health and accident insurance covering all employes with a minimum standard amount. Other emergencies in this group are met by incorporating into the organization of the reserve fund a simple credit-union structure, from which employes may borrow for "provident purposes," repaying in regular monthly or weekly payments. The well organized and administered credit union has been found to be a great benefit to workers, as well as a very sound investment of employes' savings, earning a safe and substantial return.

Our third emergency is unemployment. Since it is essentially this factor that has caused such widespread interest in the subject as a whole, I may assume that most of you are generally familiar with at least some of the thousands of remedies proposed, as well as some of those which have been tried. One could devote days to the subject without much more than scratching the surface. Suffice it to say that a year of intensive study has convinced us that there are but three alternatives: (1) Unemployment insurance by legislative enactment and government supervision which we reject as socialistic, economically inequitable and entirely contrary to the American conception of individual responsibility; (2) pooled wage reserves, by which we mean wage reserves contributed by all to be drawn on as necessary for the benefit of the least fortunate and the least provident, which we reject as being unacceptable to the American workman and conducive to shiftlessness and inefficiency and improvidence; (3) individual wage reserves, whereby employe and employer contribute to a reserve which sets up individual credits to the account of each employe, which credits may be drawn upon in the event of unemployment. If the individual reserve is exhausted the relationship of the employe to the reserve fund is terminated, unless by action of the Board of Trustees he may receive benefits from a special emergency fund. I believe that anyone who makes a practical study of the problem will reach the conclusion that as long as the American scheme retains its past and present character, the individual reserve remains the only practical method of unemployment relief. Of course, we recognize that the real cure is not relief, but prevention by sound economic planning which will stabilize employment. This desirable goal seems far distant. However, while we are struggling toward it, previously organized and soundly administered reserves will at least provide a cushion of relief.

Our fourth and last emergency is old age, which we all attain if the first emergency does not interfere. I think that you will agree that it is a very sad commentary on our vaunted civilization that of every hundred wage earners alive and well at the age of twenty-five who live to attain the age of sixty-five only 16 per cent are capable of retiring with financial independence. 84 per cent must either continue to work indefinitely or are dependent on the charity of relatives, friends or the state. That is hardly a situation to which we can "point with pride" as our political orators have it.

In this plan we have proposed to restrict withdrawals for any but very real emergencies. We have suggested that minor emergencies be met by borrowing from the reserve, repaying in regular installments, rather than by drawing on the reserves themselves. The purpose of this is to permit these individual reserves to build up, grow and compound so as to provide an adequate retirement fund when retirement age is reached. If this could be generally applied to American business our normal unemployment could be wiped out. This is because in normal times there are more people of over sixty-five years of age at work than there are people unemployed. From another angle consider the economic benefit of being able to retire workers from production with resources sufficient to enable them to continue as consumers.

I shall attempt to give only one or two points on the organization and administration of these reserve funds. Obviously the industrial or commercial unit is the ideal medium. If it is too small, regional or industrial groups of units can be organized at very little additional expense.

Two points should be definitely established at the inception of the organization. The first is that the company itself has no responsibility for the administration or maintenance of the organization, except those that are definitely stated in the fund regulations and which it consents to assume. The second is that, while the plan is designed to enable each employe to meet emergencies, the scope and character of all emergencies cannot be anticipated. Therefore the regulations should not be too rigid. Both of these points may be fully covered by having a properly constituted board of trustees to administer the fund, with elected representatives of the employes constituting at least half of the board. In many cases it has been considered advisable to have the employe representatives outnumber the management representatives, with the proviso, of course, that the board has no power to commit the company to anything over and above the commitments originally agreed to.

It is essential that the employes shall from the beginning understand the purpose of the plan; namely, to accumulate reserves for emergencies and not for casual needs that may arise from day to day. By putting restrictions in the regulations which permit withdrawals only for specific emergencies and only at stated periods, a dual purpose is accomplished—the fund is not depleted for minor needs and accounting is simplified and cost of administration is kept at a minimum.

Accounting practice for this type of fund has been thoroughly worked out, but, like everything else in this proposal, it is left flexible for ready adaptation to the requirements of any particular group. One essential which must be mentioned is that the accounts are so set up that the equity of each employe always reflects the exact earnings to date on each contribution credited to his account. Thus the newly accepted member receives no benefit from previous earnings of the fund.

It is these earnings which constitute one of the fundamental features of this plan. We have often been asked the question, "How is it possible to provide reserves for all these emergencies without impossibly heavy contributions from either employer or employe or both?" There is only one answer. A substantial portion of the fund must be put to work in the best of American industry to participate in the average good earnings and also in the normal growth in value of sound American industry. These earnings and appreciation in value must then be ploughed back into the fund to receive the benefit of the tremendous power of compounding. Before closing I want to answer the question I know is in your minds. You are thinking that I am describing the millenium in saying that such savings can be put to work to earn dividends from industry and to share in the capital growth of industry without sacrificing the essential safety that is an absolute necessity for the savings of workers. For a moment I shall ask you to assume that I am describing a practical ideal—that can be done. Assuming that, I want to ask you a serious question. In view of the new light that is being thrown on the relationship between—not "capital and labor"; I despise that outworn phrase of the nineteenth century economist—but between the triumvirate that must equally share the burden and the profit of a new economic world—men, management and money—and I put money last—in view of the proper relationship of these three does it not appear to you essentially logical and right that a substantial part of the savings of men—the reserves against emergencies—should be a part of the money that is given to management to put to work at a profit? I think it is. Money is given to management to be put to work to earn dividends and to grow. Management combines the equipment that this money purchases with efficient direction of men and their labor so that the money will earn these dividends and grow. Is there any reason, then, why the millions of individual savings of these men cannot be economically pooled to be given back to management to share in these earnings and this growth that men and management create?

There has been a reason. Money so invested has not been safe, and safety is an essential which is required for the savings of men. But a new science or profession has developed to answer the crying need for a combination of safety and profit. That is the profession of investment management which stands aloof from either speculation or ownership or management interests in any particular concern, and has adopted and rigidly adheres to the highest standards of professional ethics.

Members of the Taylor Society represent the science of management. I have tried to show you how your science of economic planning may include this new science of investment management, to make effective one of the vital factors of human planning, the creation and maintenance of personal reserves for workers. It is a combination that can go a long way toward eliminating some of the serious ills of our modern industrial world. I commend it to your consideration, because unless you who have the responsibility of management take definite steps to incorporate this human planning into your rebuilding program, government is going to do it for you, and frankly I do not like to speculate concerning the result if the legislatures of forty-eight states are allowed to enact their various ideas of the solution of this vital problem.

III. Social Responsibility

By FANNIA M. COHN

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WE ARE living in a period of much unbearable suffering in spite of overabundance. At such a time it is not easy for one who is daily faced with this distress to confine her remarks within the limit of these papers which I am called upon to discuss. I will therefore consider the general problem of economic security.

Mr. Hull discusses the individual's responsibility for his own unemployment. Even in ordinary times we have had, through the mechanization of industry, increasing millions of workers out of employment who were capable, efficient, and desirous of work. Mr. Hull admits that there are not enough jobs. No comment is necessary that if there are not enough jobs somebody will always be unemployed. Such an argument as Mr. Hull's is especially heartless at the present time. I would rather have expected an industrial engineer, who is acquainted with the increasing unemployment situation, to suggest another remedy for the workers—unemployment insurance and other social legislation.

Very few deny that sociological, or psychological, or (as others term it) seasonal unemployment, has its root in our present planless economic system and the ruthless competition that are the evils of the profit motive. Many add a new result —permanent unemployment.

Our present evils, as the members of the Taylor Society well know, spring not from lack of efficiency to produce, but from the failure to use properly the results of our efficiency. Of course too many people are now misplaced. Many young people starting out in life are not getting the positions for which they are best fitted, because they have no choice in the matter if their existence depends upon their daily wages. The retraining of those displaced by shifting industrial requirements should be a governmental function.

Mr. Westing takes it for granted that it is against the tradition of American workers to accept state social insurance, but since he prepared his paper, the convention of the American Federation of Labor has come out in favor of compulsory unemployment insurance legislation. This action was taken at the recommendation of the A. F. of L. Executive Council, which only last year was still unalterably opposed to unemployment insurance legislation. It had been forced to realize that unemployment insurance cannot be achieved through voluntary action. Indeed, on the basis of the past, we can conclude that if obtaining economic security for workers be left to voluntary effort, as suggested by Mr. Westing, twenty-five years hence, after another depression or even several depressions, we may hear another paper lamenting the fact that employers and workers have not established reserves. Hence the labor movement and so many public spirited people are working for the enactment of compulsory unemployment insurance legislation, and for the extension of old age security laws, health insurance, and mothers' and widows' pensions. Only recently the Wilbur Committee on the Cost of Medical Care has rendered a majority report recommending partial socialization of medicine.

The victims of the present depression—the unemployed—are rapidly changing their attitude toward tradition as long as all it offers them in the midst of plenty is the bread line. The changing public temper was demonstrated in the last election. The President, an ex-President whose name was associated with the wild era of prosperity, and other celebrities of the Republican party, warned the nation that the election of their opponent might mean the destruction of American traditions and social institutions. The answer of the masses cannot be interpreted to mean that they cherished our present institutions.

Assuming that we had had funds accumulated through individual reserves, and invested by management in business in accordance with Mr. Westing's suggestion, what would have happened to these investments during this depression? Are we not aware that the workers' savings were wiped out through bankruptcies? Workers want the government to be the collector, custodian, and distributor of such funds.

If social legislation had existed in the United States for the last ten years, many billions of dollars would have been available for distribution to the unemployed for purchasing power at the beginning of the present depression, and these billions would to a certain degree have kept industry in operation. Social legislation would abolish the bread line (which does not exist even in England), and avoid the spectacle of able-bodied men and women accepting charity in the presence of their children.

Even if it is true, as Mr. Westing maintains, that there is a greatly increased interest of management in the economic conditions of the workers, only thirteen companies have voluntarily established benefit plans for their employes, only 87,000 workers, or less than 1% of all the wage-earners in the country, are covered by benefit plans, and six private company plans have discontinued payment of benefits. Why is it that the most publicized exponent of such plans suspended payment of benefits in June, 1932, when benefits were most needed? Such experience confirms the assertion of those who maintain that assured economic security of workers cannot be achieved without legislative action.

Because of our competitive system an employer or even a group of employers cannot assume the cost of a reserve unless the entire industry and even other industries do likewise. This explains why after sixteen years the unemployment insurance funds established by joint agreement between trade unions and employers cover not even 200,000 workers. Furthermore, the private unemployment insurance benefit plans have been estab-