

Mr. McCORMACK. Mr. Hathway, you said that there are a large number of workers who, by reason of economic conditions, are compelled to go from State to State and might lose the advantages of the settlement clause. That impresses me very much, in view of what the previous witness has said. I was looking at it from a broader field than that. I rather visualized a situation where it might affect a large number of persons.

Under the State plans, where it is distinctly a State plan such as we have now in some States, that can be controlled within the cities and towns by simply going back to the last city or town where there was a settlement. I know up in Massachusetts, if a man lives in Boston for 20 years and then moves to Worcester and lives there for 2 years, he is not entitled to benefits in Worcester, but they trace it right back to Boston, where he gets the settlement, where he would get his old-age pension or his welfare relief. But that would be rather difficult in the case of States, it seems to me.

Can you give us any idea as to the number that might be involved or affected unless some such provisions were included in some law?

Mr. HATHWAY. It is not possible for me offhand to give numbers; that is, any approximate number.

Mr. McCORMACK. It is your opinion it would be an appreciable amount?

Mr. HATHWAY. A very large amount. I can state from my own experience, having worked in American factories for a large number of years, that I moved from Toledo to Detroit, to Minneapolis, to New Jersey, and so forth, in pursuit of my trade as a machinist and in search of work.

Mr. McCORMACK. And every time you move from one place to another you thought you had what would be, probably, permanent work?

Mr. HATHWAY. Yes.

Mr. McCORMACK. You then divested yourself of your residence in the other States?

Mr. HATHWAY. In each case moving furniture, family, and so forth, with me.

Mr. McCORMACK. The intent is inferred from the acts.

Mr. HATHWAY. Then a seasonal drop takes place in industry, layoffs take place, and then you seek work in another branch of the metal trades, in auto today, steel tomorrow, railroad the next day, and so forth.

Mr. McCORMACK. Is it your opinion that there would be an appreciable number of those who would be affected and not receive the benefits of this legislation?

Mr. HATHWAY. It would affect hundreds of thousands of workers every year.

Mr. COOPER (presiding). We thank you for your appearance and the information you have given the committee.

STATEMENT OF SHERWOOD L. REEDER, REPRESENTING THE UNITED STATES CONFERENCE OF MAYORS

Mr. REEDER. Mr. Chairman and gentlemen of the committee, my name is Sherwood Reeder, 734 Jackson Place, Washington, D. C. I am assistant director of the United States Conference of Mayors and

of the American Municipal Association. I am speaking for the executive committee of the United States Conference of Mayors, consisting of Mayors Hoan, of Milwaukee; LaGuardia, of New York City; Rossi, of San Francisco; Mansfield, of Boston; Jackson, of Baltimore; Holcombe, of Houston; and Overton, of Memphis. I am also appearing on behalf of the committee on Federal policy of the American Municipal Association, which committee is authorized to express its viewpoints on behalf of 32 State leagues of municipalities throughout the country.

I shall speak briefly and solely with reference to one minor matter, with the purpose of asking the committee to make specific what the President's Committee on Economic Security and the drafters of this measure undoubtedly intended to be specific, but which, as now drafted, is general in phraseology and could possibly lead to confusion.

We ask the committee to insert the word "government" after the word "State" in line 6, page 3, of the House bill. This is subsection (a) of section 4 of title I, the title having to do with old-age assistance.

Through informal conferences with members of the research staff of the President's Committee on Economic Security, we understand that the intent of the old-age-assistant plan is for substantial financial contributions by the State governments. However, as now drafted, this is not specifically stated; and we feel, on the basis of past experience, that to insure fair and just financial participation by the States, the word "government" should be inserted. If this is not done, there is the possibility of States shifting the whole State financial burden to the local governments. This is exactly what has been done under the Federal Relief Act, which is similarly worded. In Massachusetts, for example, the State has for the past 3 years shifted the whole relief burden to cities, with the result that only Federal and city funds are being used to meet the relief needs of that jurisdiction. We are hopeful that you do not leave any loopholes which, either through too general phraseology or discretionary action by Federal authorities, States may be enabled to "pass the buck" to those units of government which are dependent almost entirely upon revenues from the general property tax and are therefore least able to bear this additional burden.

I feel sure that—in view of the apparent intent of the plan—the Economic Security Committee would support this minor change.

I thank you.

Mr. LEWIS. It is already true that in some States, I know in Maryland, permissive pension acts have been passed authorizing the counties to put in an old-age pension of a maximum of a dollar a day. When the proposal was made to all the county commissioners, they just fell off their stools at the thought of the size of the increase in the levy that they would have to make in the county budget. Is it your suggestion that under this bill the State might continue that line of permissive treatment of the subject?

Mr. REEDER. I think they might well continue that in the State of Maryland and in other States which adopted such acts, imposing such financial burdens on the local governments, the counties, the townships, and the cities, which receive their principal revenues from taxes on real property but the point is that these political sub-

divisions have no other sources of revenue outside of the property tax while the State has adequate sources outside. I believe it was the intention of the committee which studied this subject that the responsibility should be the responsibility of the State government and not of its political subdivisions.

Mr. LEWIS. As a practical fact, though, in the entire theory of the bill, that it is a question for the State to decide whether it is to have old-age pensions or not?

Mr. REEDER. Quite correct.

Mr. LEWIS. They might then take the device of shifting the whole burden to the counties, and not in effect grant old-age pensions, because many might not meet the burden; or they might simply refuse to pass any legislation at all. To gratify your thought in the matter, this would mean that Congress by some instrumentality would have to compel the States in each instance to adopt old-age-pension acts, would it not?

Mr. REEDER. I do not believe so, Mr. Lewis. I do not believe that is going to change the intent and purpose of the bill or its practical application, except to make more specific what the Committee on Economic Security, we believe, intended—that it should be a State government contribution and not an additional burden on local government. As a practical matter, we are all interested and hopeful something will be done regarding this bill, but we are convinced that it would be an undue burden and a burden which local communities could not support.

In the relief bill a similar wording was used. Some States manfully shouldered the financial responsibility—New York State and some of the others. In other jurisdictions, in Massachusetts, as I pointed out, the State government has not given anything for relief; and the local governments, with their principal source of income the real-property tax, have had to shoulder the whole burden.

Now we are facing a national campaign fostered by the National Real Estate Board, to place a limitation upon the amount of tax that may be levied on real property, which would further restrict the revenues of local communities. A municipality or county cannot impose a sales tax effectively, or a gasoline tax, or an income tax, but the State can. In other words, the State has many more sources of revenue than have its political subdivisions. It is not that the local community wants to shift the responsibility, but they are simply not able to take care of it.

Mr. VINSON. What you want to do is close the door to any participation by municipalities.

Mr. REEDER. I do not know that this would close the door. I think it would indicate more definitely what the Committee intended—that the State government should assume responsibility. It is feasible that a plan might be worked out where a small contribution in some cases would be made by the local communities.

Mr. VINSON. If this is in the law, as you suggest, the State when it submitted its plan to the Federal Government could not provide any provisions of law whereby contributions might be made by any municipality, however anxious certain municipalities in certain States might be to participate.

Mr. REEDER. That would not be my interpretation of it. I think it has been pointed out on numerous occasions by members of the

committee that any State that wants to go further than the provisions of this bill is permitted to do so. In this case this would mean that substantial contributions must be made by the State government but it would not present additional contributions by other units of government. That does not preclude any other, as I understand it.

Mr. VINSON. Let us read the bill and put your amendment in. As I understand it, you want to put the word "government" after the word "State" in line 6 on page 5.

Mr. REEDER. On page 3, sir; that is right.

Mr. VINSON. That is in subsection (a) of section 4.

Mr. REEDER. Correct.

Mr. VINSON. Section 4 reads as follows:

"A State plan for old-age assistance offered by the State authority for approval shall be approved by the administrator only if such plan—

"(a) is State-wide, includes substantial financial participation by the State"—with your amendment—"government."

Mr. REEDER. That is right.

Mr. VINSON. If your amendment means anything at all, and if it is going to be any benefit to the municipalities whom you represent, it seems to me that you are closing the door to municipalities in the participation in this fund.

Mr. REEDER. As a practical matter they are going to have a pretty difficult time doing it.

Mr. VINSON. I am talking about the law. If you have anything to say on that I would like to hear you.

Mr. REEDER. That would not be my interpretation, as I have said.

Mr. VINSON. What benefit then would your municipalities, whom you represent, get from this amendment if it does not have that effect?

Mr. REEDER. The amendment, as I understand it, has this possible effect, to insure that the State government would make a substantial contribution, but it does not preclude contributions by any other unit. But a substantial portion must be assumed by the State government. We can picture without that amendment that the State might make a substantial contribution, but on the other hand the State government might not put a cent into it. They might attempt to get it all from the local governments. I do not think that that narrows it down, Mr. Vinson, as I understand it. We think as many more sources of revenue or as many more levels of government could contribute to it as are feasible. Do I answer your question?

Mr. McCORMACK. May I ask this question:

Do you not think that the cities and towns of the various States might be able to develop sufficient public opinion to demand that the legislatures of the several States assume the responsibility that you claim they should assume?

Mr. REEDER. That has been what the municipalities and local units of government have attempted to do in many jurisdictions in regard to relief, and they have not been very successful in that. The point is, as we see it, that it is the real intention as in the relief bill that the State governments should assume this responsibility. I believe that if any of you care to check with Mr. Witte's committee, you will find that that was their intention. When we asked

them about it, they said, "Certainly, that is what we mean." "Why do you not put it in?" we said. "Oh, it will be understood", was the reply. But experience shows that it is not understood or interpreted that way. That is the reason we feel justified in presenting this point of view to you, in the hope that you will see it that way.

Mr. HILL. What effect results from adding the word "government" to "State"?

Mr. REEDER. Simply in practically working out the understanding of the term "state", it means the State and all its political subdivisions, where "State government" means the State of Pennsylvania alone, for instance, and not its political subdivisions.

Mr. VINSON. Of course, you realize that there is going to be a considerable burden on the State to raise the funds.

Mr. REEDER. Correct.

Mr. VINSON. I just can hardly conceive of a thought that would bar the door to participation by the municipalities. You might cause the breaking down of the law, because there are many States where the heaviest burden would be in the cities.

Mr. REEDER. That is true. Most of it, probably.

Mr. VINSON. Certainly. It is nothing but fair for them to participate in this responsibility.

Mr. REEDER. Of course, when it comes to that, it is the citizens of every community within a State who contribute to any funds that the State may raise, the same as all of us contribute to the funds that the Federal Government is able to raise. But it is a matter of practical consideration that there are many sources of revenue available to State governments that are not available to local governments.

Mr. VINSON. They will have that under this language. The State government will have all the opportunity to use its taxing power. It is going to weigh heavily upon the States. There is no misunderstanding about that. They will have it under the language here just the same as if you were including the word "government." I think you will agree with that.

Mr. REEDER. If we did not have the experience of the relief act behind us, I would be much more willing to accept that interpretation, but we have had it, and with the result that the local communities where States have refused to accept any of the burden have had a back-breaking burden. They have cut essential services and every other function of municipal government in order to take care of the relief load. Here is an additional responsibility for them, and they have no available sources of revenue today with which to meet it.

Mr. LEWIS. I think this is the time to develop another circumstance.

We know human nature because we know ourselves. There is going to be a tendency among a percentage of those who will come under the operation of the act to make excessive demands or to make demands that they need not make at all. It has been my thought—not a conclusion, but my feeling—that the local government and the boards of county commissioners ought to be under some direct official motive—pressure, if you please—from the taxpayers upon whom they levy, to resist such false or excessive claims. In order that that protective motive should be brought to the defense

of that fund, is it not necessary that some of the burden be put on the counties?

Let me add, however, another statement:

I freely grant that our taxation levies on real estate has broken down so far as justice is concerned. If it were not for the consideration I have just presented, it would be my thought that not only the Federal proportion of this fund, but the State proportion of this fund should be gotten from income and inheritance taxation. The rates in the United States are just simply ridiculous, either when considered in comparison with the rates in other civilized countries like our own or considered in relation to the tremendous benefits we secure from civilization and as income-tax payers we are unwilling to make any compensation for at all.

To be direct and concrete, the tax imposed upon me as a Member of Congress under our income-tax system ought to be at least five times as great as it is, considering my duties to the great civilization to which government is necessary.

Mr. REEDER. Those sources of revenue which you mention are available, of course, only to the States or the Federal Government, as a practical matter of imposing them.

Mr. LEWIS. That is correct.

Mr. REEDER. That is the reason why we urge this amendment, because in the administration's relief act, which is similarly worded, we found that the States have in many cases refused to accept their responsibility and have placed all of the burden on the local community. They may do that again.

Mr. DUNCAN. Mr. Reeder, as I get your thought, you are afraid that if the present language is not changed, the State will shift the responsibility for the collection of money with which to pay the old-age pension to the various counties of the State.

Mr. REEDER. Counties, municipalities, townships, and so forth.

Mr. DUNCAN. And if the taxes of that particular county are not sufficient to raise the money, then there would be no money with which to meet the obligation.

Mr. REEDER. That is correct.

Mr. DUNCAN. And that the State should be the sole taxing power for the raising of the money with which to meet the State's obligation.

Mr. REEDER. I think that as a practical matter it should be that way, but I do not contend, as Mr. Vinson, of Kentucky has, that by placing this amendment in there it would restrict the raising of revenue to State governments. I think that it is possible that they might work out a plan where the State would make, as provided in the law, a substantial contribution, and then, if they had other sources of taxation that they could raise from the local communities, and they decided that that was the best way, I do not see that there is anything in the proposed bill that would prevent that being done.

Mr. DUNCAN. I agree with your theory to the extent that the State government ought to be solely responsible to the Federal Government in matching funds.

Mr. REEDER. I think that was clearly the intent of the committee. From our informal discussion with members of the research com-

mittee, I believe that was clearly their intention, and it was also in the relief bill, but did not work out that way.

Mr. COOPER (presiding). We thank you for your appearance and the information given the committee.

Mr. McGervey, of Pittsburgh, Pa., is present and requests that he be heard. Is there objection to this witness, who does not appear on the calendar, being allowed 5 minutes at this time? If not, you may proceed for 5 minutes.

STATEMENT OF WILLIAM P. MCGERVEY

Mr. MCGERVEY. Mr. Chairman and gentlemen, I became interested in this matter through my observations, and I recognize that if this matter could be a strictly national affair, it would be the simplest way to do it. I prepared this pamphlet and circularized every Senator, Congressman, the Secretary of Labor, President of the United States, and have addressed it also to 48 governors of the States, so that I could try to crystallize their thoughts in the matter.

This is my contribution to the problem. The reason I became interested in this is I saw a lot of stuff in the paper, and the people were talking all around the question. I could not recognize that anyone was talking on it. Here is what I say:

Individuals, partnerships, and corporations engaged in business charge as an item of the cost of doing business depreciation and obsolescence of investments in capital assets, except land. The percentage is based upon the probable life of the asset. The amount of these charges are credited to a reserve account. When 100 per cent has been charged off, the reserve set-up enables, if necessary, replacement of that capital asset without requiring new capital. The existence of depreciation and obsolescence is, therefore, recognized and a method provided to overcome that condition.

Notwithstanding the Constitution of the United States guarantees to each of its citizens the right to life, liberty, and the pursuit of happiness, no provision has been made therefor as in the case of business investments in capital assets.

It is inequitable for an employer, while protecting his investment in buildings, machinery, fixtures, and so forth, by charging as an item of the cost of doing business, an amount for depreciation and obsolescence, to not provide for his employees' sustenance during a period of enforced idleness and a pension upon being retired.

Workmen's compensation is comparatively new. Its abolishment at this time would not be considered, yet it was a long time in the making. The amount of this compensation with certain attendant expenses is included as an item of the cost of doing business. It is as equitable for the employee to receive some compensation during a period of enforced idleness because of a business depression, or old age, as it is to be compensated for enforced unemployment during a period of physical disability, or to include depreciation and obsolescence of capital assets as an item of the cost of doing business.

At first blush this may appear radical, but after mature consideration the analogy will be recognized. After adoption and operation, like workmen's compensation, discontinuance would not be considered.

Their need: It is within the memory of many when we had the 12-hour day and the 7-day week. Labor organizations and machin-