

WEEKLY NEWS LETTER

FROM

CALIFORNIA STATE FEDERATION OF LABOR

402 FLOOD BUILDING

151



SAN FRANCISCO,
CALIFORNIA

February 1, 1950

INSURANCE POWERS EXPOSED IN WAR ON STATE FUND

(CFLNL)SAN FRANCISCO.--Big Business press attacks on the State Compensation Insurance Fund were answered in full this week by Joseph J. Gallagher, manager of the Fund, who charged that similar complaints have been made by insurance companies ever since the Workmen's Compensation Act was adopted in 1914.

Insurance agents and brokers recently opened a public war on the State Fund, accusing its officials of responsibility for "misleading statements" and other "unfair practices" in the solicitation of workmen's compensation insurance.

Under the provisions of the Workmen's Compensation Act, employers may insure their workers against industrial accidents through private insurance companies or the State Fund operated by the State of California.

The agent and broker agitation reached a climax early this month when Gallagher was advised that the Assembly Committee on Finance and Insurance has scheduled a series of hearings on compensation insurance practices.

Gallagher has informed the committee that the Fund welcomes any such investigation.

In answering the criticism, Gallagher stated: "While the Fund is the largest workmen's compensation insurance carrier in California, it does not dominate the industry since it writes about 25% of premiums in this field, including its premiums from public agencies.

"The Fund writes approximately \$25,000,000 in insurance premiums annually, most of this representing renewal and 'over the

counter' business, and it solicits new business through a salaried staff of civil service men."

The Fund manager declared that the present campaign against the Fund is not actually concerned with its competitive practices, but is a flank attack which has as its primary purpose the distribution among agents and brokers of commissions on \$25,000,000 of premiums received annually by the Fund. These commissions, or their equivalent, are now refunded to its insured employers.

Gallagher said the law provides that the Fund shall be operated as a mutual insurance carrier, required to return to its policyholders all profits resulting from its operation.

He further held that "because other carriers spend from 17½% to 40% or more of their premiums on overhead costs, the State Fund is criticized because, in spending less than 15% for administration expense, including taxes, it returns all savings to its policyholders."

Since 1914, the refunds paid by the Fund have saved California employers more than \$85,000,000. Gallagher asserted that insurance forces object to the return of these excess premiums to its policyholders.

The drive on the State Fund follows by less than a year the insurance lobby raid on the disability insurance law during the 1949 session of the California legislature.

- o o o -

THREE STRIKES -- HE'S OUT!

(CFLNL)SAN FRANCISCO.--The new Washington lobbyist for the American Medical Association is a man well prepared to carry the reactionary load of the AMA.

He's none other than William D. McAdams, who for four years was chief of Senator Taft's "public relations" staff. McAdams served in that role until Taft's campaign to win the GOP presidential nomination flopped in 1948.

During the past year McAdams was the \$15,000 a year Washington lobbyist for the National Dry Good Association. Now he's on the

payroll of Whitaker & Baxter, the high-powered publicity firm, which has been conducting the AMA's multi-million dollar propaganda drive against health insurance legislation.

In his new job, he gets \$14,400 a year, "plus expenses," according to his registration statement filed under terms of the federal law regulating lobbyists.

- o o o -

U. S. CHAMBER MIXES SIGNALS -- RUNS WRONG WAY!

(CFLNL)SAN FRANCISCO.--The January issue of "Economic Intelligence," house organ of the United States Chamber of Commerce, carries an indictment of President Truman's State of the Union message.

This hardly qualifies as news, for the U. S. Chamber, like the National Association of Manufacturers, has historically opposed all liberal thought and action by government.

However, adjoining the page one reprimand of the President for his "benign outlook" is a delightful Chamber story justifying the Truman optimism.

This "strictly business" article reports that "the latest figures from the Department of Commerce show that during the five-year period, 1944-1948, a total of more than 2,272,000 new businesses were put into operation in the United States."

"During this same period," the article continues, "about 1,300,000 business firms were discontinued. The great bulk of these simply closed up, because of the death or retirement of proprietors, dissolution of partnerships, and so on. Probably not more than five thousand of them were bankrupt, judging from the Dun and Bradstreet failure figures."

What does "Economic Intelligence" think of this? The conclusion should be shown every Tory screaming about the perils of our "welfare state," for the Chamber sheet proclaims:

"The result of these trends has been a net increase of more than a million in the total business population. It is apparent that it is possible to start a new business enterprise; in fact, with half

a million new firms coming on the scene every year, it must be fairly easy."

Mr. Truman said all this in his "State of the Union" message, but that's another story. "Economic Intelligence" -- it's wonderful.

- o O o -

LESS THAN SEVEN PER CENT OF TRUMAN BUDGET
DIRECTED TO U. S. WELFARE COSTS

(CFLNL)SAN FRANCISCO.--The League Reporter, official organ of Labor's League for Political Education, this week published a revealing survey of the 1950 budget as presented to Congress by President Truman.

Facts of the budgetary program completely nullify the reactionary charge that current welfare expenses will bankrupt the nation.

Key points of the Truman budget follow:

(1) Most of the budget goes to pay for the past wars and to prevent future ones. Seventy-one per cent -- or \$30 billion -- of President Truman's proposed \$42.4 billion budget for the 1951 fiscal year is for international and veterans' programs, national defense and interest on the public debt.

(2) Only 29 per cent -- or \$12.5 billion -- will be spent for such things as social security, health, education, farm programs and aids for businessmen.

(3) In 1939, 29 per cent of the budget went for international affairs, national defense, and so forth. And 71 per cent was for domestic programs. Today, the situation is exactly reversed: 71 per cent for the cost of past wars and the prevention of future ones, only 29 per cent for domestic activities.

(4) During the next fiscal year, only \$2.2 billion -- about 6.4 per cent of the budget -- will be spent for social welfare, health and security. Four hundred million dollars -- just one per cent of the budget -- will go for education and general research. About \$1.3 billion -- 3.1 per cent of the budget -- is for housing and community

development. Around \$2.2 billion -- or 5.2 per cent -- is for agriculture.

(5) The \$5.1 billion deficit in the budget resulted from the rich man's tax reduction bill enacted by the 80th Congress. That was the law which gave thousands of dollars in tax relief to the rich and threw a few pennies to workers. Secondly, the President will soon present a tax adjustment program to take care of at least some of that deficit.

- o O o -

WORKERS STRONG FOR UNIONS -- VOTE SHOWS

(CFLNL)SAN FRANCISCO.--This may be bad news for labor-hating employers, but workers are still chilly toward the idea of "emancipating" themselves from unions, despite all the opportunities provided them for doing so under the Taft-Hartley Act.

A report issued this week by the National Labor Relations Board showed that in December, just as in previous months, workers voted for "union shop" protection in 95 per cent of the 443 elections held on that issue.

Also, in straight collective bargaining elections, mostly among workers hitherto unorganized, over 78.5 per cent of the 33,057 votes cast in 409 polls favored representation by trade unions.

- o O o -

SUPPORT LABOR EXTENSION BILL!

(CFLNL)SAN FRANCISCO.--C. J. Haggerty, secretary of the California State Federation of Labor, this week urged AFL unions to remind their Congressmen of the need for a Labor Extension Service.

The Extension Service bill, which has already passed the Senate Labor and Public Welfare Committee, would provide for labor education schools sponsored by the federal government in the manner of agricultural extension services now in effect.

- o O o -