interaction. His world will be different, he will be different, his ideas will be different. History, in some measure, will be different. The process has objective, observable consequences and is unpredictable in its consequences, therefore cannot be controlled by men and in that sense is superhuman, sovereign over human life, not subject to humans. Yet human beings have their part in it and must meet certain conditions before it will operate.

Shutting Out God

But if this be God, we see how we shut him out of human life and what little part he has in our world. While he is sovereign when he begins to work, he waits on us to meet the conditions. But we do not meet the conditions, for they are very trying. If this be God, he can enter human life only in a very heart-breaking way. Christian tradition calls it the way of the cross. We submit that all social reform, social justice, and any other social improvement which does not bring God and man together in this blessed community, is just so much lost motion.

Jesus and the group he gathered brought to unique fulfillment that interaction between individuals which is the highest expression of God in the world. We call it the *interaction which creatively communizes experience*. This expression of God is by no means limited to Jesus and his group, but there we find it with peculiar fulness and power. Furthermore—and this is the important thing—this process of interaction which is God would not be operative in the world today to the measure it is, nor so accessible to men on meeting the required conditions, if Jesus had not lived. In this sense, God in Christ is a living and present power. Jesus is not only a great example and teacher, but one through whom we now have access to a saving power at work among men.

Jesus endured the suffering necessary to initiate a communizing process at deeper levels than had been known before. Not the nails but the misunderstanding was the source of his suffering and the price he had to pay. That kind of interaction (called the Holy Spirit) which engenders mutual understanding

at the deeper levels of experience cannot be brought to men unless some one first undergoes the cruelest kind of misunderstanding in introducing it. This is one meaning of the cross and the salvation that it brings. Since Jesus brought God into the world in this saving form at the price of great suffering, and since this saving power is still operative as a present process, we call him Savior. The interaction among men which engenders community of shared lives, in so far as it issues from the life of Jesus, is the saving power of Christ in the world today.

But our words and our ideas about God are very unworthy. There is nothing infallible about our present assertions nor the assertions of anyone else. Only we know infallibly that there is something unwordably precious which we call God. How do we know it? Because the best there is and ever can be, whatever its value and magnitude, is a self-proving proposition. Whoever has committed himself completely to living for that, has found the way of blessedness. All our ideas about God may be mistaken. All our efforts may be misdirected. It may be that the tenderest deed God can do is to slay us because of the error of our ways. But all our lives may be lived for God, all our powers devoted to him, despite our error, because our breathing and eating are only to serve him, however mistaken our efforts. All our searching is not to find the reality of God. God is certain. Our searching is to find the truth about God. We are uncertain about that.

Coming Revelation

When God is in the world with creative power far more than now, our ideas about him may become very different from anything in this writing. We shall then be able to observe him more carefully and continuously, and so correct the error in our present description of him. We may also find that we can only express what he has come to mean to us by the use of a richer and more intimate vocabulary than anything now at our command.

But the existence of God is beyond question. The existence of God ought to be taken for granted among all men as we take for granted the existence of earth and sun and trees. So it would be, as it has been throughout most of the history of man, if religious leaders had not identified God with their particular idea about God, thus compelling those who did not accept such ideas to deny the existence of God. If God is not thus and so, there is no God, they have said. Thus we have been thrust into the present confusion where thousands do not think there is any God and every discussion of God must labor over the question of God's existence instead of beginning where it ought to by taking the existence for granted and only inquiring what the nature of God must be.

The bare existence of God ought to be a commonplace, so commonplace that no one should consider it exciting. Where the excitement would commence, and the glory and wonder, would be in discovering what God is, not *that* he is. But the opposite move-

ment has gone so far in identifying God with certain beliefs about God, that many eminent leaders in religious thought assert that God is only an hypothesis! A religion based upon an hypothesis is impossible. The tremendous upthrust of religion must have solid rock on which to stand. Our ideas about God may well be hypothetical, but not the reality of God. In this I follow my good guide, Dr. William Adams Brown in his "Pathways to Certainty."

The peace and enthusiasm of religious living cannot depend on beliefs. They depend on living for God, however mysterious and unknown his nature,

and however mistaken and foolish my efforts. He who must depend on inspiring and optimistic beliefs about the universe and man, for peace in his heart and power in his hand, is lost. My beliefs do not sustain me. The inescapable reality of God sustains me. Therefore I question all my beliefs. This is that blessed foolishness which alone can release the full powers of critical intelligence. Only so can one dare the utmost rigor of scientific inquiry, not fleeing from it into any region of inner experience, but standing ready to cast out every belief which evidence will not support. For God is the inescapable reality.

B O O K S

Schweitzer Africanus

THE FOREST HOSPITAL AT LAMBARENE. By *Albert Schweitzer*. Henry Holt & Company, \$2.00.

A COMPARISON of the characters and careers of Dr. Albert Schweitzer and Sir Wilfred Grenfell reveals the heartening fact that neither race nor climate is more than a casual incident where the enterprises of great spirits are concerned. There is an identical quality in the work of the Englishman on the frozen coast of Labrador and of the German in the reeking jungles of what was formerly German but is now French Equatorial Africa.

Everybody knows, or ought to know, about Schweitzer. If he had chanced to live in a less literate age, legends would have grown up around him and within a century after his death the simple but marvelous record of his career would have developed into a story of miraculous exploits. At the age of thirty he had already won recognition for scholarship and original thought in the fields of theology and philosophy, had studied with the great organists of Paris and gained fame as one of the foremost organists in Europe, had written a standard life of Johann Sebastian Bach and had become perhaps the greatest authority upon the works of that greatest of musicians. Then he became a doctor of medicine and a skillful surgeon and went to Africa as an independent medical missionary. He earned the money for financing his mission and building his hospital by giving organ recitals throughout Europe. He was at Lambarene from 1913 to 1917, when ill health, the exhaustion of his funds and the turmoil of the war-racked world compelled him to come home. In 1924 he went out again. This book is the record of his experiences from 1924 until his return in 1928 for rest, funds and the completion of his work on "The Mysticism of St. Paul," which has now gone through two editions in German and has recently been published in English. He is now back in Africa, and there is hope that he may visit America next year.

Schweitzer has little to say about the "romance of Africa." Almost every casual traveler who has written a book is more fluent in rhapsodizing upon the haunting charm and the dark beauty of that mysterious continent. Though he unquestionably loves Africa and has given ample proof that he does, there is little evidence that he likes it. The climate along the Ogowe river is vile, the landscape has no great scenic beauty, and the people for the most part are and remain unappreciative savages. But there is suffering and dire need and the people, however unattractive their personal qualities may be, are human beings and therefore brothers and children of God. There is infinite patience with them, as much ten-

derness as is good for them, and unwearied service for their needs both physical and spiritual; but there is no sentimentality and no romanticizing of the situation. There is a job to be done which nobody else seems to want to do. The needs of men call him and the love of Christ constrains him, so he goes to it with the full strength of a powerful body and a great mind.

And what a job it is! It includes doctoring and operating more hours a day than would seem possible even if there were nothing else to do; keeping the peace and administering discipline to one or two hundred savage patients and their relatives; teaching morals and religion; erecting buildings; looking after the food supply; conducting original research in tropical medicine; carrying on his own scholarly studies (of which "The Mysticism of St. Paul" is one fruit); and every evening a period of practice on a piano with pedal attachment so that his organ technique may be ready for the next recital tour in Europe. The story of these varied activities is told with the utmost simplicity as though in a private diary or in letters home, but the reader must be wholly devoid of imagination who cannot see in it the record of an heroic enterprise which is one of the greatest glories of the gospel in our time.

W. E. G.

Foster on Nietzsche

FRIEDRICH NIETZSCHE. By *George Burman Foster*. The Macmillan Company, \$2.50.

IT WAS during the years of the war, and not very long before his own death, which occurred in 1918, that Professor Foster put into the form of written lectures his interpretation of the thought of that German whom the super-heated imagination of almost everybody west of the Rhine considered the arch-fiend of philosophy and the spiritual instigator of the war—Nietzsche. As we have begun to abandon the one-guilty-nation theory, it is difficult to maintain with any conviction the theory of one-guilty-philosopher. Yet the name of Nietzsche is still spoken most often in tones of horror or hatred. It was characteristic of Professor Foster's courage that he dared to speak in other tones than those, even in 1916. To criticize Nietzsche, he felt that he must understand him; and to understand, he must make some imaginative response to the challenge which Nietzsche flung in the face of complacency and moral flabbiness.

Nietzsche, "the fiery spirit of whose teachings tastes like a tonic when we are sick of the mush of benevolent mediocrity," hated democracy and Christianity as the two great sentimentalisms of history. Foster loved both as passionately as

Nietzsche hated them, yet he could find both moral and intellectual values in the stern creed which he set himself to interpret. The kernel of Nietzsche, in his opinion, consisted in its giving a positive and active turn to Schopenhauer's doctrine of will under the influence of Darwin's doctrine of the struggle for survival. He was a delayed representative of *Sturm und Drang*, an energized and optimistic Werther. But he was also one who understood, as neither the earlier foes nor the conventional defenders of Christianity did, the ground on which must be fought the final battle of Christianity with its critics. Foster even ventures to say that, in spite of his sharp invective, Nietzsche was "a profoundly religious man, in his own way."

This book is not a collection of scraps, or of chips and shavings from the craftsman's workshop, but a completed product. The manuscript, preserved by Mrs. Foster, has been edited by Curtis W. Reese, but it speaks with the authentic and inimitable voice of Foster. W. E. G.

Books in Brief

THE GOLDEN ROAD IN ENGLISH LITERATURE. By Amy Cruse. Thomas Y. Crowell, \$3.50.

It is a lucky child, of from twelve years up, who gets hold of this book. If it does not confirm him in the love of good books and give him some feeling for the charm of the rich tradition of English literature throughout the ages, the doctor ought to be consulted. While it is quite obviously a book for young people, adults who are willing to pass lightly over occasional remarks about what "you will read when you are older" will find that they need stoop very little to its level and that it makes the "golden road of English literature" an even more delightful highway than they knew it was.

SEEING PARIS. By E. M. Newman. Funk & Wagnalls, \$5.00.

Mr. Newman, who has pretty well covered the world, taking remarkably fine pictures and collecting data for the travel lectures which he gives to large audiences, knows as much about Paris as any man needs to. His book will repay careful reading by anyone who is planning a visit to that city or by anyone who must make reading a substitute for traveling. The charm of the book is inherent in its subject matter rather than in its style, but it is packed with information and its illustrations are copious.

CABALLEROS. By Ruth Laughlin Barker. D. Appleton & Co., \$3.00.

Santa Fe and the Southwest have been coming into their own in the last few years. They were the first settled and the last discovered section of the United States. The literature by which the wonders and charm of this region have been introduced to eastern readers ranges all the way from a book by a widely known lady author (whose name it would be unkind to reveal) who collected in two days the material for two chapters on Santa Fe, to the accurate and moving writings of Mary Austin who makes Santa Fe her home. But Mrs. Barker has the advantage that Santa Fe has always been her home. She was born there, has always lived there, has done newspaper work there, has edited an historical magazine called "Old Santa Fe," and has devoted much time to the study of the history and culture of the area. So when she writes of "the romance of Santa Fe and the Southwest," it is with no ignorant enthusiasm and no cheap emotion based upon an impression of novelty or quaintness. The romance is there—no mistake about it—but it needs just such interpretation as it gets here from one who has not only learned the facts and seen the sights but has assimilated and evalu-

ated them with intelligence. I call this the best of all the recent books in this field.

AMERICAN POETRY, FROM THE BEGINNING TO WHITMAN. Edited by Louis Untermeyer. Harcourt, Brace & Co., \$3.50.

Mr. Untermeyer's "Modern American Poetry," which began with Emily Dickinson, presented the cream of American poetry from the civil war to the present day. This volume ends about where that one left off, with enough overlapping to make a tight joint. The two together constitute a complete panorama of American poetry. The bulk of the two volumes (the present one contains over 800 pages) gives the anthologist room to include practically everything that is important, and his critical conscience leads him to omit poems of little merit even though they have attained great popularity—like Longfellow's "Psalm of Life." The 60-page preface is a brilliant and informing summary of the history of poetry for the period covered. An important feature is the re-estimate, almost rediscovery, of such nearly forgotten poets as Pinkney, Very, and Melville.

CORRESPONDENCE

Yes, Mr. Whitney Was Generous

EDITOR THE CHRISTIAN CENTURY:

SIR: I liked your editorial comment, "We can expect an end to that sort of thing." However, I wonder if your presentation was entirely fair to Payne Whitney. Was he not also a great philanthropist and did he not do a great deal of good with his accumulated wealth? As I recall it was not all passed on to his heirs, but much of it went to educational institutions and to charitable enterprises.

New York City.

W. D. HATCH.

Burial of a Poet

EDITOR THE CHRISTIAN CENTURY:

SIR: I was at the "Cedars" for a brief holiday. While there I was informed that on Saturday, August 22, the body of Khalil Gibran would be brought to Becharreh, his native village, for final interment.

With a few other guests I planned to go to Becharreh for the funeral ceremony. Early in the morning the body was received at Beirut by the high commissioner with military honors. After a service at the Maronite cathedral the funeral procession, which represented every phase of life of Lebanon and Syria, started on the way to Becharreh via Tripoli. As the funeral procession wound its way up the mountain side, it seemed like a huge crawling insect. The man who was by my side said "there are more than 500 automobiles." I reckon there were a few less. At every village along the road they had erected evergreen arches and the procession was halted for addresses by the village leaders, so that it was towards sundown that the procession reached Becharreh where a large platform had been erected in the square in the center of the village which was decorated with evergreens and with white and black flags. Companies of bedouin horsemen met the funeral procession, which appeared much more like a triumphal entry than a funeral. The ringing of the church bells and the general atmosphere of pride emphasized this.

In conversation with this one and that one I came across a relative who took me to the place where once stood the very small house in which Gibran was born. Part of the walls are still standing. The village fathers have decided to use the site as a museum and monuments.

Gibran with his parents went to America at the age of 12, returned to Syria at the age of 16 and at 20 went back to America

with his mother. He received encouragement in America and devoted himself to securing a general education and an education in art. He planned to visit his birthplace next year, but unfortunately death interfered and he has made his return visit a year in advance. One cannot help but wish that he was conversant with the triumphal procession and triumphal entry into his native village which his friends and the friends of his family were giving him. It did me good to see how the people of the town and of nearby villages and even the bedouins joined in honoring their fellow-countryman who achieved fame in a foreign land.

Jerusalem.

A. C. HARTE.

Repealing a Vicious Law

EDITOR THE CHRISTIAN CENTURY:

SIR: May I call the attention of your California readers to the fact that petitions are in circulation throughout this state for the repeal of the mischievously misnamed "Criminal Syndicalism Law." The petitions, in my opinion, ought to have the cordial support and practical cooperation of the forward-minded Christian forces of the state.

The law in question was adopted during the post-war hysteria, April 30, 1919. It was made an emergency measure, so as to forestall referendum appeal to the people. Its vicious character has been thoroughly exhibited by high legal authorities, including an exhaustive report by the eminent jurist, Dr. George W. Kirchwey, "A Survey of the Workings of the Criminal Syndicalism Law of California," which can be had through the American Civil Liberties union. Dr. Kirchwey was former president of the American Institute of Criminal Law and Criminology. "In rejecting the experience of the race out of which that law has grown," remarks Dr. Kirchwey concerning this California statute, "it is incurring dangers greater than those it seeks to avoid."

Our experience in California since this vicious law was enacted confirms this judgment of the eminent authority quoted above. The criminal syndicalism law has not operated to prevent the growth of radicalism in California. It has operated to increase the lawlessness of the police, and the enlargement of public contempt for the courts. It is a menace to legitimate social protest, and orderly labor agitation on behalf of tolerable labor conditions. The churches of California will miss a large opportunity to vindicate themselves as friends of social decency and real democracy if they fail to work with the laboring classes, and the progressives of the state generally, on behalf of these petitions, which are asking only that the act which ought to have been submitted to the voters in the first place shall be submitted to them now. Copies of the petitions for circulation can be had by applying to the state committee for the repeal of the criminal syndicalism law, room 603, 1179 Market street, San Francisco, or I will be glad to forward such petitions myself, in any quantity desired to responsible applicants.

La Crescenta, Calif.

ROBERT WHITAKER.

Moratorium Supports Missionary

EDITOR THE CHRISTIAN CENTURY:

SIR: I am wondering if it has not occurred to Quintus Quiz or to any other of your challenging contributors that the Hoover moratorium should have a profound and heightening effect upon foreign missions. Many of us have been at our wits' end in trying to present missions in a new and interesting way, for such ideas as "See America First," "Buy American Goods," "Protect American Industry," "Stay Out of Foreign Affairs," "Be Isolated and Insure the High Standard of Living," have made it like beating one's head against the rock of Gibraltar in endeavoring to impress the value and importance of missions upon a people fed daily on rations of narrow nationalism. But the moratorium has saved the day. It has given us a new slant upon the whole question, and has presented us with an argument that cannot easily be pushed aside. How can the average

layman continue to say, "Keep the money at home and keep it in circulation," when the government has canceled international debts for a year at least and when our leading bankers are sending millions across the pond? How can they continue to close their eyes to the peoples in other lands when international conferences are held to help a foreign people? Has not the moratorium opened way once again for a new emphasis on foreign missions? Did we not see that "isolated" we would possibly be ruined and so would Germany?

The Hoover administration has embarked upon a new theory in government. It is no longer isolation but cooperation. To my way of thinking, the moratorium, even though forced upon us by economic forces, adds greatly to the biblical truth that if we are to prosper we must be willing to "bear one another's burdens." The strange thing is that sheer circumstances have forced us to believe that bearing one another's burdens is the only way out of this international depression. In these vital days why should the churches with their pulpits sit back and allow the press to steal their message? In some respects the press and various magazine writers have become truly internationalists in their outlook, even if it is only because of present conditions. Here is what an editorial writer had to say in the New York Times for Monday, August 3rd: "A financial crash in one country is certain to cause a shock in all others. . . . The concern of one is the concern of all. . . . If there can be helpful cooperation between nations in matters of finance, why can there not be also in matters of trade?" "The concern of one is the concern of all." That sounds like a pure internationalist. Why have the churches and their pulpits ceased crying about the world being their parish and allowed the newspapers to take it up? Can it be that we of the churches no longer believe "that the concern of one is the concern of all?" Have we finally come to the place where we believe that Hinduism and Buddhism are good enough for India, Confucianism for China, and materialism for America? Are we going to pass up this opportunity which has been presented by our government and fail to capitalize it for the furtherance of foreign missions? Are we going to allow our political leaders to lead us in the path of international relationships? Can we afford as a church to remain silent and allow other agencies to tell the world that "the concern of one is the concern of all?"

Yours for more arguments in favor of missions,

Meyersdale, Pa.

GEORGE A. FALLON.

Do We Need a Return?

EDITOR THE CHRISTIAN CENTURY:

SIR: Recently I noticed that some of the leading Jews of America are "looking for the coming of the messiah." It is interesting news! I note also that James Douglas, writing in the London Daily Express of recent date, asks this question, "If God should make another Christ and send him to London, or Rome, or New York, or Paris, would we believe him?"—any more than we believe in the Jesus of Galilee—or more than the people of his day believed him? Probably we would not.

Imagine Jesus the Christ returning to earth and taking charge of some great mass movement, say in New York! And imagine, if you can, a return of the early disciples and followers. Imagine a Mark or a John in one of our great newspaper offices. Imagine a Bartholomew or a Peter in one of our metropolitan pulpits. Imagine a Thomas or a Matthew at the head of a great school, or a great business enterprise in America. It seems a far cry from the old ways and methods of the Galilean days—but after all, are fundamental principles different from those of two centuries back?

Would Jesus and His apostles be able today to iron out some of the world's troubles or to show the statesmen, politicians, business magnates and pulpit orators how to adjust today's muddle, or to lift the lid off the pot of depression? In the absence of these "real conditions," however, might it not be well for our leaders to "put into definite practice now" some of the well-known principles of the Nazarene?

Olney, Md.

THOMAS F. OPIL.

NEWS of the CHRISTIAN WORLD

A DEPARTMENT OF INTERDENOMINATIONAL ACQUAINTANCE

Labor Blames Bankers for Ills

Declares English Crisis Precipitated to
Cover Financiers' Mistakes—Dean
Inge on Humanism

(British Table Talk)

LONDON, Sept. 8.—The week has been taken up with the preparation of a revised budget by the government, and with the making of plans to resist it by labor. The leaders of the opposition assert that the bankers and international financiers in general are responsible for the crisis. This has been stated emphatically by Mr. Hobday, the president of the Trades Union congress. They hint, even when they do not openly say it, that the bankers have let the nation down, and in their extremity see no other way out than an attack upon the scale of living of the wage earners. They believe that an ultimatum ostensibly from abroad was presented to the government to the effect that if they did not reduce the "dole," the financiers of the world would give no help.

The answer is given by the spokesmen of the new government that no such responsibility can be laid upon the bankers, but that without question there was a tendency to withdraw gold from London because the financiers believed that Britain was living beyond its means. This was made evident by our borrowing a million pounds a week to pay the deficiency on the "dole." Something had to be done at once without waiting for any reconstruction of the financial life of the nation. But before the end of the week we shall know more of the case for and against the new government. Parliament re-assembles today, and Mr. Snowden presents his budget on Thursday.

It would be misleading not to set on record the immense difficulties which the government must face. Labor is almost solid against it, the teachers are certain to resist any cut in their salaries, others who are singled out, as they think, for unjust treatment, will use their influence against the budget. Everything depends upon the ability of the government to convince the country of its case and to remove the suspicion that we are the victims either of the political schemes of the financiers or of their desire to cover their own miscalculations.

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The King Gives A Lead

The king, desiring personally to participate in the movement for the reduction of national expenditure, has decided that the civil list shall be reduced by £50,000 while the emergency lasts. This means that the king surrenders that amount of

his income for the use of the nation. The king has an income which is not more than sufficient to provide for the heavy claims upon him, and the sacrifice of £50,000 a year, which will be a real sacrifice, proves once more how eager the king is, as he has always been, not only to share in such a national sacrifice, but to lead the way. The prince of Wales in the same spirit has offered £10,000 out of the funds of the duchy of Cornwall for the same cause. It is not the flattery of a courtier, but the simple truth, which Mr. MacDonald expresses when he says in answer to the king's offer: "Whenever his majesty's subjects are called upon to share a heavy burden it has, if I may say so, been characteristic of his majesty to lead the way."

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Dean Inge on Christianity And Modernism

One of the annual utterances to which we look forward is the address which Dean Inge is accustomed to give every September to the Congress of Modern Churchmen. The meetings which are being held this week at Oxford have for their general theme, "Man." The president, the dean of St. Paul's, chose for his subject, "Humanism, Pagan and Christian." With much of the program of scientific humanism he believed that Christians might agree, especially with its emphasis on disinterestedness. "A fine cold air blew about the difficult summits which the men of science attempted to scale." Humanism moreover had justly criticized the church for being too much occupied with cure and too little with prevention; Christianity had founded hospitals, but if left to itself it would not be teaching anything but religion. That criticism, the dean said, went home. But too much was hoped for from evolutionary utilitarianism. The new morality did not satisfy those who were trying to practice it. There was, after all, a true otherworldliness which alone could transform this world. At the close the dean said that we could not be Greeks and we could not be pagans. Neopaganism meant the rejection of one of those revelations which "like Hellenism itself was a permanent endowment of the human race."

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And So Forth

Preparations are being made for a Religious books' week from Oct. 11 to 18. Publishers and leading churchmen are uniting to bring before the public the provision that there is for reading upon religion.

The letters between Mr. Bernard Shaw and Ellen Terry have been published, but since the price is 5 guineas a volume one has to be content at present with the press extracts.

The summer has been dull and cloudy, but September seems likely to give us some cold but sunny days, for which we are truly thankful.

EDWARD SHILLITO.

Cheer Attack on Capitalism

Effort to Stampede Episcopal Convention
to Conservative Policy Fails—Dele-
gates Roused on Social Issues

(Special Correspondence)

DENVER, Sept. 20.—Just one thing has happened during the first week's session of the 50th Episcopal triennial general convention meeting here. That was the significant response to Spencer Miller's address Thursday on "The World Crisis and the Church's Responsibility." Mr. Miller is the church's consultant on industrial relations. When he told 5,000 delegates and visitors that the experiment of capitalism has failed, and made them like it so well that an ovation, led by George W. Wickersham and Stephen Baker, president of the Manhattan Trust company, one of the most conservative financial institutions in New York, lasting several minutes was given that pronouncement it may be assumed that quite enough has happened in one short week in the history of the Protestant Episcopal church.

The convention got away last Tuesday to a false start. Apparently it had been assumed that certain sectarian interests lying solely within the Episcopal church, such as divorce and birth control are about the only important matters nowadays. The Rt. Rev. Michael Bolton Furze, lord bishop of St. Alban's, England, had been imported to launch a reactionary divorce and birth control movement in the "keynote" sermon on the opening day. The sermon was a masterpiece of negation. He flayed communism and its twin offspring, divorce and birth control, while a congregation of 10,000 persons sat back stunned by the realization that Nero can still fiddle while Rome burns. His lordship, St. Alban's, is a good bishop who had been poorly advised by his American friends. However, the reaction against Bishop Furze's mentors, who led him to attempt to prejudice pending legislation on divorce, has proved to be the happy ending of a sad tale.

Temper Not Conservative

While such minor matters as this particular church's attitude on divorce, the question of the Romanizing "American Missal" and other partisan issues—all of which make very noisy news—will receive appropriate legislative action, and consume far more time than they are worth, yet the vital mind of the church has turned to real things. These are world peace, the emerging social order, the immediate unemployment situation, the point blank fact that masses are hungry, and that the forces of the present economic and social

revolution may either be allowed to explode, or be constructively guided.

Spencer Miller uncovered the church's real interest. That interest is summarized in the preceding paragraph. In making this statement, this writer acknowledges a mistaken pre-convention prediction. He said the temper of the church would be conservative. He based his assumption on the significance of Bishop Furse's visitation, and his belief that the convention would be completely controlled by conservatives. The response to Mr. Miller's challenge led to the immediate call for the appointment of a committee of 21 bishops, clergymen and laymen to study the present economic situation and to report before the convention adjourns. The bishops have appointed their members of the committee and the house of deputies will announce its appointees tomorrow.

Some of Mr. Miller's statements which will be hard to forget, follow:

"The present world crisis constitutes a full, a final test of the entire capitalistic system, a test to which it has never before been subjected.

"Attempts to deal with economic problems on the basis of a nationalistic philosophy have become growingly ineffective. Economic self-sufficiency, tariff walls and other devices have proved to be an impediment to mutual advancement. And isolation, whether in politics or in economics (and, we might add, ecclesiastics) is no longer a policy, but a sorry predicament. Economics is disclosing not only that the world is one, but that we are 'all members, one of another.'

"There has emerged a realization of the total inadequacy of our present credit structure to serve the needs of the modern world.

The Beginning of a New Era

"The present depression is not just another turn in the business cycle—it is the end of an era and the beginning of a new. As the historian looks back upon our present predicament, and sees the way in which the great depression followed inevitably upon the great war, he will be amazed at our inability to read the signs of the times. He will find a far greater parallel between the changes through which we are passing and those great changes of the social and political revolutions in England and France than to any depressions from 1857 to the present time, in the United States.

"Against this background of the world's crisis our own economic depression, and resulting unemployment, takes on a new significance. We realize now how impossible it is for us to regain our prosperity, as a nation, while the rest of the world is prostrate.

"Unemployment is not only a severe economic problem—it is also one of our most searching moral problems.

"What then, is the challenge to the church? Has it any authority or responsibility to speak on these questions? For those who think this is no concern of the church, nor the province of the Christian religion, let me call attention to the ringing words of Bishop Anderson, former presiding bishop of this church, who, in his great keynote sermon to the general convention but three years ago, said, 'Thy kingdom come, Thy will be done' is an

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"Every facility of our churches, from one end of the country to another, should be made to minister to human distress during these coming months."

JOHN EVANS.

Peace Meetings Arranged for 150 American Cities

"How may another world war be averted?" is the theme to be discussed at peace mass meetings to be held in 150 cities across the United States and Canada, during the week Oct. 25-31, under the auspices of the World Tomorrow. These meetings are sponsored by a committee of 275 distinguished peace leaders, under the chairmanship of Dr. Harry Emerson Fosdick, of Union seminary, and Dr. George C. Pidgeon, former moderator of the United Church of Canada. Five major topics will be discussed at the meetings: disarmament, world organization, removing causes of hostility, war resistance and education for peace. The largest auditoriums available are being reserved in the various cities and not less than 200 outstanding peace advocates will speak at the meetings.

Dry Drive Planned For Colleges

A drive to enlist college youth in the study of the prohibition problem is being undertaken by the Intercollegiate Prohibition association, through a series of 50-mile forums, announces Harry S. Warner, secretary of the association. Students, professors and college workers within a radius of 50 miles will be gathered in each of these conferences, which will be preceded or followed by conferences and addresses by speakers and student secretaries in the nearby colleges, thus reaching directly 500 colleges during the year. Columbus, O., will have the first forum Oct. 17, 18. Among the subjects to be considered are: "Alcohol in Modern Society," "The Social and Economic Aspects of Prohibition," "The Canadian Systems of Liquor Control" and "The Swedish and Other Possible Alternatives."

New Speakers at Chicago Sunday Evening Club

Among the speakers to be heard at the Chicago Sunday Evening club this season for the first time are Rev. Harold L. Bowman of Portland, Ore.; Dr. Luther A. Weigle of Yale; Rev. Paul Scherer of the Lutheran Church of the Holy Trinity, New York; Rev. Henry M. Edmonds of Birmingham, Ala., and Canon Guy Rogers of England. The club opens Oct. 4; Clifford W. Barnes, the president, who has been in Europe the past two months, attending as a delegate the convention of the World alliance for international friendship through the churches, held in Cambridge, will tell of the work of that body, speaking on the subject "Europe and the 'Peace Movement.'" Fred B. Smith will also speak.

Canada Adopts Relief Program

**Dominion Government Accepts Responsibility for Huge Unemployment Need
—Eastern Churches Aid Western**

(Correspondence from Canada)

TORONTO, Sept. 16.—The Canadian government has given public assurance that no person in Canada goes hungry or unclothed. The dimensions of the distress may be appreciated when we report that the official registration shows something over five per cent of the entire population without means of living. How many more not commonly reckoned among working people are also out of work is unknown. How many are just kept going on half time, and thus not included among the unemployed, is unknown. But it is safe to say that less than one-fifth of the population must be more or less severely involved in hardship or want. The suffering is on such a scale that neither municipal nor provincial, much less voluntary, agencies are adequate to meet the situation.

The national government therefore was given authority by parliament to spend an unnamed amount of money in meeting the emergency. To ask a certain specified sum would invite from the provinces a plea for a certain proportion of the amount voted, and then politics would vitiate the whole process; therefore the government retained complete control of the expenditure, but is acting in closest accord with the governments of the several provinces which in turn consult the local and municipal authorities. The general idea is to provide work on public services rather than give money to keep persons in idleness and to this end the enterprises selected must be such as involve the largest proportion of expenditure on labor as compared with property or material.

Canada's Plan Of Relief

Single men are segregated for special work and are being gathered into huge labor camps, incidentally relieving the cities thereby of their presence and their support. These camps will be the basis of national construction works: chiefly, in central Canada, the building of a national highway to link eastern Canada with the lands west of the great lakes. In some western areas men will be employed in clearing scrub lands, using the small wood for fuel for the camps and needy persons. Each man in the camps will receive \$2.40 per day, of which one dollar will be collected for food, which is to be abundant, wholesome and attractive. Seven hours will be the working day. In Ontario, at least, all men on entering the camp will be asked to deposit their permit for the purchase of liquor, thus insuring that the camp will exhibit a genuine situation of government control of liquor.

Besides these major enterprises for the unmarried men, many extensive works

will be conducted in the several localities, and prominent among these are to be grade separations which will eliminate level crossing over railways and some extensive sewer construction. Very little is to be devoted to street widening or extension in cities, as a large proportion of the cost in such work goes to pay for property. While the government has retained complete control of expenditures, both in amount and distribution, the law requires that an accounting shall be given to parliament next March.

The East Helps The West

During the summer vacation an experiment was tried in the way of exchanging pulpits between east and west. In most cases, however, the arrangements only brought the western minister into an eastern pulpit. Toronto, for instance, heard five prominent pastors from Saskatchewan, beside others from British Columbia and Alberta. This experience is calculated to bring home to the church in the eastern areas the high quality of ministry being rendered by the church to the newer cities on the prairie, while at the same time it affords the western ministers an actual taste of life in the far off eastern cities, thus making for greater solidarity and mutual confidence. The fact that in the southern part of Saskatchewan drought has deprived a great area of the slightest provision for food or fodder has enlisted the sympathy of the church people in the east.

It happens that about ninety per cent of the people in this large region are among those who look to the United Church of Canada for religious ministry has elicited a powerful organization in that church to send great quantities of clothing for distribution among their fellow members in the stricken districts. For the supply of essential clothing the Red Cross accepts responsibility, relying in turn if necessary on government grants in aid. But the church, while aiding in the collection, distributes only through the Red Cross organization. The fellowship of the church is represented in the fact that throughout the needy areas United church pastors will act as agents of the Red Cross. Thus we shall have a fine cooperation of the state, the Red Cross and the organized benevolence of the church.

British Preachers In Canada

Overseas preachers in prominent pulpits include this year Dr. S. W. Hughes, already well known by his own work and as successor to Dr. John Clifford of London. British Wesleyans sent two men of high ability and deserved repute. Dr. Maldwyn Hughes of Wesley hall, Cambridge, occupied the pulpit of Timothy Eaton church and enriched its tradition with his fine scholarship and restrained fervor while there. He was elected the next president of the British Wesleyan conference, and has been reserved for this occasion because two months after he takes office the new United Church of Methodism will be organized. Thus his medical advisers have been ready to approve his tenure of office for that short time, so honor, long

overdue, finds a suitable occasion. From Edinburgh came the Rev. A. E. Whitham, a Scottish Wesleyan. His fine philosophic insight and sure grasp of the ultimate realities was allied to a simple picturesque style in making his ministry memorable for years to come. Large numbers will welcome his return at an early date.

But the outstanding contribution was made by Dr. Lynn Harold Hough, who attracted to Toronto's largest church congregations to which it has long been a stranger. Dr. Hough supplied a strong positive message likely to offset the disposition to find religion without God, and also to lead men into better paths than those which liberalism has been indicating by such ambiguous signs as it has recently provided. Many and emphatic have been the appreciative expressions about this ministry by our visiting brethren from the old land.

ERNEST THOMAS.

Dr. Sockman Says Pollyanna Preaching Not Needed During Depression

Speaking from his pulpit at Madison Avenue Methodist church, New York city, Sept. 20, Dr. Ralph W. Sockman declared that the pulpit faces today its greatest opportunity of a generation, and "yet it is in imminent danger of forfeiting its chance for service and its claims to respect." "May God save the church from the imbecility of putting on a Pollyanna smile as the solution of the present panic," Dr. Sockman said. "The world is weary of public speakers, whether preachers or politicians, whistling in the dark to keep our spirits up. Better let us have frowning realism than a false optimism. There is a difference between courage and bluff and the time has come to get back to the former. Furthermore, let us not think that we of the church are meeting the situation by merely repeating pious platitudes about the need of 'getting back to God.' Granting that our social and business chaos is due to our violation of divine laws, what does 'getting back to God' mean? It certainly means more than an emotional effervescence of individual piety. Finding the will of God in our confused time is a task which calls for the service of our social sciences. To be sure, the church's function is not to be a sociological or economic expert, but if it is to guide men Godward it must consider concrete situations and social programs. Christ's plan involves the conversion of business systems as well as ministry to individual souls."

No Catholic Daily Wanted, Says Catholic Journalist

Following the talk of a Protestant prohibition newspaper, there have been rumors of proposals for a Catholic daily. This suggestion is answered in the Catholic magazine "Extension" by a well-informed Catholic journalist. His arguments are (1) such a paper would act against the interests of the existing diocesan weeklies, and (2) unless it were better than these weeklies it would fail. There is already published, it appears, a Catholic Daily Tribune, published in Dubuque, Ia., with 20,000 circulation.

Denver Listens to Anglican Bishop

Appeal to Rockefeller to Maintain Coal Wages Falls—Free Speech Forum Opened in Public Park

(Rocky Mountain Correspondence)

DENVER, Sept. 18.—The general convention of the Protestant Episcopal church is in session. For the impressive initial service, the Denver auditorium was transformed into a church seating more than 10,000. A procession of the bishops in their robes of office opened the service with colorful pageantry. The stately ritual of the church preceded the sermon by the Rt. Rev. Michael Furze, bishop of St. Albans, England. The discourse was based upon a denunciation of the bolsheviks of Russia. Considerable time was spent upon the divorce evil. The sermon as given to the press contained a fiery tirade against birth control, but the bishop mercifully spared us this passage in his spoken discourse.

Appeal to Rockefeller Elicits No Response

The coal mining situation in Colorado has been stirred up by the reduction of wages by the Colorado Fuel and Iron company. The announcement came as a surprise, because the Rockefeller group had declared their intention to maintain existing levels of wages. Miss Josephine Roche, president of the Rocky Mountain Fuel company, immediately replied that there was no need for such reduction if operating and marketing abuses were corrected. She appealed to John D. Rockefeller, jr., in a telegram, to which there has apparently been no reply. "One word from you can prevent a recurrence of the human and economic waste which will result from the action taken by the Colorado Fuel and Iron company in cutting miners' wages. Following the Ludlow massacre you widely advertised a new industrial program by public assurances which now take fresh importance, to the effect that conditions leading to industrial unrest were not removed and the traditional and anti-social methods of the past are being again employed by your company."

The Rocky Mountain Fuel company is second only to the Colorado Fuel and Iron

company in its production of coal in this region. Miss Roche has approached its management with the equipment and ideals of a social worker. Whether she is always right those of us who know little of the problems of coal mining cannot know. The people of social vision believe in her. Her

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employees believe in her. Her mines are unionized and on Labor day her men came to Denver to carry such banners in the parade as "We are behind Miss Roche 100 per cent." They have offered to return one-half of their wages as a loan for the operation of the business. President Hoover believes in her. He has placed her on a federal group to study remedies for evils in the coal industry.

* * *

Set Aside Public Park For Free Discussion

The city of Denver has designated a public park as the place where all public meetings shall be held in the future. It is hoped to eliminate street meetings and make this park serve the purposes of such an open forum as is conducted in Hyde Park, London. It can be used without securing a permit by the I. W. W., the communists, or any other group. The city has asked that they be notified of any meeting only that they may furnish police protection for any speaker. The wise statement was made, "The administration feels less trouble will be occasioned by permitting speakers complete freedom than to ban them from the streets and cause them to regard themselves as martyrs." The Denver ministers expressed confidence at their last meeting in the new police administration in the city.

* * *

New Senator Has Strong International Interests

Colorado is sending to the United States senate in the person of Edward P. Costigan a leader who will make some genuine contribution to the solution of the problems with which our nation and the world are faced. Unlike many of the so-called liberal senators from the middle west, his vision compasses international as well as domestic problems. He will not deal with issues on a partisan basis. He was prompt in his support of President Hoover in the German financial crisis. He has been fully as quick in his opposition to the administration's program to meet unemployment because it does not provide for the federal aid which he believes to be required by the situation. He lived as a close neighbor to the senior Senator La-Follette and they were close friends.

* * *

New Leaders for Social And Religious Work

Several new leaders of the social and spiritual life of the city have recently come to Denver. Miss Amanda Nelson has become the general secretary of the Y. W. C. A. She comes from the educational and research department of the national organization and has had wide and successful experience in association work. Miss Thelma Fowler has come from the public schools of Arcadia, Kansas, to become executive secretary of the Camp Fire Girls. The Rev. John Parten of Kansas City is the new minister of the City Park Baptist church. The Rev. C. E. Albertson of Loveland will succeed Dr. Ira McCormick as pastor of the Washington Park Community church. Dr. McCormick has become the district superintendent of the Methodist church.

VERE V. LOPEL.

Rouse Clergy on 7-Day Week Evil

Transportation Workers' Plight Made
Public—Communists Attack "Y"—
Arnold Johnson Released

(Correspondence from New York)

NEW YORK, Sept. 18.—Few New York citizens realize that while agitation goes on for the five-day week, thousands of employees of our subways and other transit lines are working ten hours a day seven days a week. The City Affairs committee is calling the attention of the public to this fact and as part of its effort to inform our citizenry a letter has been sent to some hundred or more clergymen pointing out these working conditions and asking that the good offices of the clergy be used to put an end to this long week. The appeal is signed by Bishop McConnell, Rabbi Sidney Goldstein and Dr. Melish.

* * *

Communists Attack Y. M. C. A.

The local communist press has been carrying several attacks on the Y. M. C. A. One of the most recent of these is couched in the form of an open letter signed by the Young Communist league. In this it is pointed out that the "Y" is "owned and controlled by the bosses and defends their interests against ours" (meaning the working youth of the land). "Have you ever stopped to think who supports the Y financially and why? The U. S. Rubber, the Bethlehem Steel, General Electric and American Telephone and Telegraph are only a few of them. William F. Morgan, son of J. P. Morgan, is a member of the board of trustees. J. R. Mott, the president of the World Alliance of the Y. M. C. A., is the son of the owner of the Mott iron works, a plant which pays extremely low wages. Why do these millionaires support the Y? Because they need an organization which can be used to keep the young workers from fighting against unemployment, against wage cuts." And more of the same general tenor.

* * *

Tuttle Urges Legalizing Of Beer

Charles H. Tuttle, former United States attorney and republican candidate for governor in 1930, has come out for the immediate legalizing of beer. In a speech celebrating Constitution day he declared that the 18th amendment had failed, that the road to repeal was too long to be practicable, but that beer might be legalized now. He maintained that such a move would make new work, would form a new outlet for the grain of the country and would lighten the burden of the taxpayer. On this proposal Mr. Victor of the Anti-saloon league has written a letter to the New York Evening Post, which has been advocating the same general plan. Mr. Victor asks how the Post proposes to distribute this beer, through saloons or, if not, through what

substitute? Some other pertinent questions are in his letter.

* * *

Union Seminary Begins New Term

Union theological seminary begins its ninety-sixth year next week. The opening address will be delivered in James Memorial chapel by Prof. James Edward Frame of the seminary. His subject will be "The Cultivated Minister."

* * *

Arnold Johnson Released

Arnold Johnson, the Union seminary student who has been in prison in Harlan, Ky., for the "crime" of befriending the striking miners, has been released and is now in the city. He will probably have to stand trial sometime late in the fall, but in the meantime he expects to devote at least a portion of his time to raising funds for the imprisoned miners.

* * *

Jewish Day of Atonement

The great holy day of the Jewish faith begins tomorrow at sundown. Special services are scheduled in the synagogues of the city. Through the work of the national conference of Jews and Christians special notice of the Jewish holy days is being taken by many of our Christian pulpits. It is also pleasing to note that the acting commissioner of immigration has given instructions that all Jewish immigrants arriving at this port on the day prior to the day of atonement will be examined at the piers so that they need not go to Ellis island.

* * *

District Attorney Crain Urges Religious Education

District Attorney Crain has been speaking before the Society for the prevention of cruelty to children and in his address he took occasion to plead for religious education, which he described as a moral right of childhood. On this point he said, "Any education which leaves out entirely a child's relation to God is a one-sided education. I believe that religious teaching of a child in the faith of the parents should supplement his secular education. I believe that if this were done there would be a growth of morality and that there would be a diminishment of crime and an increase in human happiness."

* * *

Church of the Ascension Sounds Out Members on New Divorce Canon

In connection with the new canon on divorce now being debated by the Episcopal church at its convention in Denver the Church of the Ascension, at Fifth avenue and 11th street, has sent out a questionnaire to its members. A tabulation of the replies shows that an overwhelming majority of those answering believe that there ought to be some officer or church body to determine the facts in marital questions and when this officer or body approves of remarriage such marriage should be sanctioned with the regular marriage service as if it were a first marriage. The pastor of the church, the Rev. Donald Aldrich, states that he agrees with the view expressed by his parishioners and he believes this position to be in harmony with the spirit of Christ.

EDMUND B. CHAFFEL.

Gandhi's Voice Heard in Boston

Candor of Indian Leader Impresses—
"Church of the Air" Carries Sermon
by Cardinal

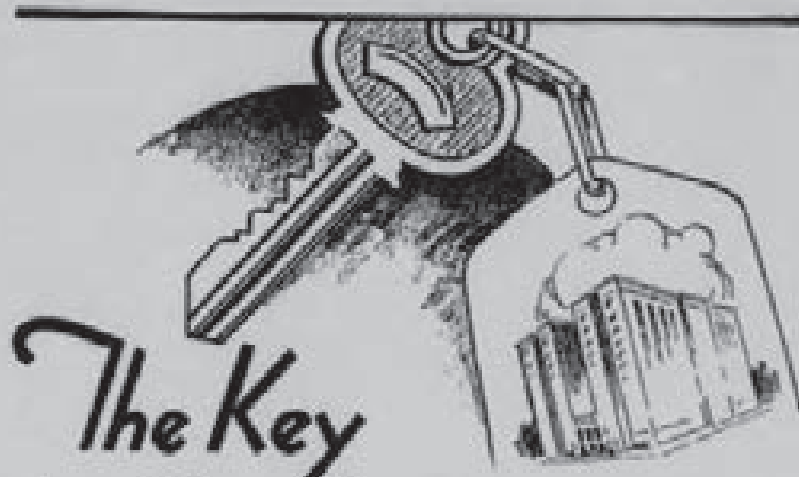
(Correspondence from New England)

SOMERVILLE, MASS., Sept. 15.—"Uncle Dudley's" editorial in the Boston Globe yesterday commented on Mahatma Gandhi's "first radio broadcast," Sept. 13. "The reception here was perfect; the only thing approaching interference was a murmuring—the voices of the poor children who live in the house where he is staying and who clustered near the 'cell' where he spoke. Even their murmurs ceased when he said: 'On behalf of India's semi-starved millions, I appeal to the conscience of mankind to come to the rescue of people who are dying in order to regain their liberty.' He described the human race as 'sick unto death of blood-spilling' and as seeking another method of settling differences. Proudly he suggested: 'Perhaps it will be the privilege of the ancient land of India to show the way out to a starving world!'"

"The thing about the address which impressed listeners most was its absolute sincerity, his unsparring admissions of the weakness of the case which he must present. He expressed humiliation that Hindus believe that millions of their faith are born 'untouchables.' He spoke frankly of the violent divisions between Moslems and Hindus. In a newspaper interview, he offered to sign a blank piece of paper and let his Moslem friends write out the agreement. . . . He is not an alien fanatic new to western ways. He is descended from a line of prime-ministers in his native state. Before he abjured worldly gain, he was earning \$10,000 a year as an attorney in British courts. . . . The loincloth is his armor. It is not shining, but there is something else shining. It is the spirit of the man himself!"

The Catholic Contribution to A Common Broadcast

Another striking demonstration that the message of religion may be heard over a continent at once, through the new invention which uses the waves of invisible ether, was the inauguration of "The Church of the Air" last Sunday, by the Columbia broadcasting system. At 10 a. m., 2:30 and 5:00 p. m., an Episcopalian, a Roman Catholic and a Jewish rabbi spoke to the whole country, from Denver, Boston and New York. Archbishop O'Connell was the second speaker. Apart from his claim that "the church of Christ"—that of Rome—"is the mouth-piece of Almighty God," his message accorded with the essential faith common to all three types of religion. "If you reject the divine principles on which human life and order are founded and maintained, you will find yourself headed for universal chaos. Injustice, greed, the pride of life are seeds of the whirlwind! . . . While those in civil authority



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are working out plans for regaining and preserving the welfare of the nation, let us on our part not forget to use the greatest instrument in the hands of man—prayer!"

• • •

Upward on the Climb to Highway Safety

Schools generally opened last week. Morgan T. Ryan, registrar of motor vehicles in Massachusetts, "appealed to motorists to maintain their excellent record, when for the first time in nearly two years, he was able to report for a seven-day period complete freedom from child fatalities on the highways of the state." The governor's committee on safety commends the city of Medford for going through the first seven months of the year without an automobile fatality; and Gardner, the only other city able to check off the first six months with a clean report. National figures give the honor of the first three places for "low automobile fatality ratings" to New England states, ranking thus, Vermont, Rhode Island and Massachusetts.

E. TALLMADGE ROOT.

Episcopal Pension Fund Has Paid Out \$7,500,000

The pension fund of the Episcopal church has been in operation since 1916, and Bishop Lawrence, president of the fund, announces that to date \$7,500,000 has been paid to retired clergymen. Its present assets amount to \$28,000,000; pension payments are currently at the rate of a million a year. It has been possible to send a check for \$1,000 as an immediate gift to the widow of every clergyman dying in active service. J. P. Morgan is treasurer of the fund.

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Give Rosenwald Civic Merit Award

Rotary Club Distinction Goes to Philanthropist—"Green Pastures" a Hit—Prepare for Relief Drive

(Correspondence from Chicago)

CHICAGO, Sept. 19.—Mr. Julius Rosenwald has been chosen for the first of the merit awards established by the Rotary club of Chicago. The presentation was made at a meeting of 1,000 Chicago citizens in the grand ballroom of the Sherman hotel on Sept. 8, but, unfortunately, Mr. Rosenwald was unable, on account of illness, to be present to receive the award personally. In his absence the beautiful Book of the Award, stating that the philanthropist, having "dedicated his fortune and his life to the well-being of mankind," had been selected for "the Chicago merit award, national," was accepted by his son, Mr. Lessing J. Rosenwald. A fine and true word was spoken by Mr. Leon F. Wormser on behalf of the Museum of Science and Industry, founded by Mr. Rosenwald, in accepting a bronze plaque to be placed in the museum. "The leadership of Mr. Rosenwald," said Mr. Wormser, "extends beyond giving. It is based on an underlying philosophy of the interrelation of men. The Julius Rosenwald fund was founded upon this doctrine. In all these endeavors his head, his hand and his heart—his body and his soul—serve. He gives energy, time, fortune, but above all, gives himself."

• • •

"Green Pastures" A Hit

"Everyone falls in love with 'Green Pastures,'" is the heading of Charles Collins' review of that play in the Chicago Tribune. One would like to quote the entire two column, charmingly written review, but one brief quotation must do. "Plays of this order," says Mr. Collins, "happen only once in a lifetime, or even less frequently." Every review that I have read, and every comment I have heard, give reason to believe that the notable success of "The Green Pastures" in its eighteen months' New York run will be repeated here in Chicago.

• • •

Churches Cooperate in Relief Drive

Mr. George W. Dixon, vice-president of the Chicago church federation, representative of the federation on the Cook county joint emergency relief committee, and a member of the governor's relief commission, has given assurance that the churches of Chicago are eager and prepared to do their part in providing relief for the unemployed during the coming winter. "The committee on churches last year functioned as a whole to spread the facts about unemployment to Chicago's 2,000,000 church workers," said Mr. Dixon, "and set up standards so that there would be no overlapping or duplication." The final report for last winter showed that 1,600 churches in Chicago raised

\$500,000 to care for their own unemployed, collected and distributed large quantities of food, clothing and fuel and \$250,000 for denominational relief centers, and found jobs for 5,280 persons. It is the intention again this year to gear the church program into those of the governor's commission and the joint relief committee. The church federation commission on the church and industry, under the chairmanship of Dr. James Mullenbach, has been giving the matter careful attention for many months, and plans to make specific recommendations to the churches at an early date.

• • •

Congregationalists at Tower Hill

Each autumn the Congregationalists of Illinois hold a successful camp at Tower Hill, Sawyer, Michigan. This fall it is held under the auspices of the Congregational-Christian conference of Illinois, the wider fellowship being recognized in the conference organization. These brethren seem to think that religion has something to do with social living, for the conference topic is stated as "The Predatory Groups or the Big Fix." It is pointed out, however, that before the church is free to condemn certain practices it must make sure that it is not guilty of them. These, among other questions, are asked of the conference by Prof. A. E. Holt:

"What about exemption of church property, including parsonages, from taxation?"

"What about a church using political friends to 'get through' city hall building permits?"

"Are church members bound to present an honest report of their personal property for taxation?"

"What about the missionary receiving government aid for his schools and agreeing to keep quiet on civic matters?"

"What about the missionary in the foreign field depending upon his government for protection in time of political unrest?"

Dr. William S. Sadler, Chicago psychiatrist, speaking before the conference, urged pastors to prepare themselves to counsel the mentally distressed, and church people to seek such aid from their ministers. The present scope of pastoral training, he insisted, is hampered by want of practical psychology and psychiatry.

• • •

And So Forth

The Lakeview council of religious education, which is conducting Chicago's first experiment in Protestant week-day religious education, announces its program of church schools for the coming year. The classes are conducted on "released time" from the regular public school schedule. Encouraging reports are given relative to the first year's work.

Northwestern university is now receiving bids on the Thorne auditorium building to be erected on the downtown campus at a cost of approximately \$300,000. The building will be in Tudor gothic architecture.

The Jewish temples and synagogues celebrated recently the ushering in of the year 5692.

Chicago school enrollment for this fall showed an increased number of students in high school. The sharply declining

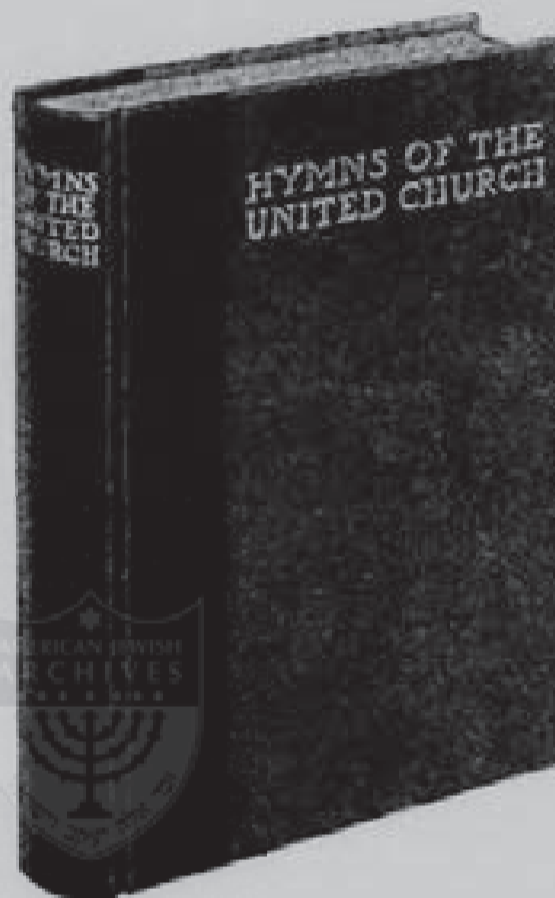
The Great Hymns Abide!

In an age when many things are passing, when many old landmarks of materialism are seemingly being washed away, the great hymns of the Church — cries of the soul to God — still remain. Their messages, indeed, are taking on new value for men and women in this tempestuous age. The poets, the singers, speak out of the eternal to the heart of man.

This is a time for the Churches to look to the enrichment of their worship in song!

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birth rate, a hard-times phenomena, is reflected in marked decrease in enrollment in the lower grades.

Mr. Courtenay Barber was elected national president of the Episcopal Brotherhood of St. Andrew, at the recent triennial convention of that organization in Sewanee, Tennessee. The Brotherhood of St. Andrew, which was organized in Chicago, will hold its semi-centennial convention in this city in 1934.

Rev. Phillip Yarrow, undaunted by his recent jail sentence for the alleged trapping of a bookseller into selling an indecent book, is again vigorously leading the Illinois Vigilance association, of which he is superintendent. He recently led successful raids on certain notorious disorderly houses.

CHARLES T. HOLMAN.

Presbyterian and United Presbyterian Union Committee Meets

The joint committee on organic union of the Presbyterian Church in the U. S. A. and the United Presbyterian Church of North America, met at Ross Mountain Park, Pa., Sept. 9, 10. A basis of organic union and the necessary concurrent declarations and resolutions were formulated subject to review, and in such form unanimously agreed upon. Also a form of government and a book of discipline were presented, and submitted to a sub-committee for further report. The joint committee will meet again in Pittsburgh Nov. 10 of this year. The Presbyterian Banner reports that all members of the committee are greatly gratified at the progress made in the negotiations; a spirit of confidence and harmony marking all the sessions. The committee elected Rev. William J. Reid of the United Presbyterian church, chairman, and Rev. Lewis S. Mudge of the Presbyterian church, secretary.

Find Only 17 Per Cent of Movies Fit for Children

The motion picture department of the Parents' Magazine, which is conducted in cooperation with the General Federation of Women's Clubs, reports that it finds only 17 per cent of films now being shown in this country fit for children from 8 to 12 years of age; for adolescents from 12 to 16, 32 per cent are found suitable. The following pictures have been awarded the Parents' Magazine seal as outstanding for both adult and child audiences: "Cimarron," "City Lights," "Connecticut Yankee," "Conquering Horde," "Daddy Longlegs," "Father's Son," "The Great Meadow," "The Millionaire," "Pagliacci," "Shipmates," "Skippy," "Tom Sawyer" and "Trader Horn."

Dr. Judson Hill Dies After 50 Years Of Service in Negro Education

Rounding out to a day 50 years of distinguished service as president of the Normal and Industrial college at Morristown, Tenn., Dr. Judson B. Hill died Sept. 15 at Battle Creek, Mich. In 1881 Dr. Hill, as a young Methodist minister, became head of a pioneer mission school for Negroes at Morristown, and found himself misunderstood and ostracized, as he began his work in a dilapidated building formerly used as a slave market. Those who fought him, however, ulti-

mately lauded him: for three years he represented the community as national counselor to the U. S. chamber of commerce; recently his city named in his honor the "Judson S. Hill school." The school which he started now has 12 buildings and 375 acres of campus; in all he raised and invested \$1,500,000 in the maintenance and expansion of the school.

W. C. T. U. to Hold Prohibition Conferences Across the Country

The national W. C. T. U. has completed plans for 25 regional conferences starting at Washington, D. C., Dec. 4-6, and extending across the continent. These conferences aim to bring together every local, state and national woman leader on the dry side, and will constitute the W. C. T. U. advance work during the pre-election months.

Body and Soul Clinic Planned In Cincinnati

Dr. William S. Keller, president of the Social Hygiene society, one of the councils of the Public Health federation of Cincinnati, is planning to establish a social agency which will have as its chief aim the promotion of successful marriage and parenthood; the agency is expected to be a powerful blow at divorce. There are but two such agencies in the country, in Los Angeles and New York, but there are more than 100 in Europe, most of them being official in character.

Three Presbyterian Churches of Pittsburgh to Merge

Final plans for the merger of Second, First and Central Presbyterian churches of Pittsburgh have been approved at a mass meeting of the three congregations. The united congregation will adopt the name and charter of Second church. The merger calls for the erection of a half-million cathedral-type church building. Rev. Frank J. Bryson, of First church, and Rev. George W. Shelton of Second church will be associate pastors of the united congregation. Central church has had no leader in recent months.

Catholic Men to Discuss Crime And Unemployment

The National Council of Catholic Men, which holds its annual convention at Rochester, N. Y., Oct. 11-13, has planned for discussions centering around the study of conditions that lead to crime and disregard of law; a second subject for consideration is the problems of industry, with particular emphasis on unemployment. Nationally known sociologists, criminologists and lawyers will address the convention.

Canadian Churchmen to Hold Missionary Congress

A great gathering of ministers and laymen of the conferences of Ontario and Quebec is called for Oct. 1, 2. It will be a missionary congress, at which the issues that lie at the center of all the church's efforts will be discussed by notable speakers.

Seek to Break Wendel Will

The 100 million dollars left by Miss Ella Wendel, last of the millionaire Wen-

dels, who died last spring, was to go by her wish to two Methodist divinity schools, two New York hospitals and an orphanage, but Arthur Garfield Hays, New York lawyer, is launching a fight to break the will in favor of 27 Americans who are nearest of kin to Miss Wendel.

Bishop Birney Returning To America

Bishop L. J. Birney, who has been seriously ill in China for many months, is to return to America this autumn, with Mrs. Birney, and will spend the winter in California.

Elliott Speer Takes Over Mt. Hermon Principalship

Rev. Elliott Speer, president of the Northfield schools, will become principal of Mt. Hermon school in June of next year, to succeed Dr. Henry F. Cutler, headmaster there for 30 years, whose resignation takes effect at that time. Mr. Speer has been granted a year's leave of absence, which period he will spend in Europe making a study of secondary education. Elliott Speer is a son of Dr. Robert E. Speer.

World Methodism at Atlanta Meet

The Atlanta committee of 100 ministers and laymen, directed by Bishop John M. Moore, has completed preparations for the sixth Ecumenical Methodist conference, to be held in that city Oct. 16-25. Wesley Memorial church will be conference headquarters, where morning sessions will be held; evening sessions at the city auditorium. A feature of the conference will be the presentation of the pageant "Heaven Bound" by 500 Atlanta Negroes.

Buffalo Church Uses Church Unemployed on New Building

Ontario Street United Presbyterian church, Buffalo, has laid the cornerstone of its new building, and the pastor, Rev. L. E. H. Smith, announces that about 85 per cent of the work on the building is being done by the unemployed of that parish.

BOOKS RECEIVED

- Man's Own Show: Civilization, by George A. Dorsey, Harpers, \$5.00.
The Scientific Outlook, by Bertrand Russell. Norton, \$3.00.
Wet Parade, by Upton Sinclair. Farrar & Rinehart, \$2.50.
Men of Earth, by Russell Lord. Longmans, \$3.00.
From World Understanding to World Peace, edited by Hélène Chapard-Spir. Williams & Norgate, London, 6/6.
How Jesus Would Teach, by David R. Piper. David C. Cook Pub. Co.
Dry America, by Arlicus Webb. Cokesbury.
These Agitators and Their Ideas, by Harry M. Chalfont. Cokesbury, \$2.00.
The New Dimension in Religion, by Ailyn K. Foster. Macmillan, \$2.00.
The Little Shepherd of Kingdom Come, by John Fox, Jr., with pictures by N. C. Wyeth. Scribners, \$2.50.
Portrait of a Carpenter, by Winifred Kirkland. Scribners, \$2.00.
The Golden Vase, by Ludwig Lewisohn. Harpers, \$2.00.
The End of Extraterritoriality in China, by Thomas F. Millard. A. B. C. Press, Shanghai.
The Tragedy of Josephine Maria, and other one-act plays, by Charles S. Brooks. Harcourt, Brace & Co., \$2.50.
Radio Stories Re-told from St. Nicholas. Century Co., \$1.35.
Six Women Along the Way from Bethlehem to Calvary, by Margaret E. Sangster. Brewer, Warren & Putnam, \$2.00.

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OF EUROPE
Paul Hutchinson

COMMUNITY CHURCHES
David R. Piper

TINKER AND THINKER:
JOHN BUNYAN
William H. Nelson

STRAIGHT ANSWERS TO
LIFE QUESTIONS
Cooland Smith

WHAT AND WHY IN CHINA
Paul Hutchinson

THE THIRD WEAVER (Fiction)
Emily Calvin Blake

19TH CENTURY LOVE POEMS
Caroline M. Hill, Compiler

WHITE PEAKS AND GREEN
(Poems)
Ethel Romig Fuller

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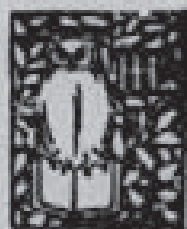
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