

From Committee on Economic Security (CES), unpublished studies on social insurance, Volume 6, Records of the Social Security Administration, RG 47; 47.2 Records of the Committee on Economic Security

RETAILERS' ECONOMIC SECURITY PLAN

Prepared by a Committee of National Retail Dry Goods Association

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General

The United States has sufficient resources, productive capacity, human energy, and skill, to provide at least a fair minimum standard of life continuously for all the people. The relations of the United States with the rest of the world are tranquil. It is not torn by internal political or class strife. There is no natural basis for the present disorganized state of economic affairs. All conditions exist for renewed prosperity and progress.

All production and consequent employment is in response to current or expected consumer demand. Effective demand can occur only when the consumer has money or credit. But only through production and distribution can the money or credit which is necessary to create consumer demand become available. Distortion in these relations causes the vicious circle of expansion and depression.

The objective of this study is to explore certain suggestions that have been made for general economic security. These cover the hazards of unemployment, old age, sickness, disability, and dependency. Any plan must meet the test of practicability. In the last analysis, this test is the effect of any proposed measure in breaking the vicious circle of expansion and depression. Powerful influences that will protect society against the dislocation caused by these economic extremes must be sought, both by the government and by business.

We must distinguish between a desired ultimate objective, with respect to economic security, and the necessities caused by the situation in which we find ourselves. With respect to the Administration program for meeting the present situation on an emergency basis through providing, as proposed by the administration, work when possible, and relief when necessary, we are in accord. But we must not permit ourselves to accept these emergency measures as permanent solutions.

Our objective should be to give the worker work, and through adequate reserves and insurance, protection against the hazards of unemployment, old age, sickness, disability and dependency. Unfortunately, the building up of reserves for each of these purposes reduces purchasing power, particularly in its initial stages. This, however should not cause us to delay the development of programs, nor should it prevent us from taking the initial steps, and progressively increasing a general program of economic security.

UNEMPLOYMENT RESERVES

The purposes of unemployment reserves are to alleviate the shock of unemployment, to increase continuity of employment and to aid in the stabilizing of consumption.

Unemployment reserves can be built up which will take care unemployment resulting from seasonal and other variations in the use of the products of an industry, from technical improvements in the methods of production, and from the initial effects of cyclical unemployment. Such reserves can be made to apply to the large majority of industrial and commercial workers. A program of unemployment reserves, to be of national benefit, must be created by federal law. Such law must result in eliminating undue benefits for particular states that might be unwilling to meet a minimum national standard. At the same time it should be flexible enough to allow for administrative variation, to correspond with local needs and preferences, and to provide much needed practical experimentation.

The unemployment reserve fund, in our opinion, should be built up by contributions by the employer, the employee, and the state.

The state should contribute at least the expenses of administration, in order that the full amount contributed by employers and employees may be available as benefits.

In the initial stages, the contributions from the various industries and establishments should be at the same basic rate. As soon as experience with the incidence of unemployment is built up provision should be made whereby differential rates can be established. This would be an inducement to employers to exercise their ingenuity and initiative in stabilizing employment, and would discourage them from throwing workers upon the unemployment fund as a measure of labor economy.

No matter how just a plan may be, nor how skillfully its other provisions may be drawn, it cannot survive an unsound administrative arrangement. The administration agency in the state charged with the disbursement of funds accumulated for unemployment benefits, should be a non-political commission responsible to no other administrative agency save only to the governor, and with no other duties whatsoever. The law should be specific as to the rules under which the Commission should operate, and latitude for administrative discretion, although generally wise, should here be rigorously limited.

All funds reserved for unemployment benefits should be deposited with an appropriate federal agency, so that the effect of these accumulations on the general monetary position can be adequately safeguarded. No one can foretell the exact effect of these accumulated funds at different phases of the credit cycle. No one except the federal government should be asked to assume responsibility for the solvency of these funds.

A plan of unemployment reserves presupposes an efficient and widely distributed system of public employment offices. In recent months there has been a certain improvement of this important public service, but further progress must be made to

meet the needs that will arise. The federal government should continue its interest and support of state public employment offices, and should be supported in its efforts to provide a workable Federal-State system.

While unemployment reserves will take the first brunt of cyclical depression, full plans should be made ready for public works, and for measures of relief that will more promptly than has been the case in the present depression, restore the purchasing power upon which industry depends. We are in sympathy with the efforts being made by the federal government, in cooperation with the states, to plan constructive public projects for the future.

OLD AGE SECURITY

We must distinguish between -

- the development of a plan for insurance at old age for those still in the prime of life, and
- the immediate problem of relieving the condition of persons already of advance years.

The huge liability already existing with respect to the latter group precludes the consideration of ordinary insurance for it. The necessary relief to the present aged can be given only as old age pensions, not as insurance, and public funds must be drawn upon to provide these pensions.

We suggest a program of federal and state cooperation, in the provision of the resources necessary for pensions, with flexibility that will permit each state to arrange the terms and conditions in accordance with local needs.

Old age is a universal hazard. No program of old age insurance should be contemplated which does not make provision for every citizen. If in the near future, a program of old age pensions can be adopted, there will then be time to consider the more difficult problem of setting up a plan for old age insurance, which eventually should come.

PROVISIONS FOR SICKNESS AND DISABILITY

The losses to the individual and to the community from sickness and disability, are in the aggregate very large. No plan for economic security can in the long run ignore these losses. We believe that in principle, insurance against such losses is so sound that there should be no delay in the working out of concrete legislative proposals, to effectuate this purpose. We advocate the appointment of a Federal Commission to study this problem with an open mind, as respects the needs and possibilities for the people of the United States, and to report definite recommendations that can be put into practice as soon as conditions warrant.

MOTHERS' AND WIDOWS' PENSIONS

In spite of the increased economic security that the above measures will provide, there remains the problem of the dependents of the deceased worker's family. We have in this country at the present time an established tradition with respect to mothers' and widows' pensions. Unfortunately, these pensions are less general than is desirable. We suggest that the federal government, in cooperation with the states, establish minimum standards of benefits, toward which the federal government may make an appropriate financial contribution.

RELIEF AND WELFARE

We realize only too well that after all the mentioned hazards have been taken care of, there remain many people for whom relief is necessary. We agree with the administration that these should be provided for by each individual state, in accordance with recognized social service standards.

We submit these views, in the hope that they will be helpful as representing the point of view of a large body of American business.

NOTE: The committee which prepared this plan was appointed by the President of the National Retail Dry Goods Association, with the authority of the Executive Committee, at a meeting held on January 3rd, 1935.

The members of the committee are:

Mr. F. W. Aldred
Mr. C. B. Clark
Mr. Lew Hahn
Mr. Albert D. Hutzler
Mr. Edgar J. Kaufmann
Mr. Louis E. Kirstein
Mr. Fred Lazarus, Jr.
Mr. Ward Melville
Mr. Frank H. Neely
Dr. Paul H. Nustrom
Mr. David Ovens
Mr. Samuel W. Reyburn
Mr. Percy S. Straus, Chairman
Mr. Oscar Webber
Gen. R. E. Wood

of whom all but Mr. Hahn, Mr. Lazarus, Mr. Melville, Mr. Webber, and Gen. Wood attended a two day meeting held on January 12th and 13th, 1935.