SHALL WE REALLY PROGRESS?

CHAPTER SIX

OUR growing alarm over the rising cost of government is because the burden of taxation appears to be so rapidly growing in weight that many think it may become intolerable even within our own lifetime. Already this burden is radically affecting our lives. But apart from extravagance, inefficiency and waste we cannot deny that the rising cost is in a considerable measure due to the new concept of government which envisions the greater happiness and security of all the people.

There has been a marked increase of state services available to the average man and woman. These services do not ordinarily come to the attention of those most liable to complain of the very grave social injustices of the times; they demand more service—not being familiar with those already existing. This often brings about duplication. The real question before us is whether or not we shall allow our economic difficulties and our organization inefficiency to frustrate the wholesome and essential development of our civilization. As I see it, our social aims should spur our attack upon these problems.

Two particular plans for social welfare just coming to the fore vitally affect the whole range of our present and future American civilization. The lives of ninety percent of our citizens—all those who have to work and do not live on investments— are concerned with the possibilities of unemployment (even if they are fortunately now employed) and the possibility of needing outside assistance in their old age. Up to the present the public has not concerned itself greatly with finding a solution, first because as a young nation untouched resources have been open to us, and second, because the social sciences are still in their infancy, and until recently poverty and hunger and want, to a great extent, have been treated as necessary and inevitable evils.

It is necessary briefly to review existing conditions in order to put down in black and white what we seek to remedy. We can and must think nationally, for every state and every region face the same facts and are affected by conditions in every other state and region. A good illustration is an occurrence of 1929. When the automobile industry, in Detroit laid off several hundred thousand workers in local plants, forty thousand of these came. to the State of New York looking for jobs—a mass, movement nearly a third of the way across the continent. Today, because the nation is so greatly industrialized, the closing down of ten percent of industry is felt very definitely in every community.

The absurdity is now obvious of the new economic theory which was foisted upon the nation in 1928 and 1929 that, contrary to all teachings of history, constant work would continue indefinitely on a rising scale just as long as high wages continued, combined with a high pressure selling campaign to dispose of the output. It was all to be bought and paid for if everybody was employed. and earning good wages. Thus if every family in the United States owned one automobile and one, radio set in 1930, by 1940 every family would need two cars and two radios, by 1950 every family would need three—the older theory of a saturation point having been wholly abandoned. Failure to recognize the old law of supply and demand was criminal enough; but to this was added the spectacle of officials of government and leading financiers juggling with figures in order deliberately to, distort facts. When between twelve and fifteen, workers out of every hundred are out of a job in very many industries it is neither truthful nor useful to tell them that employment is practically back to normal, no matter what purely psychological ,reasons may stand in the way of output.

The truth of the matter is that we are in the midst of another turn of the wheel in the economic cycle and that production in most instances has outrun consumption. To this domestic crisis has been added a tremendous falling off in our exports. To go into the reason for this would be out of place here.

Next we must consider the effect of the latest ; manufacturing and selling processes. The result of so-called efficiency methods is that the top age of \_employment usefulness is no longer from sixty-five to seventy years of age, but has dropped to from -forty-five to fifty years of age. Though the practice is happily not universal, a growing number of large .employers have been hiring only young men and women, and in times of reduction the older employees have been the first to go. This means that the old-age problem, which only a few years ago was by common consent set at the seventy-year mark, is today advanced to include thousands of people in their first fifties and sixties. How much of this change is due to the last disastrous years may never be known, but this does not alter the probability that the change will further continue.

To sum up the existing situation, we have a highly complex problem here—one in which unemployment and old-age want are becoming more and more interwoven, where the remedy of one must take cognizance of the other, where government aid must be thought out along scientific economic lines and not be tossed out as charity or as a result of political hysteria.

Judging by the past and by the present, unemployment always will be with us as a nation, varying with the economic cycles. Certain trends and steps are being worked out in various sections and in various industries for the purpose of flattening out, at least partially, the peaks and valleys. For example, the trend is distinctly toward the five-day week. This means the employment of more people, or, at least, the laying off of fewer people, as does also the movement toward shorter hours of work per day.

Then we have the movement toward the better planning of work, the so-called Cincinnati system, which guarantees to the worker a definite period of work, say forty-eight weeks out of the year, for which he or she is hired; with this planning goes the staggering of work, the cooperation between different lines of industry and the acceleration of public and private construction in times of depression.

It is a fine thing that practically every state government has recognized the emergency and taken definite action. For instance, in 1930 the Legislature of the State of New York gave me, as Governor, an appropriation of ninety million dollars for public work, an increase of twenty million dollars over the previous year. So, also, the municipalities and counties of the State increased this total fourfold. These, however, are emergency measures and cannot necessarily be counted on in future periods of unemployment because the debts of local governments have increased to an alarming and perhaps dangerous extent.

More permanent remedies have been undertaken in various parts of the country. For example, in New York, a committee appointed by me, composed of four business men, a labor leader and the State Industrial Commissioner, consulted with larger industrial concerns and established the principle of giving steadier work by careful planning within the industries themselves. All these studies and plans, however, are confronted with a definite lack of statistics and facts; for instance, it was known fairly accurately how many people were employed but very inaccurately how many people were unemployed. Here is an immediate need for governmental and private organizing in order that we may have the whole truth about the unemployment situation. Announcements from the high officials in Washington have been discredited—though it is obvious that the true facts are the people's right.

Furthermore, industrial planning, while excellent in the case of larger employers who in some cases can make their output programs for a year or more in advance during normal times, is not so possible for the smaller employer or for the man who in his business handles only one line of goods.

The conclusions, again, are obvious. Careful planning, shorter hours, more complete facts, public works and a dozen other palliatives will in the future reduce unemployment especially in times of industrial depression, but all of these put together will not eliminate unemployment. There may indeed be periods in our future history when, for economic or political reasons, we may have to go through several years of hardship, one right on top of another. We shall have in these periods new "accidents" of employment, such as we have had in the past; for instance, changes in style such as the replacement of cotton goods by artificial silk; or the depression in the spoken drama with the advent of motion pictures and the talkies. So also we shall have new inventions which will be compared to the advent of the automobile and we may have further losses of foreign markets. Some of these changes are predictable, others are not. Against them some form of insurance seems to be the only answer.

We shall come to unemployment insurance in this country just as certainly as we have come to workmen's compensation for industrial injury, just as certainly as we are today in the midst of insuring against old-age want.

Ninety percent of unemployment is wholly without the fault of the worker. Other nations and governments have undertaken various systems which insure their workers when unemployment comes. Why should we, in the forty-eight states of our Union, fear to undertake the task?

It is, of course, necessary for us to guard against two grave dangers. Insurance against unemployment must not, by any chance or loophole, become a mere dole which encourages idleness and defeats its own purpose. It should be possible in developing a system of unemployment insurance to draw a hard and fast line against any man or woman who declines to accept an offered position, and it should be possible so to alternate employment that no individual will be unable to find a job for more than two or three months at a time. The other danger is that there will be a natural tendency to pay the cost of unemployment insurance out of current revenues of government. It is clear that unemployment insurance must be placed upon an actuarial basis, and that contributions must be made by the workers themselves. Ideally, a carefully worked out system of unemployment insurance should be self-supporting and a close and intelligent study of the facts and of the law of averages can make this wholly possible.

The suggestions made by the Interstate Commission on Unemployment Insurance in its report early in 1931 to the Governors' conference on unemployment called by me deserves action to follow. This commission was composed of representatives of six of the seven Eastern industrial states —New York, Ohio, Pennsylvania, New Jersey, Massachusetts and Connecticut.

The plan they worked out is sound and carefully safeguarded. It would make provision for the irregularity of industrial operation, give incentives for the regularization of industry and maintain the morale and self-respect of the worker, so essential to the citizens of a democracy. It contains a radical departure from all European plans in that it definitely avoids the commingling of reserve and relief funds, recommending that the payments of each employer constitute his reserves which are not to be turned into a common pool.

The payment by each employer is to be a contribution amounting to two percent of his payroll and to be reduced to one percent when the accumulated reserve per employee shall have exceeded fifty dollars. The maximum benefit is to be ten dollars a week or fifty percent of an employee's wage, whichever is lower, and the maximum period of benefit to be ten weeks of any twelve months. The payment by each employer is to constitute the employment reserve of his firm and not to be added to the common pool. The creation of an Unemployment Administration of three members is suggested, one representing labor, one industry and one the general public.

The suggestion is made that the states take 'prompt steps to extend their public employment service, since no system of unemployment insurance can accomplish its purpose without a properly organized and efficiently operated system of employment exchanges.

The Unemployment Commission is to encourage cooperative action between firms and industries, since the most effective measures for achieving greater stabilization cannot be accomplished by a single firm.

The report names two reasons for recommending contributions to the fund by employers: first, "the employee should not in our judgment be required to reduce his earnings further by the payment of contributions into reserves"; second, "the employer's financial liability under the plan would operate as a continuous incentive to prevent unemployment as far as practicable."

By the recommendation that the payments by each employer constitute the unemployment reserve of his firm and be not added to the common pool, the report hopes to avoid what "has been widely recognized even by sympathetic critics of European practice as having had unfortunate results." When the pooling system is used, according to the report, "the irregular industries enabled to draw benefits for their unemployed workmen from the common pool may thus be tempted to shift responsibility and the cost of their own unemployment to the more stable and profitable industries. Insofar then as an unemployment is due to careless or indifferent management, or to the failure to take proper precautions for the future, the pooling of reserves may have the effect of perpetuating such uneconomic practice, and may, in consequence, fail to offer the incentives to regularization for which many of the advocates of unemployment insurance had hoped."

I feel that these suggestions are practical, as simple as the nature of such action can be, and should be seriously taken up.

With plans for old-age security already taking form in the State of New York, becoming law and getting into operation, despite the financial difficulties of the times, it seems to me to be sure that we are going to continue to progress along lines of social welfare. It is amazing what a revolution has taken place in men's minds in a comparatively short space of time—for twenty years ago there would have been nothing but public laughter or apprehension at the way some of us are viewing the duties of government.

Today, there is no need for a long argument to prove that old-age security logically and inevitably ties in with the whole problem of the unemployed and that something can actually be done about it. Everyone knows that when old men and women are no longer able to support themselves by working, they come into the ranks of the unemployed just as much as if they were the victims of industrial layoffs. The only difference is that their layoff is permanent rather than temporary.

It is of course inevitable that these problems be worked out in a piecemeal manner. For example, the passage of the old-age security law in the State of New York in 1930 took only one short step toward the larger problem. The new law applies only to men and women seventy years old and over, but it is based on the correct theory that it is in the long run cheaper and better for the beneficiaries to live in their own homes during their declining years than for them to become inmates of institutions.

The New York law has failed to go to the real roots of old-age want. It has set up no machinery for the building up of what in time must become an insurance fund to which the State and the workers, and possibly the employers, will contribute. The cost of the present law is to be borne half by the State and half by the counties of the State. That may be very well as a stop-gap to meet the emergency of those who are today in want, but the law must be made broader in its application, doing away definitely with state and county aid and establishing an insurance system by which the worker will become an actual part as an individual the very first day that he or she starts to become a wage-earner in the community.

These social situations must be met with no haphazard answers. The principles of insurance can be made to meet the basic problems of unemployment and old-age want. This is a sound business proposal. It would be far more radical to suggest that local and state governments should, in the days to come, grant pensions or doles to those who are in need.

It is essential that the various states seek to work out these problems. It is probable that they will attack them in ways which differ in method. Yet this is one of the great advantages of our system of forty-eight separate and distinct sovereignties. Some states will, without doubt, be more successful than others. But we can learn by comparisons and the interchange of ideas. So far there has been very little interchange; there must be an active and intelligent interchange from now on.