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EMPLOYMENT AND MANPOWER PROBLEMS IN THE CITIES: IMPLICATIONS OF THE REPORT OF THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

HEARINGS

BEFORE THE

JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

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EMPLOYMENT AND MANPOWER PROBLEMS IN THE CITIES: IMPLICATIONS OF THE REPORT OF THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

TUESDAY, MAY 28, 1968

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The Joint Economic Committee met, pursuant to notice, at 10 a.m., in room S-407, the Capitol, Hon. Richard Bolling, member of the committee, presiding in place of Chairman Proxmire.

Present: Representatives Bolling, Reuss, Griffiths, Moorhead, Curtis, and Rumsfeld; and Senators Proxmire, Javits, Jordan, and Percy.

Also present: John R. Stark, executive director; James W. Knowles, director of research; and Douglas C. Frechtling, minority staff.

Representative BOLLING (presiding). The Joint Economic Committee will be in order. We have been informed that one of our scheduled witnesses, Mr. McCulloch, will be unable to be here. He is detained by other business. So, also, is Senator Brooke.

First, I would like to call on the man who should properly be chairing this hearing, the chairman of the Joint Economic Committee, Senator Proxmire, for an opening statement.

Senator PROXMIRE. Well, I believe the man who should properly be chairing this meeting is chairing it. I say properly for many reasons, but primarily because of his qualifications in the area and expertise in the area.

Today, the Joint Economic Committee will begin hearings on the report of the National Advisory Commission on Civil Disorders.* The Nation, indeed, the world, has been shocked and grieved by the scope of the destruction of lives and property which occurred in the disorders.

These hearings will concentrate on the employment or manpower aspects of that report. It states that:

> Unemployment and underemployment are among the most persistent and serious grievances of our disadvantaged minorities. The pervasive effect of these conditions on the racial ghetto is inextricably linked to the problem of civil disorders.

The subject goes to the very heart of the Employment Act of 1946, which, of course, is the charter for this Joint Economic Committee.

*"Report of the National Advisory Commission on Civil Disorders", March 1, 1968; Chairman, Hon. Otto Kerner, Governor of Illinois. References to this report appear throughout hearing as "Kerner Report", "Kerner Commission Report", etc.

As the report points out:

In the Employment Act of 1946—

which established this committee—

the United States set for itself a national goal of a useful job at a reasonable wage for all who wish to work.

Their report makes clear that, in spite of much progress, and after 20 years under the act, the Nation is still a long way from its goal.

Now, because of the urgency with which we regard the matter, the full committee decided to hold these hearings. Because of his concern as chairman of the Subcommittee on Urban Affairs, and because of his great knowledge in the field, I have asked Mr. Bolling to cochair them with me. He and I agree that the committee must continue to give priority concern to the subject, and we have no intention that the committee's concern with the manpower implications of the Kerner Report and, indeed, with all the implications of that report, be limited to this brief set of hearings before us now. We shall come back to it again in the hope of contributing to a constructive solution of the intolerable social problems depicted in that report.

The Kerner Commission was fortunate in having in the Congress four members of the Commission, two from each House. They were among its most able and diligent members. Two of those members are here with us today, and we will call upon them. One, of course, is my dear friend and colleague, Fred Harris, who is famous for many things, including a great book he has just finished.

Senator HARRIS. Thank you, Mr. Chairman.

Senator PROXMIRE. And the other is the distinguished Representative James C. Corman, from the 22d Congressional District of California, a man of whom we have read a lot about and who contributed so greatly to that report.

Representative BOLLING. Thank you.

Mr. Rumsfeld, would you care to say anything at the beginning?

Representative RUMSFELD. Nothing at all, Mr. Chairman, except to say that I feel that this is an exceedingly important effort we are undertaking today, and I commend you and the chairman of the full committee for beginning the series of hearings on the President's Commission on Civil Disorders and certainly welcome our two guests.

Senator JORDAN. I have no statement, Mr. Chairman, except to endorse the action taken here to make a record on the recommendations of the Commission and see what we can or should do about it.

Representative BOLLING. Senator Harris and Congressman Corman, we are glad to welcome you both; for a number of reasons, I would say, including the fact that the Senate meets at 10 today on a matter of some relative importance. We will call on Senator Harris first for his statement.

Senator Harris?

STATEMENT OF HON. FRED R. HARRIS, A U.S. SENATOR FROM OKLAHOMA, AND MEMBER, NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

Senator HARRIS. Thank you very much, Mr. Chairman.

Mr. Chairman and distinguished members of the Joint Economic Committee, I want to say first that I am delighted to have this opportu-

nity to give you some of my views of what this Nation must do if it is to meet the critical domestic crisis which now faces us. I understand that these hearings will focus rather specifically on the employment recommendations of the President's National Advisory Commission on Civil Disorders, and I think that concentration reflects the same sense of national priorities which we on the Commission expressed in our report.

I want also to say how proud I was to work with Jim Corman, Bill McCulloch, and Ed Brooke, who served very diligently and with great distinction on the President's National Advisory Commission on Civil Disorders. And I am pleased and proud this morning to share this presentation with Jim Corman.

I would first like to take this opportunity at the beginning to speak briefly about some of the fundamental issues—rather broader than unemployment and underemployment alone—which the Commission believed lie at the heart of our urban and racial crisis.

My colleagues and I on the Commission said that three basic causes, always present in the American experience, but never so intensely as now, have merged and reinforced each other in post-World War II years to create the inflammatory mixture which has exploded in the form of our terrible urban disorders of the past several years. Those three causes, we said in effect, are racism, powerlessness, and poverty.

Racism has been central to American history. We have always temporized and compromised with it, but have never come close to destroying it. Racism is the No. 1 mental health problem of America; it cripples far more children and adults than schizophrenia or mental retardation. And I speak both of the victims or racism as well as those who are taught it. Some people have mistakenly assumed that when the Commission spoke of racism we had in mind just the intense personal animosity many whites express toward Negores and members of other minority groups. Not at all. We were equally concerned with the sort of racism you cannot see very well if you are white but which Negroes experience every day of their lives—the racism built into the very institutions of American society, the racism which systematically and quite impersonally excludes most Negroes from a decent education, from a livable home, from a chance to set up and run a business, and—most important of all—from a decent, dignified job at a living wage.

Lack of political power is the second factor which underlies disorders. This is a country now in which most of our people live in and around cities, where human relationships are very impersonal, where decisions affecting the lives and environment of large numbers of people are made by huge, distant corporations, or inaccessible planning commissions or zoning boards. Everyone I think, experiences the desire to have more power over his own life, and over the private and governmental decisions which affect his life. We all feel restless and uneasy about the fact that we don't have that kind of power. For a poor person, that feeling of powerlessness is forse. And if that person is young, it is worse still. And if he is poor, young, and black as well, that sense of powerlessness is simply overwhelming.

The Commission, as this committee knows, made very detailed recommendations in both these fields. We were not sure how racist

attitudes could be changed but we made very detailed recommendations about how to change behavior. For example, we recommended giving the Federal Government cease and desist powers in the employment field, on contracts and in other types of employment where Federal funds are involved with respect to the really basic need of each individual, and especially a poor person, to exercise some control over his environment and life, we spoke of multiservice centers, governmental centers down in the ghettos where people actually live, and a greater effort to involve people in decisionmaking and to incorporate them again into society.

Measured in numbers of poor people, poverty has been declining for some years in America. But a higher and higher proportion of the remaining poor are people who won't be helped very much, if at all, by an expanding economy. Economic growth in this country occurs essentially through the expansion of highly complex, technical industries which have very little use for people with low skills, physical infirmities, large families, or who are too old or too young to be employed. And it is these classes of the poor which have been growing proportionately larger in recent years.

For a variety of reasons, which I would like to discuss in some detail, the Commission on Civil Disorders felt that tremendously expanded employment and job-training opportunities were the single most important recommendation we could make toward the solution of these three underlying causes of urban disorder.

We stated that "Unemployment and underemployment are among the persistent and serious grievances of disadvantaged minorities. The pervasive effect of these conditions on the racial ghetto" we said, "is inextricably linked to the problem of civil disorder."

Of a total of 2 million unemployed persons and some 10 million underemployed persons in the Nation presently, the most difficult to reach and bring into the main current of the American economy are 500,000 hard-core unemployed, who, in the Commission's words, "live within the central cities, lack basic education, work not at all or only from time to time, and are unable to cope with the problems of holding and performing a job. A substantial part of this group is Negro, male, and between the ages of approximately 18 and 25." The Commission cited a 1966 Labor Department study showing that while the nationwide unemployment rate was 3.8 percent, the unemployment rate among 16- to 19-year-old nonwhite males in the major ghettoes was 26.5 percent, and among 16- to 24-year-old nonwhite males, 15.9 percent.

Since both the objectives and the specific quantitative goals of Senator Clark's Emergency Employment and Training Act—which is now pending in his subcommittee—closely resemble the main features of the Commission's recommendations in the employment field, I would like to focus my remarks on employment largely on this bill. I wish to do so because I believe it is immensely important that positive action be taken on that bill this session.

I want to commend Senator Clark and the others who have cosponsored that bill—and I am proud to be a cosponsor myself—for a sense of national responsibility so quickly responding to the priorities outlined by the Commission.

The specific number of jobs proposed in the Clark bill is almost exactly the number recommended by the Commission, both in the public and private sectors. This bill would authorize the creation of 300,000 jobs in "community employment" during the first year of operations, 600,000 by the second year, and 1,200,000 by the third year. The Commission recommended:

> A 3-year program, aimed at creating 250,000 new public service jobs in the first year and a total of 1 million such jobs over the 3-year period.

In the private sector, the bill would authorize 150,000 jobs in the first year, 300,000 by the second year, 600,000 by the third year, and 1,200,000 by the fourth year. The Commission recommended:

> A 3-year program, aimed at creating 300,000 new private sector jobs in the first year and a total of 1 million such jobs over the 3-year period, assuming that a tax incentive proposed to induce employers to take on hard-core unemployed was enacted. If the tax credit is not so enacted—

the Commission went on—

> a realistic goal would be 150,000 such jobs in the first year and 1 million jobs over a 3- to 5-year period.

The findings and declaration of purpose of the Clark bill explicitly recognized, as the Commission did in its Report, that—to quote from the bill:

> There is a huge backlog of need for additional community services and facilities in both urban and rural areas in such fields as those which contribute to development of human potential, better the conditions under which people live and work, and aid in the development and conservation of natural resources.

On this subject, the Commission found that:

> In the public sector a substantial number of . . . jobs can be provided quickly, particularly by government at the local level, with our vast unmet needs in education, health, recreation, public safety, sanitation, and other municipal services. The National Commission on Technology, Automation, and Economic Progress estimated that there are 5.3 million potential jobs in public service.

The Commission recommended making "some arrangements for a flow of trainees from public sector jobs to on-the-job training in private companies." Consistent with this, the Clark bill requires that persons recruited for community employment and training be provided opportunity for further education, training, and necessary supportive services so that they may be prepared to obtain regular competitive employment in the future. Obviously, to the extent that it can be done, people employed in the public sector should be offered an opportunity to move into the private sector. I would hope, though, that a reasonable balance could be struck between our need, on the one hand, for a great many more public-sector, human-service jobs, and the desirability, on the other hand, of moving as many people as possible into private sector employment where their wages would be mostly or completely paid by private enterprise.

I am personally convinced that there will be no more important piece of social legislation before the Congress this session than the Emergency Employment and Training Act. That statement may sound like an exaggeration but, for a number of reasons, I do not believe that it is. First, in every survey of ghetto grievances examined by the Commission, the difficulty or impossibility of finding and keeping suit-

able and dignified employment at a decent wage was invariably cited as either the first or second most important complaint of ghetto residents. (The grievance competing for first place with employment problems was the attitude of the police toward ghetto residents.)

Second, since the elimination of poverty in its simplest and most fundamental form—that is, poverty as lack of money—requires only that we provide poor people with sufficient income, the Clark bill would make considerable progress toward that end by allowing 2.5 million people now living in poverty to earn a decent income for themselves and their families.

Third, the jobs and job training provided by this bill—unlike other more direct methods of income maintenance—will repay their costs many times over through the contribution made to national productivity and national income by employees trained and put to work under the legislation. The GI bill of rights is a wonderful example of the great benefits America can realize from an investment in human resources development.

Fourth, I think it is important for social and psychological reasons that we try to relieve poverty as much as possible through employment rather than through alternative income maintenance schemes. If a person can work, a job is preferable to other forms of income maintenance because, as the Commission found:

> The capacity to obtain and hold a "good job" is the traditional test of participation in American society. Steady employment with adequate compensation provides both purchasing power and social status. It develops the capabilities, confidence, and self-esteem an individual needs to be a responsible citizen and provides a basis for a stable family life.

I would like to elaborate this fourth point just a bit because I think it is tremendously important and a vital rationale for the bill we are discussing. A lot of people in this country believe that most poor people are different from everyone else in that they do not aspire to decent, steady jobs which provide good wages and a future. I think that simply is not true. Poor people in this country are just like anyone else—they have the same values, whether they want to have them or not. They think about careers and jobs that lead to something, just as we members of the middle class do. I held menial jobs, as many of you did, when I was growing up, but I doubt if you could have gotten me interested in such jobs if I had known that I was going to be condemned to working at them for the rest of my life.

One example I have cited before helps to dispute, I think, the myth that most poor people will not work, or do not want to work. In Watts, after the riot there in 1966, the Aero-Jet General Co.—doing what I hope many more private companies will now do—established a core-city employment center, a military tentmaking factory. That plant initially advertised for 75 jobs. They now, I think, employ 425 people, but initially they hired 75. For those first 75 positions, 5,500 people applied. I have heard more recently that companies publishing similar advertisements in Pittsburgh and Detroit have been simply inundated with applications from ghetto residents.

The Bureau of Indian Affairs recently began a program under which the welfare funds available for two Indian tribes were made available on an alternative basis for providing road maintenance,

fence repair, and other such reservation jobs for those welfare recipients who wanted to work. As this committee knows the employment situation is far different on Indian reservations than it is in the country at large, where only a very small percentage of those receiving welfare are able to work. Since reservation jobs are quite scarce a high percentage of reservation Indians who receive welfare could work if work was available.

The Bureau of Indian Affairs decided last year that on an experimental basis, they would just turn over welfare funds to two Indian tribes for them to administer, and permit these tribes to offer welfare recipients the alternative of working to being able to draw the welfare directly without working.

There was a catch in this plan, though. At first the Bureau did not think that they could pay more to those who worked than to those who did not. They thought they had to have congressional authorization for that kind of extra incentive. Welfare recipients nevertheless snatched up this work opportunity eagerly. Moreover, and I think this is even more important, the number of those eligible who applied for welfare in order to work in return for what they received, increased spectacularly. This made no economic sense for the individuals involved because they could receive the same benefits whether or not they worked. Yet, in those two Indian tribes a very large number chose to work, and so will most of the poor. The Bureau of Indian Affairs has since then, I might say parenthetically, expanded that program and has found now that they can offer a small incentive payment to those who work, based on costs of travel, babysitting, and so forth, which are involved. The program has been very successful, and I think that about 10 tribes are now participating in it.

But it is also true, as I think we all know, that a person from a disadvantaged or deprived background, or someone who has been without work for a long period of time when he was looking for work, is often deeply damaged in some way—personally and psychologically—and, thereafter, the mere offering of job opportunities will not necessarily bring him back into society. He frequently loses something of his motivation and self-confidence and his self-image.

And I believe that the question of social and psychological barriers to participation in American society for poor persons and members of minority groups is so important that I held hearings this spring before the Subcommittee on Government Research, which I chair, on the relationship between these barriers and the development of human resources in America. An important objective of these hearings was and is to illuminate and recommend ways to relieve the heavy burden borne by many men who have been out of work for a long time and by many people of disadvantaged backgrounds—a burden which makes it difficult and sometimes impossible for them to find a decent job and stick to it long enough to make a success of it.

The problem of job motivation is deep and complex and I do not think we know nearly enough about it. But I feel sure that any effort to employ the hard-core unemployed must include extensive training programs, not only to provide unskilled persons with the ability to perform in an economy which continues to increase its demands for sophisticated skills, but also to try, at least, to overcome the debilitating

effects of deprived backgrounds or of being out of work for a long time. I am happy to see that the Clark bill, which I referred to, specifies programs which, in the Commission's words, "would provide basic education and counseling in dress, appearance, social relationships, money management, transportation, hygiene, and health, punctuality, and good work habits—all of which employers normally take for granted."

Another important basis for motivating hard-core unemployed is recognized by the Clark bill, in its stipulation that private employers will be encouraged to adopt innovative approaches which create or make available jobs and new types of careers for low-income and disadvantaged persons, and in its requirement that each "program will, to the maximum extent feasible, contribute to the occupational development or upward mobility of individual participants," The Commission found that "In the riot cities which we surveyed, Negroes were three times as likely as whites to hold unskilled jobs, which are often part time, seasonal, low-paying, and 'dead end'—a fact that creates a problem for Negroes as significant as unemployment."

I think this committee surely knows that it is still true in America that with all our social legislation and with all of our civil rights bills the average Negro high school graduate makes $2,000 less than the average white high school graduate. With additional education the gap widens. The average Negro college graduate makes $3,000 less than the average white college graduate. The average Negro college graduate makes approximately the same as the average white high school dropout in America. And I was talking to a gentleman the other day from the Harvard Business School who pointed out that among some 14 Negroes who are graduates of the Harvard Business School—most of whom graduated in recent years—the average beginning salary is $6,000 less than the average beginning salary of a white graduate.

If an employment program is to be successful, we members of the Commission felt that, "The previously hard-core unemployed trainee or employee must believe that he is not being trained for or offered a 'dead end' job. Since, by definition, he is not eligible even for an entry level position, he must be given job training. He must be convinced that if he performs satisfactorily after the training period he will be employed and given an opportunity to advance, if possible on a clearly defined 'job ladder' with step increases in both in pay and responsibility."

I think two additional factors are very important in any job program. First, we simply have to coordinate these wildly fragmented and ineffective training programs that we have started in recent years. It is literally impossible to find out, as the Commission tried to do, how many job training slots of various kind are filled and how many are unfilled in any given city.

In Los Angeles—and I just pick that city out of the air—I think it would take 2 or 3 weeks to find out how many of the job training programs and manpower development programs have vacancies; the problem is that the administration of those various programs is fragmented, in a city as large as Los Angeles, among perhaps 500 separate public and private agencies of all kinds. And so we say to a fellow

who already does not have very much self-confidence in himself—"Well, you just sort of walk around about 500 different places, and maybe when you contact enough of them you will be able to get into some kind of training program."

Reorganization and coordination are essential. I think that has simply got to be taken into hand. We are making some beginning steps, largely experimental now, within the new concentrated employment program, but they have to be expanded and made systematic.

The second essential is that these training programs must produce a real job. One city I visited last summer, as we Commissioners walked singly and in pairs anonymously around the ghettos of this country, had been running a very extensive training program, but had not been able to obtain jobs for the people that they trained. And I do not know altogether whose fault that was. Probably the training centers had not made the proper job surveys; maybe they had not secured sufficient support from private employers to begin with; maybe their training was in obsolete skills. There was some discrimination involved as well. And then perhaps the jobs were simply not there to begin with in many instances.

Whatever the reason, program officials told us that they had more than 500 names of people who had gone through these training programs but who still were not able to get jobs. And they said that these were young kids who were now out there on the streets, more hostile than before, more depressed and pessimistic than ever, who were saying to everybody, "Listen, it's just another hustle; when you go through that job program, you're still not going to get a job."

And that is why the Commission was very interested in private employment with some kind of subsidization, either through tax incentives or direct payments, that would link the training with an actual job. We can do a far better job on that than we have done in the past.

To continue with my statement—I can understand why the Clark bill does not stress "new careers" in public sector jobs, since it is designed to encourage as great a transfer as possible of people from the public to the private sector. I would say, however, that I regard the prospect of advancement and career employment as a vital incentive to success in any kind of employment, whether in the public or the private sector. That is the last essential factor, the chance or the hope for a poor person that he would not be in a "dead end" job, that we would have some opportunity for advancement.

I was very happy to note in the finding and declaration of purpose of the Emergency Employment and Training Act the statement that "the migration of unskilled residents from rural areas which lack employment and other economic opportunities to urban areas aggravates such conditions, thereby impeding the effectiveness of manpower training, job development, and related efforts in urban centers while at the same time undermining the economic potential of such rural areas." The ghettos themselves, and their attendant problems, including unemployment, were worsened by the tremendous migration from rural areas and small towns to urban centers which has been taking place during most of this century. The Commission devotes considerable attention to this fact in its report, as one important origin of our present urban dilemma, and one which must be addressed.

I was also pleased that the Clark bill explicitly recognizes what has been a major and continuing problem of our present job-training programs—the probability that far too frequently they don't lead to actual jobs. The Commission discovered that it is practically impossible to find out definitely whether job training programs are reaching the hard-core unemployed, whether trainees are being placed in decent jobs which offer good wages and chances for promotion, and whether those placed in jobs remain in them. Scattered evidence does indicate, however, that we just have to do a much better job of coordinating all the facets of our employment programs, from research into what skills are being and will be demanded by employers, to recruitment of trainees, to the actual content of training programs, to placement, and to careful followup. The tremendous expansion of training and employment proposed by the Commission and the Clark bill won't do very much good if we don't resolve these problems.

Mr. Chairman, for a long time we in America have been saying that every American has a right to a decent job at a decent wage. I think up to now that has been mostly rhetoric. Now, we must make it real. We must act as if we really mean it. And I think that any society which calls itself civilized and yet tolerates unemployment among its citizens who want to work is simply not living up to its ideals.

Action on the employment recommendations of the Commission on Civil Disorders—the most important of which are embodied in the Emergency Employment and Training Act—will be a giant step in that direction.

Representative BOLLING. Thank you very much, Senator Harris.

Congressman Corman, we will hear from you next before we have questions.

STATEMENT OF HON. JAMES C. CORMAN, A U.S. REPRESENTATIVE IN CONGRESS FROM THE 22D DISTRICT OF CALIFORNIA, AND MEMBER, NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

Representative CORMAN. Mr. Chairman, I am at your disposal, and I have the whole morning, if the Senator's time is limited.

Representative BOLLING. I think we will proceed as I suggest.

Representative CORMAN. I appreciate the opportunity afforded me to express myself on matters which are of the gravest concern to us all. The continuing explosions of frustration and bitterness in our streets remind us that the American dream does not yet exist for all our citizens. Daily news reports warn of the ever-deepening crisis in our cities. As you know, the present deterioration of urban life prompted the President to create a National Advisory Commission on Civil Disorders. As a member of that Commission, I became aware of the tragedy which has befallen a substantial number of our Nation's youth. Ill educated, and without salable skill, these young people are unable to secure employment. Without a stake in the existing social structure, they have become hostile to authority and thoroughly embittered. These people are often at the core of the social unrest gripping our cities. The Commission found that young Negroes, aged 14–24, are "responsible for a disproportionately high share of crimes in all parts of the Nation. In 1966, persons under 25 years of age comprised the following proportions of those arrested for various major crimes: murder, 37 percent; forcible rape, 60 percent; robbery, 71 percent;

burglary, 81 percent; larceny, about 75 percent; and auto theft, over 80 percent." We must take action to reclaim these individuals, both for their own sake and for the sake of American society.

The past 7 years, for some Americans, has been a period of great economic progress and affluence. Yet, in spite of this surge of economic growth, the unemployment rate for Negroes in 1967 was more than double that for whites. For Negro teenagers, the situation has not perceptibly improved since 1961. In 1961, the unemployment rate for Negro teenagers was 27.6 percent; in 1967, it was 26.5 percent. The 1968 manpower report of the president, released last month, states that:

> No inroads have been made into the extremely serious problem of nonwhite teenager joblessness. While the unemployment rate for white teenagers dropped as the economic climate improved, among nonwhite teenagers the rate in 1967 was actually higher than in 1960. One out of every four nonwhite teenagers was unemployed in 1967, almost 2.5 times the proportion for white teenagers, whereas in 1960 the ratio was less than 2 to 1.

This problem will be compounded, because the number of nonwhite young people expected to enter the labor force by 1975 will be even greater. It is estimated that the number of nonwhite workers will increase by 26 percent, while the number of young white workers will grow by only 18 percent. The search for jobs will be made even more difficult, because employers will be seeking larger numbers of workers whose education and training has equipped them for positions in a highly technical economy.

The problem which is before us now is one of utilizing neglected human resources. People without jobs are people without basic economic security, self-sufficiency, or self-respect. Employment is the only longrun solution which can allow an individual to become a contributing member of his society, and not merely a recipient of its charity. Any other help we provide will only be temporary. Thus far, there has been little evidence that Negro teenagers do not want to work. Whenever job programs are announced, they turn out in large numbers to find the jobs are not there. In Oakland, for instance, a job fair attracted 15,000 people—250 were placed in jobs. What we have found is that Negro teenagers would not accept dead end employment—jobs that pay little and promise no advancement or training.

I would like to underline what Senator Harris has said. I do not think there are any of us who did not go through a period of his life where he had a menial job to do for a little wage. But each of us knew that it was temporary. It was a step toward something much better. For the young Negro who looks at the adult males around him and sees that they never moved out of those positions, it is quite a different thing.

They want to be part of the affluent America they see depicted on television, and will no longer be content to be trapped behind a broom. What we must now undertake is a program which will reach the alienated youth of the ghetto. We must no longer tolerate job programs which merely make work, or programs which promise employment and then fail to deliver. These endeavors have only produced a cynicism which views our efforts as a cruel hoax. What we need are jobs—jobs which provide training at work while paying a living wage. Jobs which promise advancement.

The President in his manpower message to Congress has requested for fiscal year 1969 an appropriation of $2.088 billion for manpower programs to reach an estimated 1.3 million Americans. The National Alliance of Businessmen called on by the President to provide job opportunities in the business sector has already pledged 111,000 jobs—66,000 of them permanent, 45,000 of them summer jobs for poor young people. The President has asked the alliance to put 100,000 people on the job by June 1969.

The Commission has recommended that 1 million new jcbs be created over the next 3 years in both the public and private sectors. This would be a major step toward achieving our goal of full employment. It is now estimated that there are 500,000 hard-core unemployed who live within the central cities. Nationally, 2 million are unemployed, and 10 million are underemployed, of whom approximately 6.5 million work full time and earn less than the annual poverty wage.

The Commission strongly urges that public employment programs, such as operation mainstream and new careers, which are under the Economic Opportunity Act, be consolidated and expanded to provide necessary work-experience and on-the-job training. Our manpower policy has not fully explored the potential which exists in the sector of public employment.

In 1966, the 14-member National Committee on Technology, Automation, and Economic Progress unanimously recommended a public service employment program to assure meaningful work to all those who need, want, and seek employment, but cannot find it. According to the committee, there are approximately 5.3 million potential employment opportunities available in public service in the fields of health, education, welfare, home care, public protection, and sanitation. The greatest expansion in our labor market is occurring in service occupations. As more and more legislation is enacted by Congress, we shall witness an increasing demand to fill newly created positions. The passages of medicare, for instance, has placed a great strain on the medical professions, and has created critical shortages in health-related fields. The 1967 Social Security Amenddments provide for the establishment of day-care centers so that mothers who wish to learn and train for employment will be secure in the knowledge that their children are well cared for. Pollution control, urban renewal programs, and public protection offer many opportunities for an individual to begin by learning basic skills, which can become the foundation for upward mobility, with the promise of increasing responsibility and higher pay.

The private sector, too, must be fully explored for its job potential. The advisory committee reports that "84 percent of the Nation's 73 million civilian workers are at work in 11.5 million private enterprises. The involvement of only 5 percent of all private companies would represent the use or more than 500,000 enterprises, and provide a massive additional spur in job development."

I would just like to say that I think we sometimes underestimate the social sector. We tend to talk about the public service job as one temporary in nature, and we are eager to move them on in the private sector. But I suggest to you that a highly qualified schoolteacher, policeman, or fireman is as essential to our well-being as jobs in the private

sector. It seems to me that we must give emphasis to training programs and to making resources available at the local level, to expand employment in those fields.

While I favor the involvement of the private sector, I am not in favor of offering tax credits. Admittedly, the 7-percent incentive credit for investment in new equipment and machinery has been highly successful as a technique for reaching a large number of individual enterprises. I do not believe this tax incentive would be sufficient motivation for employers to undertake massive programs of job training. The advisory commission estimates that the total annual cost to an employer per hard-core trainee would vary from $3,000 to $5,000. The assumption of training costs, supportive services, and the cost of marginal productivity during the training period would demand a far greater financial incentive than presently proposed tax credits offer. Business, preoccupied with achieving the highest possible economic yield, cannot be fully responsive to social goals. Private enterprise cannot be asked to assume the sole burden of coping with the social and health problems of these workers, as well as and in securing adequate transportation, the lack of which hampers the chronically unemployed.

There is also the danger that business will only desire to take those workers who can be most easily trained, and will leave behind those who lack basic education and a record of stability. From the point of view of the Federal budget, there is a difference in a tax credit and an appropriation. The argument is made that the tax credit device avoids the burden of administrative "redtape." It also denies the Government the opportunity to monitor the selection of the trainee and the kind and quality of training received. Leaving these decisions solely to the conscience of the taxpayer is irresponsible. It would result in maximum cost and minimum return.

The Government must enlist the aid of the private sector in providing on-the-job training and work experience for existing jobs. But the Government itself must provide the initial contact, counseling and placement, and assume the financial cost involved in rehabilitation. Such rehabilitation will involve literacy training, and education in dress, appearance, money management, and work habits. Special attention must also be given to motivation and to worker incentives. Training allowances, such as offered under the Manpower Development and Training Act are necessary. The trainee must be convinced that after a satisfactory period of on-the-job training, he will be offered a steady job, which will allow him to improve himself.

There is no doubt that such training and rehabilitation will be expensive. It is estimated that the cost-per-job will run from $3,500 in the private sector to $4,000 to $5,000 in the public sector.

This may mean that a tax increase will be necessary, and it may require a reshuffling of national priorities, but this is a task which cannot wait. It would be a terrible mistake in economic judgment to consider the plight of the unemployed as the price for fiscal soundness and price stability. We must not forget that every dollar spent will produce a human return far greater than the original financial investment.

A brief summary of the accomplishments of the Job Corps and Manpower Development and Training Act testifies to this fact. The profile

of the average Job Corps enrollee describes a school dropout; most likely educationally retarded at the time he left school, lacking in employment skills and opportunities, and probably a draft rejectee. Out of the 65 percent who had jobs, 60 percent made less than $1.25 per hour. Eighty percent had not seen a doctor or a dentist in the last 10 years. Sixty-three percent came from homes where the head of the household was unemployed and 39 percent from families on relief.

As of May 1, 1967, some 75,410 youths had some Job Corps experience. Of these youths, 52,985 found jobs, entered the military service or returned to school. Seventy-six percent found jobs, 10 percent joined the service, and 14 percent returned to school. Those who sought work found that they could obtain better jobs at better wages. The average wage per hour was $1.71 compared to the $1.19 previously earned. Of those working, 39 percent had received wage increases. Assuming the average Job Corps graduate made $1.71 an hour for the rest of his working life, and worked for 40 years, he would pay back the Government a total of $11,200 in income taxes.

It is not meaningful to compare the cost of rehabilitating a Job Corps youth to the cost of sending the average child to school. What we are doing here is to make up for years of neglect in the areas of education and health. It is not surprising that the youths served by the Job Corps must receive much extra education if they are to become productive members of society.

The manpower development and training program has also made a significant contribution in training the unemployed and underemployed. The MDTA has helped between 175,000 and 225,000 low-income persons in a period of less than 4 years. Eighty percent of the institutional trainees, and 50 percent of the on-the-job trainees who were heads of families, in training in 1966, had previously earned less than $3,000 per year, or had received no wages for the last full year of employment before training. The Labor Department estimates that for the cumulative period of August 1962 to December 1967, 76 percent of those receiving institutional training were employed at the time of last contact, and 78 percent were in training-related jobs. Through January 30, 1967, the median pretraining earnings of persons enrolled in MDTA was $1.44 an hour. The median posttraining wages were $1.74 an hour. The Labor Department estimates that the average trainee repays the Government for the expense of his training in taxes in about 2 years. He then goes on in his working life to repay the public's investment in him many times over.

Surely it makes more sense to make an investment now and avoid the risk of spending many times the amount in terms of welfare handouts to each unemployed individual and his offspring. Far less will be spent than will otherwise be needed to control the antisocial or criminal behavior which may develop. Not to incorporate an alienated individual into the mainstream of society will be more costly than the $7,025 spent per Job Corps enrollee, or $900 to $1,000 spent per MDTA trainee.

The cost of confining a man to prison for 10 years, while maintaining his wife and four children on welfare, is far greater. The average cost per offender per year in a felony institution in 1965 was $1,966. Assuming this figure remains steady, it would cost $19,660 to maintain

a man in prison for 10 years. To this must be added the amount necessary for the maintenance of the wife and four children, until they are 18, through aid to families with dependent children. In California, the average expenditure per recipient of AFDC as of January 1968 was $46.25 per month. This is exclusive of medical benefits and does not take into account the effects of possible liberalization of benefits.

Assuming the children were all under 8 years of age, the cost of maintaining this family on welfare for 10 years would be $27,750. Together, the cost of maintaining the family and husband equals $47,410. These figures alone, not to mention the more intangible social values to the Nation, justify the expense of training an individual to become a productive member of society.

We are still far from the day in which each American who desires to work will be assured of a chance to make his own way. But this is no reason to state complacently that nothing further can be done. Our experience with existing programs for job training indicates that while we are not always successful, progress is being made. The reports of those who have studied both the job market and the current problems of American society make clear that a greater effort must be made in this direction. We must make that effort, and must give new meaning to the promise which this Nation offers each citizen.

Representative BOLLING. Thank you very much, Congressman.

At the outset of the hearing, the chairman of the full committee, Senator Proxmire, made an opening statement. It is my understanding that Congressman Curtis has a similar statement which he would like to read into the record, and without objection it will appear directly after Senator Proxmire's statement.

I will recognize him at this point to do that, and then later we will return to the questioning.

OPENING STATEMENT OF REPRESENTATIVE THOMAS B. CURTIS, MEMBER OF THE JOINT ECONOMIC COMMITTEE, ON BEHALF OF MINORITY MEMBERS

Representative CURTIS. Thank you, Mr. Chairman.

First, let me express my appreciation, and I know the appreciation of my colleagues on our side of the aisle, for the splendid work you are doing as chairman of your Subcommittee on Urban Affairs and in particular for moving forward right away to hold hearings on the report of the National Advisory Commission on Civil Disorders.

On behalf of the minority members of this committee, I would like to welcome the witnesses who open our hearings on the employment and manpower problems of the cities here today. The Report of the National Advisory Commission on Civil Disorders has set in broad relief some of the major dilemmas facing our society, as well as our economy. Certainly one of the most important areas demanding consideration is unemployment and underemployment.

Since the advent of the so-called new economics, we have become used to hearing our economy and its progress described in aggregate terms. We are told, for example, that our rapidly growing economy pushed the unemployment rate in April down to 3.5 percent, equaling the post-Korean war low. However, it is seldom made clear to us what

lies behind these figures which supposedly indicate the wealth and prosperity that all enjoy. For example, in urban poverty neighborhoods for the first quarter of this year, unemployment among Negro men 20 years of age and over was 6.3 percent, among Negro women in the same age category, 7.9 percent, and among Negro teenagers, over 27 percent, almost seven times the rate for the total labor force.

The Republican members of this committee have for a long time warned that aggregate measures stimulating the economy to ever higher levels of GNP are not enough to insure the well-being of all. Recent experience has borne this out: high levels of economic activity are not sufficient to insure reduction of unemployment to insignificant levels. We have to assure that those able and willing to work have the skills and education demanded by a growing economy, and that persons with skills are matched with this demand.

It is disturbing that some believe that it took a summer of major urban unrest and destruction to bring these points home. The analysis of Negro unemployment and underemployment contained in the Commission report is essentially correct, and the recommendations made are some of the basic things we must do to alleviate the employment needs of the urban lower income groups. But while these recommendations are received in some circles as bolts from the blue, radically new proposals for dealing with a critical problem, they are certainly not surprising to the Republican members of this committee.

For 6 years now, the minority members of the Joint Economic Committee have been emphasizing these very same points in its view on the President's Annual Economic Report. Republican members of this committee have introduced legislation to implement suggestions for improved training, retraining, job placement and job development. Among these are the Human Investment Act, which would spur job training by the private sector, the Employment Incentive Act which would stimulate industry hiring of unemployed with low levels of skill and experience, to seek to avoid minimum wage law problems, and recently the Veterans Employment and Relocation Assistance Act which would gear in the skills acquired in the military with the demand in the private sector.

I sincerely hope that these hearings will come to grips with the problems in the vital area of employment and manpower development in our urban centers. I would like to ask unanimous consent that the section of the minority views on the 1968 Joint Economic Report pertaining to meeting America's urban crisis through employment, training, and retraining be included in the record of these hearings.

Representative BOLLING. Without objection, so ordered.

(The material referred to follows:)

[Excerpt from 1968 Joint Economic Report, S. Rept. 1016, Mar. 19, 1968]

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IV. MEETING AMERICA'S URBAN CRISIS

A. Recommend the improvement of employment, training and retraining efforts with: (1) the Human Investment Act to stimulate job training in the private sector; (2) the Employment Incentive Act to encourage the employment and training of the unemployed with low levels of skills and experience; (3) the establishment of a national job opportunity survey, as recommended by the

Republican coordinating committee; (4) business efforts to provide more opportunities to the educationally disadvantaged by restructuring jobs and altering hiring requirements; (5) improved coordination of Federal training and retraining programs; (6) further progress toward tearing down discriminatory barriers to employment; (7) improved public transportation to increase the accessibility of jobs to central city residents.

B. Urge the following measures to increase the fiscal capacity of our State and local governments to meet the needs of their citizens: (1) restrain the current trend toward fiscal centralization at the Federal level;[1] (2) the mobilization and efficient use of State and local revenue sources through strengthening the property tax, Federal payments in lieu of local taxes on Federal property and basing eminent domain awards on replacement value.

C. Support the following educational proposals: (1) more equitable financing of central city schools; (2) serious consideration of free public education through the junior college level; (3) extended preschool education; (4) substantial improvement of vocational education programs.

D. Urge efforts to bring private enterprise to bear on solving urban problems, such as: (1) the proposed Economic Opportunity Corporation to provide technical assistance and seed money to private involvement in urban problems; (2) the proposed Domestic Development Bank to stimulate broad economic development in slums and other depressed areas; (3) the amendment of those State constitutions that forbid the commingling of public and private funds for public purposes; (4) the encouragement of business groups already involved in this area; (5) the creation of a National Commission on Urban Living.

E. Recommend the following programs to improve the Nation's housing: (1) Federal action to provide, within constitutional limitations, fair housing throughout the United States; (2) State and local action to encourage zoning policies to overcome social, economic, or racial segregation; (3) increased research to speed advanced construction techniques; (4) incentives for private enterprise development of low-income housing; (5) requirement that property must meet local code enforcement standards before it can qualify for depreciation deductions from Federal income taxes; (6) extending the privilege of homeownership to the lower income segments of the population; (7) consideration of the impact of public construction on existing housing and metropolitan development and improved relocation services for both displaced families and businesses.

F. Support the economic development of rural areas.

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The Chair now recognizes the Senator from Wisconsin, Mr. Proxmire, for questions of the witnesses.

Senator PROXMIRE. First I want to congratulate both you men on two very, very fine statements. Senator Harris, I was especially impressed by your remarks on racism. This is the most emphatic and convincing description of racism and its economic impact that I have ever heard from anybody. I especially appreciate your statement, and I am going to quote:

> Racism is the number one mental health problem of America; it cripples far more children and adults than schizophrenia or mental retardation. And I speak both of the victims of racism as well as those who are taught it.

And then you point out the economic effects.

I think it is very important to keep this in mind because so many think of the Negro problem as a white problem to a very great extent.

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[1] Senator Javits believes that 1 of the most effective ways to strengthen State and local governments is through revenue sharing. On Jan. 18, 1967, he and 6 other Senators (Howard Baker, Republican, of Tennessee; Frank Carlson, Republican, of Kansas; John Sherman Cooper, Republican, of Kentucky; Peter Dominick, Republican, of Colorado; Hugh Scott, Republican, of Pennsylvania; and Milton R. Young, Republican, of North Dakota, introduced a plan which would return to the States, Federal revenues equal to 1 percent of the annual aggregate taxable income, or $3,000,000,000 in the first year. He urges that the revenue-sharing idea be given careful study by appropriate congressional committees.

And, of course, I think I speak for every member of the committee when I say you are so right in recognizing the absolute and crucial importance, both of you gentlemen, of jobs. We all know that. It is just a matter of how we provide jobs for those who are unemployed and have no real opportunity to get adequate employment.

Why do you argue, why does the Commission argue, that you need 1 million so-called community jobs, and then another million jobs in the private sector in view of what seems to be a shortage of manpower in so many areas and a situation which this committee has been exposed to often from the Federal Reserve Board and others of saying that we simply cannot get employment much below 4 percent without unacceptable price increases, and that the only way we can solve this problem is to train the people to do the jobs that are available rather than trying to create new jobs.

Senator HARRIS. Well, I think the problem is so massive that you are not going to be able to meet it in the private sector alone. And furthermore, the manpower shortages are so mammoth in the public-service sector that unless we move with real dispatch, we are going to find ourselves in an even greater health crisis, for example, than has already been rather clearly identified. I think the same is true in education. We are systematically destroying the young people in America in many of our schools both in rural areas and urban areas, partly because of a lack of personnel.

Senator PROXMIRE. I agree with a great deal of that, but you see what I am trying to get at—and I got this feeling from Mr. Corman's testimony; maybe I misinterpret him—if we use our present manpower training programs more intensely and intelligently and coordinate them and organize them better, they can do the job without a brand new program with——

Senator HARRIS. I do not agree.

Senator PROXMIRE. Either tax incentives or something else.

Senator HARRIS. I think you have got to have participation from both the public and private sectors, and not just through the rather small programs we've had so far.

Senator PROXMIRE. I am not talking about a small program; big as it has to be but using the Job Corps and the other training programs.

Senator HARRIS. Let me put it this way. We have tremendous manpower needs in the health field, the education field, and the welfare field; in the latter, for example, we need 12,000 trained professional social workers right now, and we do not know where we are going to get them. I think you have got to begin recruiting and training subprofessional health aides, welfare aides, and teacher aides, and employing them in these fields. They can do much in these areas that will not only help them gain an income, and fill the jobs, but also make these programs more humane.

Senator PROXMIRE. But these are jobs that require a high degree of skill and training.

Senator HARRIS. No; not all of them.

Senator PROXMIRE. You say jobs in education and health. So many of these jobs require at least some pretty intensive training and some general education.

Senator HARRIS. Well, of course, we would have to provide training, because we would hope that these subprofessionals could make careers in these fields. Take, for example, the education field. Here in Washington at Adams-Morgan School, a very noble experiment in which the local community has been granted some control over its school; they have hired teacher aides from among people right there in the neighborhood, who come in and perform many functions required of teachers but which don't require very much schooling. Monitoring classrooms, overseeing playgrounds and lunchrooms, and many other jobs performed by teachers can be and are just as easily performed by people in the neighborhood.

That not only, as I say, gives income to the poor people involved, but I think helps to humanize the teaching program by making it more responsive to the needs of those people.

Senator PROXMIRE. But you see——

Senator HARRIS. You cannot improve the pupil-teacher ratio unless you use teacher aides. We have such a shortage of trained workers in the education and health and welfare fields that we cannot render adequate services in these fields—and the situation is growing worse with expanding population—unless we use these people.

Senator PROXMIRE. So you think a large part of this is to reorganize the service itself so that the health job can be done by people with somewhat simpler background and less skills than are required now?

Senator HARRIS. Yes. And we have made a good start.

Senator PROXMIRE. And it is true in education; it is true in health.

Senator HARRIS. We have made a good start with the teacher aide program but it is pitifully small. Another small start was made when this Congress adopted an amendment of mine to the social security bill requiring every State to come up with a program, approved by HEW for the use of poor people, particularly welfare recipients, as social service aides. We are expanding our day care center programs now. We are expanding our birth control programs. It seems to me much of that kind of work can be done by poor people, and particularly recipients and beneficiaries; this will give them an opportunity for greater income and I think make the programs far more useful. That program is now required in every State in the Union now, and the States are in the process of trying to come up with plans to use poor people in those positions, which are called community service aides, I believe.

Senator PROXMIRE. You see the problem is one, I think, of recognizing, and I am sure you do—both of you gentlemen are eminent in this area—of recognizing political realities to the extent that we are going to have to provide jobs that are to be sustained with the conservative and liberal Congress, conservative and liberal Presidents. And so I think we have to get as much of this into the private sector as we possibly can. And to think in terms of a million—creation of a million—public jobs, especially many of these in the Federal area, will not provide the kind of sustained employment for these people that we could in the private sector.

Then we get to Mr. Corman's objection to tax incentives, and I think you have a lot of sympathy with the position he has taken, not only for the arguments he has made but if you are going to subsidize jobs with

tax incentives, you are going to have to subsidize many ongoing training programs, and the loss to the Federal Government might be great. But how are you going to get—Mr. Corman—how are you going to get the private sector to provide more jobs for these people if you don't have some dynamic, new, and significantly large program?

Representative CORMAN. Senator, may I say first I did not mean to indicate by my recitation of some of the successes of the present programs that we ought to stop there. If they had solved the problem, we would not be here.

Senator PROXMIRE. Well, except we have not done enough with them.

Representative CORMAN. That is right. It seems to me that in many ways we can learn by them. I become terribly frustrated in my own district when I try to find out what is going on. And I have a tolerable amount of education. I am supposed to understand the working of government. When I try to get down and find out, if I were unemployed and looking for training, where could I go, I am faced with what the Senator pointed out, maybe 500 agencies.

On the other hand, it seems to me the job is twofold: First of all, to seek out those who are in greatest need, those who are hard to reach. You can find some by putting a sign on the door, but what about the guy who thinks he really does not have a chance. He is the one we are trying to get at. He is the one that is worth the public investment.

Then the other half of the job is taking him for what he is. Perhaps he is an adult and illiterate or near adult and illiterate. What do you do with him? How do you give him enough to start with so that he can perform on the job, where he gets a modest income to support his family and himself while he is learning a constructive job and ultimately gets out at the other end. Then he is going to have something worth selling, and he is going to be motivated and rehabilitated. That is extremely difficult. And I do think we ought to look at the programs. We have to see which ones have worked and how they have reached in and dug out the guy who is so difficult to find and train.

My apprehension about the tax incentive program is that it escapes supervision. I do not think IRS is equipped to monitor the kind of job that would be used in the tax credit scheme.

Senator PROXMIRE. What about the possibility of some disincentive for the failure of employers to employ some of these people? I am struck by the fact that we have five of the greatest companies in this country, one in my city of Milwaukee that cannot get Government contracts now—Federal contracts—because of discrimination.

Representative CORMAN. When, you get to something that is as simple and objective to evaluate as racial discrimination, you have agencies to attempt to evaluate whether or not it exists. There are some enforcement opportunities. But to start using the tax structure as a means of attaining some social goals that are in many ways subjective and difficult of analysis and difficult of monitoring, seems to me to be nearly impossible.

Senator PROXMIRE. Then how do you do it?

Representative CORMAN. I think by manpower training programs where the Government provides the employer with the additional money to do the training.

Now, this means that that the businessman must contribute a lot, too.

He is probably better off on balance just on his profit and loss statement if he does not do any of this, because there are qualified people he can hire. So, what is the incentive to get him to do it? First of all, tell him, your out-of-pocket loss, the dollars you are going to loose by doing this, the Government will pay. The Government will make the investment in that employee.

In addition to that it is going to take a lot of patience and understanding on the part of the employer. I think the National Alliance of Businessmen is going to go a long way in bringing to the problem that patience, understanding and motivation on the part of the businessman himself so that he will take extra trouble. It is not going to cost him $3,000 out of his pocket to train this kid for a year because the Government is going to pay him that. But he still is going to pay something extra on the part of his supervisors, his other employees. Here is a guy who probably will have a lousy attendance record; he is not going to look right; he is not going to sound right. The first time you speak harshly to him he may not come to work for 3 days. That is not exactly dollars and cents, but it is a problem that the businessman is going to have to cope with. I was impressed with NAB out in Los Angeles. They are just getting started but I think they do understand their responsibility in the field.

I believe we are better off making a direct appropriation for the out-of-pocket cost for training so far as the business community is concerned, because it does give you control over the two points that are vital: First of all, the individual who is going to receive the benefit, that is the guy who is getting trained, and secondly, the kind of job that is worth a public investment. Does it have continuing usefulness? If you do it just on the tax incentive basis, you will lose control over those two points.

Senator PROXMIRE. My time is up, Mr. Chairman.

Representative BOLLING (presiding). Mr. Curtis?

Representative CURTIS. Mr. Chairman, I think one of the key questions, if not the key question, that must be asked in going into this study is—actually there are two questions—does automation create more jobs than it destroys? Has cybernetics, which is another term used for automation, rendered a portion of our population economically obsolete?

Now, the reason I say this, basically, is that I think the recommendations of the economists—what people like myself have been trying to say for years—is bottomed on the premise that automation does create more jobs than it destroys. We actually do have jobs now going begging, and more jobs available than there are unemployed.

The collateral question, though, is—are these new jobs those requiring higher skills, thus possibly rendering a portion of those who are unskilled or semiskilled obsolete.

There is another school of thinking that lies behind the pressures for the guaranteed annual wage, the negative income tax, and other income maintenance proposals which predicate their theory on the assumption that automation actually destroys jobs—eats them up—and has rendered a certain portion of our population economically obsolete. I think this is something that we should not, either one of us, presume but ought to get into the depth of it to determine what are the facts.

I hope this committee will dig into this, but I am wondering what the judgment of you two gentlemen is on this, if you have a judgment, that is, on whether or not we actually are moving into an era where a certain portion of our population is rendered economically obsolete.

Senator, would you like to comment?

Senator HARRIS. I think technological development has obviously been a blessing for our society in general. And I think that even if it were not, we could not stop it, because it is just going to continue. One measure of this is the fact that 75 percent of all the Ph. D. degrees ever awarded have been granted since World War II. In my State, to cite another example, we lost 1,100 jobs in recent years just because of the automation of elevators, and still the process goes on.

Representative CURTIS. Cottonpicking machines, ditchdigging machines.

Senator HARRIS. This problem has another important aspect. On the weekend before last, my Subcommittee on Government Research, together with the Ford Foundation, cosponsored a national conference on rural-urban population imbalance. We now know that 70 percent of the people in America live on 1 percent of the land. Somebody asked what would we have thought, if in the early 1940's, we had been told in advance that this massive migration to central cities, much of it caused by changes in technology, was about to occur in America. Well, the answer that this fellow gave, and it probably was a good one, was that we most likely would not have done anything because we would not have believed it. We would not have believed anyone who predicted the massive kind of change that has come about in our society, and especially the changes caused by migration. What we have done in this country is, rather casually, made people obsolete, by allowing them to move around without any kind of real information about job opportunities, with no attempt to help them learn to live in an urban society. We went on our way, continuing to think of people as living in fixed locations and their problems as limited to a particular area. If there were educational needs in Mississippi, why that seemed to be Mississippi's problem. But then the people with these problems moved on up to Senator Javits' country and these problems suddenly became his problems, and ours.

I think those are some of the things that we have to understand about the forces of change which have been at work upon our society: urbanization, technological development, the population explosion, are all part of it.

Representative CURTIS. But you would agree that our problem is matching the jobs available with the unemployed and that we do not have to accept the fact that there are people who are just economically obsolete and there is nothing we can do about it? I think in addition to the jobs available we have got to open our eyes a little to the jobs that need to be available. For example, I think that there is a failure to see the critical shortage in manpower in the public service fields.

On the other hand, I debated Mr. Robert Theobald, who is one of the man promoters of the guaranteed annual income, and his basic theory is that there are people who have just been rendered economically obsolete and this will be aggravated as cybernetics increasingly takes hold. If that is so, then we ought to be starting from another fundamentally different base to move at this problem. I disagree with him fundamen-

tally. But I do say mine is a theory and his is a theory. I think it is important to determine whose theory is correct and thus decide what basis we are going to use.

I will say this, the jobs created by automation are new; they have no titles, no descriptions; they are geographically apart from the jobs destroyed. The jobs destroyed are attached to human beings, and so they cry out, and we have got to use our brainpower a little more to understand where the new jobs are, just as the gentleman is pointing out.

Would you comment on this, Mr. Corman?

Representative CORMAN. Yes, thank you, Mr. Curtis. I would be pleased to.

I certainly agree that automation creates jobs and does not destroy them. We all know, or at least our good friend from Mississippi, Mr. Whitten, reminds us each year that it used to take 80 percent of the people to grow our food and now it takes 6 percent, and those 74 percent are not unemployed; they are doing something else.

The problem, it seems to me, is that when we talk about matching the unemployed and the job, they do not match to start with. You have to change that man that you are trying to match to a new job. You have to give him something that is salable in the new employment field.

If we need to change our thinking in any way, it seems to me it is in the claimed lack of virtue of public employment. We have a strong tendency to feel that there is just something that is not quite as good about public employment as private employment. It does seem to me automation is relieving a substantial amount of the labor force from the need to produce goods, just as it——

Representative CURTIS. They shift into service areas.

Representative CORMAN. That is right. Now, there are a lot of service jobs in the private sector that are important, everybody from the headwaiter to the summer cottage proprietor. On the other hand, I do not believe that they offer any greater social contribution than the schoolteacher or the policeman. And there is not any city in this land where there is not a shortage of all kinds of public employees. In part, it is because of a lack of funds at the local level, and in part a lack of training and education.

And so I would hope that we could find ways to make the resources available to expand the public service employment field and reach out and get these people who, bypassed because of the technological changes, are more apt to have been bypassed just because of racial discrimination and a lack of education, to train them in these fields and to make those fields areas of promotion and promise.

Representative CURTIS. Well, I think that we are moving in this direction. It is a question of identification. I would make this observation: This business of matching unemployed with the jobs available is not a simple one. It really requires an escalation along the ladder of skills which exist throughout the society. In other words, a man with a good job is the one who has to be retrained to take the new and higher skill job available, while below him someone on the ladder of skills trains for his job. This is the way you shunt the unemployed into the labor force.

Now, I would then move to these two specifics. There are two essential tools, in my judgment—economic tools—that are necessary to ac-

complish this. One is the Dictionary of Occupational Titles. The Manpower Development and Training Act, passed in 1962, requires that this be kept up to date. When we passed that act we had the Dictionary of Occupational Titles of March 1949. After constant pressure from the Joint Economic Committee and others, the Labor Department finally came out with its 1965 edition which was obsolete by the time it was printed. The dictionary should be loose leaf, and when it is not, we fail to develop and keep sharp this essential tool.

A second point: You noted in your statement, Mr. Corman, that we are presently spending $2.088 billion on manpower training programs. The Secretary of Labor, Willard Wirtz, says it is because of a lack of $2.5 million that his Department does not develop jobs available statistics. Now, if you do not have jobs available statistics—and you cannot have them really meaningful until you have kept this dictionary up to date—how in the name of heaven are we going to do the training and retraining job that we are talking about here?

Now, the Subcommittee on Economic Statistics of the Joint Economic Committee, under Mr. Proxmire's chairmanship, held hearings about 2 years ago on jobs available statistics. Were we just being foolish in thinking that these statistics were so essential to make any manpower training program effective? Were they infeasible? The witnesses, save one, all testified these statistics were both necessary and feasible. The witness who said "No," was Mr. Nathaniel Goldfinger, of the AFL–CIO, and to this date we do not have jobs available statistics. I also want to say, and perhaps I will have an opportunity in further cross-examination to point up one glaring omission in the report of the National Advisory Commission on Civil Disorders—namely, its failure to point out the vested interests of our labor leaders in the status quo of the labor market, and their failure, or their constant undercutting of anything that moves toward real improvement of our methods of training and retraining because success does move men out of areas of employment where vested labor union interests exist into areas which at this time probably are not even organized. But this is a big area. It has political overtones, of course; and it has social overtones; but it also has this basic economic overtone.

My time is up. This was more a speech on my part than a question, but you should have an opportunity to respond—whatever the chairman would rule on that.

Representative BOLLING. If either of the witnesses wishes to respond, let him respond.

Senator HARRIS. Mr. Chairman, I am going to have to be excused. I am sorry, but I have an appointment at 11. I am running late. I would be willing to come back at some other time if you wish.

Representative BOLLING. We very much appreciate you being here. We will take advantage of that offer if it becomes necessary. Thank you.

Senator HARRIS. Thank you very much. And I am sorry that I have to go.

Senator PROXMIRE. I want to join the chairman in congratulating you on a marvelous job.

Representative BOLLING. Mr. Reuss?

Representative REUSS. Thank you, Mr. Chairman. That was great testimony from both witnesses. I wanted to cheer, but we have a rigorous chairman, and I want to stay in order.

Mr. Corman, you say, and I quote:

> We must no longer tolerate job programs which merely make work, or programs which promise employment and then fail to deliver. What we need are jobs—jobs which provide training at work, while paying a living wage.

I think that is a good statement, and I want to put to you a recent case history on just that point. The Wall Street Journal, within the last week or 10 days, carried an interesting story about the General Electric Hotpoint plant in one of the suburbs of Chicago. It is a new, modern plant. It makes refrigerators, ranges, other consumer durables that an affluent society likes to buy. And things were going quite well. They had combed the surrounding countryside 20 miles out and had hired about all the white skilled workers they could.

And then they were confronted with this problem. Their plant was on the verge of a vast Negro slum with thousands of underemployed people in it. They had no Negro employees, or just a handful out of their total of 3,000 employees. They could have, of course, closed the plant down, written it off and gone to California, Arizona, or you name it, where perhaps they could have found labor. On the other hand, their cost accountants told them that this was an expensive way to proceed, and that maybe they should try to hire some local labor. So they did, and in the last 2 years since they have started on this program they have hired about 1,500 Negroes who now make up about half of the work force at the General Electric Hotpoint plant.

Their operation is now a success in every sense of the word, financial as well as social. However, they had some travail along the way in two particulars: the unskilled Negroes that they hired wrecked a lot of consumer durables, which then had to be discarded by the inspection crews, which, of course, cost GE some money. Secondly, they had to spend a prodigious amount of executive and near-executive man-hours working with these people, praying with them, going over to their homes and shaking them out of bed so they would come to work for the late shift, setting up a high school right on the plant to teach the three R's, and so on. There was a turnover among the 1,500 Negroes, not all of them made the grade; but the fact is now that at that plant about half of the workers are people who a couple of years ago were regarded as slum Negroes who couldn't get a job. Now, they are making $4 an hour, contributing to the purchasing power for consumer durables themselves, and it is a happy story.

Here is my question, I am shortly going to be confronted with voting on a Senate-House conference report which will raise income and excise taxes about $12 billion, and restrict budgetary expenditures by $6 billion. The way that tax increase package will operate, of course, is to diminish consumer demand, and one of the things consumers are demanding are refrigerators and ranges and other consumer durables, and they will then in the nature of things purchase fewer of these, and GE Hotpoint will have to lay off employees, and the first employees to be laid off would be the most recently hired.

What should I do? How should I vote on that?

Representative CORMAN. Well, Mr. Reuss, C comes before R and as soon as I make up my mind, I am going to cast a vote and then you will know what it was when it comes your turn. I will have to tell you it is a difficult problem because I do not believe the public has looked at the narrow range of possibilities for us making that $6 billion cut. It is not cutting $6 billion out of $186 billion as we all know, but it is cutting it from a much narrower field. Whether the House and Senate in their wisdom may decide that we do not want that big a cut is a question we all will have answered later. But it is a difficult one, and I do not have any answer.

Representative REUSS. I guess my question was not so much asking your advice on specific rollcall, but it is a fact, is it not, that if we overkill by either raising taxes too much or cutting expenditures too much, we turn off consumer demand and thus will cause employees at the margin to lose their jobs? And the question I raise is whether it is wise to engage in such overkill, particularly at a time when we have done nothing about tax reform, done nothing about reinvigorating a wage-price-incomes policy, and the other things which enable us to stay a little closer to the full employment wind than we are apparently willing to do.

Representative CORMAN. Yes, sir. The dilemma, it seems to me, however, is that if in truth we are faced with critical inflation—and I believe we are—then the inflation eats up the buying power, and we do not really accomplish anything by refraining from the tax increase, because if the price of the toaster goes up, the employee is going to make fewer of them because we buy fewer. And I guess that is the kind of judgment we have to make, trying to keep these things in balance.

Representative REUSS. Well, this is the Joint Economic Committee, and we have a particular role to play in these analyses. Certainly what I have said is not a brief for inflation. Let us stipulate that we want zero price increases on the average, not 1 percent or 2 percent and certainly not 3 or 4 percent. However, does it not seem to you that it ought to be the goal of economic policy to see if we cannot both keep those 1,500 former slum Negroes at work in the Chicago Hotpoint plant and stabilize the Consumer Price Index?

Representative CORMAN. Yes, sir.

Representative REUSS. Is that not the exercise that we ought to be engaged in?

Representative CORMAN. Yes, sir; and I am comforted when I look at this committee.

Representative REUSS. And do you see any reason why this——

Representative CURTIS. That is sad comfort.

Representative REUSS. I think we can stipulate that we all share your confidence. Do you see any reason, Mr. Corman, why that is impossible? You do not want us to give up?

Representative CORMAN. No, sir. I do not think so. And I must say that it seems to me, and I do not mean to, in any way, indicate I have any expertise in this field, and I must tell you that so far as our Commission is concerned its special endeavors touch lightly on the economic impact of some of these things, but it does seem to me that we need to talk about the priorities more than we have. And this takes greater self-discipline and Government discipline, and I think we

must have that. I think we cannot anticipate prolonged substantial defense expenditures and maintain economic stability by drastically cutting or eliminating domestic programs that meet our needs at home. I do not mean in any way to indicate that we can or we should diminish our defense spending. It is my own view that we must not pit our problems at home against our problems overseas. I think we have the capacity to meet both of them, and we should not pit them against each other, but rather, put our own skills and resources toward solutions of both.

Representative REUSS. Thank you very much, Mr. Chairman.

Representative BOLLING. Senator Javits?

Senator JAVITS. Mr. Corman, first, I would like to join my colleague in thanking you for your testimony. I happen to feel strongly about tax incentives for two reasons. One, the Commission, which was unanimous, recommended tax credits, and second, you are simply not going to get American business to do what we all want done unless you give them tax credits or at least an option between tax credits and a reimbursement for difference between the worker's productivity and the wages paid. So that this troubles me very much. Although I appreciate that you have made some good points about the IRS monitoring, it is a fact that to get jobs in the private sector you have to give the option.

As you know, I am the author of one of the two manpower bills we are considering over here, and that does give such an option. Now, the big demand of business is exactly along that line, and I have one question for which I would like you to answer, if you would be kind enough to do so, and that is: Do you think that if we got the Department of Labor to certify employees who were eligible for tax credit, that that might help with your feeling that the IRS is in no position to monitor this?

Representative CORMAN. It would be a step in the right direction if we were going to undertake it at all; yes, sir.

Senator JAVITS. That would be somewhat helpful?

Representative CORMAN. It seems to me that the great dilemma is twofold: It is being sure that the job is the kind that is worth the public investment, and being sure that the individual who is getting the job is the kind you want to make the public investment in.

And if I may just very briefly point out so far as the unanimity of the report is concerned, we did finally use a phrase that not each of us agreed on all the recommendations. That book is a little bit analogous to the Bible in that there is something in there for everyone. And that was not a close vote when we put in the tax credits. I was on the very small end of the vote. I cited it in my remarks because that view is not original with me. It is shared by, among other people, I believe, the chairman of the Ways and Means Committee in the House who has even more influence on tax laws in this land than I do.

Senator JAVITS. The other thing, Mr. Corman, I wanted to ask you was this. We feel on the Republican side, and its is indicated in our report on the President's Economic Report of 1968, that there is a necessity for great stimulation of small business in the slums and ghettos of America, and that there are great opportunities in respect of small business; small business, for example, which would under-

take different types of local service, painting, repairing, plumbing, et cetera, and fit also into larger programs like housing. One of the amendments I have to the housing bill calls for that.

Now, would you agree that small business development would be a major aspect of the rehabilitation of the slum and ghettos?

Representative CORMAN. Yes, sir.

Senator JAVITS. That, too, would be a useful outlay of funds?

Representative CORMAN. Yes, sir; I would agree. And I would hasten to point out that those things which improve the quality of life in the ghetto must not be an end goal, but rather a temporary measure. It seems to me that the only ultimate answer is to eliminate racial ghettoism in our cities. But I certainly agree there are a great many people who were born in the ghetto who are going to die there and we cannot just say, well, we will get around in a generation or two to eliminating that ghetto and so you live there in deprivation while we wait. I do agree, and it seems to me that the possibility of entrepreneurship among ghetto residents is a very promising thing. I doubt that any of us fully respect the quality of leadership among ghetto residents. We get lost with that color, and kind of evaluate them all the same.

Senator JAVITS. Well, you are very kind to say that, and that is very perceptive. I am from a slum myself, and so I think I speak with a certain feeling, not that I have any unusual expertise. You know as much about it as I do, I am sure. I have a certain feeling about it that so much talent, quality, and spirit among these people is lost—for many reasons, sometimes health, sometimes family surrounding, sometimes sheer lack of knowledge on the part of the individual that possesses it. It is not juxtaposed to anything that makes it recognizable, and is never brought out. And that is really one of the big things we are trying to do. Ghetto leaders who can be developed by small business, to me, are one of the most critical things which we lack. I have little doubt you agree with that.

Representative CORMAN. Yes, sir; I do.

Senator JAVITS. Now, the other thing I would like to ask you is this. We have developed on the Republican side some very useful techniques which we don't speak of in any prideful sense but just as useful techniques, and I would like to have any comment you may choose to make upon them. They are the following: One is, and I have already mentioned it, the use of local service companies in various fields. Another is the idea of an economic opportunity corporation, or call it what you will, which is also a recommendation of the Commission, to coordinate the efforts of American business. It really would be the next step beyond the National Alliance of Businessmen. I have to agree with you thoroughly about Henry Ford's job.

Another is an effort to supply capital for these kinds of activities in amounts big enough to break out of the limits of the Small Business Administration, and for that purpose we have developed a domestic Development Bank, funded at $2 billion and patterned on the World Bank.

And the fourth idea is to try to gain a more coordianted effort at the local level. We are appalled in the Labor and Public Welfare Committee, where I am the ranking member, by the fact that for example, in one city there are 38 manpower training programs. So many of us

are interested in the idea of what we call a prime sponsor, a systems manager in a given metropolitan area through whom at least all these things can be tied together. Now, any comment you have I would greatly appreciate.

Representative CORMAN. Yes, sir; thank you very much. I certainly agree that we need to address ourselves to the capital needs of the entrepreneur in the ghetto area because obviously the capital is not there or they would not be where they are. I think it is going to take the combined effort of the public investor willing to run a little more risk than he would if he puts his money in A.T. & T. stock, to get him to put his money there. Perhaps some Government guarantees are going to be warranted, and I think some Government participation in programs similar to Small Business Administration now for other small business areas. I think we are probably going to have to get away from our philosophy in the small business loans that we are not going to tolerate losses. I do not say that critical of SBA at all, because they always lend all the money we let them lend, and they always lend it to people who cannot borrow it from the bank and they have a very low loss ratio.

Now, you cannot fault them. That is success.

I think what we need to do is to give them more money, to earmark where it is to go, and to anticipate that we are going to have to suffer a larger degree of loss if we are going to meet ghetto needs. But I think in the long run loans are better than straight grants.

The coordination of these programs is the most frustrating of all I think for any legislator because in many way we are the ones who get the questions from the people at the end of the line. And it is a thing that I have difficulty understanding. We do such great things in systems, in physical things, the space program, this kind of thing——

Senator JAVITS. The military programs.

Representative CORMAN (continuing). But we need to apply this to our social problems, and yet it is more difficult because social problems do not lend themselves as easily to control as do physical problems, and yet who would have thought a decade ago we would have solved the systems problems we have in other fields. It is certainly worthy of vigorous support.

Senator JAVITS. Thank you.

Thank you, Mr. Chairman.

Representative BOLLING. Mrs. Griffiths?

Representative GRIFFITHS. Thank you. I must say I enjoyed your statement, too, Mr. Corman, and I would like to return to the tax conference report, not to that part which levies the cuts, but to that part which limits the number of Federal employees. Would it not—even that part of the tax conference report—seriously injure any chances we have of alleviating unemployment among the poor Negroes?

Representative CORMAN. Yes. I must confess my lack of knowledge of the details of where these cuts are to come.

Representative GRIFFITHS. While everybody else goes forward, we are going back to 1966 on Federal employees in the tax conference report. At least, that is the information I have been given.

Secondly, I would like to point out another feature that I think would have a disastrous effect. The Treasury has recently announced

that they would hereafter not permit the issuance of tax-free bonds to put industry in a city. The tax conference report limits this so that if you are going to issue a million dollars worth of tax-free bonds, you may do that.

Now, the effect of that would be that you could issue a million dollars worth of tax-free bonds in thousands of little all-white towns in America, and true, you could give some all-white people employment, and there is not anything in the Federal Government that would say they have to put the industry where you give both white and colored employment. We have a little bill on the floor this afternoon where one of the cuts is being made; we are going to cut the request of the Equal Employment Opportunity Commission by half, from $13 million to $7 million. So that all of these things put together really go against your requests that we try to employ people, do they not?

Representative CORMAN. Yes; they do. First of all, as to the attempts to cut Federal employees—and that is always a popular thing to talk about. But if you look at the utility of the employee from the point of view of the society, very probably you need many more than you need an extra waiter someplace and an extra man on the assembly line.

I am very much opposed to the theory of tax-free bonds for industrial development. But you really have touched on the heart of the problem when you attempt to solve social problems, particularly racial problems, with gimmicks of tax incentives. And that is that you lose control over accomplishing your ultimate objective. If in truth you are using tax-free bonds to create employment where it is needed worse, there might be some justification, though, I doubt it. It will be used wherever businessmen anticipate that they can get the highest-qualified labor at the least cost and escape their just share of taxes. And it is not a battle between that taxpayer and the Government; it is a battle among the taxpayers. Are we going to heap additional taxes on other people in the private sector by relieving this man of his just share?

Representative GRIFFITHS. Well, I would like to say if both you and Mr. Reuss care to follow my lead, I am going to vote against the tax conference report, because I think this is exactly what the tax conference intends to do. I think the cuts are unfair, and I think the other things they have added to it make all of these problems more difficult to solve. Therefore, I think it is very unfair.

In addition to that, may I point out that at the present time, for instance, the investment credit is really making this problem greater, too; is it not? It is a little tax-free gimmick to upgrade the quality of skill that you need, to place machines in place of men.

Representative CORMAN. That is correct.

Representative GRIFFITHS. Thank you very much, Mr. Chairman.

Representative BOLLING. Mr. Rumsfeld?

Representative RUMSFELD. Thank you, Mr. Chairman.

Mr. Corman, could you define "racism" for us in sense that it is meant in this whole discussion?

Representative CORMAN. Yes, I would be glad to do my best. And this isn't the first time I have had the question asked. We had much discussion in the Commission when that phrase was first proposed. I was apprehensive about it, because the word means what the listener thinks it means, not what the speaker thinks it means.

And I was apprehensive, because I do not believe that America suffers from the same kind of white racism that we think of in Rhodesia or South Africa where we have this absolute separatism and a conscious, active feeling of superiority over Negroes. Rather, our white racism is evidenced in our institutions, and this is true throughout our society in every part of this land.

It is harsh. It is easier to see in some parts of our country than others. But an example which I think is the least justifiable of all is in my own Protestant denomination where we have one whole organization of Methodism for Negroes and another for almost all whites.

That's the kind of institutionalism that reflects white racism that we have tolerated in this country, we have been plagued with by our history.

Representative RUMSFELD. Well, what does it mean? Does it mean a distaste, or does it mean a lack of understanding or a fear based on ignorance or on something else? Is there any way you can more precisely tell us what word means in the sense that the Kerner Commission report talks about it and which we have talked about it?

Representative CORMAN. Well, I suppose what the report is trying to say is that we just have different rules for people, based on color alone.

Representative RUMSFELD. For whatever reason.

Representative CORMAN. That's right. And those rules show up in a great number of ways.

For instance I visited Mississippi in 1963, and I discovered Negroes were not permitted to drive garbage trucks. They could ride on the back and dump the garbage, but under the mores of 1963 in Jackson, Miss., they weren't qualified to drive the truck.

Now, in Los Angeles I am led to believe—if we look at our institutions out there—that only Negroes are qualified to drive garbage trucks. Both of those are examples of white institutions.

Representative RUMSFELD. So you would say that racism in the sense that this report uses the word means a conscious difference of treatment, based on color alone?

Representative CORMAN. That is correct. And I think that white racism, to the degree it is a sin of each of us, is not so much in having created the institutions but, rather, in tolerating them and perpetuating them. It is the way we have always done it, and we kind of like to keep it this way, because we are a little bit fearful and apprehensive about what might happen if we changed.

Now, we can all support great and vast change in other parts of the country to bring standards up to where we think we are, but when we look within ourselves, within our own neighborhoods, within our own ranks of employment and our own schools, and we start thinking about, how do we dismantle this institution of racial segregation, it gets to be very difficult.

Representative RUMSFELD. Did you have any discussion or debate over what the word "ghetto" meant?

Representative CORMAN. Yes. And I think we probably meant by that the area where people are relegated to live because of their color.

Representative RUMSFELD. Not the dictionary meaning?

Representative CORMAN. No. Ghettoism, of course, was originally used for places Jews were supposed to live. But I think if you walk

into any major city in this land and asked where does the Negro live, almost anybody could tell you; it is almost that definable every place. And that's what we were talking about.

Representative RUMSFELD. Has there, to your knowledge, been any comprehensive look at this report by the Congress since March 2, when the report was issued? I don't know of any.

Representative CORMAN. No, sir. This is the first time any of us as members have been invited to testify.

Representative RUMSFELD. This is the first time you have been invited before a committee of the Congress to discuss this?

Representative CORMAN. Yes.

Representative RUMSFELD. It has been nearly 3 months, 90 days, since your report was issued about what certainly is the single most important problem that our country is facing today. It concerns me, and it seems to me that the Congress has an obligation here. I particularly want to commend Chairman Proxmire and Chairman Bolling for at least beginning some review of the very important material that's in this report. I have studied it. I sense that in your recommendations there are some measures that, with a minimum of discussion, a minimum of debate, and a near unanimity, the Congress could undertake very quickly at minimum cost.

Is that your recollection of the recommendations—that there are some areas we could be moving on?

Representative CORMAN. Yes, sir. As a matter of fact we, as you well know, moved on one of them, and that was the open housing law.

Representative RUMSFELD. That is correct.

Representative CORMAN. I think that open housing provision will have great impact, not on just the number of people who may move into another neighborhood but, rather, an indication that we as a nation are beginning to dismantle some of those institutions of discrimination.

Representative RUMSFELD. Well, are there not also a number of proposals and recommendations—it is my recollection there are—on which action could be very easily taken, without any statutory changes, by the executive branch of the Federal Government?

Representative CORMAN. Yes, sir; I believe there are some suggestions and I am not knowledgeable enough to know in what direction they have moved or how quickly or what the incentives may be.

Representative RUMSFELD. Well, I certainly have neither heard or read of any study by the executive branch, or of any action on the recommendations where action could be taken without statutory change, just as I have not heard of any comprehensive effort by the Congress to study what measures could be taken with a minimum of debate and discussion. And it seems to me that this is most unfortunate.

Representative CORMAN. If I might respond to just one that I do know a little bit about—and I am sure you will get better testimony from the Department—but the Employment Service has, completely failed to serve the people that we were talking about, and the concentrated employment program may be a step in the right direction. I don't say that we motivated them to act, but if they act, I think it will be in the interest of the people we were concerned with.

Representative RUMSFELD. Mr. Corman, I was interested in your statement. As Senator Javits, I found myself in disagreement, at least initial disagreement, with some of your comments included in your statement. You say that you don't believe the tax incentive would be sufficient motivation for employers to undertake programs of job training.

Where in the report is the background and documentation located that leads you, a member of the Commission, to come up with that conclusion as to motivation? Were there surveys of the——

Representative CORMAN. No, sir.

Representative RUMSFELD. Employers as to what——

Representative CORMAN. That's not my conclusion as a result of my being a member of this Commission, because, as you know, the Commission did recommend it. As a result of the proposed recommendation, I tried to do some studying as to what the specific incentive programs were and how they might work, and what some of the problems were. My study led me to oppose it in the Commission. And I don't mean to indicate in any way that the Commission supports my views on tax incentives or my opposition to them. The Commission as a whole recommended that they be used.

My apprehension is this: First of all, I think there is no difference so far as dollars in the Federal Treasury is concerned between a tax credit or an appropriation. But if you do it by the device of the tax credit, then you lose control over two points: The beneficiary, the employee, and the kind of job he gets. I had some discussion with the members of the Ways and Means Committee staff and of the committee people I respect, and they seemed to corroborate this initial apprehension I had.

It is true that you can write in as many limitations on a tax credit system as you can write in on an appropriations system, but by the time you do all of that, then you have had to create more administration than you would have if you administered the programs under the Labor Department or HEW or the normal educational institutions.

Representative RUMSFELD. My time is up. I would just like to point out that you say you don't believe private enterprise could be asked to assume the sole burden. I don't know anyone who is suggesting that private enterprise should accept the sole burden. The ones asking about this are asking that they work in tandem.

I would also comment on the beginning of the first paragraph where you say that business would take the most easily trained and leave behind those who lack basic education. Even that would, in fact, on the ladder principle that Congressman Curtis mentioned, relieve the other programs to deal with the more difficult problems, I would hope, if you have any information that I don't have on why you conclude that this would be maximum cost and minimum return, that you would submit it to the committee. I am most interested in this, and I come to exactly the opposite conclusion. And I am a little surprised to see that a person who served on the Commission who understands the seriousness of the problem, the monstrosity which we have created in these 400 programs, and the confusion and the cross-purpose at which some of them seem to be working, by the

committee's own testimony, would not be willing to say: "Well, at least let's try this. I think it is worth a try."

Thank you, Mr. Chairman.

Mr. BOLLING. Do you have any comment on that?

Mr. CORMAN. No, sir.

Mr. BOLLING. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

I would like to join with the gentleman from Illinois in commending both the chairman of the full committee and the chairman of our Urban Affairs Subcommittee for these hearings. I don't believe there is any other committee, and certainly no subcommittee, in the Congress that could review all of the matters brought up by this Commission's report. The recommendations go into the fields of many, many committees of the Congress, and this is the only one committee that can review the whole Commission report. I think that this is a very necessary job, and I commend our chairman for holding these hearings.

I would also like to commend the gentleman from California, Representative Corman, for service on the Commission and for his testimony today.

Concerning tax incentives, for job hiring, isn't it true that a great deal of your recommendations have to do with public service hiring by either local communities, cities, counties, and the like, or charitable public service organizations, and therefore a tax incentive couldn't work at all in that area—isn't that correct?

Representative CORMAN. Yes, sir. I believe about half or maybe a little more than half of the total number of jobs recommended were in the public service sector, and that kind of incentive would not be applicable there.

Representative MOORHEAD. Would you feel differently about a tax incentive, or some other assistance, for example, having private enterprise locate companies in or near ghetto areas?

Representative CORMAN. I am reluctant. That is, of course, another recommendation of the Commission, and I want to hasten to add that I was in the minority on that vote, too.

I have two problems with the tax incentive for locating industry in ghetto areas. Again, as I say, a tax credit is a public expenditure, so far as all the other taxpayers are concerned. The effort to bring industry back to the ghetto seems to me in the long run to perpetuate the condition which we are trying to eliminate, and so I have grave misgivings. If the effort is fairly short-ranged and involves little investment, then the tax incentive isn't going to be much of an incentive. The tentmaking operation in Watts, for instance, is a project that is not anticipated to have any long life.

But to think of attempting to bring industry back into the central cities, it seems to me, just from the point of simple planning, is a bad thing to do.

But beyond that, to say to Negroes in America, all right, stay where you are; you are really where we want you to be; we will send you some jobs, just seems to me to be a step backward, and a bad one.

Representative MOORHEAD. The testimony has indicated that we have great fragmentation of our various training programs.

Did the Commission have any idea of how to unify these, or how to bring order out of chaos? Should there be in any particular locality, an individual, or a team, that is aware of the opportunities and can advise and counsel people, or is the way of the future to try to put all of them, for example, into the Labor Department?

Representative CORMAN. I don't recall that we made any recommendation in that field, but we were 11 diverse people who met together for 7 months. I think we did a fairly adequate job of saying what happened and why it happened. The portion that we said what ought to be done about it, particularly when you get into specifics, we devoted less time too. We had little talent, little staff available for that purpose.

It was my own feeling at the time that it pretty much had to be left to the committees of the Congress, much more knowledgeable in the field. But we did feel, and I feel so strongly, that the frustration of the individual, who is the potential beneficiary, is increased by the fragmentation of these programs, and there needs to be better administration.

On the other hand, in fairness to those who are attempting to administer the programs, we ought to be aware of the fact that they are trying to do something they haven't done before. Our conventional educational system has evolved over a century and a half; we are trying to create now in a real sense an educational system for the people who got bypassed by that one. They are tough people to reach. They are tough to train. And of all the things we try, some are going to fail. So we ought not to surrender at this point.

It seems to me what we badly need to do is to bring the best administrative talent in this Nation to the Federal departments to evaluate, at this point, what has worked and what has failed, and then let us adequately finance what has worked.

Representative MOORHEAD. I think that is a very good point.

I think one of the things—I know—they are doing in my district is moving some of the Federal offices into the slum areas, like the Social Security Office. We are trying to push them to get the Unemployment Services into the slum areas where the people will come to them. Many of the hard-core, hard-to-reach people won't go downtown. I think we have got to go out into the slum areas.

Mr. Corman, we had some discussion about the tax bill that is pending.

If we fail to get a tax bill, and, if some of the economists are right, that the bubble might burst, wouldn't we lose many more jobs if that analysis was correct than we would lose by imposing the tax increase and maybe cutting back on some of the jobs that Congressman Reuss talked about?

Representative CORMAN. I think the apprehension is a reasonable one, and I share it with you, sir.

Representative MOORHEAD. One further comment: I believe in your conversations with Mr. Rumsfeld, that you talked about racism as being conscious, different treatment of the races. It seems to me that we are improving in America, that there used to be a great deal of consciously different racial treatment, but now we are facing more subconsciously racial different treatment, and we ought to be telling

the people to beware of this. They may have all good intentions, but they subconsciously go to the same institutions, the two branches of the church you mentioned, without realizing that they are doing this.

Representative CORMAN. Yes, sir. If someone walked into my church today and proposed we set up such an organization, we would oppose it, but we have tolerated it now for nearly two centuries of Methodism and we don't see much wrong with it. That's the problem, how do you become conscious of it and then once you are, how do you really bring about change?

Representative MOORHEAD. Another development that should be mentioned, we have a very fair Federal Civil Service System. We give the exact same examination to two different boys, but one was brought up in a slum area, in an overcrowded school with the worst teachers, and the other boy was educated, brought up in a family that had been educated, went to the best suburban schools, and we say take this examination and may the best man win.

How can we solve that problem?

Representative CORMAN. I suppose in part by compensatory education and in part by realistic looks at civil service examinations. Do we in truth evaluate a potential employee by the kind of examination we are giving, or do we merely give an edge to one who may have a particular kind of background, a particular kind of education, but maybe not the fundamental characteristics that are desirable for the job.

Representative MOORHEAD. Again, this would be what I call subconscious racially different treatment which is our next step to overcome.

Thank you, Mr. Chairman.

Representative BOLLING. Before going on with calling on the members to continue the questioning, I have a housekeeping matter that I would like to take care of.

The committee had the National Commission on Urban Problems, chaired by our former distinguished Joint Economic Committee chairman, Senator Douglas, make available to us a study it made on the impact of the property tax, its economic implications for urban problems, and that report, in committee print form is available at each member's place, for use in connection with these hearings.[1]

Then I would like to make a very brief comment on another matter. There has been considerable discussion of tax incentives, and I think that the point has not been made absolutely clear, although it has been implied, that every tax favoritism, be it an incentive for social purpose or be it more disguised or be it not disguised but clear loophole benefiting a certain group or class or even individual, is really very little different from a direct appropriation.

I think one of the things that should be taken into account is the proposal made, as I understand it, not too long ago by the Assistant Secretary of the Treasury for Tax Matters, Mr. Surrey, that all such tax treatments, tax favoritisms, tax incentives—I don't know all the words—be made very clear in terms of their dollar cost and put in a

[1] "Implication of the Property Tax: Its Economic Implications for Urban Problems," Joint Economic Committee print. May 1968. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, D.C.; 20 cents.

category that would make it clear that they are in the nature of something very similar to an appropriation.

That, I think, might remove some of the, not the disadvantages that the gentleman from California has spoken about but the disadvantage that a great many people, not only in the less informed public, but among the more informed public, seem to think that tax incentives don't cost anything. I think it is very important to make just as clear as we possibly can that a tax incentive or a tax loophole is just as expensive as an appropriation.

The other arguments of the gentleman from California, Mr. Corman, I happen to agree with. I don't think that a tax incentive is as effective as a direct appropriation, but there is an awful lot of impolitely put "baloney" abroad in the land about the difference in the cost of a tax incentive as opposed to an appropriation.

Now, the Chair will call on the chairman of the full committee, Senator Proxmire.

Senator PROXMIRE. I would like to ask about two or three areas here.

It is very interesting to me that in this whole discussion we have had this morning of unemployment and hard-core unemployed, and so forth, to the best of my knowledge—and I checked with the chairman when I got back from the floor—nobody has suggested that we have to do something to create a greater employment opportunity by rationing the jobs that are available.

We have often had an effort in the past by many people to have persons retire earlier on social security, retire at 60, have hours shorter, longer vacations in fact. This has been much of the thrust of the labor movement. And they have succeeded to a great extent in shortening hours, you know. There's been a steady historical effort, and maybe we ought to have something in the record on that because our perspective is inclined to be limited to the immediate present. At the present we have an abundance of jobs not for minority groups, unfortunately, and not for those who are dropouts but for most people and, in fact, an overabundance.

What's your view on this in terms of a long-range outlook?

Representative CORMAN. Senator, I feel very strongly that that is an important area for us to move into, and for a great number of reasons: A part of it, the impact on labor, the impact on education. And this we did discuss at great length.

We are dealing with a lot of young kids who are out misbehaving themselves, and what do you do with them? You know, the 13, 14, 12-year-old kids? And the immediate reaction was, well, you know, by golly, child labor laws caused all that. Let's get them back in jobs.

Well, that's not the answer at all. It seems to me that we ought to anticipate more than 12 years of compulsory education in this country in the immediate future. We do not need those people on the labor market. They are not ready for the labor market at high school graduation in most instances. They ought to have the personal enrichment plus the skill that is given to them by higher than 12 years of education, not necessarily a university education, although I think the university is not available to a great number of young people who have the capacity for it. And obviously, if we need fewer man-hours in

industrial jobs, then people can get out of the labor market earlier than they used to. Our productivity is very high. During the years that man works he does produce much, much more than he used to. We have mechanisms for delaying a part of his share until after retirement age. And that would be my own view, that years of employment ought to be reduced. It has been a relatively short time that we ever anticipated that we pull a person off the labor market and see that he didn't have to go to the poor farm. And I think that is a step in the right direction.

I think adequate minimum wages is extremely important. We all hear the argument, if you raise the minimum wage, then you are going to eliminate some of the jobs.

The fact of the matter is it probably doesn't eliminate them, and you put greater purchasing power in the hands of the people who do work so that that stimulates the economy.

I think it is important that, particularly in the case of the young, before they get in the labor market, we provide adequate education for them and to anticipate that we will continue to raise that age when they anticipate entering into the labor market.

Senator PROXMIRE. At any rate, there are two ways in which we can meet the problem of being sure that Americans who want to work can work. One way is what you have concentrated I think properly on, and that is, providing more jobs in the areas where we need work to be done.

Another way is by giving people an opportunity for more leisure so that there are more people who are not working can get the jobs that we now have.

Now, I would like to ask about another area.

It is interesting to me that there has been the assumption here because we passed—perhaps this is the reason—because we passed the 1964 Civil Rights Act outlawing discrimination in employment, there's not much we can do about discrimination.

I haven't heard much discussion here about discrimination in employment. It was referred to a little. Both you and Mr. Harris had beautiful statements about the sickness that racism represents but I think the statistics are overwhelming. We passed that law 4 years ago, and there is still discrimination in employment and very serious difficulties and an enormous amount of unemployment, especially private employment and even State and local employment.

I am wondering if there is anything the Commission felt, or that you feel, that we can do in addition to overcome this?

I notice you have set up a corporation, or you suggest the setting up of a corporation to provide an opportunity for those who don't have jobs, the hard-core unemployed, to get jobs in various ways in private industry, but I wonder if this corporation also shouldn't, or some other body shouldn't be set up to work specifically and full time on overcoming discrimination in private employment which we know still exists on a big scale, in spite of the law.

Representative CORMAN. Yes, sir; as I recall, we recommended giving cease and desist powers to the Fair Employment Practices Commission, although I think that would be a step in the right direction, I wouldn't say that then we are at the end of the line. It is just a better mechanism for trying to do what we can——

Senator PROXMIRE. How about a lot more publicity on this? For instance, I go into Milwaukee, I shake hands at the plant gates throughout the area, and I find similar plants where 20 percent of their employment may be Negroes.

In other plants there's not a black face, not one, not one; 3,000 or 4,000 or 5,000 people employed. There's no Negro.

Now, this is true of a number of plants. We know there's that discrimination, and somehow I think that the publicity would help greatly. There's some way that this kind of fact could be brought to public attention.

Representative CORMAN. Yes, sir; when we think of the Government as a purchaser, we have a lot of pretty good mechanisms to try to bring about fairness in employment, but that doesn't meet all of the problem at all.

Senator PROXMIRE. We haven't used that very rigorously, either.

Representative CORMAN. We have used it very modestly, it seems to me, and we ought to do better than we are doing. An awful lot of it, so far as the business community, I think, is concerned, is what they think their customer wants. I have a lot of people ask me, for example, "What can I as a housewife in Van Nuys do?" And one of the things I have always suggested is wherever you trade, look and see whether or not they follow a fair employment practice. And if they do not, suggest that unless they do, you may change your place of doing business. I think that would do wonders, at the local level, the retail markets. In industry and construction there are sometimes union problems.

On the other hand, you frequently have labor unions which are a source of support for doing away with job discrimination.

We suggested the news media—and this is a little bit longer range approach, but the television, the news media itself, ought to more adequately reflect what America is. Ten years ago you would have been shocked to see somebody try to sell you toothpaste by showing a colored youngster brushing her teeth, but we are beginning to do that kind of thing now. We are beginning in the news media to reflect America as it really is.

Senator PROXMIRE. I think we are working on its gradually now. I am just talking about a rifle-shot approach in this area.

And then one other problem in connection with this. We just passed, as you know, the open housing bill as a matter of national policy. We hope it is going to be effective. And I think that this can have great—very great—economic significance. And I say that because all the statistics show that rapid as the population movement to the suburbs has been, it has been surpassed by the movement of jobs to the suburbs. The jobs are not in the central city any more.

If the Negroes are going to have a real economic opportunity, they ought to have an opportunity to live in the suburbs, to move to the suburbs, that mobility ought to be improved. There ought to be some way of influencing this and of helping them get in the place where the action is, where the jobs are. And I think this would help overcome the hard-core situation.

I think it is a good argument, in addition to the very good arguments you have adduced, of being very careful about any program

trying to move industry into the ghetto. We don't want ghettos in America. We don't want ghettos even if they are gilded. We want people to be able to move freely, and I certainly, speaking only for myself, don't want to see people segregated as black or white, economically, or any other way. And it seems that anything we can do to encourage that kind of movement ought to be good public policy.

Representative CORMAN. Yes, sir; I agree. And it seems to me that if we give careful thought to what kind of housing programs we are going to give public funds to, for instance, rent supplement programs, if they make it possible for Negroes to move into existing structures, we will make it possible for a great number of Negroes to move into suburban areas; where as if we rely on the traditional public housing, which is usually in the ghetto area anyway, you just perpetuate the problem.

Senator PROXMIRE. The chairman has allowed me 2 minutes of his time because my time was up, to ask just one more question. That question refers to something that we have discussed earlier and that is the problem of—I would like to sharpen the question a little bit—the problem of what happens when you try to provide a million jobs in the public sector, what happens to the dignity of the job and what happens in view of the fact that so often make-work public works programs have had an indignity about them, an unfortunate reflection on those who work in the public sector. And especially in view of the fact that Senator Harris and you both have indicated that maybe we can open up some of these public jobs in education, sanitation, and health, make them simpler, in doing that I wonder if you don't perhaps destroy some of the dignity and so forth that we recognize is so important if you are really going to make this kind of a program effective.

Representative CORMAN. Sir; I would agree that care must be taken to see that that isn't the end result. But one of the real impressive people on our Commission was Herb Jenkins, the police chief from Atlanta. First of all, Atlanta integrated its police force long before most other cities in this land did, and so he is sort of an innovative guy. And he has been using what he calls community service officers.

These are generally young people who couldn't possibly pass an exam to be a policeman, but they are given a job at slightly lower pay, and they are interns for policemen, and they are very, very useful. And in a matter of a couple of years, if they buckle down, get some outside education and learn something about being a policeman, then they will become better policemen than the average recruit that they pull in off the street, or out of the high school or college—that kind of upward mobility of the public service job gives some feeling of satisfaction.

Now, that is quite a different thing from raking leaves in the park. The parks need to be kept clean, too, and I don't mean to say they shouldn't rake them. There are lots of different kinds of jobs.

For instance, in my own community which, as I say, is a very affluent part of this country, there is no supervised recreation for young people in the summertime in our public schools.

We have, I am sure, hundreds of millions of dollars worth of real property setting out there with a big chain link fence around it all

summer long. It ought to be opened up, and there ought to be qualified recreation directors there to see that youngsters, particularly ghetto youngsters, have some kind of supervised recreation in the summertime. Those are the kinds of jobs which, I think are services that do have dignity, do need to be performed and aren't performed, primarily because of the lack of resources at the local level.

Senator PROXMIRE. Thank you very much.

Thank you, Mr. Chairman.

Representative BOLLING. Mr. Curtis?

Representative CURTIS. Thank you, Mr. Chairman.

I want to again commend Mr. Corman for what I think are splendid responses. I disagree with many of your conclusions, but believe me, appearing here as one of the Commission members and subjecting one self to this cross-examination, I think, is one of the most healthy things that has occurred, because we have got to move this dialog forward.

I have four items, and I hope to get to all four.

The first is just something I want to say for the record: I hope people here who want an exercise in humility, those who think they know the English language, or who think they understand our dynamic economy, will take the "Dictionary of Occupational Titles" and open it to any page and start reading down the columns. Hopefully people who read these hearings—and people do read these hearings—will undertake this little chore. I think it would open up a lot of eyes to some of the very, very difficult problems we have in this area.

Now, the second thing: Our chairman has ably opened up this subject of tax credit—and be very properly related it to appropriations. As one who has been and is a tax neutralist—namely, on who feels that we tax for revenues and thus try to have as little impact on the well-being of the sheep that we are shearing as possible—and yet also as one who has introduced and supported a number of these tax credit proposals in the field of education, and training among other fields. I want to point out, first, that since we first put the Federal income tax on the books there have always been areas that we decided not to tax. Donated money for charities, churches, Community Chest agencies, are probably the best examples. In other words, the way I interpret it, we as tax collectors decide not to tax areas where Government by affirmative appropriation policy decides to spend money, or otherwise would be spending money. For instance, in air and water pollution, we decide to spend money directly through the Government. Once that decision is made, then I think it is important for us in the tax field to look to see, is that an area that we should be taxing? If this is an area so important that we decide to spend money directly, hadn't we better look to see whether this is an area that we don't want to tax?

This is a little bit different approach, you see, than most people take; the chairman has mentioned this amounts to a subsidy. Indeed, it is in a sense a subsidy, and it is very important to note that he relates it in that fashion. However, upon a fuller analysis, it is not a subsidy but a restraint on the part of the tax collector.

Now, note the 10-percent credit to be given in the Human Investment Act. That was only introduced—because I was the one who developed it and introduced it—after the 7-percent tax credit was put

into the law—incidentally, over my objection. I think the 7-percent tax credit was bad economics, bad tax law, to subsidize business for investing in new machinery. But I said once you have done that, you have to do something in the area of that which in effect competes with machines to a degree—namely, human labor, to equalize the economic impact.

And on the point that Mr. Rumsfeld was asking whether you had studied, whether this was enough incentive. As I originally introduced the bill, it provided for a 7-percent tax credit because it was just matching the machinery credit. But business people came to me and said this isn't going to move us, and I zeroed in on "Why?"

Well, it is very easy to see why. When you put money in a new machine, you get title to it. You put money into training human beings, they might go and work for somebody else. So there has to be a differential, and I raised the credit to 10 percent. Yet I don't know whether even this will be sufficient. But at least the dialog is being developed along the line that I think it must be. We must look to see whether the spending sector really has the money and, further, does the money achieve the purpose we are seeking better through refraining from taxing it or through taxing it and spending the money directly. Sometimes the first approach is preferrable and sometimes it isn't.

I want to point to another important area on the same subject. Tax credit for corporate pension plans was put in only when the Government moved into social security to provide for retirement to the people directly. Thus we decided not to tax at least the corporate level. Then we finally extended that, as you know, with the Keough bill for the self-employed person—the farmer, the professional, and the shopkeeper, and so forth. I don't know where you reach these balances.

I do feel very deeply that the dialog has to be developed along these lines, because, in many, many instances, we do a lot better job by giving the tax credit, although it does require, as you rightly point out, some work on the part of the Internal Revenue Service.

They have, for example, to see whether these pension plans qualify under the guidelines we set up—so in the Human Investment Act, they would have to be sure that the training programs did qualify.

Well, now to the third point, and I am making points, or rather, trying to put things in the record, but this does come to a question.

I mentioned one area that I felt had been greatly neglected by the Commission's report; namely, what the impact of organized labor has been on these problems. I hope people will believe this, although it is hard for me to get them to—I am strongly in favor of organized labor, and I am not saying this, I hope, in other than objective criticism, but I think that organized labor lies so much at the base of how these problems in job creation and job escalation, and so on, occur. It is so tied in with politics and other social institutions it does need a thorough examination. Until that's done, I don't think we are going to have a full picture of what is happening. But now I am coming to this point, the second failure—the failure of the Commission to avail themselves of the work that the Ways and Means Committee has been doing for years in the areas of most of our welfare programs, unemployment insurance, social security, aid to dependent children, old-age assistance, and so forth.

Last year we passed the Social Security Amendments Act of 1967

which comprised a bill of 300 pages. We held over 7 months of hearings—2 months of public hearings, 5 months behind closed doors—to my regret, and over my objection. The Commission, to my knowledge, didn't even seek to avail themselves of this work. A lot of it was, in my judgment, excellent. In fact, the Commission's report on the welfare system shows its lack of knowledge of what the committee was doing in these areas, and comes up with conclusions that just distress me very much. An example is the sentence which appears on page 255:

> We strongly disagree with compelling mothers of small children to work or else lose welfare support.

If we in the Ways and Means Committee thought that this is what we were doing—well, I don't know. Why, it is the last thing we intended.

These accusations were made on the floor of the House against the committee during the debate and were completely rebutted. Did the Commission avail itself of the debate printed in the Congressional Record?

Now, people can disagree with how we sought to move in to solve the problems, but to say that this was the effect of the act without anything further is just ignoring the facts. As a matter of fact, we increased the amount of money for child-care centers. We felt that we didn't want to interfere here, so use of the center was put purely on a voluntary basis. Another example, on the same page, refers to the so-called man-in-the-house rule: "Restrictions on new residents of States should be eliminated."

For years I have been trying to get some definitive evidence of what people are talking about. Is it really true that a man will leave his family so the family can go on relief? I know that is something the welfare people say all the time, and every time I have tried to pin one down—I say give me the name of one individual so I can check it, on a quiet basis, on a confidential basis, to find out if this is happening. Yet, every time I zero in and try to find out, those who make these allegations disappear. And still these kinds of generalities are bandied about.

Now, this kind of thing badly disrupts, I would argue, trying to come up with correct solutions. Here we talk about the poverty program, whether we are going to spend $1.6 billion, or $1.8, or $2.2 billion, when under the Social Security Amendments of 1967 we are spending about $35 billion. If you have a response in behalf of the Commission that would explain what homework you did do in this field when you talked about the welfare system, I would like to hear it. What attempts did you make to find out what work had been done in this area, work that goes over a period of many, many years?

Mr. CORMAN. Mr. Curtis——

Mr. BOLLING. I will give you 2 more minutes.

Mr. CORMAN. I may be able to do it in 30 seconds, if the Chair would like to cut me off at that point.

Mr. CURTIS. Let me say I would like to leave the record open for your comments. In fact, the record is open for anyone else on the Commission who would expand on this, because if you have data, if you have working papers in this area, I would sure benefit from them.

Mr. CORMAN. I will suggest to our executive director that this might be useful at this point in the record.

As both a Member of the Congress and of this Commission, I felt very strongly from the start that we ought not to try to expand our jurisdiction and our wisdom to areas that are proprely those of House committees and Senate committees. We didn't have the time, we didn't have the talent, and I don't think we had the charge from the President.

The observations we made were ones that surfaced very quickly from testimony given to us by people who work in the social welfare field in the ghetto areas and by our own contacts with people we went around and talked to.

Now, there was a lot of discussion at the time of our hearings, as to why we weren't calling poor people before our Commission to testify in Washington. We recognized the importance of trying to get a feel for how people live in ghettos and what makes them tick. And every one of us spent many, many days just moving around in ghetto areas.

I sat down by a little girl in one of these MDTA programs. She was there trying to find out if she could get back into a typing course. I think she was 18, as I remember, the same age as my daughter, and she had two illegitimate children, and she wanted to learn to be a typist. To her that was as good a career as I think being a lawyer is. But the lady who took care of her two kids moved, and so she was out of the course and home taking care of those kids until she could find somebody else to take care of them.

I asked her, and I asked the people there what the facilities were for day care for these people. And there wasn't any——

Mr. CURTIS. That's true, the day care——

Mr. CORMAN. That's the kind of thing we were talking about. And I hope no one, including, of course, the public who reads this, thinks that the Commission thought we had the end answers to all these things. What we have pointed out there, you will find, was because of a particular human problem that surfaced for us, either in our testimony in Washington or our trips around the country.

Mr. CURTIS. I think you pointed up a lack of day-care units, which is what our committee found. This is the reason we increased the amount available for use for day-care facilities. We thought we could assist in this area. But, as you well know, bandied around the country is this charge that we are trying to kick young mothers with young children—force them into the labor market. You have this mental picture of a young mother with a child 1 year old being told, "Either you work or you go off of welfare." This is the kind of thing that incites—if the people really believe this, and of course, they believe it when it is said on the national television networks and is repeated and repeated—that lies at the base, I think, of a great deal of the resentment that builds up.

But if what I am saying is true, if the working papers of the Ways and Means Committee—what we did study, what we were trying to do—had bene examined and these things had been reported accurately, there would have been hope rather than despair. But we see so many, many areas, I think, where instead of the homework being done and the honest differences brought out where they do exist, as they are being brought out here, we have this attack on the humanity of those who disagree with the popularized notions of how to meet the problems of the lower income groups.

Am I coming through as to why I expressed this concern?

Representative CORMAN. Yes, sir. Yes, sir. And as I say, I think that, considering the limitations in time, staff, and charge from the President, our recommendations as to what needed to be done were broad brush and were not intended to be precise. And whatever salavation it is, we were not an action commission; we were really a recommending body.

Representative BOLLING. Anything else?

Representative CURTIS. I do have one thing, if you will bear with me.

Representative BOLLING. Sure. We are about to wind up.

Representative CURTIS. I am worried about the use of the term "white racism." I was happy to see some definition of what that term means brought out in Congressman Rumsfeld's examination. I cannot fault the news media in this respect because the term is clearly used in the first part of the Commission's findings. The Commission alleges the "white racism" lies at the base of the problems of the Negro in the big cities. Yet, on page 73—incidentally, some of the task forces you had, I think, did remarkably good jobs. Some, I think, did very poorly. I now see the basis for the kind things you were saying about the Police Commissioner of Altanta. I thought chapter 13, "Administration of justice under emergency conditions—the conditions in our lower courts" was splendid and the recommendations were good.

But now to get back to my question the task force studies on the riots themselves, I thought, were very good. Subsection 3 deals with the riot participants, and I am going to read what your own task force said, if I have the right place.

Yes. This is entitled the "Profile of a Rioter": "He is extremely hostile to whites but his hostility is more apt to be a product of social and economic class than of race. He is almost equally hostile toward middle-class Negroes."

Now, this is similar to my own personal observation from working in this area a lifetime. But if this is so, then, you see, this widely publicized statement of the Commission that white racism is the root cause is not true. Not that it isn't important, but to treat it as basic distracts us from what the real problem is.

I could illustrate it in this way, because I want to say something good about labor leaders. In our building trade unions we have probably the worst example of what are called lily-white unions. But, upon analysis, isn't that really the historical development of the guild system, where the father was passing on the skill to his son, rather than racism? I know I couldn't be a bricklayer in St. Louis because I don't have an uncle or a father or some relative who is a bricklayer. That doesn't mean that racism doesn't enter the picture and aggravate it. But I think the oversimplification of saying that the labor leaders are motivated by racism distracts our attention from what I think is really the core of the problem.

Representative CORMAN. Yes, as someone periodically seeking public office, if I implied that, I would like to correct the record at this point.

Representative GRIFFITHS. Well, believe me, it is implied and your labor leaders do resent it, because they feel in their hearts that they are not racially motivated, and yet the fact remains that Negroes, by and large, at least in St. Louis, Mo., have a difficult time getting into the

building trades occupations—even though some are admirably suited to fill those jobs.

Representative CORMAN. There is substantial evidence before our Commission, also before our Judiciary Committee when we were drafting what became the 1964 Civil Rights Act that this is an area which badly needed correction and the reason which led to the creation of the FEPC in the omnibus bill. My only comment about labor is that I was pleased to have testify before our committee in 1963 several of the most prominent labor leaders in the country urging that kind of discrimination be made against the law. I was terribly distressed to see that the National Association of Real Estate Boards did not take a similar position when were were grappling with the problem of open housing.

Representative CURTIS. I think that is a proper observation. One final point, then.

In the colloquy between you and Congressman Rumsfeld on racism, what worries—and I thought your example of the Methodist Church was good, though it could be any church—Baptist Church or whatever. A problem is that so much of this racism charge is interpreted to apply to all our institutions. I think we have to recognize, at least I hope that most of our institutions in our society are human institutions, not "white" institutions. The Ten Commandments weren't developed by white people. You can call the Ten Commandments the law of "whitey," but they aren't. They were developed by contributions from all colors and varieties of races. And I hope that the institutions—the bulk of those—that we are developing in our society aren't white, but human. This is so important because I think there is the tendency for any Negro who does move up to be called an Uncle Tom, because he is working with these human institutions. And there is also the tendency to talk about the mores of our society as being the mores of white culture. I hope this is not so, and I don't believe that it is so. So I think this becomes important in furthering this dialog.

Representative BOLLING. Thank you, Mr. Corman.

Before we close the hearings, I know more than most how important a role the various members, the four members of Congress played in the work of this Commission, Senators Harris and Brooke, Congressman McCulloch and yourself, but I suspect I know uniquely how much a part you played, and I think it is appropriate to put this in the record, because it is relatively little known nationally, and I think it should be known better that you played a critical and important role, not only in the work of the Commission, but also in its final conclusions. I am aware, as are relatively few, that the conclusions could have been rather different without your efforts.

And I think it is important that this hearing to which we invited all of these gentlemen who made so large a contribution should conclude on that note. You also have demonstrated today a quality that I have known for a long time you had, and that is physical endurance and patience.

With that, we will adjourn the committee until tomorrow at 10 a.m. in this room when the hearings will continue.

(Thereupon, at 12:40 p.m., the committee adjourned, to reconvene tomorrow, May 29, 1968, at 10 a.m.)

EMPLOYMENT AND MANPOWER PROBLEMS IN THE CITIES: IMPLICATIONS OF THE REPORT OF THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

WEDNESDAY, MAY 29, 1968

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The Joint Economic Committee met, pursuant to recess, at 10 a.m., in room S-407, the Capitol, Hon. Richard Bolling, member of the committee, presiding in place of committee Chairman Proxmire.

Present: Representatives Bolling, Reuss, and Rumsfeld; and Senator Proxmire.

Also present: John R. Stark, executive director; James W. Knowles, director of research; and Douglas C. Frechtling, minority staff.

Representative BOLLING (presiding). The committee will please come to order.

This morning the committee continues its hearings on the employment and manpower aspects of the report of the National Advisory Commission on Civil Disorders.

The subject of today's panel is on the nature of unemployment and subemployment in urban areas: how many people are unemployed, underemployed—or not looking for work, because they believe none is available? How extensive are the deficiencies of education, training, and motivation? What are the economic forces operating on the supply and demand for labor in urban areas, and particularly in the ghettos?

I would like to welcome the panel members for today. They bring to this hearing impressive expertise on diverse but related aspects of employment problems of the ghetto. Gentlemen, we appreciate your appearance before this committee.

The panelists are Prof. R. Thayne Robson, of the Department of Economics, the University of Utah; Dr. Vivian W. Henderson, who is president of Clark College, and an economist as well as an educator; Dr. Elliot Liebow, of the National Institute of Mental Health, whose expertise is in the area of anthropology. I might add that Dr. Liebow recently published a book entitled "Tally's Corner: a Study of Negro Street-Corner Men," and Prof. John F. Kain, of the Department of Economics, Harvard University, and the MIT-Harvard Joint Center for Urban Studies.

I suggest, gentlemen, that you proceed with your opening statements for the record if you desire. I will first recognize Professor Robson.

STATEMENT OF R. THAYNE ROBSON, DEPARTMENT OF ECONOMICS, UNIVERSITY OF UTAH

Mr. ROBSON. Mr. Chairman, Representative Bolling, and Senator Proxmire, it is a pleasure to meet with this committee this morning to talk about this exceedingly important problem. I think that we begin with the proposition that the Kerner Commission report did dramatically and accurately describe the nature of the unemployment and the subemployment problems in the urban areas of this country.

The report is clear on two fundamental points, I think. One is that we have a very serious unemployment and subemployment problem in this country and, secondly, that our present efforts to deal with that problem are, while they are praiseworthy in every respect, are not adequate to deal effectively with the problem, to provide jobs with dignity and a fair income to all of our American citizens who want to work.

Now, it is my understanding that in this session this morning we are particularly interested in the scope of the problem, the structure, the trends, the characteristics of the people, and that the committee is interested in some suggestion about the waste or the cost to our society, the product foregone in economic materials because of our failure to utilize our human resources effectively.

I should like just in introduction to make about five basic points in my opening remarks and then I will take advantage of your invitation to file a longer statement with the committee.

First, I think it is important to recognize for this committee that the data we have available, which relates strictly to the urban areas and more specifically to the slum areas within our large metropolitan areas are extremely limited. The data available come from a few surveys conducted in a few cities in 1966, and from the studies of the persons who participated in the riots of 1967.

The second point I would like to suggest is that over the years, we have, in fact, used as our indicator of the magnitude of the problem, the data from national surveys with respect to the employment problems of the nonwhite population in this country. These data have been substantially improved in the last year or so since we began to talk about subemployment problems as well as unemployment problems—because the subemployment problems in aggregate terms are more important in terms of the maintenance of poverty in this country than is the unemployment problem, even though the unemployment problem should warrant the first priority by virtue of its severity in terms of its impact on the individuals involved.

Now, we ought to be concerned about the kind of information that is available to us with respect to this problem because anyone who reviews the studies and Commission reports, the various bills pending before the Congress, is impressed with the fact that a great many interesting things are said about the total jobs needed in his country, and the numbers of people unemployed and subemployed. There is no doubt that we need to refine our data and know more about what it is we are talking about. I am much encouraged by the pledge that I find in the manpower report of this year that says that the Department of Labor is going to undertake in this year a series of continuing

surveys and studies of the unemployment and subemployment problems in the ghetto.

I would hope that this committee would do what it can to encourage the Labor Department to proceed with that work. It is my understanding they are entering into an agreement with the Bureau of the Census to do that.

As an economist interested in this particular problem, I think we ought to acknowledge that our data with respect to this problem are not what they ought to be, and we could spend a lot of time on that.

I don't think that is the most important problem, however. I think that the data we do have available relating to the unemployment and the subemployment of the nonwhite population in this country is sufficient to demonstrate that we do have a very serious problem, that the reason for collecting the data is to use them as guidelines for public policy, and that we do, in fact, now, have a shortfall in this country in the neighborhood of some 3 to 4 million jobs that need to be created in order to put the unemployed to work and to upgrade those subemployed people.

We get varying estimates about the number of unemployed ranging from a low of about 300,000 in our urban slums to as high as 2 and 3 million. We do know that there are at least 10 to 11 million people employed in this country who earn less than a poverty income on those jobs, and that about 6.5 million of those people are employed on a full-time basis, and that this ought to be a sufficient guide to the kind of action that this country needs to take.

Now I will not rehearse for the committee the data that are available with respect to the unemployment problems of the nonwhite people in this country. The fact that for our teenagers we have got an unemployment rate of 26.5 percent last year, more than 2½ times the rate for whites; and that the nonwhite rate is always double the white rate. These facts have been rehearsed for this committee and for every commission for the last several years.

What I would like simply to suggest in concluding these brief remarks is that we ought to be concerned about what we are losing in this country from failure to address ourselves to this problem, not only in terms of civil disorder, not only in terms of individual suffering and alienation, but from lost output. Consider the simple fact that we, in the first quarter of this year, produced a gross national product of about $826 billion and we had 75 million employed—and these kinds of rough estimates are, indeed, rough—that amounts to a value for each job of roughly $11,000 per job.

Now, if in fact we put the 2 million people to work that the Kerner Commission said we ought to put to work in the next 3 years, if we did create the 4 million jobs that ought to be created to upgrade the subemployed people, you can sit down and start to figure out what the value of those jobs would be to the American economy.

I don't know very many economists now who are prepared to really suggest to the committee the kind of a productivity function that ought to be associated with those jobs. But I would say, as a minimum, it ought to be half of the average value of the jobs in this country. Thus, if you are talking about 4 million jobs, each of which in gross product terms ought to be worth $5,000 as a minimum, and could be worth any-

where up to the average of $10,000 to $11,000, we are, in fact, losing in gross product terms somewhere between $10 and $30 billion a year by not putting the unemployed people to work and by not providing decent jobs where the subemployed people can work somewhere consistent with their skills and abilities. I think very often that in this country the reason we have so many subemployed people—and our surveys in 1966 show that the subemployment rates in the ghettos are 2½ times the unemployment rate—is because we have such a tremendous supply of people who are willing to take those low-level-entry jobs. I would suggest that there are a number of things that this and other committees of the Congress ought to look at. But as long as we have this disguised unemployment in the subemployed people of this country, we will not really be able to address ourselves to that problem.

The data are relatively clear that in the expansionary period from 1961 to 1967, the subemployed people have not benefited in wage increases and in income increases commensurate with the growth in the American economy. Perhaps what we really need is an income policy as well as a manpower policy with a good universal minimum wage at about $2 an hour so that we could really identify the problem by converting some of the subemployment to unemployment. If that were done, we could address the problem more effectively as a job creation problem, because this problem of upgrading 6½ million people who are employed at poverty wages, is the kind of a problem that I suspect we are not yet addressing very successfully in our economic policy and in our manpower policy.

You will recall the Kerner Commission estimates that if these people were employed, the males were employed, with the same occupational distribution and the same income distribution, at the same wage levels as the white male population that the incomes of these people would rise by $4.8 billion. That figure was compared in terms of what the income to the recipients would be if you used the white unemployment rate, which indicated a difference of $1.5 billion. So the minimum you come out with in terms of present cost is something in the neighborhood of $6.3 billion just in lost income because we failed to utilize those human resources of the nonwhite population in this country in the same way in which we utilize the white population.

Now, an economist always feels uncomfortable in talking about this unemployment problem and subemployment problem in economic terms, because it never reveals the kind of human suffering and the kind of loss of dignity and the kind of loss of respect that individuals can have for themselves in this country, and it means so much more than whatever economic value in income terms or gross product terms than we could suggest to this committee.

I know, Mr. Chairman, that you and the members of the committee appreciate that more than, maybe, even some of the members of the panel.

Well, I don't really think it is necessary to belabor this committee with what the data are. We need to improve them. We need to know more about the problems in the ghettos, but the data are already sufficient to suggest that we need expanded effort to create jobs in the public and private sector.

I am prepared to suggest to this committee that we need at least 3 to 4 million jobs, and that is a very sizable effort when you consider the fact that the country will grow by, maybe, 1½ million jobs this year. We will have that many new entrants into the labor force, and, unless we do something more than we are now doing, we will not make very great inroads into that problem.

(Prepared statement of Mr. Robson follows:)

PREPARED STATEMENT OF PROF. R. THAYNE ROBSON

The Nature of Unemployment and Subemployment in Urban Areas

Mr. Chairman, and members of the Committee. The Kerner Commission Report dramatically and accurately describes the nature of the unemployment and sub-employment problems in the Urban areas of this country. The report is clear on two major points. First, there is a terribly serious unemployment and sub-employment problem in this country, and, second, the present efforts to deal with the problem while praiseworthy in every respect are not adequate to provide jobs with dignity and a fair income to all American citizens who want to work.

It is my understanding that this session of these hearings is intended to focus on the scope, structure, trends, and characteristics of the people involved and to suggest rough estimates of the economic waste which these data imply. Consistent with these objectives, I should like to outline five major points for the Committee.

1. The data which relate strictly to the urban areas, and more specifically to the slum areas within the large metropolitan areas, are extremely limited. The available data come from a few surveys conducted in a few cities in 1966, and from the studies of persons participating in the 1967 riots.

2. The data most often used are derived from nationwide surveys of unemployment and work experience. The national data pertaining to the unemployment and sub-employment problems of nonwhites provides the best indications of the unemployment and sub-employment problems in the urban slums. The Kerner Commission report, *The Manpower Report of the President for 1968*, and other studies rely on these data.

3. The findings of the limited surveys in slums and the national data on the nonwhite population while not entirely consistent in every regard do show the general magnitude of present problems and suggest that policy actions are not adequate to meet the need.

4. With some heroic assumptions, it is possible to make some broad and rough estimates of the loss in productive capacity which present unemployment and sub-employment entail.

5. Persons who have worked with manpower problems in the slums do gain an intuitive feel for some of the characterictics of the people, the hardships associated with unemployment and sub-employment. Sub-employment is probably more significant than unemployment as a cause of poverty in the slums. It is difficult to exaggerate the alienation and social despair associated with present conditions.

It is paradoxical that our urban areas provide the largest number and the most attractive jobs utilizing the best of our human talents and providing the highest incomes, and at the same time have slum neighborhoods and districts where employment conditions persist at the same levels as the depression of the 1930's.

Data on the Unemployment and Sub-employment Problems Specifically Relating to the Urban Slum Areas are Limited—Outside of the decennial census, there are no periodic surveys and studies of the actual unemployment and sub-employment in the urban slums. Special surveys were made in 1966 in a few cities by the Bureau of the Census and by the Department of Labor. These surveys were extremely significant in focusing on the sub-employment problem as well as the unemployment problem. Sub-employment is a more important contributor to poverty in the ghettos than unemployment. The results of these surveys were reported in the *Manpower Report of the President for 1967*. The Kerner Commission accurately captures the implications of these data in the following language:

"A slum employment study by the Department of Labor in 1966 showed that, as compared with an unemployment rate for all persons in the United States of 3.8 percent, the unemployment rate among 16 to 19 year-old nonwhite males was 26.5 percent, and among 16 to 24 year-old nonwhite males of 15.9 percent." (Commission Report, p. 414.)

The data collected during 1967 showed that 20 percent of the rioters studied were unemployed. While these data give important insights to the magnitude of the unemployment problem, they do not give us a picture of progress over time, and the data utilized to gain this picture of unemployment and sub-employment conditions in urban slums are the data from national surveys on the problems of nonwhites. While whites still outnumber nonwhites 3 to 2 in all urban poverty areas, nonwhites predominate in the worst slums, and over 90 percent of all nonwhites are Negro. Approximately 70 percent of all Negroes live in metropolitan areas. Until the Department of Labor initiates periodic surveys specifically limited to the urban slums, the national data for nonwhites will give us the best picture available. When the special surveys are compared with the national data for nonwhites the similarity in findings indicates that the national data may be adequate for characterizing the slums.

The principal important facts which must be kept clearly in mind are these:

1. Urban slums have "above-average proportions of older people; of widowed, divorced, and separated persons; of households headed by women; and of members of ethnic minority groups." (1968 Manpower Report, p. 85.)

2. The Negro population is growing very fast—14.4 percent between 1960 and 1966. The median age of Negroes in 1966 was 21.1 years, and 45 percent of all Negroes were under 18 years of age. The Negro labor force will grow very rapidly in the years ahead. (Kerner Report, p. 238.)

3. Unemployment rates are higher, and average duration of unemployment is longer for nonwhites than for whites in every age and occupational category for which data are available. The nonwhite unemployment rate of 7.4 per cent in 1967 was more than double the white rate of 3.4, and the nonwhite teenage unemployment rate at 26.5 per cent was almost 2½ times the comparable white rate of 11 per cent. (Manpower Report, p. 60.)

4. "About 12 per cent of all nonwhite workers had 5 weeks or more of unemployment in 1966, compared with 6 per cent of all white workers." One out of every five unskilled laborers who were nonwhite was unemployed for 5 or more weeks during 1966. (Manpower Report, p. 19.)

5. Sub-employment problems due to involuntary part-time employment, lower participation rates for nonwhite males, and low earners are much greater for nonwhites than for whites, with the magnitude of the problem being understated by the recognized under-count for nonwhite males.

(*a*) "Between 1960 and 1967 the proportion of nonwhite men 25 to 64 years of age not in the labor force rose from 73 to 91 per 1,000 people; among white men, the increase was less—from 47 to 55." (Manpower Report, p. 63.)

(*b*) Nonwhite workers are disproportionately affected by part-time employment. "The sub-employment rate for nonwhite men was 22 per cent, compared to 8 per cent for white men." (Manpower Report, p. 35.)

(*c*) "One-fourth of the nonwhite men who worked the whole year were low earners (annual earnings under $3,000), compared with 7 per cent of the whites." (Manpower Report, p. 31.) "The problem of low earnings has been less responsive to the economic upturn than extended unemployment, and so far has been less affetced by manpower and anti-poverty programs." (Manpower Report, p. 35.)

6. Nonwhite employment is disproportionately concentrated among the unskilled occupations as laborers, service workers, and operatives. (Manpower Report, p. 64.)

7. Unemployment rates and sub-employment rates decrease as the level of educational attainment increases. Nonwhites lag behind whites in educational attainment.

These essential facts add up to a bleak picture. While the data have many specific weaknesses, the weaknesses are such that correction would not likely alter the overall picture that emerges. However, it would be wrong to leave the data at this point without acknowledging that substantial progress has been made in recent years.

The available data do show that nonwhites are making relatively greater gains in moving into the family income class of $7,000 per year and over, and in moving into professional, technical and managerial occupations. However, the numbers of nonwhites in these categories a decade ago was so small that these advances affect a relatively small proportion of the total nonwhite population. Unemployment rates for nonwhite workers have declined as the white rates have declined in every age category, except teenage unemployment, since 1962. Educational attainment of nonwhites is rising and the gap between whites and nonwhites is being slightly narrowed.

Estimates of the loss in productive capacity due to unemployment and sub-employment are difficult to make. The Kerner Commission estimates that, if nonwhite unemployment rates in 1966 had been the same as the rate for whites, and if the rates of pay had been the same, the income gain for nonwhites would have been $1.5 billion. Likewise, "If nonwhite men were upgraded so that they had the same occupational distribution and incomes as all men in the labor force, . . . this would have produced an additional $4.8 billion in additional income." (p. 255) By these calculations the cost of excessive unemployment and sub-employment for nonwhite males is an income loss to these individuals of $6.3 billion.

There are alternative ways to view this problem. The Kerner Commission staff did make a calculation of nonwhite sub-employment in disadvantaged areas of all central cities. The numbers shown in these calculations are 318,000 unemployment plus 716,000 under-employment for a combined sub-employment of 1,034,000. These estimates presumably constitute the basis for the recommendation of the creation of two million jobs over the next three years. The value of a job in gross national product terms must, at best be somewhat arbitrarily estimated. Based on the calculation that 75 million workers produced a GNP of $827 billion during the first quarter of 1968, then the average product per job is approximately $11,000. The crucial determinate then becomes the kind of jobs that are created and the value of the product from those jobs. If it were one-half the national average, a conservative estimate, the loss on two million jobs exceeds a gross cost of the economy of $10 billion per year. The Kerner Commission report and other studies of present day manpower problems do not adequately account for the need to abolish jobs with low rates of pay. It is estimated that 11 million workers earn wages below the poverty income levels and of these 6.5 million work in full-time jobs. The considerations in this problem are (1) that there is a lot of work worth doing at low wage rates that will not be done at higher rates of pay. This reduction in work performed as wages rise has been observed most dramatically in American agriculture and household services. (2) An affluent economy like the United States can decide to abolish low paying jobs and create high paying jobs. There is much to be said for the age old argument that rising wage rates do cause unemployment, especially among the unskilled and uneducated. It is also apparent that in this country and throughout the industrial world, sophisticated jobs requiring varying degrees of skills are manned by persons equally unskilled and under-educated at the point of hiring.

The broad policy choice is to adopt an income policy along with a manpower policy and to use the power of creative Federalism to stimulate selective job creation in the public and private sectors with jobs that provide adequate incomes and thereby replace sub-employment. It is possible to upgrade the present workers suffering from sub-employment so that they can move into better jobs, but if the supply of people in slum areas always exceeds the number of good jobs available, then sub-employment will persist.

One could argue then the need for four or five million good jobs on which the gross product would be $5,000 to $10,000 per year and calculate the cost in foregone production making allowances for what is lost by eliminating low level jobs or by inducing higher pay on the jobs, if society wants the work performed.

In summary, however, it is generally acknowledged that the available data on the concentration of unemployment and under-employment in the urban slums and impoverished rural areas could be greatly improved. *The 1968 Manpower Report of the President* calls attention to this fact.

"Though plans are far advanced for a new program of studies on employment and unemployment problems in the urban slum areas, to be launched by the Department of Labor in 1968, the available statistical information for such areas is still limited, in the main, to a few special surveys conducted in 1966 and reported on in last year's *Manpower Report.*"

From the Manpower Report we learn:

"The more extensive series of surveys, now being developed for slum areas, will provide regular information on employment and related problems in these areas. They will be designed to shed light upon the special employment-connected problems of the urban slums and to measure their seriousness and extent. Special efforts will be made to increase understanding of the motivation of slum residents with respect to work and job hunting, training and education, and of the ways in which people in the slums survive economically. The surveys will be highly flexible and will test various approaches aimed at providing new insights into these intricate problems. The findings should provide improved guidelines for manpower programs and policies tailored to the needs of slum residents.

"Intensive efforts will also be made in these surveys to obtain information on the characteristics of persons missed in censuses or other household surveys. This under-count is highest (15 to 20 percent) for young nonwhite men, among whom rates of unemployment and under-employment are also extremely high. Limited data suggest that the missed population is typically of a lower socio-economic group than the population counted. Furthermore, a large proportion of the uncounted population probably lives in urban slums, where census taking is particularly difficult. For these reasons, the new surveys will make special efforts to reach persons who might be missed in regular census surveys."

Representative BOLLING. Thank you very much, Professor Robson.

We will hear next from Dr. Vivian W. Henderson. You may proceed as you wish, sir.

STATEMENT OF VIVIAN W. HENDERSON, PRESIDENT, CLARK COLLEGE, ATLANTA, GA.

Mr. HENDERSON. Thank you, sir.

I want to apologize to the committee for not having a typewritten statement. I have a written statement that I would like to share with you and I will submit for the record in proper form.

I am pleased to be with the committee and I am also pleased that you mentioned the fact that I am here as an economist, much more so than I am as president of Clark College in Atlanta, Ga., because I have spent all of my life, my adult life, looking at, researching and writing about the employment problems of black people in this country, and also as an active participant in programs and efforts to combat poverty and destitution encountered by large segments of the population, both black and white.

I am going to approach my bit of the discussion by really dealing with the problem of *unused manpower*, because, when we talk about unemployment and subemployment, in the final analysis what we are really talking about, we are talking about, unused manpower.

There are three components of unused manpower. One is the unemployed. The second involves nonparticipants or those outside the labor force who could and should be in the labor force. And, third, those who are working at jobs below their apparent abilities and in all probability at wages below their earning potential.

I would argue that it is this third category that perhaps gets less attention in terms of public policy than the other two, and the other two get minimum attention as it is.

The problem of unused manpower, it seems to me, is especially critical in a prosperous economy. Likewise, it is very complex under conditions of economic prosperity. We know that in this country of ours we are in our 86th or 87th month of sustained prosperity. This is over 7 years of sustained prosperity.

Unemployment is at its lowest level since about the middle of the 1950's: about 3.5 or 3.7 percent. Yet, despite the low overall rate of unemployment for the Nation as a whole, despite the sustained prosperity, 7 years, there are those who are left behind in urban and rural areas and for whom *measured* full employment has little or no meaning.

These, I suggest, are not necessarily disadvantaged members of the society. "Disadvantaged" is a euphemism that has crept into our language which I personally reject because it puts the burden of the problem entirely on the individual. I suggest these are victimized members of the population. They are victimized because they are trapped in positions of low net economic advantage. Consequently, unemployment, while it is low in general, it is disproportionately high for those in the population victimized by racial discrimination, minimum skills, limited work experience, age, and another factor that has been sharply brought into being in the last decade, limited access to jobs and training because of such factors, and poor job-information systems.

For example, among the various population groups, the jobless rate ranges all the way from a low of 2 percent for white adult married men, up to an unconscionable rate of 26 percent for Negro female teenagers. This will go even higher when schools close for the summer.

What I am saying is that, beyond traditional unemployment figures, the figures that we tend to zero in on, and upon which public policy is based, is a larger and more complicated area of unused manpower that until recently has remained largely unexplored and has escaped really systematic quantification.

This includes unemployment in the slum areas within major cities. It includes the problem of nonparticipation in the labor force of persons in the working-age population; those who are neither employed nor looking for work, and it includes the problem of underemployment.

It is this broader aspect of unused manpower, the combination of unemployment, nonparticipation, and underemployment, that is getting increasing attention on the part of labor market analysts and, as Thayne Robson has pointed out, it was the object of a special survey taken in slum areas of eight cities or eight metropolitan areas a year or so ago.

The subemployment index that was obtained pointed up rather clearly and distinctly the extent of unused and wasted manpower in our cities.

This survey discovered—and, frankly, it didn't have to have a survey to discover it—that unemployment in slum areas was around 12 percent compared with 3.7 percent in the Nation as a whole at that time. In some black ghettos and slum areas as much as 40 percent of the working-age population is idle. This is another term I would like to be sure we understand, because idle and unused manpower is not only wasted, it doesn't make sense. As my teacher used to tell me, "that the idle brain is the Devil's workshop." I think some of the problems we have in the cities and some of the tension that is in the rural areas suggest to me that we ought to begin to think about the consequences of an idle brain and an idle person. That is exactly what we have been

building up in this society in the cities and slum areas: a pool of idle manpower.

The most significant factor determining unused manpower among Negroes is racial discrimination. Despite the cry and the fact that special training is necessary before many Negroes can get jobs, it is also a fact that large numbers of Negroes are denied jobs and economic opportunity while their white counterparts, with comparable skills, training, education, and motivation get jobs. The fact is that most Negroes, particularly the younger workers, mave more education than they need for the jobs they can get. I want to stress this point because too many people believe Negroes aren't ready for employment. They think you have got to go out and find them and give all of them some kind of special training. Well, the fact is that most young Negroes have more education than they need for the kind of jobs they can get.

Thus, while I would not discount the role of training and retraining—these are important—the fact is that hiring practices are much more important in determining the entry and the absorption of young Negroes as well as older workers into jobs than that factor.

We also know there are not enough jobs for people to go around, for people with the skills they have. Here again we put all the burden on the person by saying that he is disadvantaged. He doesn't have skills, that the jobs have been escalated out of his reach by technology. Well, this is true. But another way of looking at that is to say this: There simply aren't enough jobs for people at the skilled level at which they find themselves.

The point is that we need to not only think in terms of racial discrimination, adjusting hiring practices, but also we need to think in terms of job development, by way of public and private policy, to offset this growth in unused manpower.

As I shall suggest momentarily, I am talking about a guaranteed-employment program. Let me try to give just a brief analysis of the nonparticipation bit, because here again, in terms of analysis, we tend to overlook it.

An often overlooked consequence of racial discrimination in employment is the frustration that accrues to active labor market participants, workers who become discouraged, and cease to look for jobs and, therefore, become nonworkers.

In essence they are driven out of the labor force by an absence of job opportunities. The magnitude of Negro employment problems is further shown, in other words, by trends in labor-force participation by adult males. Nonparticipation trends for this group also indicate the urgency associated with generating opportunities for unused manpower.

One study showed there has been an increasing gap in utilization of white and black manpower in this country. For example, for every 1,000 nonwhite adult males between the ages of 25 and 64 years of age in 1966, 128 were in the category of unused manpower. In this case they were either unemployed or they were nonparticipants in the labor force.

Nonparticipants in this case were persons who were judged to be eligible for participation, probably could have been in the labor force, and should have been in the labor force.

But I want to repeat in 1966 for every 1,000, 25 to 64, 128 were unused in the labor force, that is among the blacks.

Among whites the rate was 74 per 1,000.

The figures in the period 1951 to 1953, however, were 93 for the blacks and 64 for the whites. During the interval, in other words, between the period 1951 and 1953 and 1966, the gap between Negro and white manpower in terms of utilization grew by 23 per 1,000.

The same pattern exists for people in the age group 25 to 44, and the group between 35 and 55. In other words, for every age group that is analyzed, we find an increasing gap in the utilization of Negro manpower and white manpower when it is based on a per thousand basis.

This is a very disturbing trend. It means simply that people are not in the labor force, they are being driven out or they are leaving the labor force and this is a major source of the pool of unused manpower that we are concerned about here today.

Another observation in this respect is that there has been a reduction in unemployment in Negro adults in recent months. You will recall in 1959 and 1960 unemployment among Negroes in this country, that is, measured unemployment, ran as high as 12 or 12½ percent on an annual average basis. This was, as usual, twice as high as it was for the labor force as a whole, which, at that time, was somewhere around 6½ or 7 percent.

This has been reduced in recent years, and it is now down to somewhere around 7½ percent for Negroes.

So while Negro unemployment has diminished in recent years, the proportion of those in the working-age population not in the labor force, those who are nonparticipants, has tended to grow and, therefore, they don't get counted among the unemployed.

For example, in the case of unemployment among Negro adults it was 40 per thousand in 1964, but nonparticipation has risen from 51 per thousand to 88 per thousand.

What I am trying to get to here is, that the trend toward increased nonparticipation is, I think, one of the most disturbing trends in Negro manpower use in this country. It is particularly disturbing in view of the prosperity experienced by the Nation since 1961. Black people are failing to share proportionately in that prosperity. Their departure from the labor market may even mark the rise of new phenomena in Negro labor force use.

You will recall an old adage; it was this: Negroes were the last hired and the first fired. It may be that a new one is developing, in fact it may have been already developed, first fired and possibly never rehired.

They are being squeezed out of the job market because of the absence of opportunities.

As I said, skill deficiencies no doubt account for part of the problem in Negro manpower use but, as I said also, there is another way of viewing the situation, the absence of jobs for persons with the skills they have at the present time.

This is not the complete story. I want to reemphasize that unskilled white workers can get jobs which are denied to unskilled Negro workers, even if we concede that many black workers are unskilled. One of the important ingredients of discrimination, you see, is the discrim-

ination against equals. As a matter of fact, it is a little difficult to discriminate except between equals, equally dumb or equally smart, equally poorly qualified or equally well qualified, and one of the tough things about the black worker in this country is, and why the pool of unused black manpower continues to grow is that the unskilled black worker just simply doesn't get a shot at a job like the unskilled white worker. The white worker gets the steady job, while the black worker is in and out of the labor market.

If I take the part of the country where I come from and with which I am most familiar, the South, and employment in textile and apparel factories, we have a good example. In Georgia, Alabama, Mississippi, North and South Carolina, Tennessee, and Virginia, employment in textile and apparel factories offers a good example of discrimination against Negroes. In plant after plant you will find white women with 6 and 7 and 8 years of schooling working full time at decent wages, and the only job that the black woman with a high-school education can get is working in the white woman's kitchen, for what in many cases amounts to $5 and $6 per day.

And yet when Negroes apply, the cry is that they aren't trained, they aren't ready.

The only thing the Negroes can get in so many of these instances are jobs as janitors and maids.

Whatever else the aggregate of these components of unused manpower may mean they add up to a substantial chunk of idleness concentrated in the cities and metropolitan areas and also in the rural areas.

Manpower goes unused primarily because people can't get jobs and they can't get jobs for such reasons as discrimination, police records, garnishments, low skills, training, and educational deficiencies.

The trend involving the movement of jobs away from the city is another problem we have got. This also has something to do with the structure of unused manpower. One study shows, for example, that in seven large metropolitan areas, 975,000 new jobs became available in suburban rings during the period betweeen 1948 and 1960 while the central cities of these same metropolitan areas were gaining only 60,000 new jobs. The central city gains were in finance, insurance and real estate and services and these are the very areas that persist in patterns of employment exclusion against Negroes. The exceptions are Negro owned and operated financial firms, and service occupations such as maids, janitors, messengers, porters, and attendants. In manufacturing alone in these seven cities, the central cities lost 170,000 jobs while suburban rings gained 250,000 new jobs.

I was interested in a New York Times report yesterday morning, I believe it was on a report by Eli Ginzberg and his associates for the city of New York in which they apparently suggested that some kind of channeling and relocation service be offered whereby more of the people in the unused manpower categories and the like could be channeled into suburban rings.

Part of this problem, of course, is because of racial discrimination in housing, and the lack of accessability for poor people to transportation facilities that would move them to these jobs.

In other words, Mr. Chairman, the basic point of my presentation is that the dimensions of economic insecurity and job problems among

the black people of this country, their economic inequality insofar as Negroes and whites are concerned, are of major magnitude. The hard-core problem is serious, but I suggest that the hard-core problem is not really the heart of it. The heart of it involves the marginal workers, the people we tend to push out of the labor force, those people in the younger age groups, the part-time workers, those who are in and out of the labor force, really constitutes major parts of the problems that are not getting proper attention.

I would say that insofar as the kind of approaches we need to think about at this time, certainly the Kerner report has given us a good basis for action, the generation via public policy of 5 million jobs in private and public sectors, I would argue against a tax credit, for example, simply because I believe that business and industry should take part of their profits and reinvest them in social concerns. I am not too sure that tax credit, as advocated by the Kerner report, is a proper approach. I am not sure it is manageable in the first place and, No. 2, I understand people get tax credit for expenses incurred anyway.

We need to improve upon our training programs. There is no issue about this.

All I am pleading for though is that we get rid of the myth that we have only to deal with the hard-core unemployed; there is a problem here but they constitute a minor part of the problem. The heart of the problem is with the marginal workers, those in and out of the labor force, and those on the fringes. We need to devote more attention to these people.

We need to devote more attention to location factors. Even the Federal Government itself, where they locate their post offices, where they locate their tax offices, where they locate their office buildings, these should not be located in the suburban rings away from the people who really need the jobs, and away from the areas that need the kind of sophistication these places can bring.

Finally, I think that we are caught up in a point here where we recognize, in my judgment, the failures of our 1946 Employment Act. That Employment Act was created and gave great hope that we could actually strive toward full employment. It had two major instruments by which we would get at full employment; fiscal and monetary. By implication it assumed there would be a manpower policy embodied in it; that is, employment policy would include such things as training and retraining.

I believe we are at a point today where we need to look at that act, and to make some amendments so we can get a positive functioning manpower policy. This would include, for example, providing some people with vested rights insofar as training is concerned. It would include such things as retraining certain proportions of our labor force on a continuing basis. In other words, what I am saying here is that we have a great deal to do in terms of developing policies that will keep people on the continued road of full utilization of their potential and a lot of this must be done, not so much in looking at the numbers but in terms of coming to grips with what we know exists and in terms of what we know about the magnitude of those problems.

Representative BOLLING. Thank you very much, Dr. Henderson.

We will hear now from Dr. Elliot Liebow. You may proceed, Dr. Liebow.

STATEMENT OF ELLIOT LIEBOW, NATIONAL INSTITUTE OF MENTAL HEALTH

Mr. LIEBOW. Mr. Chairman, and members of the Joint Economic Committee, elsewhere I have set forth in writing what I know about the structural and social psychological barriers to employment in the central cities, and I would like to take this opportunity to read a very general statement.

Representative BOLLING. Proceed as you wish, sir.

Mr. LIEBOW. Thank you.

And I would like to read it because I tend to ramble if I talk from notes or off the top of my head.

Representative BOLLING. Read it, if you prefer.

Mr. LIEBOW. Day by day we seem more and more to be a nation in trouble. Race, class, and even generational differences are hardening into battlelines. There are those among us who find comfort in taking a larger view of things, as in pointing out that we have by far the highest standard of living ever achieved by any society, that we have come a long way in race relations, and that even the worst off among us is probably far better off than the great mass of people around the world. We must not let such a viewpoint obscure the dangers and the issues, since it is by our own standards of measurement that our society has failed a large number of our citizens. It is by our own standards of measurement that large numbers of our citizens are living in deep and degrading poverty, and it is by our own standards of measurement that we have failed to build cities and towns in which a fundamental decency pervades the relationship between citizen and citizen and in which a minimal amount of social peace and good order prevails.

Perhaps the poor, rural and urban, the unemployed and underemployed, the handicapped, the aged, the welfare recipient, are the largest single group that we have failed. But it is the ethnic poor in out crities—the Negroes, Puerto Ricans, and Spanish-speaking poor—who see no way out of their condition through traditional avenues of self-improvement, that are most vigorous and articulate in expressing their discontent in protest and violence. College students and teenagers are other major carriers of discontent.

The problem of each of these different groups is radically different, of course, but the groups are all alike in at least one respect: their members are, for the present at least, not gainfully employed. In our society, this commonplace observation takes on enormous significance, because it is principally through engaging in socially useful work that an individual participates as a valued member of society. In large part, it is through such participation, through investment of ourselves and our energies in enterprises deemed useful by our fellows, that we earn our livings, gain respect from others, and learn to respect ourselves.

The failure to be valued as full participants in our society is a central fact of life for American Negroes, especially for poor Negroes in our inner cities. It is as if they have been the victims of a giant lockout which has opened up—with pitifully few exceptions—only to those willing to do the dirty, menial, underpaid jobs that need to

be done in every society. This, I believe, is an example of what the National Advisory Commission on Civil Disorders identifies as white racism, one of the principal causes of last summer's riots.

There are many practical hardheaded men and women who are willing to accept the Kerner Commission's analysis of the riots and of Negro discontent and even willing to accept some responsibility for what happened. But being practical, hardheaded men, they do not—properly—want to dwell on the past. "Where do we go from here?" they want to know. "What can we do to help the Negro into full participation in our national life?"

Typically, we locate the problem in the Negro himself. We say, for example, that Negroes are lazy, irresponsible, and don't want to work. Then we offer them the most menial, the dullest, the poorest paid jobs in our society and, sure enough, there are some of them that don't want to work.

We say that Negroes are less intelligent than whites, that they learn slower and learn less. Then we give them poorly equipped, overcrowded schools and the poorest trained, least experienced teachers, and, sure enough, on the average they seem to learn slower and learn less.

We say that Negroes cannot be trusted, that they will steal anything not nailed down. Then, in the midst of an affluence never before achieved by any society, we force large numbers of men, women, and children to live in deep and degrading poverty and, sure enough, some of them steal.

For a beginning, then, let us stop locating the problem in the Negro and let us face some important facts. The one most central fact is that most Negroes, like everyone else in our society, do want to work. Indeed, most Negroes have been working all along. Here in Washington, for example, the garbage does get picked up, the trash gets collected, streets are swept, hotel rooms are cleaned, office building floors and halls are mopped and polished, cars and restaurant dishes get washed, ditches get dug, deliveries are made, orderlies attend the sick and mentally disturbed, and so on. And, if the cities in your home States are even remotely like Washington and New York and Baltimore and Philadelphia, then most of the people whose job it is to do these things are black.

But, if most Negroes have jobs, what, then, is the problem? It is mainly that most of these jobs pay from $50 to, say, $80 per week. The man with a wife and one or two children who takes such a job can be certain he will live in poverty so long as he keeps it. The longer he works, the longer he cannot live on what he makes.

This apparent paradox is closely linked up with another assertion—a false one, I believe—that the Negro family structure, with its absent father and female-headed household makes for illegitimacy and dependency, emasculates the male and deprives young boys of acceptable male models. The fact is that most Negro children are raised in two-parent households, and the fact is that, if the Negro male has indeed been emasculated, it is not his family structure or his women who are responsible, but rather the larger society which has taken away his manhood by making it so difficult—often impossible—for him to earn a living and support a family and be the head of it. For that is what it means to be a man in our society, and perhaps in all other societies as well.

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Given these facts, it is not surprising that there are a number—a very small proportion of the total but a substantial number, nevertheless—of Negro men who seem to neither have jobs nor want them, who work a day, a week or a month and quit, who won't follow up a job referral or stick with a training program.

Perhaps a majority of these are youths who dropped out of school physically in the 9th or 10th grade and psychologically 5 or more years earlier. Although most of them probably went to poor schools, not all of them would have profited commensurately from going to better schools. Learning—at least the kind we mean when we talk about formal education—is peculiarly dependent on will and desire. It is a volitional act or process that cannot be forced. Child, youth, or adult must want to learn in order to learn; he must have a reason or purpose; he must believe that it will make a difference in his life and that this difference will be to his benefit. But to hold such a belief requires an act of faith, and it is precisely this act of faith—this belief that education, academic or vocational, will eventually pay off and prove to have been worth the time and trouble—that many Negro youths in our cities are incapable of. Thus, it is that many young men in their late teens or early twenties who submit to remedial programs and teachers trying to teach them what they should have learned in the fourth, fifth, or ninth grade do little better the second time around than they did the first. Indeed, why should we expect it to be different? What has the passage of a few years done to change things? The young men have no more reason to trust the system and its promises of future rewards at the age of 19 or 20 than they did at the age of 9 or 15. If anything, they trust it less, for what they only suspected when they were 9 or 15 has been confirmed by personal experience and observation by the time they are 19 or 20. From his perspective, the black youth has few choices to make. He can forget about getting an education and become a busboy or janitor who cannot read or write, or he can work hard at getting an education and become a busboy or janitor who can read and write. In either event, if he becomes a busboy or janitor and works hard, he becomes—after a few years—a hard working busboy or janitor.

A great many Americans, Negro as well as white, would argue that the young man is wrong, that even if that was the situation in the past, it is no longer the situation today. These different perceptions of social reality are one of the principal sticking points in Negro-white relations. Most whites and some Negroes believe that the Negro's situation has been improved dramatically since World War II, and that civil rights and other legislation have removed institutional discrimination and brought him to equality of opportunity and equality before the law. Negroes look at the same world and see a different reality. From the point of view of the Negro youth in a big city, things have changed very little if at all, and maybe they've gotten worse.

The weight of the evidence, I believe, supports the latter point of view. Negro unemployment has been running at about double that of whites; the dollar gap between white and Negro average family income has widened while the ratio of Negro to white average family income has remained relatively constant. And in the crucial area of education, there are more children attending segregated schools today than there

were at the time of the Supreme Court's desegregation decision almost 15 years ago.

We cannot hope to change the attitudes and beliefs and hostility of the Negro youth in our cities until we change the reality on which these attitudes are based. Promises of a better future are no longer sufficient. We must change the reality and let him experience it before we can expect him to believe in it and trust it. And without that belief and trust, the system simply doesn't work. He will continue to do poorly in school, to drop out or be pushed out, to be passed on from the wary eye of the teacher to the wary eye of the policeman on the street. Then he or his friends will further overload our court facilities, crowd our jails, add to the ranks of the unemployed and the dependent women and children, and so on and so on until the National Guard and the Army are called in.

How do we "change the reality and let him experience it?" If having a job and earning a living is, as I believe it is, the linchpin of full and valued participation in our society, then every able-bodied man must have a right to a job doing socially useful work which pays a decent wage. This will only be possible, I suspect, if the Federal Government acts as employer of last resort.

The negative income tax and other income supplement proposals, I believe, are focused on the wrong end of the employer-employee relationship. If a man does an honest day's work, whether it be sweeping the floor or simply guarding a gate, he has earned a right to a living wage. If a commercial or industrial enterprise cannot afford to pay the worker enough to live on, the failure lies with them, not with the employee, and it is the employer who needs to be subsidized, not the worker. In other words, enterprises which through inefficiency or for other reasons cannot afford to pay their workers enough to live on must leave the field or, if they are deemed socially useful and necessary, must be subsidized by the Government so they can pay a living wage to their workers. In this way, the stigma and obligations that go with being the recipient of public assistance is removed from the worker (where it didn't really belong in the first place) and placed on the employer, where it does belong. Moreover, business and industry have already demonstrated that they can carry the burden of receiving public assistance—that is, subsidies—fairly lightly.

I am not an economist so I must leave to others to say how much public money will be needed or where it should come from. I know priorities must be established, but of one thing I am morally certain: That a job-rights program or its equivalent is more important to our national security and national purpose than all other programs, one by one or all together. I honestly believe that our experiment in democracy is at stake.

Senator PROXMIRE (now presiding). Thank you, Dr. Liebow.

Our final panelist this morning is Prof. John F. Kain. Professor Kain, you may begin.

Mr. KAIN. I too, have a prepared statement——

Senator PROXMIRE. Let me say before you go ahead, Professor Kain, the reason that the other members of the committee had to leave is because there is a quorum call in the House. I spoke to Chairman Bolling and he said he would be back, but he had to leave temporarily.

STATEMENT OF JOHN F. KAIN, DEPARTMENT OF ECONOMICS, HARVARD UNIVERSITY AND THE MIT-HARVARD JOINT CENTER FOR URBAN STUDIES

Mr. KAIN. I have a prepared statement which I think I would like to read.

Senator PROXMIRE. All right. Needless to say if you wanted to skip any part of it the whole thing would be in the record. You go ahead and handle it in your own way.

Mr. KAIN. Actually, I wonder if we should skip it entirely. Have you read it?

Senator PROXMIRE. I wish you would either summarize it or read the parts which you thing are most pertinent or read the whole thing.

Mr. KAIN. I think I had better read the entire statement.

Senator PROXMIRE. I wish I might have had a chance to read it. I might explain since we started on this, that this is a very, very rough day for us. The House is voting on whether or not to cut spending $6 billion or $4 billion which, of course, is very crucial. The Senate just completed last night the massive housing bill which is so important to what we are discussing in many other ways, and we are now working on an appropriation bill and several other very crucial measures and, of course, we are on the eve of a recess which is always a bad time.

Mr. KAIN. All right.

In recent months the relationship between metropolitan structure and Negro unemployment has received much attention. The two most important facets of this relationship are (1) the rapid dispersal or suburbanization of employment, and particularly blue-collar employment, within metropolitan areas; and (2) the continued segregation and isolation of Negroes in massive and rapidly growing central city ghettos.

Despite much talk, no one has a very firm idea about the extent to which these trends are responsible for high levels of Negro unemployment. Nor is it clear how the physical isolation of the ghetto interacts with its social and economic isolation in decreasing Negro employment opportunities. As the author of the only empirical estimates of the effect of these forces on Negro employment, I feel I can state with some authority that the kind of information needed for designing programs in this area is still unavailable.[1] Nevertheless, a number of programs have been proposed to solve this unmeasured problem. These proposals demand our attention even if definitive evaluations are not yet possible.

Nearly everyone who has thought about these problems has concluded that the widening spatial gap between jobs and Negro residential areas must reduce Negro employment opportunity to some extent. However, no one can say with any certainty how much of the job loss attributable to this pattern of residential segregation is due to the physical separation of the ghetto from rapidly expanding suburban employment centers and how much of it is due to the social and

[1] John F. Kain, "Housing Segregation, Negro Employment, and Metropolitan Decentralization," Quarterly Journal of Economics (May 1968) (forthcoming), also available as Harvard Program on Regional and Urban Economics, Discussion Paper No. 14, July 1967 (revised).

economic isolation of the ghetto. The former operates through higher transport costs—both in time and in money—while the latter operates through a lack of knowledge about available job opportunities. Labor mobility studies consistently have identified informal job search as the most important source of information about job openings. Typically workers learn about jobs from friends, neighbors, and relatives, or by simply seeing a help wanted sign in the window. These informal mechanisms are almost completely absent for ghetto Negroes in the case of suburban jobs. If all of your friends live in the ghetto, if few of them are employed in the rapidly growing suburban parts of the metropolis, and if you seldom visit the suburbs, there is only the remotest chance of your learning about jobs available there. Finally for a suburban job to be acceptable to a ghetto Negro it must be an especially good one to offset the heavy costs of commuting daily from the central ghetto to a distant peripheral workplace. Such jobs are usually snapped up long before they reach channels where the isolated ghetto resident might learn of them.

Though it may not matter much to the unemployed or underemployed Negro which of these explanations is the correct one, it is obviously of considerable importance for public policy. If the problem is due primarily to the physical isolation of the ghetto, the provision of faster or cheaper transportation services between central city ghettos and outlying employment centers may be the most effective short-run response. However, if economic and social isolation are the primary causes, the need may be for some much enlarged and improved formal labor market devices to replace the more usual informal arrangements that seem to work reasonably well for many workers. These programs, which should be regarded simply as useful stopgap measures, have the virtue of being consistent with the only efficient and satisfactory long-run solution—suburbanization of the Negro population.

Paradoxically, the belated recognition of the effect of the isolation of the ghetto on Negro unemployment has led to a series of suggestions to solve that problem by increasing the physical, social, and economic isolation of the urban Negro. What I refer to here are proposals to subsidize the location of industry in urban ghettos. The most telling objection to these proposals is the extent to which they would strengthen the very pattern of housing market segregation that contributes not only to the problem of job access, but to the whole nexus of urban problems.[2] Nor does ghetto job creation appear very attractive on narrow cost-effectiveness grounds. I wish I could claim to have done all of the calculations necessary to demonstrate this assertion conclusively. I cannot. Still, ghetto job creation may be the least efficient way of providing jobs for the long-term unemployed in ghetto areas, even if the adverse consequences on urban structure are ignored.

A program of providing industrial jobs in ghetto areas would appear to run counter to powerful technological and economic trends in

[2] Detailed discussion of the link between housing market segregation and these urban problems is presented in, John F. Kain, "The Big Cities' Big Problem," Challenge (September–October 1966), pp. 5–8; John F. Kain and Joseph J. Persky, "Alternatives to the Gilded Ghetto," Harvard Program on Regional and Urban Economics, Discussion Paper No. 21, October 1967; and John F. Kain and Joseph J. Persky, "The Ghetto, the Metropolis, and the Nation," Harvard Program on Regional and Urban Economics, Discussion Paper No. 30, March 1968.

our society. Of course, these trends can be overcome with large enough subsidies. However, I fail to understand why we would want to choose inefficient and costly programs that worsen the most serious structural defect of our society. There may be situations where a true conflict exists between goals of society when progress in one area can only be achieved at the expense of some retardation in another. Clearly, this is not the situation we face in the case of ghetto unemployment. There are alternatives that do not increase the isolation of the ghetto Negro. Indeed, many of the alternatives alluded to above, for example, transportation subsidies and improved labor market institutions, have the opposite effect and, while the appropriate calculations remain to be done, my judgment is that these would have lower cost per new job than proposals to attract industry to the ghetto.

There is a basis for honest differences of opinion about the uncertain costs of these alternatives, but there is no justification for requiring that subsidized jobs be located in the ghetto as a number of existing proposals do. While I personally would prefer a wage subsidy that would apply only to the hiring of the long-term unemployed by suburban employers—more specifically those located further than a certain minimum distance from the ghetto—I admit to the logic, on narrow cost-effectiveness grounds, of a flexible wage subsidy available to firms hiring the long-term unemployed anywhere in the metropolis. Though some of these subsidized jobs would be located in or near the ghetto, I expect that many more would be located in the rapidly expanding employment centers distant from the ghetto. These latter jobs would begin to weaken the constricting ties of the ghetto. Similarly, other provisions found in a number of current proposals, for example, that participating firms employ a certain minimum number of ghetto residents or long-term unemployed, seem ill founded. Such restrictions, which have no advantages in terms of increasing the employment of the long-term unemployed, can only serve to limit the number and kinds of firms who would wish to participate in such a program and thereby increase the program's costs per worker.

I would like to take this opportunity to sketch briefly the general outline of an "efficient" wage subsidy proposal for the hard-core unemployed. The idea is a simple one. The employment service would simply "certify" workers who have been unemployed beyond a certain period of time (the long-term unemployed) for participation in the program. Any employer hiring one of these certified workers would receive an hourly cash subsidy. It would probably be desirable to have the amount of the subsidy dependent on two sliding scales. There should be an increasing scale depending on the worker's duration of unemployment, so that firms would have a stronger incentive (larger cash subsidy) for hiring the really hard-core unemployed, presumably the most difficult cases. Similarly, there should be a declining subsidy for weeks worked on the presumption that the productivity of workers increases with training and experience on the job. Choosing appropriate schedules would not be a simple matter and would require considerable experimentation. Fortunately, the proposal lends itself to just this kind of experimentation. The subsidy could be set at a fairly low level initially and then be increased until a desirable reemployment rate of the long-term unemployed is reached. If the pool of long-

term unemployed begins to dry up in a particular labor market, the schedule could be lowered to reflect either the stronger labor market conditions or the improving quality of its labor force.

Payment of this subsidy could be made a part of the existing reporting mechanisms of the employment security program. Employers simply would report the number and names of "certified" long-term unemployed working for them during each month and the duration of their employment with the firm. The employment service would then calculate the firm's subsidy from this information. Firms would have a strong incentive to provide effective training because they would receive a bonus (earn a profit) equal to the difference between the subsidy and their true costs of hiring and employing the long-term unemployed.

The wage subsidy program for the long-term unemployed outlined above has all of the advantages and few of the disadvantages of ghetto job creation programs. However, to the extent that such a subsidy program is considered an answer to ghetto unrest its application is likely to be limited to northern metropolitan areas. In any case, the designation, hard-core unemployed, will often be a euphemism for ghetto Negroes. Any such expansion of employment opportunities for ghetto Negroes is certain to have repercussions on the system that binds metropolitan ghettos to the rural areas of the South. This system will react to any sudden changes in employment-income opportunities in metropolitan areas. If there are no offsetting improvements in the South, rates of migration into the still restricted ghetto areas will increase.[3] Indeed, it is possible that more than one migrant would appear in the ghetto for every job created.

The converse is equally true. Negro migration from southern rural areas to metropolitan ghettos will be strongly affected by the level of employment and incomes in the rural South. This fact, which became painfully obvious to me in my research on North-South migration, had led me for the past several years to advocate a program of southern economic development as being desirable both in its own right and as a partial solution to the problems of the Nation's cities. However, a recent experience has caused me to reorder my priorities and to modify my views about the appropriate mix of public policy for dealing with these problems.

Recently I attended 5 days of hearings held by the U.S. Commission on Civil Rights in Montgomery, Ala., as a consultant to the Commission. During the course of these hearings I got religion. I was converted to the absolute necessity of the immediate enactment of some form of guaranteed annual income. Now this does not mean that I was ever against the concept. Quite the contrary. I had long regarded some form of a guaranteed annual income as a desirable piece of legislation and one that was well past due. Moreover, I was certain that the Nation in the not so distant future would adopt such a scheme. My conversion involved moving the guaranteed annual income from a long list of desirable legislative enactments to the position of No. 1 priority. In my opinion there is no single piece of domestic legislation that would do so much to solve the problem of our cities and our Nation.

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[3] A more detailed discussion of these questions is contained in, John F. Kain and Joseph J. Persky, "The North's Stake in Southern Rural Poverty," Harvard program on regional and urban economics discussion paper No. 18, May 1967.

Before attending the hearings in Montgomery I had far more faith in a program of southern economic development as both a short- and long-term solution to these problems. The Montgomery hearings convinced me that such measures were both too weak and too slow to deal with the serious imbalances that have developed in our economy. I remain convinced that accelerated industrialization of the southern economy must be regarded as a necessary longrun program needed to insure eventual parity between the South and the rest of the Nation. However, the hearings also convinced me that despite the longrun potential of such a program, stronger and faster acting medicine is needed to deal with the immediate and pressing conditions of southern rural poverty and the related problems of "selective" migration. Effective progress toward solving these problems in any reasonable time period can only be made by means of a major national income maintenance program.

In providing an immediate solution, however, it is important to design a program that does not hamper the longrun solution of southern economic development. In particular such a program should not stifle initiative or discourage workers from seeking employment to improve their economic condition. These requirements would appear to be most closely approximated by a program similar to the so-called negative income tax.

The negative income tax has acquired widespread support in the past 2 or 3 years, but a great deal of confusion remains about its purposes and structure. Thus, it seems appropriate to comment briefly on the proposal. Its essential feature is to provide a minimum income for every household, while at the same time not discouraging economically active households from providing for themselves to the greatest possible extent.

What is attractive about the negative income tax is that unlike most existing welfare and income maintenance programs, such as aid for dependent children (AFDC) and public assistance it does not penalize households who attempt to improve their economic status and reduce their welfare dependency. This aspect of most existing welfare programs is a root cause of the cycle of poverty. Most existing income maintenance programs have what amounts to a 100-percent tax on the earnings of the recipients. It would take considerable skill and imagination to develop schemes which would stifle initiative more effectively and reduce the will to work.

The negative income tax would provide a floor for the incomes of every individual and family in the Nation. Each would receive as a matter of right a certain minimum cash income. This minimum cash income would vary according to the family's size and composition. In this respect it is similar to many existing income maintenance programs. It differs from most of these in the use of uniform national standards and in allowing households to keep some percentage of any additional earned income. The former has important consequences for migration behavior by insuring that individuals can exercise a free choice as to where they will reside. As noted previously, the latter is essential in terms of providing the incentives for households to do everything possible to become economically self-sufficient.

In addition to the obvious value of a proposal of this kind in terms of breaking the cycle of poverty in both the cities and rural areas,

there is still another, and possibly even more important, benefit that was brought home powerfully to me by the Montgomery hearings. This would be its effect in undermining and eventually destroying the system of economic bondage that continues to enslave and emasculate the poor white and poor Negro in the rural South. The Montgomery hearings provided much testimony describing the instruments of this system and their skillful use. All involve the use of economic power to prevent the poor southern Negro and white from effectively exercising their rights and privileges as citizens. To free the poor population of the rural South from real, and imagined, economic threats and to restore their constitutional liberties, requires a fundamental change in the structure of these institutions. In particular, it is essential that the economic dependence of the poor Negro and white be reduced. No fundamental social change will be possible as long as the poor white and Negro remain dependent on the white power structure. Only a measure such as the negative income tax, which provides a minimum income as a matter of right, will accomplish, this end. No amount of Federal dollars will lead to the independence necessary for full participation in society, if they are channeled through these existing institutions. The negative income tax would bypass these traditional arrangements entirely.

Nor would the benefits of such a scheme accrue only to the direct recipients of the tax. The economic hegemony of the well-to-do whites would be sharply reduced, but all would be compensated handsomely. The huge increase in purchasing power in the South that would result from the enactment of the negative income tax would by itself greatly accelerate southern development. An immediate expansion of retailing and wholesaling activities would probably be followed closely by an expansion of market oriented manufacturing establishments. The still low-wage rates of the rural South would provide a further stimulus. The desirability of accelerated southern economic development is such as to recommend further capital subsidies.

Finally, the larger income base provided by the tax and the ensuing development in the South would permit that region to break the cycle of underinvestment in human resources and poverty. An enriched southern economy would be able to provide educational and health services needed to achieve eventual productive and economic parity with the rest of the Nation.

It may appear that the preceding discussion of southern economic development and the negative income tax strays far from the initial concern with changes in urban structure and their effect on Negro employment opportunities. However, I would state emphatically that this is not the case. The unrest in our ghettos, which has prompted these hearings and the Kerner Commission Report itself, is but a highly visible manifestation of more fundamental imbalances in our society.

To be effective, programs designed to deal with conditions in urban ghettos must be in harmony with equally important measures needed elsewhere in our economy. For example, the effectiveness of urban manpower programs depends fundamentally on the structure of incentives throughout the economy. The present patchwork quilt of income transfers and welfare programs could not be more destructive to

the incentives of low productivity workers. The negative income tax could be a powerful force in restructuring these incentives and thus improving the effectiveness of manpower programs.

The press release I received describing these hearings pointed out that:

> The question of welfare payments and other means of maintaining income of the poor would be the subject of a separate inquiry.

It may be true that "the subject of employment is the most relevant to the jurisdiction of the Joint Economic Committee"; however, the problems we are currently facing are not so easily compartmentalized.

Representative BOLLING (presiding). Thank you very much, Professor Kain.

Senator Proxmire, do you have some questions?

Senator PROXMIRE. Yes, indeed.

I want to say, as I said yesterday, I think that these hearings are developing some very, very useful information. These were fine papers today. I have learned a great deal. The committee, when they have a chance to review the hearings, will be most enlightened.

I would like to start out with Mr. Robson. You talked about the need, Mr. Robson, to create, was your word, I think, 3 to 4 million additional jobs, and looking at it from an economic standpoint, of course, the obvious question that hits us is that we have been told by the administration experts, the Council of Economic Advisers and the Federal Reserve Board and others, that our problem is an inflationary problem. We don't have too few jobs, we have too few people to fill the jobs we have now. True, it is a matter of skills and so forth, but unemployment is now at a level, I think, of 3.5 percent or about 3 million people, and job vacancies are estimated to be in the area of maybe half that.

When you say create 3 to 4 million jobs, did you have in mind to create jobs that would be of sufficient dignity and so forth so that they would be more meaningful and provide a better salary than those we have now?

Mr. ROBSON. Well, Senator, I think this puts this question in its proper context, because you mentioned some of you had to make decisions about spending cuts yesterday and we will have to make them now, we are at that point, the lowest unemployment rate in the last 15 years in this country.

We do face an inflationary problem and a balance-of-payments problem, and I suspect that the basic position of this administration, and the Federal Reserve Board, we can't substantially increase spending at this point in time for these programs.

I am inclined to think, as an economist, that these are serious problems and would give due respect to the wisdom of the Council of Economic Advisers and the Federal Reserve Board. But I think the nature of the problem is such we have got to restructure the society a bit.

Now, whether or not the American public is willing to bear the tax burden that would be necessary to, in fact, restructure the society so that we could create——

Senator PROXMIRE. Let me just interrupt at this point. You see, when you increase taxes you reduce jobs.

Mr. ROBSON. That is right.

Senator PROXMIRE. I asked Gardner Ackley before he retired what would be the impact of the 10-percent surtax and his letter to me was that this would eliminate, reduce, about 300,000 to 350,000 jobs. You put in the package, with spending, reduction at the same time and it reduces—I think Senator Kennedy was very close to being right—maybe 700,000 jobs.

Now, if you are going to pay for the creation of additional public-sector jobs, at the same time destroy almost as many private-sector jobs, many of which are marginal jobs which would be held by the disadvantaged, aren't you just treading water?

Mr. ROBSON. Well, there are two points there that I think are relevant: One is that in the long run we understand what forces make the economy grow and how to get from 75 million jobs to 80 million jobs, or where we intend to go in terms of increasing the level of our productive capacity at the same time we increase our spending. But I think there is a problem here that it is the reordering of opportunity, and it may be that the 700,000 jobs that would be destroyed by an income tax increase or by a tax increase——

Senator PROXMIRE. Plus the reduction in spending.

Mr. ROBSON. Plus the reduction in spending; but you create a different set of opportunities for a different set of people in this society. It is an income transfer, it is a restructuring of economic opportunity, and in my view the social problems of the country are such that must, in fact, be done, and I think no economist could be very honest with this committee or with anybody else unless he was to admit that what that would do would be simply to shift opportunity from those where the jobs were destroyed by the tax increase to those areas where you selectively decided to increase opportunity. If it were to be in the ghetto areas and for nonwhite workers, the secondary effects of the reduction in spending, if these funds were used to create additional employment opportunities, would not be significant in aggregate economic terms.

Senator PROXMIRE. Rather than create the new jobs though, how about the notion of considering the possibility of spending whatever is necessary—considering the possibility at least, whether we did it or not—considering the possibility of spending whatever is necessary to provide the training that is required to make it possible for those who are now unemployed and usually lack skills that are required, so they can fill the jobs that are now available. That would have the advantage of meaning that the market economy would decide, which is always politically easier and economically more realistic and would have the advantage of meaning that these people would have skills which would last a lifetime, perhaps, and would have the advantage that it would seem to me, that the Congress would be more likely to enact that kind of measure. Education is attractive to almost everyone, conservatives as well as liberals as well as labor. You say education, you tie a program into education and it is much easier to push it ahead than if you tie it into some kind of a job subsidy or creation of a job which would appear to some at least as make work or an artificial judgment by bureaucrats or Congressmen as to what people ought to be doing instead of what the market decides what they ought to be doing.

Mr. ROBSON. I think if you link up the kind og training opportunities with the income that people ought to receive in their training you have, in fact, created a job. Our problem, as Mr. Kain points out, is that jobs are not necessarily located where the people are who need the work and who need the training.

Senator PROXMIRE. That is another problem and I will come to that. That is right.

Mr. ROBSON. We don't really have good data on the job vacancies in the country. It may be as high as 2 million, using the sample surveys that the BLS makes, but we know that even with the 3.5 unemployment rate—a little less than 3 million people—there will be 500,000 people unemployed for more than 15 weeks, and I think part of our problem is a restructuring of opportunities.

Now, I am a strong believer in the manpower training programs and we ought to expand our opportunities under the Manpower Development and Training Act and increase the level of training under the manpower programs of the Economic Opportunities Act, but it doesn't do much good to train people if at the end of that training period there is not a job for them, and a job that involves the kind of dignity——

Senator PROXMIRE. That is quite right. It seems to me we have to coordinate this so we have training either on the job or close to the job and, of course, you have the additional advantage of moving the Phillips curve over. You have the great advantage of having a lesser degree of unemployment without inflation. Conceivably, if you could train the hard-core unemployed, the 500,000 or million, whatever they are, people who are now unemployed could be trained and have a skill. Perhaps we could then get unemployment down from 3 million to 2 million, 3.5 percent down to 2½ or 2 percent without inflation, if we can train them for the jobs that now exist and have sufficient mobility.

Let me ask about another area here that both you and Mr. Liebow touched on with considerable eloquence. You both feel very strongly that—and I think the other members of the panel do too—we have a serious "racism" problem, discrimination problem. It is not simply a matter of unskilled persons or dropouts, it is a matter of the Negro, a man with black skin, having less of a chance of getting a job and being discriminated against.

Do you have statistics, either of you gentlemen, from any kind of a study to show a comparison between those who are dropouts—we know there is a higher proportion of Negroes unemployed, teenagers and so forth. We also know, however, that there are a higher number of Negro dropouts, and for reasons that we are all very familiar with.

Do you have any basis where you put, as you say, equals against equals statistically, so we can see the real impact now 4 years after we passed the Federal FEPC law, the civil rights bill, the real impact of racism and discrimination in Negro employment?

Mr. ROBSON. I think, first, as far as I know, there are not data available that would demonstrate that point.

Mr. HENDERSON. Well, no, no; that is not true.

Mr. ROBSON. Of a specific study.

Mr. HENDERSON. We will say the data has not been as good as we would like for it to be. But certainly we have data, for example, which

shows differentials in earnings between blacks and whites at various educational levels. I was very interested in listening to Senator Harris on the "Today Show" this morning commenting on some book he had written. He quoted some data we had collected which was submitted to the Kerner Commission which is no news to these gentlemen here, showing, for example, what a Negro college graduate with 16 or more years of schooling earns on the average in this country what a white high school dropout earns.

Now, some people resort to the point that——

Senator PROXMIRE. What was the basis of his statistic? He said, of course, the argument was whether these statistics are valid.

Mr. HENDERSON. Well, I know the argument, sir, that there is a differential in the quality of education and, therefore, the productivity potential of individuals differs. This argument is valid only up to a point.

Senator PROXMIRE. Yes; I think Senator Harris made a marvelous point and stressed that. He pointed out Harvard Business School, for example; the Negro graduates have $6,000 less income than white graduates. There was a——

Representative BOLLING. Have there been census documents on this subject?

Mr. LIEBOW. This subject was developed by Rashi Fein, at the Brookings Institution, and exclusively from census materials.

Mr. HENDERSON. Not only that——

Senator PROXMIRE. What was the date of that study, referring to what period?

Mr. HENDERSON. I think it went up, to the best of my recollection, into the early 1960's.

Senator PROXMIRE. Well now, that is the important point. I am trying to find out whether or not we have made progress since we passed a Federal FEPC law in the last 4 years, and there is a lot of evidence we have not made much progress, but it would be interesting to see if we did, and then I would like to know what you gentlemen think we can do. You indicated some prescriptions but I also would like to know if you think we can do much in publicity, publicizing now the firms that obviously discriminate, because it is transparent if you take a look at it and I think we might shame people into better policies.

Mr. KAIN. Maybe you don't have to put so much emphasis on shaming people into not discriminating. There are laws prohibiting racial discrimination by Government contractors and recipients of Federal grants.

Senator PROXMIRE. Very feebly enforced.

Mr. KAIN. That is right, and I would be less inclined to try and shame firms into not discriminating and more disposed to very much strengthen the enforcement staffs of the Federal contract compliance agencies.

Senator PROXMIRE. Why not do both, though. These firms are pretty conscious of their public images—Bethelehem Steel, for example, was cited, just a few days ago; I think that ought to be salutary, as a conspicuous example of racial discrimination.

Mr. KAIN. What is important about the Bethlehem Steel example is that it is the first time the Labor Department has gone that far in enforcing antidiscrimination provisions in a Government contract.

It is their first use of a public hearing and the first time they publicly threatened to cancel a contract unless the firm really showed some evidence of affirmative action to correct discriminatory practices.

Senator PROXMIRE. I think they indicated they would, but I saw a study that was most shocking of the airline industry, where the discrimination is just revolting—well-documented discrimination. In one part of the country, one of the airlines has been persuaded to try to overcome this, in Chicago, and they have done an excellent job, so that it can be done. The Negroes are available, they have the requisite education and so forth, but airlines have just refused to hire them.

Mr. HENDERSON. Let me make two points. One, of course, you are talking about contract compliance which is one aspect of the equal employment opportunity policy here. The other one is the application of equal employment opportunity provisions of title 7 to the noncontracting firms.

Senator PROXMIRE. Right.

Mr. HENDERSON. The shocking testimony in New York recently about the banking industry, the communications industry—chapter 15 of the Kerner Report—the Civil Disorders Commission Document—is one of the most striking chapters in that whole book on the extent of discrimination, nonutilization of Negroes in the communications industry.

The point I want to make here is that the bill before the Congress at the present time, I believe it is before the Congress, to give some powers to the Equal Employment Opportunity Commission——

Senator PROXMIRE. To cease and desist.

Mr. HENDERSON. To cease and desist, to issue cease-and-desist orders now. I know the attitude of some of the Senators and Congressmen to this. But the point is, we have an agency here which has very little in terms of enforcement powers and it seems to me this is something we have to come to grips with if we want to do something about it.

The most educative device I know of, and I think our history shows this, is when we get public policy that can channel people, the behavior of people, the behavior of institutions, the attitudes tend to follow. And my argument is we have got to do something about changing behavior.

Senator PROXMIRE. I agree wholeheartedly.

Representative BOLLING. If you don't mind, I would like to interject one thing at that point, and that is just as an illustration of how far behind the times the House of Representatives is: On yesterday, that specific question, not the matter of the cease and desist, but the question of funding the current relatively powerless agency at the level requested by the budget, in other words, the vast sum of $13 million, was before the House. The Appropriations Committee had cut that particular funding to just under seven, which is about the level at which it is operating in this current year, with a backlog of, in the range of, 15 to 19 months. The House, by a nonrecord vote voted not to increase the recommendation of the Appropriations Committee, and I don't cite that with any pleasure. I cite that to show you the kind of problem that we have in the House of Representatives to even support the current level of what I call nonactivity.

I gather, sir; that you have something further that you want to get into.

Mr. HENDERSON. I was going to cite one other bit of data for Senator Proxmire, to push my own book a little bit. We did a very careful analysis in a book called "The Advancing South" which pointed up the question you were raising about the tremendous amount of discrimination based on education, occupations, age, residence, region; about seven variables were included. We did this kind of correlation. All I am trying to say is there is substantial evidence—from the best evidence that is available—to establish the fact that discrimination in employment, discrimination in terms of opportunities, is a key factor in this whole question of jobs.

The second point, I think that one of the things we will have to do in this country when it comes to the question of the tax situation or the question of inflation, we are going to have to reassess some of our own priorities in terms of spending.

We know, for example, that we have got programs going like supersonic airplanes, getting to the moon; we have got a lot of things going where we spend a lot of money, a lot of people employed in these programs; as Thayne pointed out, they can have opportunities in other areas. I think somewhere along the line we are going to have to come to grips with the priorities.

Senator PROXMIRE. I couldn't agree with you more on that.

I would like to ask, Mr. Henderson, about another problem that has concerned me very much. The Kerner Commission shows that a study indicated—they don't prove it, but they had a number of interviews—that the typical rioter was between 15 and 24 years of age, better educated than average although he was a high school dropout, had lived in the area a long time, longer than the counterrioters, incidentally. He was usually employed in a menial job, frequently part time, often unemployed, and he felt discrimination keenly; he was proud of his race, very, very conscious of the unfairness and so forth in trying to get what we are discussing now. But the question that keeps coming up in my mind is how about these jobs. What are we going to do about the jobs? Is this a matter that if we can provide adequate training, will the jobs be handled through automation? If they are upgraded in terms of a wage, will that take care of it? Who is going to do these menial jobs that somebody described very well—I think Mr. Liebow—in pointing out the kind of things that the Negro typically does.

Mr. HENDERSON. Well, there are two points, Senator, it seems to me, and I tried to make this when I was talking about that. We concentrate so much on the hard-core unemployed, which makes up, about a half million people, these are important people. We forget about the fact that one of the critical points, is those people who are in and out of the labor force, the guy who doesn't get caught up in the statistics of the hard-core unemployed.

Senator PROXMIRE. You mean those who work 20 hours a week, car washers——

Mr. HENDERSON. Yes; that is the guy, these are the people who are arrested in Detroit, the Wayne study pointed out they were employed, but many were employed part time.

But secondly, the whole question of Negroes having a shot at jobs on the same basis as other people. For example, the Negro female

teenager is perhaps the most discriminated against person in the United States of America. Here is a young lady, for example, who can read, she can write, she can compute, she can measure, but the difference is that while her white high school graduate counterpart can go down to the bank and with no sweat get a job, she can't get one simply because she doesn't look like Lena Horne or, hell, she's not a black Madonna and, consequently, it is this kind of a person who really catches it in the economy.

The same thing goes for a young man. He is caught up in the fact that he doesn't get a chance, for example, to even prove himself on a job. They expect him to come in immediately with all of the tools immediately for a particular job.

Now, I am not talking just from emotion.

Senator PROXMIRE. The point I am raising now——

Mr. HENDERSON. I am going to get to that point.

Senator PROXMIRE (continuing). Is a problem that should be brought up while we are discussing discrimination, because there is no question there shouldn't be discrimination but there is discrimination, and these jobs are now being done—disproportionately done—by Negroes, but we know they are being done by poor white people, too.

Mr. HENDERSON. Sure.

Senator PROXMIRE. The point is, this is a job associated with a lack of dignity, a lack of status, but these are jobs that have to be done by somebody.

Mr. HENDERSON. Let me just make two points here. First, of all, we are talking about a mobility point. We are talking about mobility. Where does a guy go from that job? How long is he stuck on that job to do the mopping? The argument here is not that somebody doesn't have to do it and maybe Negroes are going to have to do their share. Unfortunately, they do a disportionate share, but the question is where does he go from that point?

Many Negroes can get jobs, but they can't go anywhere and their mobility is shunted, you see. Now, who is going to do these jobs? I think we are going to have more dispersion of these jobs among Negroes and whites and many Negroes are still going to do them.

But the other point is, I think the question of minimum wages. How much does a guy make on these jobs? So many of these service-type occupations—jobs—are excluded from minimum wage protection, you see Negroes do occupy these jobs, they do work at them. My father is a waiter in a hotel, I waited in a hotel, there wasn't anything wrong with that, I am proud of it, but the fact is that somehow or another we found some kind of way. The doors were open for us to move to something else.

Senator PROXMIRE. You think a more universal application of a minimum wage and increasing the minimum wage might help?

Mr. HENDERSON. At least it might give the people some feeling of economic security when they have these jobs.

You have to consider another thing, the insecurity associated with these jobs is very great.

Senator PROXMIRE. Mr. Liebow?

Mr. LIEBOW. May I say something? I do believe this business of going somewhere else, to move up the ladder, is very important. But

the way things are now the man who cleans up an office building can never expect to sit down behind a desk in that office building. It is important to be aware, however, that not all people are career-oriented. Many of the young men we are talking about in the cities are ambitious young men, they are very ambitious young men, but there are a great many people who are not. We have a very large and stable working class in our society, people who are not career-oriented; what they want is to have a job which is respectable, which is admittedly socially useful, that they can earn a living at and support their families. A lot of people are satisfied with just this, and we have to deal with both.

One of the things, I think, we can make—there is nothing wrong with being a janitor, there is nothing wrong with being a waiter, so long as you can support your family on it, and once you can support your family on what you earn then you are respected. It becomes a respectable job. What makes it menial is the fact that it pays so little that you can't live like a person.

Senator PROXMIRE. And it is dead end.

Mr. LIEBOW. Dead end; but dead end is for some people irrelevant.

Senator PROXMIRE. For some people it is, others it isn't. For a Negro today the fact that it is dead end is important.

Mr. HENDERSON. I think it is a critical point in our mood right now.

Mr. LIEBOW. It is dead end, but in itself it is not satisfying. If that job paid enough to live on it wouldn't be a dead end.

Tom Gladwin, an anthropologist, pointed out that there are all kinds of jobs that are valued differently by society when essentially the nature of the work that is being done is the same.

Now, the woman who works in a carryout shop as a waitress is doing essentially the same thing as the airline stewardess. There is no reason in the world that we can't upgrade what are so far menial jobs. We can give them far more status. We have done this with airline stewardesses and since there are already so many Negroes involved in personal services and since it looks like a great many of them will be stuck there because we can't get programs to get them out of it, then let's upgrade the job, instead of upgrading the person. Let's get lots of airline stewardesses in all kinds of industries. Instead of airline stewardesses we will call them something else, and we will give salaries sufficient to live on, and they will have the social status that goes with it.

I understand girls fight like the devil to get into the stewardess training programs. I am not sure what kind of training goes into becoming an airline stewardess but it can't be a tremendous amount.

Senator PROXMIRE. They only serve an average of 12, 15 months before they get married, I understand.

Mr. HENDERSON. That statistic is being reduced, I believe.

Mr. LIEBOW. They do work hard. I have met some of them who claim they have to rush so to get the meals served that they have to ask the pilot if he can't circle around a few more times so they can get everybody fed. It is hard work, but it is dignified work, it is prestigious and it pays enough for them to live on.

Senator PROXMIRE. I would like to ask Mr. Kain and a couple of you other gentlemen who commented on it because it is a very im-

portant economic problem in this whole area. This refers to the argument that some people are making—Senator Kennedy, and the Kerner Commission, but many others support the view—that we ought to provide tax incentives too, for an appeal to industry to locate in a ghetto and provide ghetto employment. It just seems that this goes against all of the economic trend, the fundamental economic trend, in this country which is for good solid economic reasons associated with transportation and many other things to locate jobs in suburbs. It is easier now, the land is more available, you can locate a horizontal plant because you now have transportation available by truck and because our road system has been built up and so forth. This is a trend that is going to be very, very expensive, and inefficient to buck.

So that it would seem to me it would be logical if we are going to help ghetto residents get out. Nobody wants the ghetto anyway. We don't want segregation, we don't want people—maybe there are some people but not many, who feel that people ought to be required by economic circumstances to live according to their race. They should be allowed to live in the suburban areas, and get their jobs in the suburban areas. We ought to have Federal programs to encourage them to move, not only a subsidy for transportation which I think you suggest or something of that kind, but some greater opportunity for them to actually move and live in suburban areas so they can get out of the ghetto and the ghetto can fade away. How can we best accomplish this?

Mr. KAIN. You said it much better than I could. But before I comment on that question I want to comment on a couple of earlier points.

I am much disturbed by the thrust of a lot of this earlier discussion about education, about the need for training, about all these dead end jobs that we have to do away with somehow, about the need to increase the minimum wage and so on. I think that all of these things really arise from a couple of basic misunderstandings about the nature of this problem.

I think that the first thing we must do is separate the question of providing an adequate level of income from the question of how best to accomplish production in the economy.

To a very substantial extent the current problems of chronic unemployment and underemployment arise from our attempts to legislate the productive mechanism and factor prices to achieve income redistribution objectives. This just doesn't work. If an individual can't produce enough for the private economy to be paid the minimum wage, the private economy just won't hire him. It can't be stressed enough that there is a pressing need to begin restructuring the incentives in our economy and modifying our approaches toward insuring an adequate income. The need is to separate income maintenance from the way in which we produce output in the economy. This is one reason why I so strongly supported the "negative income tax," which provides a minimum income, but also allows members of the labor force to work at whatever wage they can obtain in the labor market.

Senator PROXMIRE. Would your concept of the negative income tax provide that any person who is able-bodied, healthy, is not tied down because she was a woman with children and to whom a job is offered would have to work to get the income?

Mr. KAIN. No, I wouldn't do that. I would rely on the fact that he would be allowed to keep a substantial fraction of everything he earns.

Senator PROXMIRE. I don't think you will ever get that through Congress. I think the Government as a guarantor of jobs is something that you will find some support for. I can't find a Member of Congress, I think here Senator McCarthy said something about supporting guaranteed annual income, although he is all alone.

Mr. KAIN. Maybe Oregon is a bellwether.

Senator PROXMIRE. I am not sure they voted for him for that reason. [Laughter.]

Mr. KAIN. Perhaps you are right.

Senator PROXMIRE. But I can't find many people, I talked to a number of people from Resurrection City and they are against that. They come from Wisconsin, they want jobs. They want the dignity of a job and they want the opportunity to work.

Mr. KAIN. But what the negative income tax really addresses itself to is an attempt to make more of a reality. Most individuals today are not faced with a simple choice of whether to work or starve to death. Our society already has a very large and complex set of transfer mechanisms. The nature of these transfer mechanisms is such as to seriously discourage people from work. We now live in a society whose incentives are all out of whack; the negative income tax is addressed to the work disincentives that currently pervade our income maintenance programs. It would restore incentives throughout the economy. It is based on the belief that if you give a family of four an income of $3,000 a year as a matter of right and then provide them with an opportunity to earn another $3,000 a year they will choose $6,000 per year over $3,000 per year.

The negative income tax is designed to encourage people to work, not discourage them. This is the most important element of the whole proposal. It says you don't have to pass a law requiring people to work. I am betting on the people you talked to in Resurrection City who say they want to work. However, it is essential that they not be discouraged from working by a system that takes away everything they earn, if they do work. This is what the existing system does in all too many instances.

Senator PROXMIRE. You may very well be sound in theory, I just don't know. But I just say it is very hard to overcome this with the public and with the Congress in my view. I think if you would tie your income maintenance for those who could not work for any reason at all and then provide those who can work a guaranteed job. I think that you would have something that maybe you could move much faster.

Mr. KAIN. I am not against income maintenance for people who cannot work.

Senator PROXMIRE. I know you are not. But I am just saying we can get to that position faster.

Mr. KAIN. That is possible. But it is not going to deal with the kind of problems we are talking about here today. As long as we have a substantial number of programs that penalize people who try to work, many people aren't going to work. As long as we say that the economy

has to pay a minimum amount of $200 a week to offset the bundle of welfare and other kinds of services, the economy just isn't going to produce jobs for many kinds of workers. There is going to be a great deal of productive work that can be done at the rate of $40 or $50 a week that will not be done if you try to legislate a minimum income through the wage rate. The pie is going to be smaller as a result of our legislating out of existence a lot of productive work.

The difficulty in our society is not that the labor force is underskilled, it is that we have a crazy-quilt system of incentives that makes it uneconomic for a lot of people to work. This is fundamental. To say it is going to be hard to convince Congress of this and that it is going to be hard to make the American people understand what is wrong with our present system of income maintenance, doesn't really answer anything. Convincing Congress is kind of really your problem, not mine.

Senator PROXMIRE. It sure is. [Laughter.]

Mr. KAIN. The other question is this dead-end job idea. Again it is not the kind of problem a number of people have implied here this morning. The dead-end job question has really gotten confused with other problems. For example, when we talk about the Negro worker, the problem is not principally his lack of skills, rather it is the fact he is systematically discriminated against, because he is a Negro, from participation in the economy. Thus, it seems to me the two most pressing needs are to restructure the incentives in our economy so as not to discourage people from work and to move vigorously on all fronts to combat all forms of discrimination that lower the rate of return for Negroes with the needed job skills.

Senator PROXMIRE. Unfortunately, there is a rollcall that started 7 minutes ago and unless I go now I will miss it, and I haven't missed a rollcall in 2 years.

Mr. HENDERSON. May I say something, I have to go, too. The students may be taking over my campus down there. [Laughter.]

Seriously, on the question of ghetto residents and on industry location, I think there is one fallacy in the thinking about locating firms and industries in the ghetto. We assume here that the ghetto cannot be desegregated, that the only people who will remain in the ghetto are blacks. One of the reasons for locating jobs——

Senator PROXMIRE. If it is desegregated it is not a ghetto in my view.

Mr. HENDERSON. That is what I am saying, in other words it doesn't have to remain a racial ghetto.

Senator PROXMIRE. I agree with you.

Mr. HENDERSON. We have to do a little human engineering to desegregation. The blacks are going to be there for a long time to come. The idea is to get some firms in to bring in decent jobs and bring whites into the central city to live with them.

Senator PROXMIRE. Thank you very much, gentlemen, I apologize. But I would appreciate it very much if when you correct your remarks you might comment on what we do about opening up an opportunity to live outside the inner core city area where the jobs are, and where the opportunities really are in the future and are going to be.

Representative BOLLING. You have a 1 o'clock plane, Mr. Henderson?

Mr. HENDERSON. I am going to have to leave at 12:15.

Representative BOLLING. I don't want to get further into the argument of the different approaches, because I am thoroughly familiar with all of them, and personally, I don't agree with Senator Proxmire that it is impossible to persuade the Congress or the people on the negative income tax, but I am not at all sure but what we are going to end up with something that is going to be a complicated combination of a variety of the things that have been said.

Mr. HENDERSON. Yes.

Representative BOLLING. I have been impressed as a Member who has been around here for 20 years, by the remarkable change that has taken place in the society in the last year or 2, not in terms of action at the congressional level, but in the beginning of understanding of what enlightened self-interest may be in the modern day. So, I am less pessimistic that the Congress, which is always behind the people in my experience, will not catch on relatively sooner than it has in the past.

Actually what the Congress did in 1965 and 1966 was the unfinished business of the 1930's, and I am enough of an optimist to think that there is some possibility we might finish the business of the 1960's by the early 1970's, not because we are so smart but because we are so careful.

I would like to pin down one thing: I want to establish precisely the title of a document and its source of information with regard to—I have seen it and I know it myself, but I want to get it for the record—the discrimination in employment and wages as between the Negro college graduate and the white high school dropout. That is a Brookings study, a current study?

Mr. LIEBOW. Yes, but it is not a current study.

Representative BOLLING. What is that document I saw in the last 2 months, it seems to me—was it an annual survey?

Mr. HENDERSON. The current Population Survey has a section on that. Again, I know Rashi's study and I know my own study which is included in the book—I repeat—"The Advancing South" published by the 20th Century Fund.

Representative BOLLING. Maybe I should push mine.

Mr. LIEBOW. Why not? I just asked him to mention mine.

Mr. HENDERSON. I don't get any royalties so it doesn't make any difference. They just pay me to write it. But the point I want to make here is we went to great length to combine age, income, occupation, regions, residence, and a whole lot of things to really point up the tremendous discrimination.

Now, all we are saying here is that when you get a college graduate, and this includes everybody with 16 or more years of schooling, and he comes out less than the guy with 9 to 11 years of schooling, or equal to that, if somebody will tell me, as some of my economist friends do, "Well, you have to differentiate between the quality of education," all I say is, You know a guy could go to Podunk High School or Podunk College and come out with 16 or 17 years of schooling, it is very difficult for me to see how he could be less productive than a guy with 8 years of schooling.

Representative BOLLING. I understand there is some information available now which is fairly recent because there haven't been too many Negro graduates at the Harvard Business School, but I understand there are some figures that would indicate that Negro graduates of the Harvard Business School receive substantially less initial compensation in their first job to the tune of $5,000 or $6,000 I believe it is, than white graduates, which sort of eliminates all the side arguments, if these figures are correct.

But the reason I raise this point is that I want to be sure that the staff includes in the record at the appropriate place information as to the various studies that demonstrate this, including your book, so that we have it quite clear. (See pp. 96–107.)

I would like to get to a couple of other things. There is a lot of unfinished business here, but I have been dealing with it as unfinished business for 20 years and I don't think I am going to get it all done in the next 10 minutes.

There are a couple of specifics I would like to get comment on. I just finished reading a new book by Harrington "Toward a Democratic Left," and the thing that interested me perhaps most in the book was some figures—I didn't check the substantiation because I simply don't have time—that purport to show that, for 1964, while he acknowledges that one-third of the poor are Negroes, obviously a fantastically disproportionate number in terms of their proportion to society, the poor in the central cities were roughly 10 million, and of that 10 million, 5.6 were white and 4.4 were Negro. I wonder if anybody has any comment just on the figures?

Mr. HENDERSON. It wouldn't surprise me in the central cities at all.

Representative BOLLING. It wouldn't surprise me either. I am interested to hear you say that.

Mr. HENDERSON. It doesn't surprise me because when we look at the population distribution in the central cities and you find a disproportionate number in the central cities and they make up a substantial part of it, so there is one of the great hopes I have that by using political instruments in the central cities that we might be able to get a few more Congressmen up here who might vote a different way.

I think that this is where——

Representative BOLLING. Let me comment on that before you get away from it.

Mr. HENDERSON. I am simply saying here if we get a few more representing the central cities, representing the views of the central people, we might get a change in public thinking.

Representative BOLLING. I agree with you. The experience I have had in my own district, where I tried to introduce my constituents to the conditions that exist in the city, they think they know but of which they have no awareness. You have a problem of getting them to understand what is there first, but there is one thing I wouldn't be too encouraged about. Once upon a time I was encouraged that the one man-one vote decision might have an impact on Congress. But I talked to the man who knows the most about congressional districts, and he is a former Bureau of the Census Director, Dick Scammon, an old friend of mine, and he explained to me that I was wrong, that there

was no real hope that we were going to get a change in the composition of Congress, that all we were going to get was a very slight change, that the day of the cities had passed, and that the flight to the suburbs had shifted the political power to the suburbs. All we were going to get out of one man-one vote was not a more urban Congress but a more urbane Congress. I am afraid that he is correct, although I share your hope.

Mr. HENDERSON. Yes.

Mr. ROBSON. Mr. Bolling, I wonder if I might comment briefly on your figures because we get into a lot of trouble. We can get figures that whites outnumber Negroes in urban areas or metropolitan areas, and you get down to the kind of questions of what central cities are you really talking about. Do you talk about urban data towns, of every town of 2,500 or more, or are you talking about the approximately 200 standard metropolitan statistical areas? If you get to the central cities that we are most concerned with in this country, that is the large cities with over a million population, then I think the data show, at least the data we have got from the 10 cities that the Bureau of Census and the Department of Labor surveyed in 1966, that the Negro population in those cities outnumbers, in those ghetto areas, far outnumbers the white population, and consequently, I think we really have got to be more specific in using these kinds of data.

Representative BOLLING. Well, not all the poor live in the ghettos, in the cities.

Mr. ROBSON. That is right.

Representative BOLLING. One other point on this and I want to get to another one before I have to go. This other point is that probably a good proportion of these white poor, regardless of definition, are not the unemployed, but the underemployed.

Mr. HENDERSON. Yes.

Representative BOLLING. They are probably the beneficiaries of the discrimination against the equally unskilled or skilled Negro——

Mr. HENDERSON. That is right.

Representative BOLLING. I would guess. Is there any work on that? Has anybody done any work on that to differentiate?

Mr. KAIN. I would suggest that you address these questions to Lester Thurow who will be here next Tuesday.

Representative BOLLING. I will do that, fine.

Mr. KAIN. He has done a number of estimates of this kind with some of his recent work.

Representative BOLLING. I will try to remember that. That is a good suggestion. That is what I meant.

The other thing I would like to comment on, and I suspect maybe Mr. Liebow will have as much on this as anybody. We have a phenomenon in the country which tends to skew everything we talk about statistically, and it is a phenomenon that I believe the census has only begun to admit relatively recently, and that is—probably they guess—that in the 1960 census they didn't find about 3 million people and unless they can improve their methods substantially they are going to miss about 5 million more or less in the 1970 census. I just wonder if anybody has any notion or comment or view as to who those 3 to 5 million people might be?

Mr. KAIN. The Census has done some work on this question. It turns out they are mostly Negro. The underenumeration of Negroes is larger than for whites. The Census estimates they get about 88 percent of all Negroes. By comparison they enumerate about 96 percent of all whites. Moreover, they suspect the underenumeration of Negro males and particularly those living in central city ghettos is considerably larger. However, this is a tough problem for them to be very certain about because of the continued high rates of migration between the cities and the rural South. But clearly the underenumeration is mostly Negro.

Representative BOLLING. Thank you.

Anybody else want to comment?

Mr. HENDERSON. I am just shaking my head, his figure of 80 percent is a little off.

Mr. KAIN. 88 percent.

Mr. HENDERSON. I see, I misunderstood you.

Mr. LIEBOW. I have seen some census figures which run as high as 30 percent undercount. For men in the ages of 20 to 28, Negro men in the big cities, an undercount may run as high as 30 percent.

Mr. KAIN. That number is not inconsistent because, as I said, the males are the most undercounted.

Mr. HENDERSON. While I am very concerned about this undercount—amounting to about a million Negroes, I believe—it should be understood that these are distributed over babies and older folks and so forth, and it becomes very important in terms of representation in various political bodies. I am not too sure what it would do in terms of adding to the dimension of the problem numerically or qualitatively that we have been talking about because statistically speaking the plus or minus there would not, in my judgment, change the picture considerably either way. It is still a substantial problem.

Representative BOLLING. No further comment on it.

Gentlemen, I thank you very much on behalf of the committee. It has been a productive morning. We are all grateful to you. We welcome any additional materials pertinent to these hearings that you may wish to file for the record.

(The following chapter from Mr. Liebow's book was submitted for inclusion in the record:)

[From Tally's Corner: A Study of Negro Streetcorner Men. Copyright 1967, Little, Brown & Co.]

EXHIBIT SUBMITTED BY ELLIOT LIEBOW FOR INCLUSION IN THE RECORD

CHAPTER II. MEN AND JOBS

A pickup truck drives slowly down the street. The truck stops as it comes abreast of a man sitting on a cast-iron porch and the white driver calls out, asking if the man wants a day's work. The man shakes his head and the truck moves on up the block, stopping again whenever idling men come within calling distance of the driver. At the Carry-out corner, five men debate the question briefly and shake their heads no to the truck. The truck turns the corner and repeats the same performance up the next street. In the distance, one can see one man, then another, climb into the back of the truck and sit down. In starts and stops, the truck finally disappears.

What is it we have witnessed here? A labor scavenger rebuffed by his would-be prey? Lazy, irresponsible men turning down an honest day's pay for an honest day's work? Or a more complex phenomenon marking the intersection of economic forces, social values and individual states of mind and body?

Let us look again at the driver of the truck. He has been able to recruit only two or three men from each twenty or fifty he contacts. To him, it is clear that the others simply do not choose to work. Singly or in groups, belly-empty or belly-full, sullen or gregarious, drunk or sober, they confirm what he has read, heard and knows from his own experience: these men wouldn't take a job if it were handed to them on a platter.[1]

Quite apart from the question of whether or not this is true of some of the men he sees on the street, it is clearly not true of all of them. If it were, he would not have come here in the first place; or having come, he would have left with an empty truck. It is not even true of most of them, for most of the men he sees on the street this weekday morning do, in fact, have jobs. But since, at the moment, they are neither working nor sleeping, and since they hate the depressing room or apartment they live in, or because there is nothing to do there,[2] or because they want to get away from their wives or anyone else living there, they are out on the street, indistinguishable from those who do not have jobs or do not want them. Some, like Boley, a member of a trash-collection crew in a suburban housing development, work Saturdays and are off on this weekday. Some, like Sweets, work nights cleaning up middle-class trash, dirt, dishes and garbage, and mopping the floors of the office buildings, hotels, restaurants, toilets and other public places dirtied during the day. Some men work for retail businesses such as liquor stores which do not begin the day until ten o'clock. Some laborers, like Tally, have already come back from the job because the ground was too wet for pick and shovel or because the weather was too cold for pouring concrete. Other employed men stayed off the job today for personal reasons: Clarence to go to a funeral at eleven this morning and Sea Cat to answer a subpoena as a witness in a criminal proceeding.

Also on the street, unwitting contributors to the impression taken away by the truck driver, are the halt and the lame. The man on the cast-iron steps strokes one gnarled arthritic hand with the other and says he doesn't know whether or not he'll live long enough to be eligible for Social Security. He pauses, then adds matter-of-factly, "Most times, I don't care whether I do or don't." Stoopy's left leg was polio-withered in childhood. Raymond, who looks as if he could tear out a fire hydrant, coughs up blood if he bends or moves suddenly. The quiet man who hangs out in front of the Saratoga apartments has a steel hook strapped onto his left elbow. And had the man in the truck been able to look into the wine-clouded eyes of the man in the green cap, he would have realized that the man did not even understand he was being offered a day's work.

Others, having had jobs and been laid off, are drawing unemployment compensation (up to $44 per week) and having nothing to gain by accepting work which pays little more than this and frequently less.

Still others, like Bumboodle the numbers man, are working hard at illegal ways of making money, hustlers who are on the street to turn a dollar any way they can: buying and selling sex, liquor, narcotics, stolen goods, or anything else that turns up.

Only a handful remains unaccounted for. There is Tonk, who cannot bring himself to take a job away from the corner, because, according to the other men, he suspects his wife will be unfaithful if given the opportunity. There is Stanton, who has not reported to work for four days now, not since Bernice disappeared. He bought a brand new knife against her return. She had done this twice before, he said, but not for so long and not without warning, and he had forgiven her. But this time, "I ain't got it in me to forgive her again." His rage and shame are

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[1] By different methods, perhaps, some social scientists have also located the problem in the men themselves, in their unwillingness or lack of desire to work: "To improve the underprivileged worker's performance, one must help him to learn *to want* . . . higher social goals for himself and his children. . . . The problem of changing the work habits and motivation of [lower class] people . . . is a problem of changing the goals, the ambitions, and the level of cultural and occupational aspiration of the underprivileged worker." (Emphasis in original.) Allison Davis, "The Motivation of the Underprivileged Worker," p. 90.

[2] The comparison of sitting at home alone with being in jail is commonplace.

there for all to see as he paces the Carry-out and the corner, day and night, hoping to catch a glimpse of her.

And finally, there are those like Arthur, able-bodied men who have no visible means of support, legal or illegal, who neither have jobs nor want them. The truck driver, among others, believes the Arthurs to be representative of all the men he sees idling on the street during his own working hours. They are not, but they cannot be dismissed simply because they are a small minority. It is not enough to explain them away as being lazy or irresponsible or both because an able-bodied man with responsibilities who refuses work is, by the truck driver's definition, lazy and irresponsible. Such an answer begs the question. It is descriptive of the facts; it does not explain them.

Moreover, despite their small numbers, the don't-work-and-don't-want-to-work minority is especially significant because they represent the strongest and clearest expression of those values and attitudes associated with making a living which, to varying degrees, are found throughout the streetcorner world. These men differ from the others in degree rather than in kind, the principal difference being that they are carrying out the implications of their values and experiences to their logical, inevitable conclusions. In this sense, the others have yet to come to terms with themselves and the world they live in.

Putting aside, for the moment, what the men say and feel, and looking at what they actually do and the choices they make, getting a job, keeping a job, and doing well at it is clearly of low priority. Arthur will not take a job at all. Leroy is supposed to be on his job at 4:00 P.M. but it is already 4:10 and he still cannot bring himself to leave the free games he has accumulated on the pinball machine in the Carryout. Tonk started a construction job on Wednesday, worked Thursday and Friday, then didn't go back again. On the same kind of job, Sea Cat quit in the second week. Sweets had been working three months as a busboy in a restaurant, then quit without notice, not sure himself why he did so. A real estate agent, saying he was more interested in getting the job done than in the cost, asked Richard to give him an estimate on repairing and painting the inside of a house, but Richard, after looking over the job, somehow never got around to submitting an estimate. During one period, Tonk would not leave the corner to take a job because his wife might prove unfaithful; Stanton would not take a job because his woman had been unfaithful.

Thus, the man-job relationship is a tenuous one. At any given moment, a job may occupy a relatively low position on the streetcorner scale of real values. Getting a job may be subordinated to relations with women or to other non-job considerations; the commitment to a job one already has is frequently shallow and tentative.

The reasons are many. Some are objective and reside principally in the job; some are subjective and reside principally in the man. The line between them, however, is not a clear one. Behind the man's refusal to take a job or his decision to quit one is not a simple impulse or value choice but a complex combination of assessments of objective reality on the one hand, and values, attitudes and beliefs drawn from different levels of his experience on the other.

Objective economic considerations are frequently a controlling factor in a man's refusal to take a job. How much the job pays is a crucial question but seldom asked. He knows how much it pays. Working as a stock clerk, a delivery boy, or even behind the counter of liquor stores, drug stores and other retail businesses pays one dollar an hour. So, too, do most busboy, car-wash, janitorial and other jobs available to him. Some jobs, such as dishwasher, may dip as low as eighty cents an hour and others, such as elevator operator or work in a junk yard, may offer $1.15 or $1.25. Take-home pay for jobs such as these ranges from $35 to $50 a week, but a take-home pay of over $45 for a five-day week is the exception rather than the rule.

One of the principal advantages of these kinds of jobs is that they offer fairly regular work. Most of them involve essential services and are therefore somewhat less responsive to business conditions than are some higher paying, less menial jobs. Most of them are also inside jobs not dependent on the weather, as are construction jobs and other higher-paying outside work.

Another seemingly important advantage of working in hotels, restaurants, office

and apartment buildings and retail establishments is that they frequently offer an opportunity for stealing on the job. But stealing can be a two-edged sword. Apart from increasing the cost of the goods or services to the general public, a less obvious result is that the practice usually acts as a depressant on the employee's own wage level. Owners of small retail establishments and other employers frequently anticipate employee stealing and adjust the wage rate accordingly. Tonk's employer explained why he was paying Tonk $35 for a 55-60 hour workweek. These men will all steal, he said. Although he keeps close watch on Tonk, he estimates that Tonk steals from $35 to $40 a week.[3] What he steals, when added to his regular earnings, brings his take-home pay to $70 or $75 per week. The employer said he did not mind this because Tonk is worth that much to the business. But if we were to pay Tonk outright the full value of his labor, Tonk would still be stealing $35–$40 per week and this, he said, the business simply would not support.

This wage arrangement, with stealing built-in, was satisfactory to both parties, with each one independently expressing his satisfaction. Such a wage-theft system, however, is not as balanced and equitable as it appears. Since the wage level rests on the premise that the employee will steal the unpaid value of his labor, the man who does not steal on the job is penalized. And furthermore, even if he does not steal, no one would believe him; the employer and others believe he steals because the system presumes it.

Nor is the man who steals, as he is expected to, as well off as he believes himself to be. The employer may occasionally close his eyes to the worker's stealing but not often and not for long. He is, after all, a businessman and cannot always find it within himself to let a man steal from him, even if the man is stealing his own wages. Moreover, it is only by keeping close watch on the worker that the employer can control how much is stolen and thereby protect himself against the employee's stealing more than he is worth. From this viewpoint, then, the employer is not in wagetheft collusion with the employee. In the case of Tonk, for instance, the employer was not actively abetting the theft. His estimate of how much Tonk was stealing was based on what he thought Tonk was able to steal despite his own best efforts to prevent him from stealing anything at all. Were he to have caught Tonk in the act of stealing, he would, of course, have fired him from the job and perhaps called the police as well. Thus, in an actual if not in a legal sense, all the elements of entrapment are present. The employer knowingly provides the conditions which entice (force) the employee to steal the unpaid value of his labor, but at the same time he punishes him for theft if he catches him doing so.

Other consequences of the wage-theft system are even more damaging to the employee. Let us, for argument's sake, say that Tonk is in no danger of entrapment; that his employer is willing to wink at the stealing and that Tonk, for his part, is perfectly willing to earn a little, steal a little. Let us say, too, that he is paid $35 a week and allowed to steal $35. His money income—as measured by the goods and services he can purchase with it—is, of course, $70. But not all of his income is available to him for all purposes. He cannot draw on what he steals to build his self-respect or to measure his self-worth. For this, he can draw only on his earnings—the amount given him publicly and voluntarily in exchange for his labor. His "respect" and "self-worth" income remains at $35—only half that of the man who also receives $70 but all of it in the form of wages. His earnings publicly measure the worth of his labor to his employer, and they are important to others and to himself in taking the measure of his worth as a man.[4]

With or without stealing, and quite apart from any interior processes going on in the man who refuses such a job or quits it casually and without apparent reason, the objective fact is that menial jobs in retailing or in the service trades simply do not pay enough to support a man and his family. This is not to say that the worker is underpaid; this may or may not be true. Whether he is or not, the plain fact is that, in such a job, he cannot make a living. Nor can he take much comfort in the fact that these jobs tend to offer more regular, steadier

[3] Exactly the same estimate as the one made by Tonk himself. On the basis of personal knowledge of the stealing routine employed by Tonk, however, I suspect the actual amount is considerably smaller.

[4] Some public credit may accrue to the clever thief but not respect.

work. If he cannot live on the $45 or $50 he makes in one week, the longer he works, the longer he cannot live on what he makes.[5]

Construction work, even for unskilled laborers, usually pays better, with the hourly rate ranging from $1.50 to $2.60 an hour.[6] Importantly, too, good references, a good driving record, a tenth grade (or any high school) education, previous experience, the ability to "bring police clearance with you" are not normally required of laborers as they frequently are for some of the jobs in retailing or in the service trades.

Construction work, however, has its own objective disadvantages. It is, first of all, seasonal work for the great bulk of the laborers, beginning early in the spring and tapering off as winter weather sets in.[7] And even during the season the work is frequently irregular. Early or late in the season, snow or temperatures too low for concrete frequently sends the laborers back home, and during late spring or summer, a heavy rain on Tuesday or Wednesday, leaving a lot of water and mud behind it, can mean a two or three days workweek for the pick-and-shovel men and other unskilled laborers.[8]

The elements are not the only hazard. As the project moves from one construction stage to another, laborers—usually without warning—are laid off, sometimes permanently or sometimes for weeks at a time. The more fortunate or the better workers are told periodically to "take a walk for two, three days."

Both getting the construction job and getting to it are also relatively more difficult than is the case for the menial jobs in retailing and the service trades. Job competition is always fierce. In the city, the large construction projects are unionized. One has to have ready cash to get into the union to become eligible to work on these projects and, being eligible, one has to find an opening. Unless one "knows somebody," say a foreman or a laborer who knows the day before that they are going to take on new men in the morning, this can be a difficult and disheartening search.

Many of the nonunion jobs are in suburban Maryland or Virginia. The newspaper ads say, "Report ready to work to the trailer at the intersection of Rte. 11 and Old Bridge Rd., Bunston, Virginia (or Maryland)," but this location may be

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[5] It might be profitable to compare, as Howard S. Becker suggests, gross aspects of income and housing costs in this particular area with those reported by Herbert Gans for the low-income working class in Boston's West End. In 1958, Gans reports, median income for the West Enders was just under $70 a week, a level considerably higher than that enjoyed by the people in the Carry-out neighborhood five years later. Gans himself rented a six-room apartment in the West End for $46 a month, about $10 more than the going rate for long-time residents. In the Carry-out neighborhood, rooms that could accommodate more than a cot and a miniature dresser—that is, rooms that qualified for family living—rented for $12 to $22 a week. Ignoring differences that really can't be ignored—the privacy and self-contained efficiency of the multi-room apartment as against the fragmented, public living of the rooming-house "apartment," with a public toilet on a floor always different from the one your room is on (no matter, it probably doesn't work, anyway)—and assuming comparable states of disrepair, the West Enders were paying $6 or $7 a month for a room that cost the Carry-outers at least $50 a month, and frequently more. Looking at housing costs as a percentage of income—and again ignoring what cannot be ignored: that what goes by the name of "housing" in the two areas is not at all the same thing—the median income West Ender could get a six-room apartment for about 12 percent of his income, while his 1963 Carry-out counterpart, with a weekly income of $60 (to choose a figure from the upper end of the income range), often paid 20-33 percent of his income for one room. See Herbert J. Gans, *The Urban Villagers*, pp. 10–13.

[6] The higher amount is 1962 union scale for building laborers. According to the Wage Agreement Contract for Heavy Construction Laborers (Washington, D.C., and vicinity) covering the period from May 1, 1963 to April 30, 1966, minimum hourly wage for heavy construction laborers was to go from $2.75 (May 1963) by annual increments to $2.92, effective November 1, 1965.

[7] "Open-sky" work, such as building overpasses, highways, etc., in which the workers and materials are directly exposed to the elements, traditionally begins in March and ends around Thanksgiving. The same is true for much of the street repair work and the laying of sewer, electric, gas, and telephone lines by the city and public utilities, all important employers of laborers. Between Thanksgiving and March, they retain only skeleton crews selected from their best, most reliable men.

[8] In a recent year, the crime rate in Washington for the month of August jumped 18 percent over the preceding month. A veteran police officer explained the increase to David L. Bazelon, Chief Judge, U.S. Court of Appeals for the District of Columbia. "It's quite simple. . . . You see, August was a very wet month. . . . These people wait on the street corner each morning around 6:00 or 6:30 for a truck to pick them up and take them to a construction site. If it's raining, that truck doesn't come, and the men are going to be idle that day. If the bad weather keeps up for three days . . . we know we are going to have trouble on our hands—and sure enough, there invariably follows a rash of purse-snatchings, house-breakings and the like. . . . These people have to eat like the rest of us, you know." David L. Bazelon, Address to the Federal Bar Association, p. 3.

ten, fifteen, or even twenty-five miles from the Carry-out. Public transportation would require two or more hours to get there, if it services the area at all. Without access to a car or to a car-pool arrangement, it is not worthwhile reading the ad. So the men do not. Jobs such as these are usually filled by word of mouth information, beginning with someone who knows someone or who is himself working there and looking for a paying rider. Furthermore, nonunion jobs in outlying areas tend to be smaller projects of relatively short duration and to pay somewhat less than scale.

Still another objective factor is the work itself. For some men, whether the job be digging, mixing mortar, pushing a wheelbarrow, unloading materials, carrying and placing steel rods for reinforcing concrete, or building or laying concrete forms, the work is simply too hard. Men such as Tally and Wee Tom can make such work look like child's play; some of the older work-hardened men, such as Budder and Stanton, can do it too, although not without showing unmistakable signs of strain and weariness at the end of the workday. But those who lack the robustness of a Tally or the time-inured immunity of a Budder must either forego jobs such as these or pay a heavy toll to keep them. For Leroy, in his early twenties, almost six feet tall but weighing under 140 pounds, it would be as difficult to push a loaded wheelbarrow, or to unload and stack 96-pound bags of cement all day long, as it would be for Stoopy with his withered leg.

Heavy, backbreaking labor of the kind that used to be regularly associated with bull gangs or concrete gangs is no longer characteristic of laboring jobs, especially those with the larger, well-equipped construction companies. Brute strength is still required from time to time, as on smaller jobs where it is not economical to bring in heavy equipment or where the small, undercapitalized contractor has none to bring in. In many cases, however, the conveyor belt has replaced the wheelbarrow or the Georgia buggy, mechanized forklifts have eliminated heavy, manual lifting, and a variety of digging machines have replaced the pick and shovel. The result is fewer jobs for unskilled laborers and, in many cases, a work speed-up for those who do have jobs. Machines now set the pace formerly set by men. Formerly, a laborer pushed a wheelbarrow of wet cement to a particular spot, dumped it, and returned for another load. Another laborer, in hip boots, pushed the wet concrete around with a shovel or a hoe, getting it roughly level in preparation for the skilled finishers. He had relatively small loads to contend with and had only to keep up with the men pushing the wheelbarrows. Now, the job for the man pushing the wheelbarrow is gone and the wet concrete comes rushing down a chute at the man in the hip boots who must "spread it quick or drown."

Men who have been running an elevator, washing dishes, or "pulling trash" cannot easily move into laboring jobs. They lack the basic skills for "unskilled" construction labor, familiarity with tools and materials, and tricks of the trade without which hard jobs are made harder. Previously unused or untrained muscles rebel in pain against the new and insistent demands made upon them, seriously compromising the man's performance and testing his willingness to see the job through.

A healthy, sturdy, active man of good intelligence requires from two to four weeks to break in on a construction job.[9] Even if he is willing somehow to bull his way through the first few weeks, it frequently happens that his foreman or the craftsman he services with materials and general assistance is not willing to wait that long for him to get into condition or to learn at a glance the difference in size between a rough 2" x 8" and a finished 2" x 10". The foreman and the craftsman are themselves "under the gun" and cannot "carry" the man when other men, who are already used to the work and who know the tools and materials, are lined up to take the job.

Sea Cat was "healthy, sturdy, active and of good intelligence." When a judge gave him six weeks in which to pay his wife $200 in back child-support payments, he left his grocery-store job in order to take a higher-paying job as a laborer, arranged for him by a foreman friend. During the first week the weather was bad and he worked only Wednesday and Friday, cursing the elements all the while for cheating him out of the money he could have made. The second week, the weather was fair but he quit at the end of the fourth day, saying frankly

[9] Estimate of Mr. Francis Greenfield, President of the International Hod Carriers, Building and Common Laborers' District Council of Washington, D.C., and Vicinity. I am indebted to Mr. Greenfield for several points in these paragraphs dealing with construction laborers.

that the work was too hard for him. He went back to his job at the grocery store and took a second job working nights as a dishwasher in a restaurant,[10] earning little if any more at the two jobs than he would have earned as a laborer, and keeping at both of them until he had paid off his debts.

Tonk did not last as long as Sea Cat. No one made any predictions when he go a job in a parking lot, but when the men on the corner learned he was to start on a road construction job, estimates of how long he would last ranged from one to three weeks. Wednesday was his first day. He spent that evening and night at home. He did the same on Thursday. He worked Friday and spent Friday evening and part of Saturday draped over the mailbox on the corner. Sunday afternoon, Tonk decided he was not going to report on the job the next morning. He explained that after working three days, he knew enough about the jobs to know that it was too hard for him. He knew he wouldn't be able to keep up and he'd just as soon quit now as get fired later.

Logan was a tall, two-hundred-pound man in his late twenties. His back used to hurt him only on the job, he said, but now he can't straighten up for increasingly longer periods of time. He said he had traced this to the awkward walk he was forced to adopt by the loaded wheelbarrows which pull him down into a half-stoop. He's going to quit, he said, as soon as he can find another job. If he can't find one real soon, he guesses he'll quit anyway. It's not worth it, having to walk bent over and leaning to one side.

Sometimes, the strain and effort is greater than the man is willing to admit, even to himself. In the early summer of 1963, Richard was rooming at Nancy's place. His wife and children were "in the country" (his grandmother's home in Carolina), waiting for him to save up enough money so that he could bring them back to Washington and start over again after a disastrous attempt to "make it" in Philadelphia. Richard had gotten a job with a fence company in Virginia. It paid $1.60 an hour. The first few evenings, when he came home from work, he looked ill from exhaustion and the heat. Stanton said Richard would have to quit, "he's too small [thin] for that kind of work." Richard said he was doing O.K. and would stick with the job.

At Nancy's one night, when Richard had been working about two weeks, Nancy and three or four others were sitting around talking, drinking, and listening to music. Someone asked Nancy when was Richard going to bring his wife and children up from the country. Nancy said she didn't know, but it probably depended on how long it would take him to save up enough money. She said she didn't think he could stay with the fence job much longer. This morning, she said, the man Richard rode to work with knocked on the door and Richard didn't answer. She looked in his room. Richard was still asleep. Nancy tried to shake him awake. "No more digging," Richard cried out. "No more digging! I can't do no more God-damn digging!" When Nancy finally managed to wake him, he dressed quickly and went to work.

Richard stayed on the job two more weeks, then suddenly quit, ostensibly because his pay check was three dollars less than what he thought it should have been.

In summary of objective job considerations, then, the most important fact is that a man who is able and willing to work cannot earn enough money to support himself, his wife, and one or more children. A man's chances for working regularly are good only if he is willing to work for less than he can live on, and sometimes not even then. On some jobs, the wage rate is deceptively higher than on others, but the higher the wage rate, the more difficult it is to get the job, and the less the job security. Higher-paying construction work tends to be seasonal and, during the season, the amount of work available is highly sensitive to business and weather conditions and to the changing requirements of individual projects.[11] Moreover, high-paying construction jobs are frequently beyond the physical capacity of some of the men, and some of the low-paying jobs are

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[10] Not a sinecure, even by streetcorner standards.

[11] The overall result is that, in the long run, a Negro laborer's earnings are not substantially greater—and may be less—than those of the busboy, janitor, or stock clerk. Herman P. Miller, for example, reports that in 1960, 40 percent of all the jobs held by Negro men were as laborers or in the service trades. The average annual wage for nonwhite nonfarm laborers was $2,400. The average earning of nonwhite service workers was $2,500 (*Rich Man, Poor Man*, p. 90). Francis Greenfield estimates that in the Washington vicinity, the 1965 earnings of the union laborer who works whenever work is available will be about $3,200. Even this figure is high for the man on the streetcorner. Union men in heavy construction are the aristocrats of the laborers. Casual day labor and jobs with small firms in the building and construction trades, or with firms in other industries, pay considerably less.

scaled down even lower in accordance with the self-fulfilling assumption that the man will steal part of his wages on the job.[12]

Bernard assesses the objective job situation dispassionately over a cup of coffee, sometimes poking at the coffeee with his spoon, sometimes staring at it as if, like a crystal ball, it holds tomorrow's secrets. He is twenty-seven years old. He and the woman with whom he lives have a baby son, and she has another child by another man. Bernard does odd jobs—mostly painting—but here it is the end of January, and his last job was with the Post Office during the Chirstmas mail rush. He would like postal work as a steady job, he says. It pays well (about $2.00 an hour) but he has twice failed the Post Office examination (he graduated from a Washington high school) and has given up the idea as an impractical one. He is supposed to see a man tonight about a job as a parking attendant for a large apartment house. The man told him to bring his birth certificate and driver's license, but his license was suspended because of a backlog of unpaid traffic fines. A friend promised to lend him some money this evening. If he gets it, he will pay the fines tomorrow morning and have his license reinstated. He hopes the man with the job will wait till tomorrow night.

A "security job" is what he really wants, he said. He would like to save up money for a taxicab. (But having twice failed the postal examination and having a bad driving record as well, it is highly doubtful that he could meet the qualifications or pass the written test.) That would be "a good life." He can always get a job in a restaurant or as a clerk in a drugstore but they don't pay enough, he said. He needs to take home at least $50 to $55 a week. He thinks he can get that much driving a truck somewhere . . . Sometimes he wishes he had stayed in the army . . . A security job, that's what he wants most of all, a real security job . . .

When we look at what the men bring to the job rather than at what the job offers the men, it is essential to keep in mind that we are not looking at men who come to the job fresh, just out of school perhaps, and newly prepared to undertake the task of making a living, or from another job where they earned a living and are prepared to do the same on this job. Each man comes to the job with a long job history characterized by his not being able to support himself and his family. Each man carries this knowledge, born of his experience, with him. He comes to the job flat and stale, wearied by the sameness of it all, convinced of his own incompetence, terrified of responsibility—of being tested still again and found wanting. Possible exceptions are the younger men not yet, or just, married. They suspect all this but have yet to have it confirmed by repeated personal experience over time. But those who are or have been married know it well. It is the experience of the individual and the group; of their fathers and probably their sons. Convinced of their inadequacies, not only do they not seek out those few better-paying jobs which test their resources, but they actively avoid them, gravitating in a mass to the menial, routine jobs which offer no challenge—and therefore pose no threat—to the already diminished images they have of themselves.

Thus Richard does not follow through on the real estate agent's offer. He is afraid to do on his own—minor plastering, replacing broken windows, other minor repairs and painting—exactly what he had been doing for months on a piecework basis under someone else (and which provided him with a solid base from which to derive a cost estimate).

Richard once offered an important clue to what may have gone on in his mind when the job offer was made. We were in the Carry-out, at a time when he was looking for work. He was talking about the kind of jobs available to him.

"I graduated from high school [Baltimore] but I don't know anything. I'm dumb. Most of the time I don't even say I graduated; 'cause then somebody asks me a question and I can't answer it, and they think I was lying about graduating. . . . They graduated me but I didn't know anything. I had lousy grades but I guess they wanted to get rid of me.

"I was at Margaret's house the other night and her little sister asked me to help her with her homework. She showed me some fractions and I knew right away I couldn't do them. I was ashamed so I told her I had to go to the bathroom."

And so it must have been, surely, with the real estate agent's offer. Convinced that "I'm dumb . . . I don't know anything," he "knew right away" he couldn't do it, despite the fact that he had been doing just this sort of work all along.

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[12] For an excellent discussion of the self-fulfilling assumption (or prophecy) as a social force, see "The Self-Fulfilling Prophecy," Ch. XI, in Robert K. Merton's *Social Theory and Social Structure.*

Thus, the man's low self-esteem generates a fear of being tested and prevents him from accepting a job with responsibilities or, once on a job, from staying with it if responsibilities are thrust on him, even if the wages are commensurately higher. Richard refuses such a job, Leroy leaves one, and another man, given more responsibility and more pay, knows he will fail and proceeds to do so, proving he was right about himself all along. The self-fulfilling prophecy is everywhere at work. In a hallway, Stanton, Tonk and Boley are passing a bottle around. Stanton recalls the time he was in the service. Everything was fine until he attained the rank of corporal. He worried about everything he did then. Was he doing the right thing? Was he doing it well? When would they discover their mistake and take his stripes (and extra pay) away? When he finally lost his stripes, everything was all right again.

Lethargy, disinterest and general apathy on the job, so often reported by employers, has its street-corner counterpart. The men do not ordinarily talk about their jobs or ask one another about them.[13] Although most of the men know who is or is not working at any given time, they may or may not know what particular job an individual man has. There is no overt interest in job specifics as they relate to this or that person, in large part perhaps because the specifics are not especially relevant. To know that a man is working is to know approximately how much he makes and to know as much as one needs or wants to know about how he makes it. After all, how much differenc does it make to know whether a man is pushing a mop and pulling trash in an apartment house, a restaurant, or an office building, or delivering groceries, drugs, or liquor, or, if he's a laborer, whether he's pushing a wheelbarrow, mixing mortar, or digging a hole. So much does one job look like every other that there is little to choose between them. In large part, the job market consists of a narrow range of nondescript chores calling for nondistinctive, undifferentiated, unskilled labor. "A job is a job."

A crucial factor in the streetcorner man's lack of job commitment is the overall value he places on the job. *For his part, the streetcorner man puts no lower value on the job than he does the larger society around him.* He knows the social value of the job by the amount of money the employer is willing to pay him for doing it. In a real sense, every pay day, he counts in dollars and cents the value placed on the job by society at large. He is no more (and frequently less) ready to quit and look for another job than his employer is ready to fire him and look for another man. Neither the streetcorner man who performs these jobs nor the society which requires him to perform them assess the job as one "worth doing and worth doing well." Both employee and employer are contemptuous of the job. The employee shows his contempt by his reluctance to accept it or keep it, the employer by paying less than is required to support a family.[14] Nor does the low-wage job offer prestige, respect, interesting work, opportunity for learning or advancement, or any other compensation. With few exceptions, jobs filled by the streetcorner men are at the bottom of the employment ladder in every respect, from wage level to prestige. Typically, they are hard, dirty, uninteresting and underpaid. The rest of society (whatever its ideal values regarding the dignity of labor) holds the job of the dishwasher or janitor or unskilled laborer in low esteem if not outright contempt.[15] So does the streetcorner man. He cannot do otherwise. He cannot draw from a job those social values which other people do not put in it.[16]

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[13] This stands in dramatic contrast to the leisure-time conversation of stable, working-class men. For the coal miners (of Ashton, England), for example, "the topic [of conversation] which surpasses all others in frequency is work—the difficulties which have been encountered in the day's shift, the way in which a particular task was accomplished, and so on." Josephine Klein, *Samples from English Cultures,* Vol. I, p. 88.

[14] It is important to remember that the employer is not entirely a free agent. Subject to the constraints of the larger society, he acts for the larger society as well as for himself. Child labor laws, safety and sanitation regulations, minimum wage scales in some employment areas, and other constraints, are already on the books; other control mechanisms, such as a guaranteed annual wage, are to be had for the voting.

[15] See, for example, the U.S. Bureau of the Census, *Methodology and Scores of Socio-economic Status.* The assignment of the lowest SES ratings to men who hold such jobs is not peculiar to our own society. A low SES rating for "the shoeshine boy or garbage man . . . seems to be true for all [industrial] countries." Alex Inkeles, "Industrial Man," p. 8.

[16] That the streetcorner man downgrades manual labor should occasion no surprise. Merton points out that "the American stigmatization of manual labor . . . *has been found to hold rather uniformly in all social classes*" (emphasis in original; *Social Theory and Social Structure,* p. 145). That he finds no satisfaction in such work should also occasion no surprise: "[There is] a clear positive correlation between the over-all status of occupations and the experience of satisfaction in them." Inkeles, "Industrial Man," p. 12.

Only occasionally does spontaneous conversation touch on these matters directly. Talk about jobs is usually limited to isolated statements of intention, such as "I think I'll get me another gig [job]," "I'm going to look for a construction job when the weather breaks," or "I'm going to quit. I can't take no more of his ———." Job assessments typically consist of nothing more than a noncommittal shrug and "It's O.K." or "It's a job."

One reason for the relative absence of talk about one's job is, as suggested earlier, that the sameness of job experiences does not bear reiteration. Another and more important reason is the emptiness of the job experience itself. The man sees middle-class occupations as a primary source of prestige, pride and self-respect; his own job affords him none of these. To think about his job is to see himself as others see him, to remind him of just where he stands in this society.[17] And because society's criteria for placement are generally the same as his own, to talk about his job can trigger a flush of shame and a deep, almost physical ache to change places with someone, almost anyone, else.[18] The desire to be a person in his own right, to be noticed by the world he lives in, is shared by each of the men on the streetcorner. Whether they articulate this desire (as Tally does below) or not, one can see them position themselves to catch the attention of their fellows in much the same way as plants bend or stretch to catch the sunlight.[19]

Tally and I were in the Carry-out. It was summer, Tally's peak earning season as a cement finisher, a semiskilled job a cut or so above that of the unskilled laborer. His take-home pay during these weeks was well over a hundred dollars—"a lot of bread." But for Tally, who no longer had a family to support, bread was not enough.

"You know that boy came in last night? That Black Moozlem? That's what I ought to be doing. I ought to be in his place."

"What do you mean."

"Dressed nice, going to [night] school, got a good job."

"He's no better off than you, Tally. You make more than he does."

"It's not the money. [Pause] It's the position, I guess. He's got position. When he finishes school he gonna be a supervisor. People respect him . . . Thinking about people with position and education gives me a feeling right here [pressing his fingers into the pit of his stomach]."

"You're educated, too. You have a skill, a trade. You're a cement finisher. You can make a building, pour a sidewalk."

"That's different. Look, can anybody do what you're doing? Can anybody just come up and do your job? Well, in one week I can teach you cement finishing. You won't be as good as me 'cause you won't have the experience but you'll be a cement finisher. That's what I mean. Anybody can do what I'm doing and that's what gives me this feeling. [Long pause] Suppose I like this girl. I go over to her house and I meet her father. He starts talking about what he done today. He talks about operating on somebody and sewing them up and about surgery. I know he's a doctor 'cause of the way he talks. Then she starts talking about what she did. Maybe she's a boss or a supervisor. Maybe she's a lawyer and her father says to me, 'And what do you do, Mr. Jackson?' [Pause] You remember at the courthouse. Lonny's trial? You and the lawyer was talking in the hall? You remember? I just stood there listening. I didn't say a word. You know why? 'Cause I didn't even know what you was talking about. That's happened to me a lot."

"Hell, you're nothing special. That happens to everybody. Nobody knows everything. One man is a doctor, so he talks about surgery. Another man is a teacher, so he talks about books. But doctors and teachers don't know anything about concrete. You're a cement finisher and that's your specialty."

"Maybe so, but when was the last time you saw anybody standing around talking about concrete?"

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[17] [In our society] a man's work is one of the things by which he is judged, and certainly one of the more significant things by which he judges himself. . . . A man's work is one of the more important parts of his social indentity, of his self; indeed, of his fate in the one life he has to live." Everett C. Hughes, *Men and Their Work*, pp. 42–43.

[18] Nothing that lower-class persons "are constantly exposed to evidence of their own irrelevance," Lee Rainwater spells out still another way in which the poor are poor: "The identity problems of lower class persons make the soul-searching of middle class adolescents and adults seem rather like a kind of conspicuous consumption of psychic riches" ("Work and Identity in the Lower Class," p. 3).

[19] Sea Cat cuts his pants leg off at the calf and puts a fringe on the raggedy edges. Tonk breaks his "shades" and continues to wear the horn-rimmed frames minus the lenses. Richard cultivates a distinctive manner of speech. Lonny gives himself a birthday party. And so on.

The streetcorner man wants to be a person in his own right, to be noticed, to be taken account of, but in this respect, as well as in meeting his money needs, his job fails him. The job and the man are even. The job fails the man and the man fails the job.

Furthermore, the man does not have any reasonable expectation that, however bad it is, his job will lead to better things. Menial jobs are not, by and large, the starting point of a track system which leads to even better jobs for those who are able and willing to do them. The busboy or dishwasher in a restaurant is not on a job track which, if negotiated skillfully, leads to chef or manager of the restaurant. The busboy or dishwasher who works hard becomes, simply, a hard-working busboy or dishwasher. Neither hard work nor perseverance can conceivably carry the janitor to a sitdown job in the office building he cleans up. And it is the apprentice who becomes the journeyman electrician, plumber, steam fitter or bricklayer, not the common unskilled Negro laborer.

Thus, the job is not a stepping stone to something better. It is a dead end. It promises to deliver no more tomorrow, next month or next year than it does today.

Delivering little, and promising no more, the job is "no big thing." The man appears to treat the job in a cavalier fashion, working and not working as the spirit moves him, as if all that matters is the immediate satisfaction of his present appetites, the surrender to present moods, and the indulgence of whims with no thought for the cost, the consequences, the future. To the middle-class observer, this behavior reflects a "present-time orientation"—an "inability to defer gratification." It is this "present-time" orientation—as against the "future orientation" of the middle-class person—that "explains" to the outsider why Leroy chooses to spend the day at the Carry-out rather than report to work; why Richard, who was paid Friday, was drunk Saturday and Sunday and penniless Monday; why Sweets quit his job today because the boss looked at him "funny" yesterday.

But from the inside looking out, what appears as a "present-time" orientation to the outside observer is, to the man experiencing it, as much a future orientation as that of his middle-class counterpart.[20] The difference between the two men lies not so much in their different orientations to time as in their different orientations to future time, or more specifically, to their different futures.[21]

The future orientation of the middle-class person presumes, among other things, a surplus of resources to be invested in the future and a belief that the future will be sufficiently stable both to justify his investment (money in a bank, time and effort in a job, investment of himself in marriage and family, etc.) and to permit the consumption of his investment at a time, place and manner of his own choosing and to his greater satisfaction. But the streetcorner man lives in a sea of want. He does not, as a rule, have a surplus of resources, either economic or psychological. Gratification of hunger and the desire for simple creature comforts cannot be long deferred. Neither can support for one's flagging self-esteem. Living on the edge of both economic and psychological subsistence, the streetcorner man is obliged to expend all his resources on maintaining himself from moment to moment.[22]

As for the future, the young streetcorner man has a fairly good picture of it. In Richard or Sea Cat or Arthur he can see himself in his middle twenties; he can look at Tally to see himself at thirty, at Wee Tom to see himself at his middle

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[20] Taking a somewhat different point of view, S. M. Miller and Frank Riessman suggest that "the entire concept of deferred gratification may be inappropriate to understanding the essence of workers' lives" ("The Working Class Subculture: A New View," p. 87).

[21] This sentence is a paraphrase of a statement made by Marvin Cline at a 1965 colloquium at the Mental Health Study Center, National Institute of Mental Health.

[22] And if, for the moment, he does sometimes have more money than he chooses to spend or more food than he wants to eat, he is pressed to spend the money and eat the food anyway since his friends, neighbors, kinsmen, or acquaintances will beg or borrow whatever surplus he has or, failing this, they may steal it. In one extreme case, one of the men admitted taking the last of a woman's surplus food allotment after she had explained that, with four children, she could not spare any food. The prospect that consumer soft goods not consumed by oneself will be consumed by someone else may be related to the way in which portable consumer durable goods, such as watches, radios, television sets or phonographs, are sometimes looked at as a form of savings. When Shirley was on welfare, she regularly took her television set out of pawn when she got her monthly check. Not so much to watch it, she explained, as to have something to fall back on when her money runs out toward the end of the month. For her and others, the television set or the phonograph is her savings, the pawnshop is where she banks her savings, and the pawn ticket is her bankbook.

thirties, and at Budder and Stanton to see himself in his forties. It is a future in which everything is uncertain except the ultimate destruction of his hopes and the eventual realization of his fears. The most he can reasonably look forward to is that these things do not come too soon. Thus, when Richard squanders a week's pay in two days it is not because, like an animal or a child, he is "present-time oriented," unaware of or unconcerned with his future. He does so precisely because he is aware of the future and the hopelessness of it all.

Sometimes this kind of response appears as a conscious, explicit choice. Richard had had a violent argument with his wife. He said he was going to leave her and the children, that he had had enough of everything and could not take any more, and he chased her out of the house. His chest still heaving, he leaned back against the wall in the hallway of his basement apartment.

"I've been scuffling for five years," he said. "I've been scuffling for five years from morning till night. And my kids still don't have anything, my wife don't have anything, and I don't have anything.

"There," he said, gesturing down the hall to a bed, a sofa, a couple of chairs and a television set, all shabby, some broken. "There's everything I have and I'm having trouble holding onto that."

Leroy came in, presumably to petition Richard on behalf of Richard's wife, who was sitting outside on the steps, afraid to come in. Leroy started to say something but Richard cut him short.

"Look, Leroy, don't give me any of that action. You and me are entirely different people. Maybe I look like a boy and maybe I act like a boy sometimes but I got a man's mind. You and me don't want the same things out of life. Maybe some of the same, but you don't care how long you have to wait for yours and *I—want—mine—right—now.*" [23]

Thus, apparent present-time concerns with consumption and indulgences—material and emotional—reflect a future-time orientation. "I want mine right now" is ultimately a cry of despair, a direct response to the future as he sees it.[24]

In many instances, it is precisely the streetcorner man's orientation to the future—but to a future loaded with "trouble"—which not only leads to a greater emphasis on present concerns ("I want mine right now") but also contributes importantly to the instability of employment, family and friend relationships, and to the general transient quality of daily life.

Let me give some concrete examples. One day, after Tally had gotten paid, he gave me four twenty-dollar bills and asked me to keep them for him. Three days later he asked me for the money. I returned it and asked why he did not put his money in a bank. He said that the banks close at two o'clock. I argued that there were four or more banks within a two-block radius of where he was working at the time and that he could easily get to any one of them on his lunch hour. "No, man," he said, "you don't understand. They close at two o'clock and they closed Saturday and Sunday. Suppose I get into trouble and I got to make it [leave]. Me get out of town, and everything I got in the world layin' up in that bank? No good! No good!"

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[23] This was no simple rationalization for irresponsibility. Richard had indeed "been scuffling for five years" trying to keep his family going. Until shortly after this episode, Richard was known and respected as one of the hardest-working men on the street. Richard had said, only a couple of months earlier, "I figure you got to get out there and try. You got to try before you can get anything." His wife Shirley confirmed that he had always tried. "If things get tough, with me I'll get all worried. But Richard get worried, he don't want me to see him worried. . . . He *will* get out there. He's shoveled snow, picked beans, and he's done some of everything. . . . He's not ashamed to get out there and get us something to eat." At the time of the episode reported above, Leroy was just starting marriage and raising a family. He and Richard were not, as Richard thought, "entirely different people." Leroy had just not learned, by personal experience over time, what Richard had learned. But within two years Leroy's marriage had broken up and he was talking and acting like Richard. "He just let go completely," said one of the men on the street.

[24] There is no mystically intrinsic connection between "present-time" orientation and lower-class persons. Whenever people of whatever class has been uncertain, skeptical or downright pessimistic about the future, "I want mine right now" has been one of the characteristics responses, although it is usually couched in more delicate terms: e.g., Omar Khayyam's "Take the cash and let the credit go," or Horace's *"Carpe diem."* In wartime, especially, all classes tend to slough off conventional restrains on sexual and other behavior (i.e., become less able or less willing to defer gratification). And when inflation threatens, darkening the fiscal future, persons who formerly husbanded their resources with commendable restraint almost stampede one another rushing to spend their money. Similarly, it seems that future-time orientation tends to collapse toward the present when persons are in pain or under stress. The point here is that, the label notwithstanding, (what passes for) present-time orientation appears to be a situation-specific phenomenon rather than a part of the standard psychic equipment of Cognitive Lower Class Man.

In another instance, Leroy and his girl friend were discussing "trouble." Leroy was trying to decide how best to go about getting his hands on some "long green" (a lot of money), and his girl friend cautioned him about "trouble." Leroy sneered at this, saying he had had "trouble" all his life and wasn't afraid of a little more. "Anyway," he said, "I'm famous for leaving town." [25]

Thus, the constant awareness of a future loaded with "trouble" results in a constant readiness to leave, to "make it," to "get out of town," and discourages the man from sinking roots into the world he lives in.[26] Just as it discourages him from putting money in the bank, so it discourages him from committing himself to a job, especially one whose payoff lies in the promise of future rewards rather than in the present. In the same way, it discourages him from deep and lasting commitments to family and friends or to any other persons, places or things, since such commitments could hold him hostage, limiting his freedom of movement and thereby compromising his security which lies in that freedom.

What lies behind the response to the driver of the pickup truck, then, is a complex combination of attitudes and assessments. The streetcorner man is under continuous assault by his job experiences and job fears. His experiences and fears feed on one another. The kind of job he can get—and frequently only after fighting for it, if then—steadily confirms his fears, depresses his self-confidence and self-esteem until finally, terrified of an opportunity even if one presents itself, he stands defeated by his experiences, his belief in his own self-worth destroyed and his fears a confirmed reality.

(The following materials relating to the income of nonwhites compared to that of whites are included in the record at this point:)

MEDIAN INCOME OF MEN 25 YEARS OLD AND OVER, BY EDUCATIONAL ATTAINMENT, 1966

	Median income, 1966		Nonwhite income as a percent of white
	Nonwhite	White	
Elementary:			
Total	$2,632	$3,731	71
Less than 8 years	2,376	2,945	81
8 years	3,681	4,611	80
High school:			
Total	4,725	6,736	70
1 to 3 years	4,278	6,189	69
4 years	5,188	7,068	73
College: Total	5,928	9,023	66

Source: "Social and Economic Conditions of Negroes in the United States," Bureau of Labor Statistics, Rept.No. 332, and Bureau of the Census, Current Population Reports, Series P-23, No. 24, October 1967, p. 21.

MEDIAN EARNINGS OF MALES 25-64 YEARS OF AGE WITH EARNINGS IN THE EXPERIENCED LABOR FORCE, 1959, BY YEARS OF SCHOOLING, UNITED STATES

Education	United States		
	White	Nonwhite	Nonwhite as percent of white
All levels of education	$5,278	$3,037	57.5
Less than 8 years	3,757	2,348	62.5
8 years	4,578	3,205	70.0
1 to 3 years high school	5,180	3,430	66.2
4 years high school	5,624	3,925	69.8
1 to 3 years college	6,236	4,280	68.6
4 or more years college	7,792	5,023	64.5

Source: James G. Maddox, with E. E. Liebhafsky, Vivian W. Henderson and Herbert M. Hamlin, "The Advancing South" (New York: The Twentieth Century Fund, 1967), table 6-4, p. 134. The source of the basic data is the U.S. Census of Population: 1960, Occupation by Earnings and Education, PC (2) 7B, U.S. Bureau of the Census. See also ch. 6, "Racial Inequality in Employment," The Advancing South.

[25] And proceeded to do just that the following year when "trouble"—in this case, a grand jury indictment, a pile of debts, and a violent separation from his wife and children—appeared again.

[26] For a discussion of "trouble" as a focal concern of lower-class culture, see Walter Miller, "Lower Class Culture as a Generating Milieu of Gang Delinquency," pp. 7, 8.

MEDIAN INCOME IN 1947 TO 1966 OF FAMILIES, BY COLOR OF HEAD, FOR THE UNITED STATES

[In current dollars]

Year	Total	White	Nonwhite	Ratio of nonwhite to white
1966	$7,436	$7,722	$4,628	0.60
1965	6,957	7,251	3,994	0.55
1964	6,569	6,858	3,839	0.56
1963	6,249	6,548	3,465	0.53
1962	5,956	6,237	3,330	0.53
1961	5,737	5,981	3,191	0.55
1960	5,620	5,835	3,233	0.53
1959	5,417	5,643	2,917	0.52
1958	5,087	5,300	2,711	0.51
1957	4,971	5,166	2,764	0.54
1956	4,783	4,993	2,628	0.53
1955	4,421	4,605	2,549	0.55
1954	4,173	4,339	2,410	0.56
1953	4,233	4,392	2,461	0.56
1952	3,890	4,114	2,338	0.57
1951	3,709	3,859	2,032	0.53
1950	3,319	3,445	1,869	0.54
1949	3,107	3,232	1,650	0.51
1948	3,187	3,310	1,768	0.53
1947	3,031	3,157	1,614	0.51

Source: U.S. Department of Commerce, Series P-60, No. 53, Dec. 28, 1967, p. 4.

[From the Washington Post, Sunday, Jan. 14, 1968]

Is the Negro American Making Progress?—A Debate on the Meaning of Statistics

Early in November, President Johnson released a Government statistical report on the social and economic conditions of the Negro American. It presented what it called a "mixed picture" which on the whole leaned to the side of optimism. This provoked some controversey, and among the dissenters were two Brookings Institution experts. Herewith, in chronological and logical order, are the President's statement, the introduction to the report, the Brookings critique and a rebuttal by the two principal authors of the report.

The President's Statement

(*President Johnson made the following statement in issuing the report on "Social and Economic Conditions of Negroes in the United States."*)

This summer, I asked two highly respected Government statistical agencies to draw together the latest and most relevant data concerning the social and economic condition of Negroes in America—the bad with the good; the disappointing with the encouraging—in a simple format that could be easily understood.

That report, prepared by the Bureau of Labor Statistics and the Census Bureau, is now ready and I commend it to all Americans for serious study. As the reports indicates, no set of statistics can present a complete picture of all aspects of life. We have not yet learned to measure on a yardstick all the elements that contribute to a sense of equality among people. Yet much can be learned from the evidence at hand.

Fruitless—and False

This report, as I view it, backs up neither of the extreme positions that emerged in the wake of the summer disturbances. It does not confirm the diagnosis of bleakness and despair: that there has been no recent progress for Negroes in America and that violence is therefore a logical remedy. It does not confirm the opposite view: that "Negroes have been given too much."

We know those views to be fruitless. This report shows them to be false as well.

Far from showing "no progress," the picture revealed is one of substantial progress. As the Nation rode a great tide of social and economic prosperity over the past seven years, Negroes in America not only kept up with the general

advance but in important ways moved ahead of it. In education, in occupations, in income, in housing, most Negroes have made gains over the past few years. Today, for the first time, a substantial number of Negroes in America are moving into the middle class.

But that is only one of the meanings in this data, and taken alone it is of only limited value. The second meaning is grim.

The gap between Negro and white levels of living in America is still large despite progress. What is most troubling is that in many of the worst slum areas of America, life is not getting better for Negroes—it is getting worse.

Through Opened Doors

Any set of data is subject to a wide variety of interpretations, and I am sure that this will not be an exception. I have formed my own judgment about its deeper meaning.

The Negro progress made over the past six years was earned by millions of Negro Americans going to school, getting better jobs, making higher wages—motivated by the same drives for a better tomorrow that motivated white Americans during this period of economic expansion. Government helped by opening doors of opportunity.

Our civil rights laws have opened doors to jobs, schools, housing, public accommodations and voter participation that were once closed to Negroes. Manpower training programs have opened doors for skill improvement. Aid to education is providing better schools with better teachers and better facilities. Medicare and Medicaid and other programs are opening the way to better health.

The American system places a premium on individual enterprise and initiative. The data in this report show again that when people have a chance to better themselves—they will better themselves.

Millions Still Unreached

The data show that our job is not ended. Millions of Americans—whites as well as Negroes, children as well as adults, in every region of the Nation—remain unreached by the opportunities of the day.

In the urban areas—large cities particularly—as I have pointed out time and time again, the Nation faces a major problem. Successful Negroes are moving out of the worst slum areas, leaving behind communities that are inhabited largely by the deprived, the unskilled, the handicapped and new immigrants from the rural South. It makes all the more urgent that the Federal programs for reclaiming these slums be adequately funded. We must put our country first by giving top priority to the problems of our cities. This must be without regard to party or politics.

The data in this report show that people do make progress, great progress, when they have the opportunity to do so. Our job in the coming days and the coming years is to continue and to intensify our efforts to offer people a chance.

Let us get on with the job.

Introduction to the Report

(This is the introduction to the report by the Bureau of Labor Statistics and the Census Bureau on "Social and Economic Conditions of Negroes in the United States," issued Nov. 2, 1967.)

This is a statistical report about the social and economic condition of the Negro population of the United States. It shows the changes that have taken place during recent years in income, employment, education, housing, health and other major aspects of life. The report was prepared jointly by the Bureau of Labor Statistics and the Bureau of the Census.

Virtually all of the statistics are from the Census or from Federal Government studies designed and conducted by technical experts. Many of the figures have been previously published. Others are scheduled to appear soon in regularly recurring Government reports. Some of the data were tabulated specially for this report.

The aim throughout has been to assemble data to be used by Government agencies at all levels, and by the general public, to help develop informed judgments on how the Negro is faring in this country.

A statistical report cannot present the complete picture because it is necessarily limited to those aspects of life which can be measured. Many elements which are crucial for a dignified life in a society of equals cannot be measured. Yet much can be learned from a careful examination of the factual evidence at hand.

Advances and Retreats

The statistics provide a mixed picture. There are signs of great improvement in some sections and of deterioration in others. The data show that large numbers of Negroes are for the first time in American history entering into the middle-income bracket and into better environments in which to raise their families. Yet others remain trapped in the poverty of the slums, there living conditions either unchanged or deteriorating.

The kaleidoscopic pattern begins to make sense only when we stop thinking of the Negro as a homogeneous, undifferentiated group and begin to thing of Negroes as individuals who differ widely in the aspirations, abilities, experiences and opportunities.

Millions of Negroes have uprooted themselves in search of better jobs, greater freedom and wider horizons. Many have taken advantage of education and training programs in recent years. The fact that these opportunities exist, and that large numbers of Negroes are using them, proves that there are open avenues of upward mobility in our society. Many who were at the bottom are finding their way up the economic ladder.

The substantial improvement in the national averages for Negroes in income, employemnt, education, housing and other subjects covered in this report reflect the widespread nature of the social and economic gains experienced by most Negroes in recent years. Yet large numbers are living in areas where conditions are growing worse.

In part, the deterioration in the poorest Negro neighborhoods reflects the fact that these areas are constantly losing their most successful people to better neighborhoods, leaving behind the most impoverished. As a first home in the city, these areas also attract rural newcomers who come with the hope—as did immigrants of previous generations—of making a better living, but with few skills to equip them for urban life.

This complicated pattern of progress mixed with some retrogression makes it hazardous to generalize about the social and economic conditions of Negroes in America. The statistics show dramatic achievements; they also reveal a large remaining gap bewteen the circumstances of whites and Negroes.

Income Gap Narrowed

The single most important fact in the economic life of most Americans—white and Negro alike—is the great productivity of our economy. Millions of Negroes who just a few years ago had small jobs, small incomes and even smaller hopes have had considerable gains.

- Although Negro family income remains low in comparison with the rest of the population, the incomes of both whites and Negroes are at an all-time high and during the last year the gap between the two groups has significantly narrowed.

Still, despite the gains, Negro family income is only 58 percent of white income. A majority of Negro families still live in the Southern region where incomes are far below the national average and where employment opportunities for them are more restricted than elsewhere. Outside the South, Negroes do much better. In the Northeast region, the median family income for Negro families is $5400—two-thirds the white median; in the North Central area, the median income of Negro families is $5900—about three-fourths the white median.

- Today, over 28 percent of the nonwhite families receive more than $7000 a year—more than double the proportion with incomes that high seven years ago, as measured in constant dollars taking into account changes in prices. Outside the Southern region, the percentage of Negro families with incomes of $7000 or more rises to 38 percent.

The incidence of poverty among nonwhite families remains high, with about one out of three classified as poor. Still, just six years ago one out of two of the nonwhite families was poor. Last year, the number of nonwhites in poverty was reduced by 151,000 families. The majority of nonwhites who are poor work for a living and are not dependent upon welfare assistance.

Whites and Negroes have both benefited from the prosperous conditions of recent years. Continued prosperity for more than six years has brought with it increased job opportunities. Many who had been out of work have moved into jobs; others who worked only part-time are now working full-time or overtime, and still others who were employed at menial tasks have taken advantage of the opportunity for upgrading their skills or status.

● Unemployment rates for nonwhites are still twice those of whites, but the level for both groups has dropped dramatically. For nonwhite married men, who are the chief providers in nearly three-fourths of the non-white homes, the unemployment rate dropped at a faster rate than for white married men during the last five years and now stands at about 3½ percent.

Despite the decline in the unemployment rate, nonwhite males are somewhat more likely to be "not in the labor force," that is, neither working nor looking for work. Further, unemployment has not decreased sharply everywhere. Teenage unemployment continues very high at 26 percent. In one of the worst areas of Cleveland (Hough), unemployment rates from 1960 to 1965 moved downward less than 2 points and remained at 14 percent in 1965. The subemployment rate, which reflects part-time work, discouraged workers and low-paid workers, was 33 percent in 1966 in the "worst" areas of nine large cities.

● The decline in unemployment and the rise in income reflected an expanding range of well-paying jobs. The number of nonwhites in professional, white-collar and skilled jobs went up by nearly half during the past six years.

Even with this substantial progress, it should be noted that Negroes are still far less likely to be in the better jobs. For the first time, however, the number of Negroes moving into good jobs has been of sizable proportions. Since 1960, there has been a net increase of about 250,000 nonwhite professional and managerial workers, 280,000 clerical and sales workers, 190,000 craftsmen and 160,000 operatives in the steel, automobile and other durable goods manufacturing industries. There was a net increase of nearly 900,000 nonwhite workers in jobs that tend to have good pay or status during the past six years. Yet many Negroes remain behind; a nonwhite man is still about three times as likely as a white man to be in a low-paying job as a laborer or service worker.

● Education has often been considered as the key to economic success in our society. Recent improvements for nonwhites in this area parallel those previously described in employment and income.

Six years ago, nonwhite young men averaged two years less schooling than white young men. Today, the gap is only one-half year. Nonwhite teen-age boys are completing high school and going into college in increasing proportions and for the first time the typical nonwhite young man can be said to be a high school graduate.

Despite the gains in "years of education attained," the only data available that deal with the "level of achievement" show a major gap: Negro students test out at substantially lower levels than white youths, up to three years less in the 12th grade. Further ,about 43 percent of Negro youth are rejected for military service because of "mental" reasons, compared with an 8 percent rate for white youth.

● One of the encouraging signs revealed by this statistical study is the very active participation of Negroes in voting and registration. Outside of the South, almost as large a proportion of Negro as white adults voted in the 1964 presidential election. Almost 70 percent of all registered Negroes voted in the 1966 congressional election. By 1966, there were over 140 Negroes in state legislatures, almost triple the number four years earlier.

● One of the somber notes sounded by his report concerns the increase in residential segregation; a survey of 12 cities in which special censuses have been taken shows increased rates of segregation in eight cities.

● But perhaps the most distressing evidence presented in this report indicates that conditions are stagnant or deteriorating in the poorest areas. About half a million poor Negro families—10 percent of the total—have lived all their lives in rural areas with very limited opportunities for improvement in education, employment, housing or income.

Another 10 per cent—half a million Negro families—have incomes below the poverty line and live in poor neighborhoods of large central cities. This tenth lives in comparatively wretched conditions—many have poor housing; a sizable proportion are "broken families"; they are at the bottom of the job ladder, and they have the highest unemployment rates.

● The unevenness of social and economic progress among Negroes can be seen most dramatically in the results of the census that was taken in Cleveland two years ago. Outside of the poor neighborhoods in Cleveland, Negro families made major gains between 1960 and 1965. Average incomes rose, the incidence of poverty and the number of broken families were reduced. But in the poorest neighborhoods, all of these social indicators showed decline.

In Hough, which is one of the worst of the poor neighborhoods, the incidence of poverty increased, the proportion of broken homes increased and the male unemployment rate was virtually unchanged. A similar study was made in various neighborhoods in South Los Angeles after the riot in Watts several years ago, and showed much the same pattern.

Despite the general improvement in the conditions of life for Negroes nationally, conditions have grown worse in places like Hough and Watts. As Negro families succeed, they tend to move out of these economically and socially depressed areas to better neighborhoods where they and their children have the opportunity to lead a better life. They leave behind increasing problems of deprivation in the heart of our largest cities.

The facts in this report thus show a mixture of sound and substantial progress, on the one hand, and large unfilled needs on the other. They do not warrant complacency. Neither do they justify pessimism or despair.

The Brookings Critique

(By Rashi Fein and Stephen Michelson)

(Fein is a senior staff member of The Brookings Institution and Michelson a research associate at Brookings.)

A report on "The Economic and Social Progress of the Negro Population," prepared by the Census Bureau, concluded that "aggregate improvement has been substantial and progress from decade to decade has been at an accelerating rate." The publication, in text and tables, stressed the economic progress of the Negro over the years but noted that he had not yet achieved equality. The authors expressed optimism for the future.

Since 1918, when the above report was issued, the face of American life has changed. Real national income has quadrupled; television, telephones and automobiles are commonplace. Yet when, with the Bureau of Labor Statistics, the Census released its latest study on "Social and Economic Conditions of Negroes in the United States" early in November, its summary seemed 49 years old. The Bureau noted "the substantial inmprovement [that] . . . reflects the widespread nature of the social and economic gains experienced by most Negroes in recent years." It pointed out that still "large numbers are living in areas where conditions are growing worse" despite "sound and substantial progress" and "dramatic achievements." The signs of progress and retrogression evidenced in the report, concluded its authors, "do not warrant complacency. Neither do they justify pessimism or despair."

There have been other reports between 1918 and 1967. In 1960, the then Secretary of Labor, James B. Mitchell, in transmitting a special study on the economic progress of Negroes to President Eisenhower, noted: "In education, type of work, income, housing and other areas for which measures are available, the history differentials between whites and Negroes have narrowed. . . . This report . . . is not a basis for complacency but a spur to continued action."

Two years later, under a new Administration, the Labor Department reported: "The economic status of Negroes in the United States has steadily improved in recent decades. Negroes have advanced much faster on the average than other segments of the population. However, despite the narrowing of historic differentials, Negroes are still behind the majority of citizens in measures of economic well-being."

Thus for 50 years Government studies have concluded that the Negro is making substantial progress, that he has not yet achieved equality, that we should not be pessimistic but that we dare not be complacent.

In this review of the most recent Government report on the Negro, we will not at first question these most general conclusions. Let us assume that what is presented is correct. What is at issue is whether this latest report, released with a press briefing by the President of the United States, merits our confidence.

(1) Are the data presented relevant to an understanding of "how the Negro is faring in this country?"

(2) Are the data interpreted correctly—What do they really tell us, what questions do they answer?

(3) Will their, or similar, data significantly increase our understanding of the problem facing the Nation and thus help provide direction for public and private policy?

It is, of course, impossible in the limited space available to discuss the almost 90 published tables. Nor is it necessary. Many of them provide factual data so highly aggregated that they offer no analytical handle or insights (e.g., "Total and Negro Population, 1900–1966") ; still others, even if meaningful, are outdated (e.g., "Per Cent of Housing Overcrowded, 1960"). We shall, therefore, concentrate our attention on groups of data and on the inferences that the report draws from them.

The most basic and overriding criticism that we would make is that the report deals with measured outcomes and not with processes. Not only are we not enlightened on why things are happening and thus on policies that could speed change, but we cannot even judge the significance of the reported changes.

Are Negroes faring better—in the measured elements of life (and the report itself concedes that "many elements which are crucial for dignified life in a society of equals cannot be measured")—because "they try harder" or because obstacles to progress are disappearing?

Picture two groups of runners, some black, some white, in a foot race. They will run equal distances but the black runners, unlike the white, will have to go over hurdles and barricades between start and finish. They will race each month, and periodically—occasionally with special press briefings—the results of the latest race will be reported.

Usually these results—justifying neither despair nor complacency—will show that (a) both groups of runners are improving their speed: (b) though the black runners still lose, on the average they lose by less and less from race to race. But we are never informed to what extent this improved performance of the losers is due to the hurdles being lowered, to what extent it stems from better training or greater effort.

This is important, because though the blacks may continue to improve relative to the whites, and though they may be as fast or faster runners on an equal track, they may never equal the whites' time as long as the barricades are in place. A fair race involves eliminating inequalities on the track as well as the provision of equal training and preparation for the race.

Information on the time of the race tells us little about the relative conditions of the track. Most of us would agree that equating these conditions should be a primary goal. Information on the relative success of the Negro—if stemming from greater efforts over an unchanged track—may therefore be misleading vis a vis the goal of equality of opportunity.

Avoiding the Barricades

That this question is of significance is clear. Self-congratulations by white America are hardly in order if Negro advancement is based upon effort and behavior greater than that required of the white community. And there is evidence that indeed some of the progress that the report welcomes is based on Negro effort to get around barriers that are not placed in the way of white Americans.

In the introduction to the 1967 report, the authors underline the statement, "Although Negro families income remains low in comparison with the rest of the population, the incomes of both whites and Negroes are at an all-time high and during the last year the gap between the two groups has significantly narrowed." Negro family income is now up to 58 per cent of white family income—the significant narrowing" being the increase from 54 per cent in 1965.

What can one say about these statements? Surely that part of the gain is attributable to the fact that the Negro is finding ways to circumvent the barricades, not necessarily to the fact that the barricades have been significantly lowered. Some of the gain, for example, is attributable to the fact that Negroes are moving more repidly than whites from the low-income South to the North and the West.

Part of the Negro's relative standing is due to the fact that nonwhite women are more likely to be in the labor force than white women and, when working are more lively to be working full time. It is surely encouraging that opportunities exist for Negro families to have three earners or more, yet it is perhaps more important to know that the median income of Negro families with three or more earners still remains lower than the median income of white families with only one earner.

Much of the gain in family income, therefore, may be attributable to the composition of the family and to the extra efforts by females in nonwhite families. This, of course, brings us to yet another point. If we are to judge how the Negro

is faring, how complete can our judgment be if it is based on comparisons of data for Negro and white families?

Family income is what the report focuses upon, but the composition of Negro families is different from that of white. Unless we recognize this—and the report is of little assistance in alerting us to these points—counting families may seriously bias the results.

In the first place, nonwhite tend to stay single more frequently than do whites, and unrelated individuals of both races tend to be poorer more often than do families. Second, the composition of poor families is different for whites than for nonwhites. A nonwhite family is three and a half times as likely to be poor as a white family but the nonwhite child is almost four times as likely to be in a poor family than is a white child.

The statistical analysis may be cumbersome, but the point is simple: Poor families tend to be larger. Thus in 1965, 39 per cent of nonwhite *families*, but almost 50 per cent of nonwhite *persons*, were in poverty.

We believe that an examination of how the Negro family is faring is too limited. We must also ask how individuals are faring. It surely is misleading to average a family of two earning $7000 with a family of 12 earning $3000 and conclude that the average family is earning $5000. The average individual is in a family earning substantially less.

This discussion assumed that the numbers in the report were themselves correct, that median income of Negro families did jump from 54 to 58 per cent of the median income of white families in 1966. But stopwatches err, and sample surveys err, and just as we insist that several watches time a race, several observations are needed to make a trend.

The ratio of nonwhite to white median family incomes only a year earlier, in 1965, was the same as it had been in 1955. There has been no significant upward trend in this ratio from 1950. Perhaps we did experience remarkable progress in one year. Regrettably, however, we will have to wait until the 1967 data are available to feel more certain on this matter.

Avenue or Alley?

Our criticism of the report's first finding, then, relates to the fact that while we are given information on the results of the black-white foot race, we are told little about the relative difficulty of the track. Why did these results come about?

Even aside from the questionable evidence on family data and the reliance on one new and possibly erroneous number, the information given is of little use in answering questions about barriers to economic progress. It is, therefore, not very helpful in assessing the relative emphasis to be given alternative policy tools even in reaching the more limited objectives of "informed judgments."

The report says that the evidence "proves that there are open avenues of upward mobility in our society." In our judgment, the authors have confused an avenue with an alley, for it may well be that upward mobility tells us far more about the perseverance of the Negro in overcoming obstacles that it does about the equity of our society in providing opportunity.

The report's second point concerns improvement in the percentage of families with incomes of over $7000 a year. The report emphasizes the fact that over 28 per cent of nonwhite families in the United States now have incomes of over $7000 per annum. Certainly all of us welcome an increase in this percentage. It is important, however, to compare this percentage with other relevant data in order to ". . . develop informed judgments on how the Negro is faring in this country."

To what shall the 28 per cent be compared? Should we note that in this same year 55 per cent of white families received more than $7000 a year? Should we note that between 1947 and 1966 an additional 34 per cent of white families crossed the $7000 threshold but that this was true for only an additional 21 per cent of nonwhite families; that even since 1960 white progress has exceeded nonwhite progress?

Our understanding of the problems facing America could be increased if the report paid greater attention to the fact that the absolute spread between white and nonwhite median family income is rising. In 1947 it was $2200; in 1960, $2800, and in 1966 $3000. Perhaps we should note that even with the increasing proportion of nonwhites obtaining higher incomes, the median family income for nonwhites in 1966 was only equal to the median income (in constant dollars) that whites had obtained in 1947.

A 20-Year Lag

We noted before that the report emphasized the statement of progress. Reported (but not emphasized) was the fact that "the incidence of poverty among nonwhite families remains high, with about one out of three classified as poor." While this percentage has been dropping, it still remains higher than the percentage of white families with incomes of less than $3000 some 20 years ago.

Reports of progress should not rely on measures that ask that the Negro compare himself with what conditions were like for his father but, rather, with what conditions are like for the rest of America. The Negro, after all, cannot ignore the fact that today the odds for the white are four times as high that he will be "well off" than that he will be poor. For the Negro, the odds are less than 50–50.

It must be noted—the report did not do so—that even as the percentage of nonwhites relative to the percentage of whites with incomes of over $7000 increased from 1960 to 1966, so too did the percentage of nonwhites relative to the percentage of whites with incomes under $3000.

The average of the times of the runners in the race is an important datum, but of equal importance are the times of the majority of the runners. Can we ignore the fact that most white families have incomes over $7000 per annum while most nonwhite families have incomes of under $5000? Emphasis on families over $7000 seems misplaced.

We repeat that it is not our purpose to question any particular item reported by the Census Bureau and the Bureau of Labor Statistics. We are, however, concerned whether the total impact of all the data and the presentation will add significantly to our understanding and our judgment about necessary actions.

It seems to us, therefore, that while it is important to emphasize that unemployment has been dropping but that the nonwhite unemployment rate is still twice the white rate, equal emphasis needs to be given to the fact that this ratio has held quite steady since 1954. If relative progress is highlighted when it occurs, equal attention must be paid to areas where, unfortunately, it is not found.

Furthermore, even this 2 to 1 unemployment ratio is somewhat misleading. Data presented elsewhere in the report note that "the Census Bureau estimates that its Current Population Surveys miss about 13 per cent of the nonwhite population of working age and 2 per cent of the white." If estimates of the effect of undercount are made, the unemployment rate for nonwhites jumps far more than the unemployment rate for whites. The spread increases. Also significant is the fact that a higher percentage of nonwhite adult males are not in the labor force —that is, not working or even seeking work.

Education's Cash Value

The reports fifth major point is that nonwhites are improving their education faster than whites. This is important because "education has often been considered as the key to economic success in our society." But the report's own figures indicate that education even today proves to be far more valuable to the white than to the nonwhite.

The median income of a nonwhite over 25 years of age and with eight years of schooling is 80 per cent of that of a similar white. But after four years of high school it is 73 per cent, and with some college, only 66 per cent! By going on to college, the nonwhite increases his annual income by an average of $740 but the white increases his income by $1950. Thus, though the nonwhite can increase his income by getting more years of school, relative to the white with the same schooling, he does worse and worse.

This does not deny that equal years of school yielding equal amounts of learning is a goal in itself. Even if this implies greater resources devoted to educating children from poorer families, equality of opportunity in the labor market, as a goal of American society, demands it. But we raise the question—and suggest that much more intensive analysis is needed on the matter—of how much impact such education will have on nonwhite earning power.

Only last April, the "Manpower Report of the President" indicated that "as matters stand now, many Negro workers—especially the younger ones—have more education than they need for the jobs they can get." Furthermore, the report indicated that "several careful economic studies . . . have consistently shown that Negro workers earn less than comparable white workers (that is, taking into consideration age, education and other factors) in the same occupation and industry. These studies have concluded that discrimination is an important root cause of the earnings differentials."

Does the current report add to our understanding by ignoring the possibility that the key really lies in the labor market, in the refusal of white employers to hire nonwhites for good and well-paying jobs? As the report itself notes, "The majority of nonwhites who are poor work for a living." We would have hoped the authors of the report would have paid more attention to the implications of that remark.

Unanswered Questions

We are disappointed in this report. The data it presents are limited and incomplete. They are not particularly useful for analytical purposes. Many of the inferences that the authors draw from the data seem far too sweeping. The report fails to address itself to any number of important questions: Are nonwhite-white ratios the most meaningful measure? How much of the recent gains is a cyclical phenomenon? How much of the income differential is due to the education differential? By how much are income gains eroded by ghetto conditions?

We hope that the Government will recognize the importance of adequate research in depth on the social and economic conditions of Negroes in the United States. There are many things that we do not know. There are even more that we do not understand. It is time that we began to ask some hard questions. It is time that we try to answer these questions. It is time we learned to distinguish between the superficial and the meaningful.

By far the best Government report on this subject was produced by the Bureau of Labor Statistics in June of 1966 ("The Negroes in the United States: Their Economic and Social Situation"). The data provided in the 1966 report, the discussion of the data, the inferences drawn from them and the tone of the document itself provide evidence that our disappointment is not the result of setting inordinately high standards. It is distressing that in terms of the quality of the reports we are retrogressing.

The President has presented a report with praise for progress similar to that in the 1918 report, with a warning against complacency such as we read in 1960. He urges us not to be pessimistic, but it is not clear that Negroes are improving their economic position relative to whites faster than they were decades ago. He urges against despair, but Negro poor are a greater percentage of the poor today than they were in 1960.

If pessimism is to be dispelled, the rate of progress will have to be increased. Indeed, to the extent that this report fails to recognize the dimensions of the problem, there is even more cause for pessimism than the data call for. On this matter, too, there is little reason for complacency.

The Authors' Rebuttal

(By Herman P. Miller and Dorthy K. Newman)

(*Miller is chief of the Census Bureau's Population Division. Mrs. Newman is assistant chief of the Office of Economic Studies of the Bureau of Labor Statistics.*)

Our critics' disappointment stems in part from a basic misunderstanding as to why the report was prepared and the function it was intended to serve.

After the Detroit riots last summer, the Bureau of Labor Statistics and the Bureau of the Census were asked to compile the latest and most relevant data on the social and economic conditions of Negros in the United States "in a simple format that could be easily understood." We were not asked for a compendium of detailed statistics and technical analysis; we were not asked for a monograph intended for specialists; we were not asked for a learned essay concerning the failings of social statistics. We were asked for a concise presentation of "the good with the bad."

The purpose of the report was to provide much needed, up-to-date facts, based no reliable sources, against which the many charges and countercharges that were being made at the time could be checked. The aim was to present an objective view of the situation of Negroes in America based on facts so that a troubled nation could turn to facts for guidance rather than to inflamatory rhetoric.

As it turns out, the image of the Negro which emerges from facts is perhaps different from what Fein and Michelson seem to have had in mind. It is different, too, from the image of the Negro that appears with frequency in both the mass media and the technical, sociological and economic literature.

A Stereotype Demolished

The report documents the wellknown differences between Negro and whites in many of the important aspects of life. It also establishes that in the poorest neighborhoods these differences are getting worse. It makes clear that Negroes in America are discriminated against; that segregation exists and may be increasing; that life in the slums is harsh.

At the same time, however, the report demolishes a currently prevalent stereotype that runs something like this: The typical Negro child is the illegitimate offspring of an alienated, unemployed, shiftless father and of a welfare mother, the child growing up uneducated in a slum world dominated by woman and social workers. This characterization is valid for some Negroes in some places, but it is incorrect when applied with broad strokes to the entire Negro population. There is nothing to gain and much danger from clinging to such a stereotype—especially as background for public policy.

This factual report covers most of the areas toward which policy is directed or being considered: employment, income, education, housing and living conditions. In doing so, it examines the "facts" often taken for granted about American Negroes.

Among these so-called "facts" are that Negroes are fast increasing as a proportion of the American population and becoming a majority in most large cities; that their families are usually headed by woman; that Negroes, especially the poor, are usually on welfare and those in cities tend to live in dilapidated houses; that the teen-agers are mostly dropouts; that the woman have lower unemployment rates than men and contribute more income to the family or earn higher wages than Negro men.

The hard facts, subjected to careful analysis, show that these are myths. Policies cannot and should not be introduced or implemented on the basis of myths.

A Fault of Statistics

Fein and Michelson ask, "Are Negroes faring better . . . because they try harder or because obstacles to progress are disappearing?" All of us who have studied these questions, including our knowledgeable critics, know that there is as yet no clear or accepted measure of the intensity of effort people make to improve themselves or of the relative effect of obstacles that hinder them. This includes discrimination.

That is an unfortunate fact about the state of social statistics and the Government is attempting to rectify it by developing long-term social indicators, a process which Fein and Michelson know will take years. Until then alas, we can only work with data that exist, not with data our critics wish existed.

We conclude from the data that Negroes have progressed—as whites have progressed—both because they "try harder" and because opportunities exist. As the report states:

"Millions of Negroes have uprooted themselves in search of better jobs, greater freedom and wider horizons. Many have taken advantage of education and training programs in recent years. The fact that these opportunities exist, and that large numbers of Negroes are using them, proves that there are open avenues of upward mobility in our society. Many who were at the bottom are finding their way up the economic ladder."

We will stand on that.

Self-Answering Report

With regard to specifics, Fein and Michelson make a number of strong critical points that sound strangely familiar—because in fact they appear in the report. Thus:

- They discover that the absolute dollar gap is widening between Negro and white—and the report states just that, precisely and prominently. (p. 18)
- They let us in on the fact that a larger proportion of nonwhite persons than families are poor—and the report states just that, precisely and prominently. (pp. 22, 23, 25)
- They uncover the starting fact that the white-nonwhite unemployment ratio has remained unchanged—and the report states just that, precisely and prominently. (p. 30)
- They complain of a dearth of information about the Negro family—yet an entire section of the report deals precisely and prominently with the family. (pp. 69–78)

Other statements made by the critics are carping—or actually erroneous:

- A complaint is lodged against use of 1960 Census housing data—but no mention is made of the fact that four extremely significant tables dealt with 1966 housing data—the first time the data appeared anywhere. (pp. 53–56)
- The critics demand that greater attention be given to the difference between labor force participation rates of white and nonwhite men, yet the difference is only two percentage points—79 per cent vs. 81 per cent—and the data are presented prominently in the report by age, with reasons assigned to the differences that do exist.
- The critics strangely attribute the 1965–6 rise in Negro-to-white income ratio to family composition and working wives—factors which were constant during that period.

No Data-Shaping

But these are only the minutiae. On a broader canvas, just as our critics are "disappointed in this report," so we are disappointed with their review.

Both the critique by Fein and Michelson and the column by Joseph Kraft published in this newspaper Nov. 7 are critical of the report because it does not always conform to their conclusions. As Kraft said, "information cannot just be allowed to flow from the bureaucracy . . . On the contrary, data must be forced out and shaped . . ." Fein and Michelson also chide us for not emphasizing their conclusions.

Sorry, but we are not data-shapers. Clearly the most important service the statistical Government agencies can render in this period of confusion and ferment about Negroes in America is to seek the truth and present it, whether or not it conforms to preconceptions.

If that truth involves stating that in recent years Negroes in America have made important gains in jobs, income, education and housing, then that truth ought to be stated, even if Fein and Michelson choose not to discuss its importance in subsequent criticism.

If Fein and Michelson feel that citing the positive as well as the negative aspects of Negro life weakness the case for expanding and improving Government programs, they are mistaken. A call for action based on the proposition that action has failed is a clarion call of futility. The whole truth is the best springboard for action, because it shows in what respects action has worked and, plainly, that more action, urgent action, is needed.

Representative BOLLING. The Joint Economic Committee will stand adjourned until Tuesday next when it will meet at 10 a.m. in room 1202 of the New Senate Office Building.

(Whereupon, at 12 noon, the hearing was adjourned, to reconvene Tuesday, June 4, at 10 a.m.)

EMPLOYMENT AND MANPOWER PROBLEMS IN THE CITIES: IMPLICATIONS OF THE REPORT OF THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

TUESDAY, JUNE 4, 1968

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The Joint Economic Committee met, pursuant to adjournment, at 10 a.m., in room 1202, New Senate Office Building, Hon. Richard Bolling presiding in place of Committee Chairman Proxmire.

Present: Representatives Bolling, Griffiths, and Rumsfeld; and Senator Proxmire.

Also present: John R. Stark, executive director; and Douglas C. Frechtling, minority staff.

Representative BOLLING (presiding). The committee will be in order.

This morning we begin the third day of hearings on the employment and manpower aspects of the Kerner Report.

Today's panel concentrates on the implications of the report for general economic policy under the Employment Act of 1946. We need to know more about the economic costs and benefits of the Commission recommendations, as well as their effects on other national objectives, such as economic growth, price stability, the balance of payments, and income distribution.

The fundamental question that has to be answered is this—what methods are best suited in terms of effectiveness and general economic impact for reducing unemployment and underemployment to a minimum?

We are fortunate in having four eminently qualified panelists today—Gerhard Colm, chief economist, National Planning Association; Eli Ginzberg, Hepburn professor, Department of Economics, Columbia University; Irving H. Siegel, senior staff member, W. E. Upjohn Institute for Employment Research; Lester C. Thurow, professor, Department of Economics, Harvard University.

Dr. Colm is an old and valued friend of the committee who has given us the benefit of his clear thinking on many occasions. In a distinguished career, he has been a teacher; a member of the staff of the Council of Economic Advisers; and the Chief Economic Adviser of the Bureau of the Budget. He is a member of the Advisory Committee to the Joint Economic Committee.

Dr. Siegel is likewise a scholar, well known to the committee. He, too, has served as a teacher and a member of the staff of the Council

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of Economic Advisers, and is now a most productive member of the Upjohn Institute. He is also a member of the Advisory Committee to the Joint Economic Committee.

Professor Ginzberg is director of Conservation of Human Resources at Columbia University, and very well known for his work in the field of human resources.

Professor Thurow, a junior member of this panel, has already established himself in the human resource field as a most able scholar.

Dr. Colm, you may begin as you wish, sir.

STATEMENT OF GERHARD COLM, CHIEF ECONOMIST, NATIONAL PLANNING ASSOCIATION

Mr. COLM. Thank you, Mr. Chairman.

I have a prepared statement of 22 pages.

Representative BOLLING. We would be delighted to put it in the record and allow you to summarize it.

Mr. COLM. Since I was told I had 10 to 15 minutes, I agree it would be preferable if I summarized the paper.

Mr. Chairman, it is difficult to deal with the very comprehensive report of the National Advisory Commission on Civil Disorders—which I will refer to briefly as the Kerner Report—in a few minutes.

I will not deal, and my paper does not deal, with the merits of the analysis and recommendations in detail.

I would like to say at the beginning that I find myself in great sympathy with the analysis of the report and with most of the recommendations. I thought I could be most useful to this committee if I concentrated on two questions: First, what are the costs of these recommendations in terms of dollars and manpower; and second, what are the fiscal implications if these recommendations are adopted?

The first part, the cost analysis, is largely based on a study that the National Planning Association is in the process of completing for the Manpower Administration of the Labor Department. However, the Labor Department has not yet seen the results, so the Labor Department has no responsibility, nor has the National Planning Association—because I took the worksheets away from Mrs. Joyce Powell and Dr. Leonard Lecht in order to get my main conclusions, and they are free to change it before it is submitted to the Labor Department.

So my conclusions, Mr. Chairman, are entirely my own, and neither the Labor Department nor the National Planning Association as such is responsible for them.

Now, to be very brief, I present detailed tables in my testimony. We have tried to estimate the costs of the recommendations over and above the fiscal year 1968 level of programs, both in the public and private sectors. We come to a figure of about $40 billion in GNP per year. That means if these recommendations are adopted, including their direct effects on the economy, we would have to add $40 billion to the gross national product, or divert part of the gross national product now devoted to other purposes to the purposes of this report.

This would be tantamount to creating about 3.7 million additional jobs.

These estimates include Government expenditures and related outlays in the private economy—an example of related private outlays

would be: If the Government promotes low-income housing, for example, through public housing, the whole amount would appear in the budget—if the Government does it through rent subsidy, a major part would appear as private construction expenditure. And in the $40 billion, these private expenditures are included as well as what would appear in the budget.

If we want to examine the feasibility of these programs, we have to consider first what part could be derived from utilization of now idle resources.

We have about 3 million unemployed at the moment, some underemployed, and probably one-half million to 750,000 hard-core unemployed in the cities. There could be some effort that could add to the gross national product without taking it away from anybody else.

Second, the GNP is growing year by year, in constant dollars, by about $35 billion per year, and the manpower is increasing by one and a half million per year.

If we would go for all the recommendations within the timetable of the Commission—for instance, the whole housing goal to be achieved within 5 years, the whole 2 million employment goal to be achieved within 3 years—we would use up the full increase in GNP, we would have to absorb all increase in incomes and production and divert it to this purpose.

This, Mr. Chairman, appears to me as an unrealistic proposition, because we have to provide for growing population, we have to provide capital equipment for growing industry. Actually, the whole report assumes a satisfactory rate of economic growth.

Such a massive redistribution of income and in the allocation of resources does not appear feasible.

In the study which I mentioned, using the goals of the National Advisory Commission but adopting a slower rate of achievement—for instance, a housing goal not in 5, but in 10 years, the employment goal not in 3 but in 5 years—we get an increase in GNP of about $15 billion per year, and an increase in manpower utilization of about 1.2 million.

I would say, Mr. Chairman, with certain qualifications on the financial side, such a pursuit of the goals of the Commission at a slower pace, with these alternative figures—which are given in detail in my prepared statement and which will be given in greater detail in the study for the Labor Department—appears feasible to me.

But second, the financial implications. It is very difficult to divide the $40 billion at the full speed or the $15 billion with the lower speed into the public and private sector. We have to make certain assumptions about the method, for instance, of promoting housing, the methods used in implementing the various programs. The Commission also proposes certain tax incentives which are not affecting the expenditures of the budget, but have a negative effect on the revenue side.

With all the qualifications—some of which you will find in my statement, others in my mind—we come to the conclusion that the full implementation of the Kerner Report would require an increase of annual Government expenditures of something like $23 billion. The slowed-down model would require an increase of about $6 billion for the average of the first 2 years. I would remind you again, this is over and above the 1968 budget.

In contrast with the $23 billion or the $6 billion increase in Government expenditures under the full speed or slowed-down version of the Kerner Report—the programs for the poor are recommended with an increase of $3 billion expenditures in the President's budget from fiscal 1968 to 1969. Now, we think a slow but comprehensive pursuit of these goals would about double this figure.

The Commission is not very clear on how they want to have their whole program financed. Their main emphasis is on the so-called fiscal dividend, which they estimate at $11 to $14 billion, but in adding up for the average of the next 2 years they use a figure a little bit above $14 billion—the arithmetic is not entirely clear to me. Over a 2-year period, they figure that there will be an increase in revenue of about $28 billion as a result of the fiscal dividends, and $16 billion as a result of the surcharge, the speeding up of corporate payments, and the continuation of the excise taxes, which over 2 years' period makes a total of $44 billion available. That seems to be the basis for financing of the whole program.

I have a few questions here, Mr. Chairman.

1. We are now operating on something like a $25 billion deficit. One might well say that part of the fiscal dividend and the surcharge will first reduce the deficit. I am not an advocate, as the chairman of this committee knows, of balancing the budget exactly each year, but $25 billion deficit is a little bit too much even for a Keynesian.

2. The fiscal dividend of $14 billion I think is based on an income which is enlarged, not only through greater production activity, but also through a rise in prices. You tell me what fiscal dividend you want, and I can figure it out for you. It depends largely on the projected relationship of personal incomes to corporate incomes. But it has become kind of standard to assume that the fiscal dividend under present circumstances—the relationship of profit to other incomes—would amount to something of $10 billion to $11 billion excluding the effect of inflation.

Inflation has an effect on both sides of the budget—not exactly the same effect, but, for example, the pay increase is related to the cost of living even by legislation. One cannot say that that part of the fiscal dividend which is due to price rise or cost rise is available to new additional programs. Part of it—I believe a major part—would be absorbed by increased pay of civil and military personnel, and increased contract prices.

3. As the Commission very correctly recognized, there are other claims on the budget—not all additional money would be available for social programs.

4. The surcharge is only temporary, according to present legislation, and presumably would be dropped in case of a deescalation or termination of the military phase of the war in Vietnam.

I believe that even in case of a deescalation of the war in Vietnam, one could not say that the whole spending for Vietnam, now about $28 billion per year according to the Defense Department, would become available for social programs. There is the pacification program in Southeast Asia. The Defense Department is already waiting for the day to replenish their inventory, and to support non-Vietnam related defense expenditures which are now curtailed, and there are other programs which should be considered.

Mr. Chairman, I see my time is up but I ask permission to present to you one main conclusion.

I do agree that conditions in rural areas, and in many cities, are intolerable in an affluent society, and are crying out for remedies. Many programs have beeen initiated; some are more, others less, promising. I bring to your attention a table in my statement which shows the very substantial increase in social programs over the last decades. Much has been done, but not enough. There is a deplorable gap between general program design and effective implementation. Admirable as the Commission's report is in its analysis of the manifold causes of discontent and its outline of remedies, I think it has failed to recognize the seriousness of the budgetary situation and has placed too much confidence in an early windfall gain of the fiscal dividend.

I think, for a 2-year period after deescalation in Vietnam, the surcharge should be continued for financing the initial phase of this step-up in social programs. Thereafter the fiscal dividend could take over, and we could have a drop of the surcharge, later perhaps also in other tax rates.

I believe, as the Commission says, that "the country can do for its people what it chooses to do," but this implies more difficult choices than are indicated in the report.

In short, I do not believe that there is, as the Commission's report appears to imply, a relatively painless fiscal way to finance its proposed programs for the years immediately ahead. In my judgment, achieving these social programs and other Government programs which are determined by the political process will require for the next few years either higher tax burdens and appropriate price-wage policies, or a continued high rate of inflation and aggravated difficulties in the international economic situation. Thank you.

Representative BOLLING. Thank you, Dr. Colm.

(The prepared statement of Dr. Colm follows:)

PREPARED STATEMENT OF DR. GERHARD COLM*

It is a difficult assignment to deal in a brief statement with the economic implications of the Kerner Commission Report. I can probably best serve the purposes of the Joint Economic Committee if I concentrate on only two aspects of the Report, hoping that other witnesses will focus on other aspects. If this is agreeable with the Chairman, I will focus first on the costs of the recommended programs in terms of dollars and manpower, and second on the financial implications of the policy recommendations made by the Kerner Commission. I will not discuss the merits of these proposals *per se*, but let me say that I am personally in sympathy with the objectives of these proposals. A few more general introductory remarks will be needed.

I. INTRODUCTION

The emphasis of these hearings is on the employment and underemployment problems in the cities. There are three interrelated groups of possible causes which create the employment problems in the cities: One is the lack of job opportunities in occupations which can be filled by the unemployed in the central city. For a number of reasons, transportation and insurance problems among others, many industries have moved away from the centers of the cities. Another cause is the fact that because of environmental, family, and educational conditions and discriminatory attitudes, some of the people growing up in the inner cities have

*Dr. Colm is chief economist at the National Planning Association, Washington, D.C. The views expressed herein are his own and not necessarily those of the association.

difficulty seeking, finding, and holding jobs, even where there are opportunities or where commuting facilities are provided. The third cause is that the lack of opportunities in rural areas attracts people to what they believe are better opportunities in the cities—people who often are least equipped for utilizing the kinds of opportunities that may exist there. Cities which are in the forefront of fighting poverty are also the most attractive to those on the move in the hope of improving their conditions. This adds to the problems of cities which are doing something about them.

Because of the complexity of causes of unemployment and underemployment in the cities, with all the social ramifications, even a remedial program must also be of a complex nature—much more complex than when considering the means, for instance, to reduce high average unemployment in the nation as a whole. Because some remedies will, by their nature, involve long periods before they can become effective, therefore, to some extent interim solutions must be found to gain time before the more basic attack on the deep-rooted ills in our society can become effective.

The U.S. Government had become aware of the problems of the cities and the problem of poverty in the midst of affluence long before the wave of riots in 1967. Many programs designed to deal with urban renewal and to provide employment, educational, and training opportunities have been initiated in recent years. Nevertheless, we have not yet begun to deal with the problems of the cities on a scale commensurate with the scope of the issues they pose.

Using a broad definition of social programs—which includes health, education, low-income housing, social insurance, and welfare—public expenditures (Federal, State and local) have increased by spectacular amounts over recent decades. Part of the dollar increase reflects the increase in prices, but the increase is also spectacular when expressed in dollars of constant purchasing power or as a ratio to GNP.

TABLE 1.—SOCIAL EXPENDITURES UNDER PUBLIC PROGRAMS, SELECTED FISCAL YEARS

Fiscal years	Total social expenditures (in millions of current dollars)	Total social expenditures (in millions of constant 1966–67 dollars)	Total social expenditures as a percent of total public expenditures	Total social expenditures as a percent of GNP
1934–35	$6,548	$16,761	50.0	9.5
1939–40	8,795	21,852	48.9	9.2
1959–60	52,293	57,522	39.2	10.6
1966–67	100,238	99,934	44.6	13.1

Note: Social expenditures include expenditures for social insurance, public aid, health and medical programs, veterans' programs, education, housing, and other social welfare. In addition to public programs there are private programs such as health insurance, (Blue Cross, Blue Shield), private pension programs, etc.

Sources: Ida C. Merriam, "Social Welfare Expenditures, 1929–67," Social Security Bulletin, December 1967, vol. 30, No. 12. (Washington, D.C.: U.S. Department of Health, Education, and Welfare); "National Income and Product Accounts of the United States, 1929–65" (Washington, D.C.: U.S. Department of Commerce); Survey of Current Business, May 1968, vol. 48, No. 5 (Washington, D.C.: U.S. Department of Commerce).

In recent years many new programs related to urban renewal, education, training, and so on, were adopted by the Congress. However, appropriations for many of these programs lagged far behind the authorizations. This is largely due to the fact that the war against poverty was intensified at the same time that the war in Vietnam was also stepped up. And these wars on two different kinds of fronts happened while the country was engaged in an armaments race with the Soviet Union and in the threatening atmosphere of a hostile China. It is not my intention here to judge the merits of U.S. foreign policy, but one cannot appraise the economic and fiscal implications of the domestic problems without considering the world scene as a whole and U.S. involvements in international affairs in particular.

II. The Economic and Manpower Costs of the Kerner Commission Program Proposals

The Kerner Commission's main policy recommendations include:

1. Stepped up programs for urban renewal and housing for low- and moderate-income families;

2. Additional programs in support of education of disadvantaged children, vocational education, and adult education;

3. Providing on-the-job training with Federal support;

4. Creating employment opportunities in the private and public sectors;

5. Improving standards and benefits under social assistance programs, including the adoption of uniform standards to check migration to cities paying higher benefits;

6. Providing incentives for industrial investments in rural areas in order to check migration to the cities;

7. Adopting a national system of income supplementation.

This list is not intended to be complete. The Commission has not presented cost estimates and has not provided sufficient detail for making reliable estimates of the program costs to government or to the private sector and of their effects on employment. (In particular, there is little indication of the timing for these various programs, other than for housing and employment.)

The National Planning Association, as part of the research it has been conducting for the Manpower Administration in the Department of Labor, has been preparing estimates of the probable employment in different occupations which would be generated by the expenditures to implement the recommendations in the Kerner Commission Report. In the absence of more specific cost estimates in the Report, the employment estimates are, of necessity, approximations. This research is still in a preliminary state, and the estimates have not yet been reviewed by the Department of Labor. The NPA report is being prepared by Mrs. Joyce Powell under the direction of Dr. Leonard Lecht. On the basis of these preliminary findings, I include in the following table some highly tentative estimates of the costs (public and private) that would be involved in the implementation of these programs.

The total additional outlays for these programs would amount to more than $40 billion per year if the targets were to be achieved within the relatively short period set by the Report (e.g. for housing 5 years, for additional employment of the hard-core unemployed 3 years).

TABLE 2.—COST IMPLICATIONS OF MAJOR RECOMMENDATIONS OF THE KERNER COMMISSION

[Billions of 1968 dollars]

Program	Full Kerner Commission program [1]			Slower pace alternative [2]		
	Total	Public	Private	Total	Public	Private
Housing [3]	$18.8	$4.5	$14.3	$9	$2.0	$7.0
Employment [4]	8.5	5.1	3.4	3	1.8	1.2
Welfare [5] (public assistance only)	7.8	7.8	----------	1–2	1.0–2.0	----------
Education [6]	5.4	5.4	----------	1	1.0	----------
Total	40.5	22.8	17.7	14–15	5.8–6.8	8.2

[1] Costs in a year of full operation of recommended programs.

[2] Average annual cost for the first 2 years of operation. These estimates are based on the assumption that the time required before the recommended programs could be designed in detail, adopted, and implemented would be longer than assumed in the Kerner Commission Report.

[3] On the basis of 6,000,000 additional units over a 5- and a 10-year period, respectively. This would involve mostly private financing, promoted by rent subsidies.

[4] Creating 2,000,000 new jobs in the public and private sectors over a 3- and a 5-year period, respectively. There is a possible partial overlapping between programs for additional employment opportunities and other additional programs. It is assumed in these estimates that 15 percent of the employment opportunities stated as targets in the Kerner Commission Report would be provided by other programs.

[5] Allows for substitution of part of the assistance programs by programs of income supplementation. The programs referred to are Federal, State, and local payments for old-age assistance, aid to the blind, aid to the permanently and totally disabled, aid to families with dependent children.

[6] Based on programs for disadvantaged youth, adult basic education, lowering the student-teacher ratio, and bringing about equality (by age) in the proportions of white and nonwhite enrolled in regular school and higher education programs.

Note: All estimates represent additional costs over and above outlays for these programs in fiscal year 1968. All estimates are subject to revision.

Source: Center for Priority Analysis, National Planning Association.

I think these periods are too short, simply because of the time needed to have these programs designed in detail, adopted, and implemented. Under the second heading of the table is presented an estimate of the annual costs if a somewhat slower, and we believe more realistic, time period for reaching the same goals is assumed. The annual increase is estimated for the average of the first two years at $14–15 billion under these assumptions. These additional outlays represent in part an addition to the GNP by use of otherwise idle resources (e.g. the hard-core unemployed in the cities) and in part a shift of resources from uses they otherwise would have.

The total estimated outlays are also divided into those which presumably would be made by government (Federal, State and local) and those made from private funds. This division between public and private resources depends on the design of the program. The same goal of providing housing for the lower-income classes can be achieved either by public housing or by rent subsidies. In the first case the whole amount of construction costs appears as a public outlay; in the latter case most of the construction is financed by private funds, with only the rent subsidy appearing as a public expense. Also, the job opportunities can be provided by different means, with a larger or smaller share of costs appearing as public expense. The Report is not specific about the program design; therefore, this division into public and private funds is a most uncertain estimate. Nevertheless, the estimate that the recommendations would imply an approximate increase in government expenditures for social and urban programs per year of about $6 billion in an initial period and of more than $20 billion under the time schedule of the Report (over and above 1967–68 expenditures) may at least indicate the order of magnitude which is involved. The consequences of these estimates for fiscal policy will be discussed in the next section.

In the following table (Table 3) the dollar estimates for the recommendations of the Report have been translated into manpower terms. How much employment opportunities and what kind of employment opportunities would be created through these programs? The answer to these questions would help in any appraisal of the feasibility of the programs. (Would they exceed available manpower and thereby have an inflationary impact? To what extent would they they absorb now unemployed or underemployed manpower and thereby be effective in combatting an important cause of poverty?)

TABLE 3.—THE EMPLOYMENT EFFECT OF MAJOR RECOMMENDATIONS OF THE KERNER COMMISSION REPORT[1]

[In thousands]

Program	Full Kerner Commission program[2]	Slower pace alternative[3]
Housing	1,761	766
Employment	567	289
Welfare[4] (public assistance only)	754	77–154
Education	504	77
Total	3,686	1,206–1,283

[1] There is a possible partial overlapping between programs for additional employment opportunities and other additional programs. It is assumed in these estimates that 15 percent of the employment opportunities stated as targets in the Kerner Commission report would be provided by other programs.

[2] Amount of employment in a year of full operation of recommended programs.

[3] Amount of employment in the average of the 1st 2 years, assuming a longer time period for implementation of recommended programs.

[4] The employment created through transfer payments is calculated on the basis of estimated expenditures of income recipients. See table 2, footnote "5" for detailed explanation of programs included under public assistance.

Source: Center for Priority Analysis, National Planning Association.

For an appraisal of the manpower effects of these programs, particularly the present hard-core unemployed, it is important to classify the involved manpower requirements by skills. This work is in preparation in the NPA report mentioned above. The following table (Table 4) gives some tentative estimates for a few broad classifications which appear most relevant.

TABLE 4.—EMPLOYMENT GENERATED BY EXPENDITURES TO ACHIEVE EQUALITY OBJECTIVES IN EDUCATION WELFARE, AND HOUSING [1]

[In thousands]

	Total			Housing			Welfare [2]			Education		
	Total	White	Non-white	Total	White	Non-white	Total	White	Non-white	Total	White	Non-white
Total	3,019	2,704	315	1,761	1,587	174	754	667	87	504	450	54
White collar	1,316	1,243	74	562	539	24	359	339	20	395	365	30
Blue collar	1,122	1,018	105	912	830	82	190	170	21	20	18	2
Service workers	267	201	67	63	50	13	118	87	32	86	64	22
Farmers	100	86	14	41	35	6	59	51	8			
Laborers	213	156	57	183	134	49	27	20	7	3	2	1

[1] This table excludes the provision for opportunities for the hard-core unemployed.
[2] Includes public assistance only. The employment created through transfer payments is calculated on the basis of estimated expenditures of the income recipients.

Note: Detail may not add to totals due to rounding.

Source: Center for Priority Analysis, National Planning Association.

For an appraisal of the impact of these programs it is important to consider the extent to which they would utilize otherwise idle resources or require a shift in the use of resources. If we assume that some of the resources for construction of housing for low-income people would be diverted from funds which would otherwise be used for other types of residential construction, or that some of the Federal funds would be obtained by shifting funds from other Federal programs, the net addition to the GNP and to employment would be smaller than suggested by the estimates. On the other hand, to the extent that the programs stimulate new activities and generate additional incomes, a multiplier effect would take place. This would add to the job-generating effect of the programs, but possibly also to the inflationary effect. For simplicity's sake, I propose to neglect both the possibility that some of the new programs would involve diversion of resources from other work and that the truly additional work would have a multiplier effect. Then we can examine the net addition to work opportunities and incomes of $14–15 billion for the next two years, or a rate of $40 billion under the time schedule of the Kerner Commission Report, and the corresponding creation of additional jobs of 1.3 million and 3.6 million, respectively. Because of the nature of these programs, most of them would involve work done in the centers of the cities, and they are designed to absorb as much as possible of the existing unemployment and underemployment of whites and nonwhites in the cities. If the U.S. economy expands over the years by an annual average rate of a conservative 4 percent, the increase in GNP (at constant prices) and the increase in the labor force for, say, the next three years could be estimated as follows.

TABLE 5.—NET ADDITION TO GNP AND LABOR FORCE, 1969–71

Calendar year	Increase in GNP over preceding year (billions of 1968 dollars)	Increase in total labor force over preceding year (millions)
1969	34	1.48
1970	35	1.51
1971	36	1.53

Source: Center for Economic Projections, National Planning Association.

For an evaluation of these estimates I might note that it is my personal opinion that under the proposed "package" of the Conference Report which includes the temporary tax increase and the $6 billion cut in expenditures for fiscal year 1969 (excluding certain specified programs), relatively tight credit policy, and assum-

ing no implementation of the Kerner Commission Report program proposals, there might well be some increase in unemployment during the course of 1969. However, it should also be considered that not the whote increase in GNP and the labor force would be available for additional social programs.

In the light of the over-all consideration, in a nation growing in population and in economic potential, a large part of the increase in production will be "pre-empted" to provide goods and services for more people and by the need to expand capital in the private and public sectors. Considering that if only one-third of the increase were available for improvement in the general standard of living and desired public programs it appears that the physical resources, expressed in terms of GNP or employment, should be available for stepping up the war against poverty, but that the immediate adoption of the Kerner Commission Report proposals would require a substantial shift of resources from other purposes.

The recommendations of the Kerner Commission Report, if adopted in full, would require that a large part of the rising incomes, profits, and capital funds be channeled into programs of the kind proposed by the Commission and that other uses of resoruces be restricted. The Commission's Report says (p. 16): ". . . this county can do for its people what it chooses to do". Within the limits of the general proposals made by the Commission, this is a true statement, but the Commission has not indicated the priority decisions and their consequences implied in the Report.

III. The Financial Implications of the Kerner Commission Program Proposals

The Commission Rerport does not present estimates regarding the costs of the proposed programs either to society or to the government. The only clue to the Commission's thinking on these lines is the emphasis on the "fiscal dividend" of $28.5 billion over two years (that is, the automatic increase in revenue from existing tax rates due to the increase in the tax base resulting from economic growth), plus the proposed tax surcharges, excise and user taxes (which, according to the Commission will result in revenues of $16 billion in two years[1]), as the main means for financing in revenues additional programs.[2] There as the suggestion that over a two-year period a "fiscal dividend" of $28.5 billion plus $16 billion from the surcharge, that is, a total of $44.5 billion, is available for additional financial resources for new programs. Only parenthetically, let me add that without the proposed surcharge we would be in much worse condition to accomplish even a minimum of the Government's present objectives at home and abroad without incurring a serious inflationary development. There is reference in the Report to "competing demands" and also to the possibility of further "changes in tax rates". This rather vague language conveys the impression that under existing tax rates and the temporary surcharge there are adequate resources forthcoming to finance the Commission's program during the next two years.

Without going into detail, I believe this view may be justified when looking further into the future. It is not justified when looking at the situation during the next two years.

There are several items to be considered before drawing the conclusion that about $44 billion will become available for new programs during the next two years, namely:

(1) Without the package of the tax increase and expenditure cut there would be a budget deficit of around $25 billion in fiscal years 1968 and 1969. I am not convinced that the budget books need to be in exact balance, but a $25 billion defiict is certainly inflationary in an economy with generally high employment.. Thus, a large part of the fiscal dividend and the surcharge will be needed to reduce the deficit to manageable proportions. Also, the fiscal dividend accruing to State and local governments is likely to be "preempted" by the inevitable increase in local costs, e.g. for education and crime prevention.

(2) The estimate of a fiscal dividend of slightly in excess of $14 billion per year may be a reasonable estimate of the additional revenue to be derived from a tax base expanding at a high rate. This is in part the result of an inflationary

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[1] This is the estimate given in the Budget document. The Conference Report is said to give an estimate of nearly $17 billion for fiscal years 1968 and 1969.

[2] The arithmetic in the text (p. 230) is not quite clear.

rise in incomes and prices. This same inflationary increase in incomes and prices also affects government expenditures for *existing* programs (e.g. payroll increases, contract prices). To that extent the fiscal dividend would not be available for new programs.

(3) The Commission does refer to possible demands on the budget which would compete with demands for the proposed additional social programs. It should be recognized that some of these demands are determined by present legislation. If a substantial part of the additional revenue should be made available for new social programs, a far-reaching reassessment of programs and priorities will be needed, and this will require cooperation between the executive and legislative branches. I believe that here is a first task of the new administration and the new Congress. To cut some expenditures without reexamining existing legislation—as now contemplated under the Conference "package"—is, in my personal opinion, not the best way of accomplishing the objective of a non-inflationary fiscal policy and of meeting the highest priority tasks of the Government—and the country.

It may be pointed out that the Commission's programs may be predicated on the assumption, and the hope, that the military phase of the war in Vietnam can be terminated in the near future, which would free a parge part of the nearly $30 billion per year we are now spending for that war, so that military expenditures as a whole would be substantially reduced.

This hope I share, but there are two important considerations which I believe should be faced squarely. First, a de-escalation or termination of the military phase of the Vietnam war may have to be combined with expenditures for a Southeast Asia pacification program. Also, a termination of the military phase of the war in Vietnam may be the occasion for the Defense Department to claim additional funds for programs not related to the war in Vietnam which were curtailed because of it. In other words, the reduction in total defense expenditures may be substantially less than the reduction in military expenditures for Vietnam. Second, if we assume that the war against poverty, along the lines of the Report recommendation, should be stepped up when the war in Vietnam would be deescalated, it may be necessary to continue the surcharge for another year or two. In the first two years the combinations of the fiscal dividend and the yield of the surcharge would be adequate to substantially reduce the deficit and to gradually step up the high-priority programs of the government. Once defense expenditures and the deficit have been somewhat reduced it would be possible to finance the further increase in the urban and social programs by the "fiscal dividend," which would permit termination of the surcharge in a future year.

There are likely to be objections to adopting and maintaining the surcharge not only for financing the war in Vietnam but also for the initial phase of the stepped-up anti-poverty program. There may be some who argue that we are engaged in a two-front war, one to restore and preserve peace in the world, and one to prevent social disintegration at home. There has been no war in U.S. history, or in any other country, which has been financed entirely in a non-inflationary manner. Not only is inflation one of the most unfair methods of taxation that can be devised, it also has undesirable economic effects. In spite of this, nobody suggested in the Spring of 1944 that we could not establish a second front in Europe because the expenditures could not be financed by additional taxes. If we regard the "war against poverty" at home to be as important to the survival of our free society as was the war against fascism, we might accept some temporary price rise as the cost we pay for not doing a perfect job with adequate tax, monetary, and other price-wage policies. This might be a lesser evil than losing either the war to preserve peace in the world or the war against social disintegration at home.

The international situation, however, prevents us from taking a complacent attitude toward a continuing price and cost rise. Any policy which results in a price and cost rise in U.S. industry relative to price and cost developments in competing countries has to be considered in the light of international adjustments. I cannot deal with the balance-of-payments problem within the limits of this testimony; however, one cannot speak of a rising trend in prices and costs without referring to the possible consequences for the balance-of-payments problem.

A few words in conclusion: I have not discussed the merits of the specific program proposals of the Commission. I do agree that conditions in some rural

areas and many cities are intolerable in an affluent society and are crying out for remedies. Many programs have been initiated, some are more, others less, promising. There is a deplorable gap between general program design and effective implementation. Admirable as the Commission's Report is in its analysis of the manifold causes of discontent and its outline of remedies, I think it has failed to recognize the seriousness of the budgetary situation and has placed too much confidence in an early windfall gain of the "fiscal dividend". I believe, as the Commission says, that ". . . the country can do for its people what it chooses to do," but this implies more difficult choices than are indicated in the Report.

In short, I do not believe that there is, as the Commission's Report appears to imply, a relatively painless fiscal way to finance its proposed programs for the years immediately ahead. In my judgment, achieving these social programs and other government programs which are determined by the political process will require for the next few years either higher tax burdens and appropriate price-wage policies, or a continued high rate of inflation and aggravated difficulties in the international economic situation.

STATEMENT OF ELI GINZBERG, HEPBURN PROFESSOR OF ECONOMICS, GRADUATE SCHOOL OF BUSINESS, COLUMBIA UNIVERSITY

Mr. GINZBERG. I would like to state for the record, first, that I have one governmental job to which my testimony is not apposite. I serve as Chairman of the National Manpower Advisory Committee. What I am going to say today does not implicate my colleagues on that committee or the Secretary of Labor or anybody else. I am talking with my professorial hat on. Maybe it is appropriate that somebody from Columbia University testify about the Negroes. We also have had a revolution on the campus, and the Negro problem is of revolutionary import. So I ought to feel at home.

Let me say that what I will try to do is to put before you some considerations based upon my studies and observations of governmental programs, with specific reference to the Kerner Commission's suggestion that there be a large governmentally sponsored expansion of jobs. That is the center of their manpower recommendation.

I want to talk to, and around, the job problem and particularly to the Commission's recommendations.

Let me begin by reminding all of us that, in the last 6 years, we have seen an increase of something of the order of between 11 million jobs and 12 million jobs in the economy, and that Negroes have gained employment slightly faster than the white population, reflecting primarily the fact they started with a higher level of unemployment.

Now, that is a very sizable increase in the job market. And still we find ourselves with substantial numbers of people who are not only unemployed, but underemployed, and employed at undesirable wage levels, which means that they live in poverty.

I want to put before us and remind us that, as the Commission correctly stated, there are 6½ million people who work full time, who cannot earn enough to support their families above a poverty level.

So that if one begins to think about governmental creation of jobs in the ghetto areas, or in the large cities, such a program has to be related to this phenomenon, this overhanging weight of 6.5 million people who work full time in the United States and do not make an adequate living. And that raises the issue, therefore, as to whether, if one begins with a governmental job program at minimum wages in the cities, one does not immediately invite an intensified migration into

the cities from low-income areas where most of the people living in poverty are now working.

We have some clues out of Detroit that that is what happened when Ford Motor Co. began to go into the ghetto, and look for employees after the Detroit riots. The presumptions—and I have not gone through the evidence carefully, and it is hard to go through—but there is a suggestion that quite a few of the people who were hired by Ford were people who were not indigenous to the ghetto the day before the riot began. They were in-migrants who became aware of the fact that here were good jobs opening up, and not having good jobs, or having no jobs at all, they came to apply. My first comment is to say I do not think you can direct a specific governmentally financed job program to the ghettos of the United States without relating such a program to the problems of rural poverty and to the problems of people who work today at below minimum wages, or at wages which do not yield them a living wage. That is a first point.

I think we have been in trouble with many manpower problems because we have been too specific and do not adequately understand the nature of a national economy, particularly the mobility of people. The second thing that strikes me is that a tremendous number of jobs which now exist are no longer available to Negroes because the jobs and the people have been separated. The jobs have been going out to the peripheries of the cities. The Negroes remain caught inside of the central cities. The transportation systems are very inadequate. I see little point of an ad hoc job-creation program that runs counter to the logic of the way the economy is developing. I would say that such a program might compound our problems, waste the taxpayer's money, and get us into more difficulties.

We should face up squarely to the fact that, unless we manage through the elimination of housing discrimination on the one hand, to enable Negroes to live closer to where the jobs are, and begin to put some money into a transportation system which would reknit the present unemployed with the jobs that they could fill—I am talking about blue collar jobs—we are going to be in real trouble. So, I say again, to the job-creation problem, the Kerner Report presents too simple an approach.

Another thing that impresses me is that there are substantial numbers, especially of young Negroes, who are involved in the whole black power movement, who quite correctly, in my opinion, feel that they have been denied a share in the American dream for 350 years—who will just not take any kind of job. Many of them feel that to take a job at minimum wages in the service sector, which will lead nowhere, is simply adding insult to injury. And one must understand that in the transformation of our manufacturing economy to a service economy we have come into a situation in which there are very few career ladders in service jobs. If one takes a job in a restaurant in the kitchen, let us say, as a dishwasher, one has no place to go—one is likely to be stuck there. It is quite different from starting in a steel mill, in a yard job, where the job ladder has 18 steps. A man may not go all the way up—but the average wage in Inland Steel these days is about $8,300. So a fellow who starts at the bottom has a chance to move, to get a pretty decent job with time. By and large, that is not the structure

of the service sector. So we are in a very difficult dilemma, because many Negroes, in my opinion, are not talking about jobs—they are talking about jobs which have a future. Now, I have not seen anything in the Kerner Report that really is responsive to that demand. I am sure that the U.S. Government, by juggling budgets around, can create a certain number of public service jobs. But it cannot, I think, by itself very readily create a restructuring of career ladders which assures that the opening job is going to lead somewhere.

Now, we have had experiments, as I know, with the "new careers" program. The reports are still equivocal and in my opinion the outlook is not too promising. So that is another issue that has me very disturbed.

The next point I want to make is I think we should face up to the fact that we understand next to nothing about sources of income of a quasi-legal nature in the ghetto, and the way in which relief payments and other kinds of income affect the ghetto economy and people's behavior toward jobs.

We have just now begun some research at Columbia to find out how young people who have no jobs manage to exist. Nobody really understands that. We have speculations about it, but we do not really know. That is another way of saying that one has to think about jobs in relationship to other sources of income—from, let us say, interim jobs, occasional jobs, family and other kinds of relationships in which there are income flows which permit people to exist.

One of my students just completed a term paper for me about the new WINS program, based on the recent amendment to the Social Security Act, which is an incentive program aimed at taking people off relief by encouraging them to go back to work. I do not want to prejudge the outcome of the whole program for the United States. But I am not very optimistic that it will work in New York to any real extent. The margins between relief and the advantages that people would get by working at jobs that they could qualify for are so narrow that most of the people probably will not avail themselves of the new incentives.

A second point that I could make in passing is that the social workers are not enamored by the new program, so they are not pushing it.

The next point I want to call to your attention is that, as long as we continue to permit very large numbers of young Negroes to come out of the ghetto schools as badly prepared for white-collar work as they are now coming out, we are really assuring ourselves very long-term trouble.

The city of New York—I have just finished a book on "Manpower Strategy for the Metropolis"—is a white collar economy, as is true of most metropolitan centers, except for Detroit and one or two others. But only 60 percent of our students coming out of high school have a high school diploma, and many of them are not truly qualified at that level. They have a diploma for having sat long enough in school. So we have a gross discrepancy between the nature of the jobs and the qualifications of the youngsters.

I don't see that, given that kind of a situation, we can create, except very artificially, a job structure that has much rationale, because it is going against the grain of the national economy.

So I would say that, given the amount of money one has to play with, it might make perhaps more sense to think about what one could do through a much more intensive effort, to improve the education of the youngsters coming to the labor market.

I am convinced that putting in $3 to $5 billion more a year by the Federal Government will not do the job. The bureaucracies in the ghetto schools are so bad, the gap between teachers and students is so great, that nothing short of a manpower infusion of young people of college competence will ever shake up the ghetto schools to a point where youngsters will learn to read and write properly.

I do not think it has as much to do with money as it has to do with getting the country into a mood where it simply decides it must be done—otherwise these young people in the ghetto will be lost. One simply cannot operate in an urban economy, in the last third of the 20th century, if one is unable to read and write because the jobs are mostly white-collar jobs. I do not believe for a moment that these youngsters cannot be taught—I do not think they ever were taught, and I do not think that most of the present teachers are going to teach them.

I do not like to set this whole discussion of ghetto unemployment in terms of gross expenditure levels, budget surpluses, calculating the amount of additional money that may become available for reinvestment after Vietnam, because I think such an approach simply slides over all of the major institutional problems related to the nature of jobs, the changes in jobs, the preparation of people, where they live, and so on. The Joint Economic Committee should think, however, about broadening the scope of the Economic Employment Act of 1946, at least to the extent of enabling individuals who are able and willing to work, and able and willing to work including a willingness to take training, to come to a Government office and say: "Here I am, I want to work." That I believe is a necessary and long-delayed obligation that was implicit in the Employment Act, that has not been fulfilled. But that is quite different from calculating statistically how many underemployed and unemployed people there are and designing programs to take care of them.

From what I see of the Labor Department and other programs that are now underway, such as Concentrated Employment Programs and others, we are having considerable trouble, I believe, in finding enough persons, especially men, to get into some of those programs. There is a lot of slippage between calculating a need and finding the people in need. I want to see an opportunity under Government aegis for a man to come into some office in a community and say: "Here I am; I am willing to work; I cannot find work," and be placed on a job. That I understand.

I do want to raise with you, however, the question whether the Employment Act considers that women are entitled to jobs. As I look at the picture over the last 6 years, the major competitors of Negroes, especially Negro men, have been white women who have been drawn into the labor market in increasing numbers as the economy expanded. As this has happened the poorly educated Negro inevitably falls back in the queue. So that one of the central questions of a philosophicated nature that the Employment Act still has to confront is whether

women are entitled to jobs on the same basis as men, in which case the job-creation program in the United States is of an order of magnitude that nobody has yet calculated. As I see the actual working of the economy, every time jobs expand more and more women get drawn into work, and the poorly prepared Negroes get further behind. These are some of the considerations involved in changing the Employment Act.

The next thing one has to think about is whether we mean jobs or jobs that carry a living wage, because you face the possibility of the inflow of many of the 6½ million people from outside of the central cities who are now working but who are not making a decent living.

I would suggest that the Joint Economic Committee broaden the challenge implicit in the Kerner Commission Report, and think through what might be called the long-term public employment policy for the United States, which took into consideration rural poverty, rural underemployment, the implicit demands for women for work, and the special problems of the Negro, because unless these pieces are considered together, no specific program aimed at creating 2 million jobs over the next few years for Negroes will succeed.

Representative BOLLING. Thank you very much.

Dr. Siegel?

STATEMENT OF IRVING H. SIEGEL, SENIOR STAFF MEMBER OF THE W. E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

Mr. SIEGEL. Thank you.

My statement is 27 pages long.

Representative BOLLING. Without objection, it will be put in the record.

Mr. SIEGEL. I am merely continuing my sentence to tell you that I will summarize, rather than read. I realize reading is unfeasible. I shall, however, try to cover the three main topics which the three divisions of my paper treat.

I have chosen to begin the first two divisions with the two sentences that the Kerner Commission devotes to the Employment Act—two sentences alluded to, but not literally quoted, in the letter of invitation from the Joint Economic Committee. Literal quotation makes the sentences more interesting for the people who have to administer the act.

The third part of my paper is devoted to a discussion of the Kerner Commission's recommendations with respect to employment.

First I should like to refer to the "basic conclusion" of the Kerner Commission. There are two "basic conclusions," incidentally, which are quite different, but both labeled as such—unless I misread. The first labeled "basic conclusion," which occurs in the summary, says that the Nation is moving toward two societies: one white, one black; separate and unequal. It is this basic conclusion I now consider.

This may be too hopeful a statement. It suggests an equilibrium which could eventually be reached, but the dire view of the Commission entails much more. One might suspect that, in between, that as we go this route, there will not be two communities, but very many competing communities. It seems that we are in danger of an extensive breakdown in our country of the sense of community. Such a breakdown would

involve, among other things, very great difficulty for the pursuit of a balanced national economy, for the pursuit of national objectives at home and abroad.

Symptoms of such breakdown, of course, are often stressed. There is the flight to the suburbs, there are the racial disorders themselves, there are outbreaks on the campuses, there are public service strikes; and, of course, there is the old occasional violence in labor-management disputes.

The real question is whether or not what I call "focused rage" becomes a substitute for the technique of parliamentary action in the United States, whether or not it becomes a substitute for the more orderly processes that we have pursued in the past. This question has an important bearing on the meaning of the Employment Act and the future of the Employment Act.

This prologue brings me to my first main topic.

As I see the Employment Act, it is not a commitment by the Federal Government, without regard to anything else, to supply jobs, to promise jobs, to create jobs. It actually is a framework for the balanced pursuit of economic policy with respect to all governmental and private objectives, but with a heavy accent on employment.

I think that one needs merely to read the 109-word Teutonic sentence that constitutes the Declaration of Policy, section 2 of the act, in order to see this. Very rarely are these words quoted correctly or completely. Strangely, there are instances, as in the Report of the Commission on Rural Poverty, in which the whole sentence is quoted verbatim, but without any evidence that the Commission appreciates the balanced phrasing of the sentence.

I think it is of some importance that there is a great tendency to misstate what the Employment Act is. This brings me to my second main point—the implication in the Kerner Commission's second sentence, partially quoted by your committee, the implication that the act has failed. I do not believe at all that the act has failed. I think that, during the regime of the Employment Act, remarkable progress has been made, especially in the direction of moderating recessions. I have kind words even for the active fiscal policy pursued in the past 7 years, which has exacted prices not yet fully recognized, prices still to be paid by our economy. That active policy has, nevertheless, demonstrated new dimensions, new orders of possibility, under the act. Certainly, that active policy has helped drive unemployment down to such a low level that, in my opinion, we now can see the stubborn hard core of unemployment, a residual unemployment earlier concealed. We see this residual against the background of affluence. I believe that part of our present economic difficulty is actually a result of the success of policies pursued under the act. These troubles of which we are now so painfully aware in the ghetto are, in a sense, curious evidences of success in driving down unemployment.

This point is important because there is a danger that the idea of balanced economic policy may be thrown out of the window, that the act might be declared obsolete, that we shall be urged instead to engage hereafter in serial crash programs to remedy this or that residual or fractional unemployment problem. Tomorrow, some other commission may release another report, which directs our attention to still some

other residue, some other difficult problem. We should not flap from one problem to another without having some kind of a balanced comprehensive concept as to what we are trying as a nation to do.

Price stability—more or less or limited inflation, if you prefer—is a meaningful national objective whether we like it or not. Maintaining some kind of realism in our balance-of-payments position is also important, whether we like it or not. We have to continue the other work of the Federal Government, whether we like to or not. We have an unliquidated problem in Southeast Asia; and, no matter what our feelings are about that undeclared war, we have to bring it to a termination that is meaningful with respect to the future of this country, as well as our present posture. There are State and local problems, too. There is a question of harmonizing Federal activity, not only with respect to these lower jurisdictions, but also with respect to private enterprise.

Incidentally, all of this is in the act, all of this is in that tortured sentence that constitutes the declaration of policy. It was written not with ordinary ink, but with the blood, sweat, and tears of our history. I believe it is an adequate summary statement of what our country is all about; and I think it would be ridiculous to throw aside all these balanced considerations every time we have some urgent problem. The difficult challenge instead is to see what kinds of hard choices we need to make to accommodate new requirements. Our requirements will inevitably evolve, even if the Employment Act stands in its present form.

Now I come toward my last section. Before taking up my final topic, however, I want to say that I like the Kerner Report's emphasis on jobs. It does not go altogether for the disjunction between jobs and income, a disjunction which was being sold to us when some other devils were being recognized—when the devils were supposed to be described by "automation," "cybernation," or some other barbarism of the new lexicon. Now it seems that, instead of acknowledging devils with no personality, devils that are vague, abstract concepts, we are ready to personify the arch devil—now it is white racism, the white society. The new deviltry which the Kerner Commission is defining brings new difficulties for both the analysis and remedy of existing basic economic problems. Anyway, I do like the idea that the Kerner Commission, even though it identifies white racism as the devil, does emphasize employment as a major source of remedy. This idea is important for those who believe in balanced economic policy.

I am impressed that, even when the Kerner Commission puts in a good word for income supplements, it emphasizes the importance of work. This emphasis is significant, not only for assisting the unemployed themselves, but also for the maintenance of incentives on the part of those people who are currently employed and whose earnings and whose productive energies will remain the basis of the transfer payments needed to improve the income distribution in our country. The Kerner Commission says that it favors a program of income supplementation that does not deteriorate the incentives of the people involved, that encourages those who can or do work to go forward toward fuller employment. I regard this standard as sound.

Now I come to the last part of my statement, which deals with the Kerner Commission's employment recommendations.

The Commission states that work, especially in a nonmenial job, a job having a future, is vital for counteracting poverty and unrest in the ghetto. It describes strategies in six areas—the consolidation and concentration of efforts to recruit and place workers, the removal of barriers to employment and promotion, the creation of a million new jobs in the public sector in 3 years, the creation of a million new jobs in the private sector in 3 to 5 years, the economic development of areas of urban and rural poverty, and the encouragement of Negro ownership of businesses in the ghetto.

Even though there is an urgency about these proposed improvements, it does not seem at all clear that the Kerner Commission's views with respect to the scale of the needed national effort and the time rate of accomplishment will be realized. There are three reasons, three broad reasons, for believing that the national effort will not be mounted on a scale and according to the time schedule that the Kerner Commission recommends.

One reason is that technical difficulties abound. It is especially difficult to accomplish an extensive organization or reorganization of manpower services while a vast throughput is also sought.

I am impressed with the concern that the Kerner Commission shows for organizational matters. Experience in these matters indicates that it is very hard to revise administrative structures and, at the same time, to accomplish vast operating feats through the very structures that are undergoing revision.

The second reason that the scale and time suggestions of the Kerner Commission Report will probably not be met is that the proposed programs must compete with other public and private commitments and objectives to which other speakers have already alluded.

The third reason is the slow generation at best of a "new will" to resolve decisively the basic problems related to civil disorder. The phrase "new will" was actually used by the Kerner Commission, which noted that what is needed more than anything, more than new programs, is a new will. It is pertinent for us to consider whether this new will could be generated quickly enough and on a sufficiently urgent basis to accomplish what the Kerner Commission wants.

I want to say something here about public service jobs, which can be provided, supposedly, by new will. What is interesting, however, is that we do not seem to have enough old will to assure that neglected public service tasks will be performed. Even without the pressure of ghetto explosions, we have recognized all kinds of public requirements in the cities, in the States, even on the Federal level—with respect to pollution and so forth. We do not see these tasks being very earnestly addressed.

This observation is important because it relates to the notion of racism. Notice that the white majority, the white society, the white institutions that the Kerner Report talks about—that these institutions are remiss even in solving what would seem to be essentially white problems. Apart from the creation of public service jobs for employment's sake, with government as employer of last resort, there is an unmet challenge for government to become employer of first resort. Many activities are neglected which only the government, if anybody, will perform—State and local governments particularly but also the

Federal Government. Neglect impairs the quality of life for all, including the white majority.

It is important not to look merely upon residual employment creating activities of Government. We have moved into the service sector in a rather big way, and one of those service sectors—if you use the word sector in a very broad sense—is Government itself. We have to define and man an increasing number and variety of jobs with career ladders within the Government itself. The jobs are capable of employing the whole gamut of skills, from the lowest to the highest. Within this kind of a framework there would be ample training opportunities for the hard-core unemployed, too. I am not recommending this unfinished Government business as an alternative to emergency action. I am proposing that, if we flap, if we keep on talking about meeting this or that urgent requirement, we shall continue to defer the vast and comprehensive range of neglected activities that ought to be performed by Government as employer of first resort. This deferral accentuates demands for last-resort activities.

Now, I should like to concentrate on the problem of new will, which is basic to the whole report. I am near the conclusion of my remarks.

The experience of reading the report, which is a sort of nonfiction equivalent of "Moby Dick," gives me the hindsight to have offered some advice to the Commission on the generation of a "new will" and the movement toward a "true union," two phrases used in the report.

First, the Commission, in my opinion, should have taken explicit account of the need for balanced pursuit of national objectives. Such a pursuit is implicit in the Employment Act; and all other Federal legislation, concerning manpower as well as other categories, has to fit into some kind of a plausible whole.

The larger-systems approach and cost-effectiveness analysis, of which so much is heard, ought to be applied—even crudely and experimentally—across Government programs and across periods of time. Alternative trial balances should accordingly have been prepared or proposed. The problem might have been commended to the Council of Economic Advisers, to the National Planning Commission, which has a Center Priority Analysis—I am pleased to hear that Dr. Colm's organization has already done some useful work in this direction, with or without a request from Kerner Commission—and to organizations maintaining econometric models.

We should, for example, be able to consider how much inflation would be generated or how much might be tolerated to accommodate the Kerner Commission's recommendations regarding employment, education, welfare, and housing. What are the implications of the report's recommendations for the end game in Vietnam? How much constraint on new expenditures for urgent domestic programs is really implicit in our inflationary and balance-of-payments difficulties? What about taxes to implement the recommendations with minimal price effects?

These are not easy questions. They point to a need for progress toward a calculus, however rough, to facilitate national intergroup bargaining on vital issues that could also be settled far less peaceably. We need a calculus of consensus for the engineering of consensus. I am talking of a consensus based on a proper understanding of alternatives and on the competition of objectives.

Second, as a positive incentive to white men of good will, a timetable should have been established that sets significant yet clearly achievable employment goals for the first year. Correlatively, the Report could have encouraged a general understanding among whites and blacks that, even with most earnest dedication in the white community, the full recommendations of the Commission respecting employment, education, housing, and welfare are not easy to meet.

An auspicious beginning might thus have been assured; a possible contribution to the cycle of overexpectation and overreaction among whites and blacks would also have been avoided. In this connection, the report could have made more of a statement on the "difficulty of really improving the economic status of the Negro man." This statement reads:

> It is far easier to create new jobs than either to create new jobs with relatively high status and earning power, or to upgrade existing employed or partly employed workers into such better quality employment. Yet only such upgrading will eliminate the fundamental basis of poverty and deprivation among Negro families.

Finally, if an even, conciliatory spirit could not have been maintained in the preparation of the report, more encouragement should still have been offered to the white majority, on which implementation so largely depends. For a journalist writing the introduction to the commercial edition, it may seem a sufficient coup for the Commission to have stated the name of the shame as "white racism." But implementation—that is the real thing. The "we" of the report are mostly white; the tainted "white society" and "white institutions" are essentially "the nation" that is being asked "to generate new will" and to move toward "a true union."

Would it not, therefore, have been better "strategy"—a word appearing often in the report—to encourage the white majority to don the armor of crusading concern than to accept the poisoned shirt of corroding guilt? After all, much good will exists; and much is already being done, though far from enough. Even the establishment of the Commission and the publication of its report must be attributed at least as much to white hope as to black dispair.

Thank you.

Representative BOLLING. Thank you, Dr. Siegel.

(The prepared statement of Dr. Siegel for inclusion in the record at this point follows:)

PREPARED STATEMENT OF IRVING H. SIEGEL*

IMPLICATIONS OF THE KERNER COMMISSION REPORT FOR ECONOMIC POLICY

This statement, organized around three heads, considers some of the remarks, findings, and recommendations of the Report of the National Advisory Commission on Civil Disorders (the Kerner Report) in the light of the Joint Economic Committee's letter of invitation. The points of departure for my first two sections are the two sentences in the Report that refer most explicitly to the Employment Act of 1946; these sentences were cited, though not quoted literally, in the Committee's letter. Following the Committee's lead in one other respect, I have used the commercial edition of the Report, energetic promotion of which seems to have relegated the handsomer but tardier official version to obscurity.

*The views expressed here should not be attributed to the W. E. Upjohn Institute.

At the outset, I should admit to a certain vacillation between two views of the future in the preparation of this statement. The first view, which it is natural to assume and prefer, is that the established order will prove adequate to the stern challenges impending at home and in the international arena. Domestically, according to this view, the task, say, of greatly improving the economic and social status of racial minorities will be resolved more or less satisfactorily, in good enough time. The stresses will be accommodated with flexibility and resilience, and the needed adjustments made without essential impairment of the viability of the Republic. On the contrary, the foundation of popular support would even be strengthened. This is the vision that animates the Kerner Report: "to make good the promises of American democracy to all citizens—urban and rural, white and black- Spanish-surname, American Indian, and every minority group" (p. 2).

A grim alternative possibility is an extensive breakdown of the sense of community—which would, among other things, prevent balanced pursuit of national objectives at home and abroad. Symptoms pointing to breakdown include not only the flight to suburbs and racial disorders but also outbreaks on the campuses, public-service strikes, and occasional violence in other labor-management disputes. If the use of "focused rage" becomes a pervasive practice, the functionality of the nation-state and the national economy would be hobbled drastically. Even if not pervasive but systematic, the practice could introduce significant duress and distortion into the legislative process, the administration of laws, and the allocation of Federal funds.

MEANING AND FUTURE OF THE EMPLOYMENT ACT

The Commission's first reference to the Employment Act represents the usual sort of simplistic paraphrase, rather than a faithful or studied interpretation, of the 109 words [1] constituting the single sentence of section 2, the Declaration of Policy. The Commission states:

"In the Employment Act of 1946, the United States set a national goal of a useful job at a reasonable wage for all those who wish to work." [2]

The Declaration, however, actually says much more than this, and also much less. If it did not, it could not have gained impressive bipartisan support in 1946, and it might not since have proved so flexible for accommodating greatly different theories and styles of implementation.

The tortured negotiated sentence of section 2 cautiously circumscribes both the nature and extent of the Federal commitment. It does not even mention "full employment," but refers to "maximum employment." It does not obligate the Federal Government to offer, provide, or guarantee jobs. It says nothing at all about "a reasonable wage," contrary to the Commission's assertion. It does not presume to speak for "the United States" or "to set a national goal" for jobs without regard to the prerogatives and duties of the private sector and of the other layers of government. It does not consider employment as an isolated economic category, and it acknowledges the coexistence of other Federal duties. It declares, in short, this "continuing policy and responsibility": With proper attention to other prescribed Federal functions and to customary private and non-Federal governmental roles, the Federal Government is committed (1) to contribute to "conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work" and (2) "to promote maximum employment, production, and purchasing power."

A return, from time to time, to the language maze of section 2 would supply a wholesome reminder that the Act serves better as a potential master framework for coordinating public and private economic policy than as an absolute, unequivocal Federal pledge to maximize employment. Despite differences in circumstances and emphasis, the various Councils of Economic Advisers have sought, or have been forced to discover, more or less balanced blends of economic objectives. Indeed, a Council has to assume, or is soon made to acknowledge, the curvature of the economic space in which we live. Exclusive or zealous concentration on maximum employment, for example, would soon lead to troublesome readings in some other economic dimensions, such as prices and the international

[1] I have counted "self-employment" as one word.

[2] *Report of the National Advisory Commission on Civil Disorders*, Bantam Books, New York, 1968, p. 414.

balance of payments. Pursuit instead of, say, a good record for price stability might too soon entail an intolerably high unemployment rate.

A cursory review of the Economic Reports of the various Presidents makes it clear that the legislative charter has, indeed, been broadly construed. In his valedictory Report, President Truman listed three purposes of the Employment Act, the first of which was to provide a framework for public and private collaboration toward common economic ends. The other two were also more general than employment maximization—"to prevent depressions" and to signify a national resolve to maintain "a full and growing economy." [3]

The reports of the Eisenhower years that followed reflected a keen and persistent concern for the stabilization of prices and international payments. In the valedictory Eisenhower Report, as in the penultimate one, it was even proposed that the Employment Act be amended "to make reasonable price stability an explicit goal of national economic policy." [4]

The Kennedy-Johnson era has seen a daring test of the range of plausible combinations of readings on the primary economic gauges. The systemic tools of fiscal and monetary policy have been used very actively for the encouragement of growth as the universal solvent of unemployment and other ills. (Growth also brings new problems, of course; and its failure to cure the stubborn residual ailments that it more fully exposes may complicate these ailments by depressing the patient—and his friends and relatives. I return to this matter in the next section.) Specific "structural" remedies were also applied to unemployment; and, by exhortation of labor and management to live according to the productivity principle, an attempt was made to extend the base of policy maneuver provided by the production-cost stability inherited from the late Eisenhower years. (The introduction of an annual Manpower Report of the President, compatibile with the Economic Report, illustrates the interest in complementary and coordinated structural attacks on joblessness.) Activism and the expanding impact of Vietnam hostilities have finally produced impressive distortions in commodity and money prices and international payments; and the 1968 Report, not so cocky as its predecessors, starkly repeats the lesson of inevitable interdependence of the major economic variables.[5]

If a broad construction of the Act remains generally acceptable in the coming years, what next evolutionary steps seem natural? The antecedent clause echoes my earlier comment on the threats of parochialization and fragmentation of our society, or worse; but it also anticipates that coordinated national economic policy will remain pursuable. Given such a resolution of the strains already evident, we may project a more determined transition from a "mixed" economy toward a "monitored" one, in which "responsible" behavior will be increasingly demanded of individuals and groups wielding strategic economic power. One avenue of development is the reinstitution of guidelines—but guidelines that take account of productivity prospects instead of past trends.

A second direction of plausible evolution is the social constraint of private power to set wages and set prices. Syndical arrangements of the Federal Government with management and labor organizations offer one such approach; these arrangements could be rationalized on the ground that active governmental policy in behalf of growth and sustained demand diminishes the risk element in economic outlook and accordingly warrants diminution of speculative wage and price increases. Perhaps, something like "wage-deferment bonds," which I have proposed elsewhere, will one day find favor: the idea would be to protect workers who accept wage increases within guideline limits against the ravages of inflation attributable to less "responsible" decision-makers, including government.

A third indicated direction is the harmonization of the older Federal Reserve Act with the newer Employment Act. A common interface for policy becomes evident when the guideline criterion is restated in terms of aggregate output and

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[3] *Economic Report of the President*, January 1953, pp. 5–11.

[4] *Ibid.*, January 1961, p. 67. Unofficial evidence of the uneasiness felt with regard to the balance of payments in the late Eisenhower years is provided by the following exhibit, a classical *haiku* shared at the time with my colleagues on the staff of the Council of Economic Advisers:

While I sing and splash
In my scented bubble-bath,
Who tugs the golden plug?

[5] See my paper on "Fuller Employment with Uptrending Prices: The 1968 Economic Report," *Journal of Economic Issues*, March 1968 (in press).

payrolls (or total incomes). That is, the supply of money and credit should bear some reasonable relationship to the volume of output, which in turn provides a governor for noninflationary total wage (or income) payments.[6]

That pressures for emergency resolution of stubborn residual problems of unemployment will intensify is indicated not only by violent actions and by the general tenor of the Kerner Report but also by the findings of two other advisory bodies cited therein. These bodies, engaging in casual pontification, first misstate the import of the Employment Act and then propose concentration on the provision of jobs for particular segments of the population. It is desirable, however, to continue construction of the Act as a broad-spectrum charter for the balanced pursuit of economic policy, with a heavy accent on employment. The Act should not be used as a mandate for crash programs relating to jobs. The primary task of resolving, say, hard-core unemployment in urban centers should be left to new special-purpose laws and to the more determined administration of existing special-purpose laws. Successful implementation of the Employment Act can, of course, provide a favorable setting for such governmental endeavors.

The summary volume issued in February 1966 by the National Commission on Technology, Automation, and Economic Progress illustrates the danger of casual pontification, especially when good channels of public communication are available. In advocating Federal sponsorship of "public service employment," a proposal echoed by the Kerner Commission, the Technology Commission asserted that "we take seriously the commitment of the Employment Act of 1946 to provide 'useful employment opportunities for all those able, willing, and seeking to work.'" It also spoke of "recommitting Federal policy to the Employment Act's promises of a job for 'all of those able, willing and seeking to work.'" Words such as "provide" and "promises" certainly go far beyond the description of the Federal job role written into the Act; and the term "recommitting" is gratuitous or disingenuous.[7]

The second body cited by, and obviously having some influence on, the Kerner Report is the President's National Advisory Commission on Rural Poverty. Findings issued in September 1967 recommend "that the Federal Government take more vigorous action to reach the goals of the Employment Act of 1946." This recommendation, strangely, is followed by a rare verbatim reproduction of the Declaration of Policy, which the Rural Poverty Commission "endorses" without any printed evidence of an actual reading. After stating that the "goals" of the Act "have not yet been reached" (inasmuch as "millions of Americans are unemployed or underemployed," even in the absence of recession), the Rural Poverty Commission makes this remarkable proposal:

"The Federal Government, in cooperation with the States, should initiate comprehensive social planning, setting forth concrete goals to be attained by specified target dates."

Indeed,

"It should be definite public policy to reduce the national unemployment rate from its current level near 4 percent to the lowest possible fractional rate of unemployment, as rapidly as feasible." Brave and sage exhortation is then given to show the attendant difficulties of such a program. Without directly criticizing the Council of Economic Advisers, this prestigious body comprised essentially of noneconomists advises that "monetary and fiscal policies must be used in a timely manner," that "recession must be avoided," that "excessive inflation should also

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[6] On this paragraph and the two preceding ones, see the paper cited in footnote 5 and two other papers of mine: "Guidelines for the Perplexed," *Journal of Economic Issues*, June 1967, pp. 12–24 (reprinted in 1968 by the Joint Economic Committee); and "Productivity Measures and Forecasts for Employment and Stabilization Policy," in S. A. Levitan and I. H. Siegel, eds., *Dimensions of Manpower Policy: Programs and Research*, Johns Hopkins Press, Baltimore, 1966, pp. 269–288. (A paper I shall present at the American Statistical Association meeting in Pittsburgh in August 1968 will consider the design of algebraically consistent index numbers of hourly earnings, prices, and productivity. Improvement of available measures along such lines would be desirable for the support of the guideline administration.)

[7] *Technology and the American Economy*, Vol. I, February 1966, pp. 35, 37. The quotation from the Act on p. 35 incorrectly includes the word "all"; the one on p. 37 incorrectly includes the words "all of."

In addition to the notion of "recommitment," we find frequent reference in both popular and technical literature to the "Full Employment Act of 1946"—a misnomer. Both of these common errors are repeated in a recent "Call to Americans of Goodwill" that demands of the Congress, among other things, "immediate creation of at least one million socially useful career jobs in public service" (*New York Times*, June 3, 1968).

be avoided," and that "a more equitable and humane economic policy must be achieved." [8]

In concluding this section, I cite another seemingly authoritative statement that tends to encourage misunderstanding of the Act, to support its conversion from a comprehensive framework for economic policy into a mere basis for extreme unemployment proposals. At a meeting in December 1967, the Executive Director of the Rural Poverty Commission said:

"The Commission calls upon the Federal Government to fulfill literally the language of the Employment Act of 1956 (*sic*). Specifically, the Commission recommends that the U.S. Government stand ready to provide jobs at the national minimum wage to every unemployed person willing and able to work." [9]

Contrary to the implication of the first quoted sentence, a "literal" implementation of the Declaration of Policy would necessarily be balanced and hedged, rather than simplistic and misleadingly "straightforward." Furthermore, the recommendation contained in the second quoted sentence is offered as though it logically follows from a supposedly correct reinterpretation of the Declaration. Even in the Rural Poverty Commission's report, however, this recommendation (on "guaranteed employment") is separate from the recommendation concerning "vigorous" enforcement of the Employment Act, mentioned in our preceding paragraph.[10]

Has the Employment Act Failed?

The second sentence in the Kerner Report that refers to the Employment Act also deserves comment. Coupling the Act with Federal measures explicitly referring to manpower improvement, the sentence renders an unduly pessimistic verdict:

"Despite these (Federal) efforts (at manpower development and training), and despite sustained general economic prosperity and growing skill demands of automated industry, the goal of full employment has become increasingly hard to attain." [11]

This evaluation is not warranted by facts presented in the Kerner Report and by other available statistics. Actually, substantial advances in employment levels and substantial reductions in unemployment rates have been recorded in recent years in spite of the large numbers of new labor-force entrants, the sizable rural Negro in-migration into the cities, extensive industrial relocation and merger, and changes in productivity, technology, and tastes. Nonwhites, furthermore, have shared in the improvement although their economic situation is still generally desperate.

The statistics cited by the Commission after the sentence quoted above refer to current status, rather than to time trends. They show national unemployment at about 2 million (the correct figure is 3 million), underemployment at about 10 million, hardcore unemployment in the central cities at 500,000, and unemployment rates among younger slum residents at several times the national percentage for the entire total labor force.

These and other status figures cited elsewhere in the Kerner Report cannot prove that "the goal of full employment" imputed to the Act "has become increasingly hard to attain." However "maximum" or "full" employment is defined, the implicit unemployment target must remain well above zero percent—as high, perhaps, as 3 percent, representing about 2.35 million of the persons in the current civilian labor force. The persistence of such numbers seems almost inevitable for an economic order like ours. Much of this unemployment is transitional and may not require heroic or new remedial measures. Public policy, on the other hand, does not dismiss a "small" residual unemployment percentage as inconsequential. It has also recognized increasingly that the concentration of unemployment according to race, sex, age, or location merits attention even if the group affected is not sizable.

Figures that do show economic improvement over time for nonwhites are scattered throughout the Kerner Report. On p. 253, for example, it is observed that "unemployment rates among Negroes have declined from a postwar high

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[8] On this paragraph, see *The People Left Behind*, September 1967, pp. 18–19.

[9] *National Growth and Its Distribution* (Report of a Symposium on "Communities of Tomorrow," December 11–12, 1967). U.S. Department of Agriculture, April 1968, p. 45.

[10] See the third recommendation of the Rural Poverty Commission in *The People Left Behind*, p. 19.

[11] See footnote 2.

of 12.6 percent in 1958 to 8.2 percent in 1967." In the same place, an important status figure is mentioned: "Among married Negro men, the unemployment rate for 1967 is 3.2 percent." (If these were stabler times, one might optimistically observe that this was the rate for all married males in the labor force in 1963, and that the rate for the latter has since fallen to about 1.5 percent.) On p. 282, it is noted that "the proportion of nonwhites employed in white-collar, technical, and professional jobs has risen from 10.2 percent in 1950 to 20.8 percent in 1966, and the proportion attending college has risen an equal amount." In the same place, mention is made of the growth of a Negro middle class—but only as an additional irritant, alas, to the increasingly alienated Negro have-nots.

What about the future? Only two pages before the sentence about the Employment Act, the Kerner Report sounds almost reassuring that we are on the right track with respect to corrective measures (p. 412):

"Much has been accomplished in recent years to formulate new directions for national policy and new channels for national emergency. Resources devoted to social programs have been greatly increased in many areas. Hence, few of our program suggestions are entirely novel. In some form, many are already in effect.

"All this serves to underscore our basic conclusion: the need is not so much for the government to design new programs as it is for the nation to generate new will."

The "new will" would presumably manifest itself in the voting of larger Federal funds (for which Vietnam requirements now compete), in improved coordination of programs (within and between governmental layers) for more efficient service, and increasing involvement of business firms and foundations in urban revitalization (the establishment of the Urban Coalition and the National Alliance of Businessmen is acknowledged on p. 418).

Statistics and program information not included in the Kerner Report also gainsay the verdict rendered in the second quoted sentence on the Employment Act. A Census tabulation, for example, shows a reduction in the absolute number of nonwhites below the poverty line between 1959 and 1966 as well as a decline in the corresponding percentage—from 54.6 to 41.4. On the whole, however, whites have fared much better than nonwhites; their percentage below the poverty line was 18.0 for 1959 and 11.8 for 1966. (Nevertheless, absolute figures for 1966 show that penury remains a widespread blight; 20.1 million whites and 9.6 million nonwhites were still below the poverty line.)[12]

The latest Manpower Report of the President should also be mentioned. It, too, offers statistical evidence of advance by nonwhites in various aspects of employment and unemployment—as well as evidence, of course, of egregious failures (e.g., to reduce teenage unemployment) and of persisting and pervasive economic afflictions. The document is of interest here, however, for two additional reasons.

One reason is that both the President's prefatory Manpower Message to the Congress (January 23, 1968) and the Secretary of Labor's introduction point to the long-term gains made during the regime of the Employment Act. Over the years, the focus of attention has shifted from the gross *national* problems of moderating recession and of sustaining and increasing total employment toward *regional* problems of economic improvement and now toward problems of various specific *categories* of individuals. The "remaining targets" that command Federal attention, the Secretary notes, include the hard-core unemployed, the seasonally unemployed, youths between school and work, inactive older workers, racial minorities, and the jobless handicapped.

The second reason that the Manpower Report is of interest here is its description of Federal programs directed at these "remaining targets" and presumably responsive to the Kerner Report. For example, it discusses JOBS (Job Opportunities in the Business Sector), a government-industry "partnership" for training and hiring the hard-core unemployed. It also discusses the National Alliance of Businessmen (but I do not see the acronym NAB!). It describes CEP (Concentrated Employment Program) and CAMPS (Cooperative Area Manpower Planning System), which potentially meet the need mentioned in the Kerner Report for interagency and intergovernmental coordination of manpower and

[12] U.S. Bureau of the Census. "Income in 1966 of Families and Persons in the United States." (*Current Population Reports:* P–60 No. 53, December 28, 1967), Table H. (A newer Census report presents the same figures, as well as other pertinent information: "The Extent of Poverty in the United States: 1959 to 1968," P–60, No. 54, May 31, 1968.)

related services (including manpower services provided under the emerging Model Cities Program). The Secretary of Labor confidently reports that "we now have the knowledge," acquired through experience under various programs, to help the hard-core unemployed.[13]

The President and the Secretary of Labor should not be expected to proclaim costs and setbacks as loudly as they proclaim successes, but it is fair to observe that the progress made during the era of the Employment Act has itself helped to exacerbate the disappointments widely felt over persisting minority misery. Though hampered by expansion of Vietnam hostilities, by inflation, and by the gold drain, active fiscal and monetary policy has contributed very substantially to the reduction of national unemployment drag. But there are feedbacks: Active fiscal policy has itself contributed to our inflationary and balance-of-payments difficulties—and to monetary and other distortions that have not yet registered their full social costs. It is true, besides, that the start and stall of a well-advertised "war on poverty" in a "great society" have helped to generate and also to frustrate a "revolution of rising expectations." What I want to point up here, however, is that a clearer revelation of disparity of status adds fuel to such a revolution—as the Kerner Report noted. The stubborn remaining problems of joblessness and low-grade employment in our society have been exposed to easier view against a background of increasing general affluence. The evils existed before, and solid historical improvement has also been achieved; but they now stand more fully revealed and are amplified, repeated, and dramatized in our entertainment and news media. The obvious ubiquitous signs of unequal economic and social status have a psychological effect which apparently cannot be matched by the citation of any record of historical improvement.

The non-correspondence between evidence of historic gain and the fact of current despair is poignantly reflected is some recent remarks by the President. In a speech in Chicago on April 24, he rightly observed:

"Our society still bears burdens and scars from times before we were born. But we have acted to relieve those burdens and to heal those wounds. Nowhere else—in no other society on this earth, are so many so devoted to leaving this earth better than they found it. It is this purpose that is throbbing through this Republic now."

On May 20, he said the following in a speech in New York:

"To me, the fact that we recognize a gap between achievements and expectations represents a symptom of health, a sign of self-renewal, a sign that our prosperous nation has not succumbed to complacency and self-indulgency."

The temper of these comments accords with the outlook of the Kerner Report, even though the Report's treatment of the past and present may well discourage the average white reader—and the nonwhite reader, too.

The difference between history and status, between objective and psychological fact, should still matter to any social "scientist" even if he is committed to activism. It is not necessary to accept the verdict that the Employment Act has more or less reached its limits, that the economic and social gap between whites and nonwhites can no longer be narrowed significantly through the job route. Despite propaganda against which no profession is proof, work is likely to remain a vital category of human activity in the future, either in our own society or in any stable successor. Work has not been rendered vestigial or ceremonial by automation, cybernation, or any other barbarism of the new lexicon; it remains important for personal dignity and political cohesion as well as for economic production. An outmoded materialistic concept that does not die identifies production with manufacturing and similar processes only; but service production has for many decades been definitionally and otherwise respectable, and it is destined to continue its impressive expansion as an employer. The link, in short, between work and income does not need to be severed; and a social scientist can still look forward to as long and honorable a career in studying employment as in sponsoring guaranteed incomes.

Kerner Commission Employment Recommendations

Work, especially in a non-menial job with a future, is deemed vital by the Kerner Commission for counteracting poverty and unrest in the ghetto. In the chapter on recommendations, the Report says (p. 413):

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[13] On this paragraph and the two preceding ones, see *Manpower Report of the President*, April 1968, *passim*.

"Unemployment and underemployment are among the persistent and serious grievances of disadvantaged minorities. The pervasive effect of these conditions on the racial ghetto is inextricably linked to the problem of civil disorder."
Furthermore, in supporting a national program of income supplements for the needy, the Commission remains mindful of the value of work: "To provide for those who can work or who do work, any necessary supplements in such a way as to develop incentives for fuller employment" (p. 466).

After describing desirable employment goals and strategies, the Kerner Report proposes programs in 6 areas: (1) consolidation and concentration of efforts to recruit and place workers; (2) removal of barriers to employment and promotion; (3) creation of a million new jobs in the public sector in 3 years; (4) creation of a million new private jobs in 3 to 5 years; (5) economic development of areas of urban and rural poverty; and (6) encouragement of Negro ownership of businesses in the ghetto. Some of the facets of these programs will be mentioned in the course of the discussion that follows.

Although public and private action along the recommended lines is already under way, it may not at all proceed on the scale and at the speed recommended by the Commission. Three reasons suggest themselves: (1) technical difficulties, especially in the accomplishment of an extensive organization or reorganization of manpower services while a vast throughput is also sought; (2) competition of proposed programs with other public and private commitments and objectives; and (3) the slow generation, at best, of a "new will" to resolve decisively the basic problems related to civil disorder. I discuss these points in turn.

The Commission's statement of required "basic strategies" gives some idea of the magnitude of the tasks entailed (p. 415):

"Existing programs aimed at recruiting, training and job development should be consolidated according to the function they serve at the local, state and federal levels, to avoid fragmentation and duplication."
The Kerner Report recalls the difficulty experienced in reorienting the Employment Service. It proposes the creation of a Federally-chartered corporation to coordinate the job programs for the private sector—"a single cooperative national effort * * * with the assistance of business, labor and industrial leaders at national, regional and local levels" (p. 418). This corporation would operate "through regional and local subsidiaries" (p. 422). Arrangements would also have to be made "for the flow of trainees from public-sector jobs to on-the-job training in private companies" (p. 416). Specially-trained supervisors are required for helping the hard-core unemployed through the initial job experience (p. 417). While these administrative and logistical tools are themselves being forged, it is proposed that, in the first year, 250,000 of the million public-service jobs be created and 150,000 of the million new private jobs—or 300,000 private jobs if a timely tax credit is enacted. These goals are much more ambitious than those proposed in present government plans.

Additional technical obstacles impede attainment of the Kerner Report's objectives with respect to scale and speed. An employing agency or firm has to define or restructure jobs for the hard-core unemployed and other persons of limited skill, to design career ladders, and smoothly to accommodate these into established work systems. To set up even dead-end jobs and integrate them into established public and private organizations would still require time, skill, and tact. The Report notes, furthermore, that "a sure method for motivating the hard-core unemployed has not yet been devised" (p. 416). If trainees in new public-service jobs, moreover, are paid "not less than the minimum wage or prevailing wage in the area for similar work, whichever is higher" (p. 421), objections could well be raised by unions representing experienced workers; or an impetus would be given to demands by such workers for wage increases to preserve differentials.

What I have just said could serve as the first of my observations on the competition of new employment proposals for the disadvantaged with other private and public commitments and objectives. Private employers, of course, wish and need to make profits, and stockholders expect dividends. More affluent companies can, of course, afford better than the others to pursue social purposes, and they may not need much persuasion to recognize the probable attendant benefits to their public image. Below the Federal level, governmental jurisdictions are notorious for reluctance to levy new taxes and to raise debt limits; and many plagued urban areas already have woefully inadequate revenue bases. As for the Federal Government, new undertakings are discouraged by demands for Vietnam

(and other purposes) in a period in which the protection of the value of money and competitiveness in foreign markets are also deemed to be important restraining objectives. Tax credits, recommended by the Kerner Commission for rural development as well as for private job creation, are rarely enacted with enthusiasm; and they will not now be embraced eagerly.

At the beginning of its chapter on recommendations (which cover education, welfare, and housing in addition to employment), the Kerner Commission addresses itself to the nation's fiscal condition and capacity (pp. 410–411). It cites two facts as fundamental—the vast productivity of the national economy and the responsiveness of the Federal revenue system to economic growth. While acknowledging that the national cornucopia is not inexhaustible and that the allocation of funds among alternative objectives may require hard choices, it does not see an insuperable problem. Despite Vietnam and other demands, we have "enough to make an important start on reducing our 'social deficit.'" Indeed, figures cited by the Commission do "demonstrate the dimension of resources—apart from changes in tax rates—which this country can generate." Unfortunately, however, the Commission makes no reference to constraining factors, such as inflationary pressures and the nagging balance-of-payments deficit. Furthermore, the Commission fails to estimate the annual cost of its proposals and to present alternative budgets that also accommodate other major national purposes (including, say, price restraint). If such steps had been taken, the meaning of the Report would have been rendered more concrete, and compromise and constructive accommodation would be easier.

A comment is required on public-service jobs. It is a mistake to think only of new low-skill and low-training employment opportunities when we consider the induction of the hard-core unemployed into the world of work. Actually, significant jobs could be provided for a very wide assortment of occupations and at all levels of skill if the various layers of government saw themselves as the logical *employers of first resort*,[14] not last resort, for certain services that the private sector cannot or would not normally supply. These new or expanded services pertain to health, education, anti-pollution, recreation, police and fire protection, mail delivery, urban development and reconditioning, and many other categories of public interest. Although governments alone are the potential entrepreneurs, they could finance private participation on a contract basis. These government-operated or government-sponsored undertakings could provide on-the-job training opportunities and career ladders for new workers as well as jobs for manual to professional and managerial employees. But, of course, time would still be required—and a "new will," too—to meet these long-neglected public needs. Thus, "new will" is demonstrably absent to meet perennial, accumulating, public-service requirements in general. The "white society," in short, neglects itself too; it does not tend to neglect the area of the Kerner Commission's primary concern on "racist" grounds merely.

These references to a "new will" bring me to my third, and final, point. A widespread reading of the Report is not likely to generate the public zeal that would assure attainment of the Commission's goals of scale and speed. First, there really is no monolithic, superorganic, "white society" that hears, and then decides to honor or to ignore, the Commission's recommendations. The polarization of popular "white" sentiment on what to do, how much, and when is rendered unlikely, furthermore, by the failure of the Commission to draw up a budget accommodating the Report's employment and other objectives with remaining national purposes. (The Secretary of Labor, incidentally, has taken the position—both in the latest Manpower Report and in testimony on legislation proposing more ambitious job creation programs than the Administration favors—that it is up to the people to make known their appraisal of the Commission's recommendations.)[15] Still worse, the Kerner Report seems to have neglected the opportunity that it had to tap the reservoir of good will already

[14] See my introductory chapter, "On Manpower, Forecasting, and Public-Private Roles: Three Evolving Concepts," in *Manpower Tomorrow*, Augustus M. Kelley, New York, 1967. Since governmental action as employer of first resort is the key to an important remaining economic frontier, and since the sense of community might be seriously impaired by the adoption and extension of income guarantees that are divorced from work, I see increasing merit in the verbalization of the Beveridgean concept of full employment (i.e. more jobs than seekers) as a social ideal, as an eventual goal, for the United States.

[15] *Washington Post*, May 10, 1968; and *Manpower Report of the President*, April 1968, p. 10.

existing in the white majority. This leaves us with an open question: Will activism by racial minorities, will marches and camp-ins, will new disorders, supply the moral equivalent of "new will?" This question is seasonal and seasonable.

The experience of reading the Report (a non-fiction equivalent of *Moby Dick*) gives me the hindsight to have offered the following advice to the Commission if I had been asked in advance about the generation of a "new will" and the movement toward "a true union."

First, the findings ought to have taken explicit account of a need for balanced pursuit of national objectives. Such a pursuit is implicit in the Employment Act; and all other Federal legislation, concerning manpower as well as other needs, has to fit into some kind of a plausible whole. The larger-systems approach and cost-effectiveness analysis, of which so much is heard, ought to be applied, even crudely and experimentally, across governmental programs and across periods of time. Alternative trial balances should accordingly have been prepared or commissioned. The problem might have been commended to the Council of Economic Advisers, to such non-governmental bodies as the National Planning Association (which has a Center for Priority Analysis), and to organizations maintaining econometric models. We should, for example, be able to consider how much inflation would be generated or how much might be tolerated to accommodate the Kerner Commission's recommendations regarding employment, education, welfare, and housing. What are the implications of the recommendations for the end-game in Viet Nam? How much constraint on new expenditures for urgent domestic programs is really implicit in our inflationary and balance-of-payments difficulties? Should the tax burden be increased beyond the Presidential request? These are not easy questions; but we do need to progress toward a calculus, however rough, to facilitate national intergroup bargaining on vital issues that could also be settled far less peaceably. We need a calculus of consensus for the engineering of consensus.[16]

Second, as a positive incentive to white men of good will, a timetable should have been established that sets significant yet clearly achievable employment goals for the first year. Correlatively, the Report could have encouraged a general understanding that, even with earnest dedication in the white community, the full recommendations respecting employment and other categories are not easy to meet. An auspicious beginning might thus have been assured; a possible contribution to the cycle of over-expectation and over-reaction among whites and blacks would also have been avoided. In this connection, the Report could have made more of a statement on the "difficulty of really improving the economic status of the Negro man," which appears on pp. 255–256:

"It is far easier to create new jobs than either to create new jobs with relatively high status and earning power, or to upgrade existing employed or partly-employed workers into such better-quality employment. Yet only such upgrading will eliminate the fundamental basis of poverty and deprivation among Negro families."

Finally, if an even conciliatory spirit could not have been maintained in the preparation of the Report, more encouragement should still have been offered to the white majority, on which implementation so largely depends. For a journalist writing the introduction to the commercial edition, it may seem a sufficient coup for the Commission to have stated the name of the shame as "white racism." But implementation—that is the thing. The "we" of the Report are mostly white: the tainted "white society" and "white institutions" are essentially "the nation" that is being asked "to generate new will" and to move toward "a true union." Would it not, therefore, have been better "strategy" (to use a word appearing so often in the Report) to encourage the white majority to don the armor of crusading *concern* than to accept the poisoned shirt of corroding *guilt*? After all, even the establishment of the Commission and the publication of its Report must be attributed at least as much to white hope as to black despair.

Representative BOLLING. Thank you. And now we will hear from Professor Thurow.

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[16] It may soon become technically feasible and publicly useful to interpret Sections 3(a), 4(c), and 5(b) of the Employment Act to require routine annual estimation and revelation of the monetary and manpower implications of alternative (desired or foreseen) comprehensive mixes of public and private programs and actions.

STATEMENT OF LESTER C. THUROW, PROFESSOR, DEPARTMENT OF ECONOMICS, HARVARD UNIVERSITY

Mr. THUROW. I will briefly summarize my report.

Let me call your attention to charts 1 and 2 in my prepared statement. (See pp. 143, 144.)

Two problems dominate American social policies. One is the problem of poverty; the other is the problem of racial inequality. Initially, these two concerns were viewed as separable problems. Increasingly society is recognizing their interdependence. Both problems have sociological, cultural, and psychological aspects. In their economic aspects, however, both problems demand changes in the American income distribution.

The war on poverty is designed to eliminate the bottom tail of the income distribution. Those with incomes below the poverty line are to achieve incomes above the poverty line. In its broadest context the war on racial inequality is designed to equalize the income distributions of majority and minority groups. Individual whites may have higher incomes than individual blacks; individual blacks may have higher incomes than individual whites. But the two income distributions should not be distinguishable.

Full employment, economic growth, and price stability have been our economic goals. The Kerner report implies that altering the shape and level of the American income distribution must become one of our central economic goals. In addition, the income distribution should be altered in a short period of time.

To elevate the goal of changing income distribution to a central economic goal is not enough. There are always tradeoffs between the various goals. The weights that are going to be placed on the various goals must be established. Theoretically, determining the desired income distribution is an important aspect of economics. It might even be the most important aspect of government and economics. All of the axioms about the efficiency of a free enterprise system of economics depend on the prior establishment of the desired income distribution. If we do not have the desired income distribution, all of these axioms break down.

What is the desired income distribution? That is something we have elected you gentlemen to decide.

When we look at the income distribution, there have been no changes in the postwar period. In relative terms, the gap between rich and poor has remained constant. The gap between black and white.

Relative stability in the income distribution implies widening absolute differences. It implies that the gap between median income of the top 20 percent of the population and the bottom 20 percent of the population has widened from $8,600 to over $12,000; it implies that the gap between black and white has widened from $2,000 to over $3,000.

When we look at the income distribution, we find a very strong cyclical component—the difference between full employment and recession has a large effect on the difference between black and white incomes. In a recession year, black incomes are approximately 50 percent of white; in a full employment year, such as the one we have now, black incomes are approximately 60 percent of white. Obviously

a full employment year does not solve the problem, but it makes a 10 percent difference, $700 per black family.

When we look at the income distribution in a broader context, there is no evidence that the income distribution is becoming more equal, either between rich or poor, or between black and white.

What policies could be used to change the income distribution. The first thing I want to talk about is aggregate economic policies. If the economy stayed at full employment for a long time, this might encourage some structural changes that would lead to more income equalization. Even if it does not, it should be emphasized that aggregate economic policies are important. Let us assume the surtax increase and the expenditure cut—what if this cut is too large, and you end up with a recession. This means that Negro incomes are going to fall from their current level of 60 percent of white to 50 percent of white. I suggest that would lead to a very explosive situation. It is a situation that should be avoided at all cost I think that is something that should be considered seriously in our deliberations on the current tax increase and expenditure cut.

Second, if we are looking at ways to change the income distribution quickly, I think we must say that while a guaranteed income and a negative income tax are not an answer to all of our problems, they are almost a necessary precondition for rapid change. But I will leave this subject, since I understand that it is coming up in future hearings.

Another program could be suggested. It is a program we always suggest for everybody else but ourselves. I am talking about urban land reform. People in poverty areas should be allowed to buy the homes they now occupy with no downpayment. In the Boston area studies indicate that at current market prices and using current market interest rates, rents would fall by 50 percent if homes were sold to the individuals who now live in them. They could be buying their own homes at 50 percent of the price they are now paying in rent.

Land reform is a device which we traditionally advocate for Latin Americans, the Vietnamese, and everybody else with social problems. I think we ought to apply that recommendation to ourselves. We must seriously think about urban land reform and what it can contribute to changing the income distribution.

On-the-job training is another important method to change the income distribution. The Kerner Commission report recognized the upgrading problem but they underemphasized it. Remember that 93 percent of all Negroes are employed, as previously mentioned, a lot of them work full time. We need a manpower training system that will encourage upgrading as well as employment. In the appendix to my paper I have tried to sketch out such a system. If the Government is going to give bonuses to private industry to upgrade workers, the bonus should be given in terms of what you want, not in terms of the inputs. Currently we give bonuses for training programs. That is not the way the bonus structure should be organized. Bonuses should be given for raising people's income. If you are successful at raising somebody's income, you should be given a bonus on that basis. We are essentially running a cost-plus training program. We are really interested in increases in income.

It would be very simple to organize a system of manpower training programs that were organized on an output basis. People would receive

subsidies if they were successful at raising somebody's income. The method used is their own business. This gets the Government out of the whole business of trying to inspect training programs. It turns initiative back to the private sector. The private sector must decide the best way to increase a man's income. The Government is involved only to the extent that it will cost extra money to provide upgrading.

All of these methods could be used to change the income distribution. I think they all deserve serious consideration. We can talk about them in the discussion period.

Representative BOLLING. Thank you very much, Professor Thurow.

(The prepared statement of Professor Thurow follows:)

PREPARED STATEMENT OF LESTER C. THUROW

IMPLICATIONS FOR ECONOMIC POLICIES

I. INTRODUCTION

Two problems dominate American social policies. One is the problem of poverty; the other is the problem of racial inequality. Initially, these two concerns were viewed as separable problems. Increasingly society is recognizing their interdependence. Both problems have sociological, cultural, and psychological aspects. In their economic aspects, however, both problems demand changes in the American income distribution.

The war on poverty is designed to eliminate the bottom tail of the income distribution. Those with incomes below the poverty line are to achieve incomes above the poverty line. In its broadest context the war on racial inequality is designed to equalize the income distributions of majority and minority groups. Individual whites may have higher incomes than individual blacks; individual blacks may have higher incomes than individual whites. But the two income distributions should not be distinguishable.

Full employment, economic growth, and price stability have been our economic goals. The Kerner Report implies that altering the shape and level of the American income distribution must become one of our central economic goals. In addition, the income distribution should be altered in a short period of time. But more needs to be done than to include a new economic goal in our Pantheon of economic goals. Priorities among these goals must be defined. Although achieving full employment, high economic growth, price stability, and the desired income distribution is desirable, the possibility of achieving all of these goals quickly and simultaneously is remote. Explicit trade-offs must be recognized and made.

Achieving the desired income distribution may require some sacrifices in other economic goals. In the short-run economic growth may slow down as resources are channeled into areas with less immediate payoff. Rapidly upgrading minority groups in the labor market may require structural changes that lead to less price stability. Let me put the problem bluntly. If the income distributions for whites and Negroes are to be equalized within a short period of time (one generation or less), some sacrifices must be made in other economic goals.

Choosing a desired income distribution and the weight to be placed upon achieving it is ultimately a public value judgment made through the political process. The economist has neither special knowledge nor prerogatives in expressing his opinions on these issues. You are the people who have been elected to make these hard decisions. If economic priorities are not reoriented, there will be no progress in equalizing the Negro and white income distributions just as there has been no progress in the last twenty years.

II. THE ROLE OF THE INCOME DISTRIBUTION IN THE AMERICAN ECONOMY

In a market economy the income distribution plays a central role in the allocation of goods and services. Individual preferences determine market demands, but preferences are weighted by income before they are communicated to the market. If an individual has no income, his latent demands for goods and services have no effect on the market. To make his preferences felt, the individual must have income with which to translate his preferences into effective demand. Since

the income distribution is a measure of the distribution of potential purchasing power, the income distribution is a measure of the weight given to different individual preferences in making economic decisions. It s a measure of our distribution of economic power.

Axioms about the efficiency of a market system of economics depend on the prior achievement of an optimum distribution of income. If income is distributed in accordance with society's preferences, individual preferences are properly weighted in the market place. The market can then efficiently adjust to an equitable set of demands. If income is not distributed in accordance with society's preferences, the market adjusts to an inequitable set of demands. Market signals do not express society's desires and the market system does not result in an acceptable distribution of goods and services.

A market system of economics generates incomes in the process of producing and distributing goods and services. Individuals earn income by producing and distributing goods and services. Although a market system of economics may efficiently handle the demands for goods and services folowing from society's desired income distribution, there is nothing in the market system that automatically regenerates society's desired income distribution. Starting with society's desired distribution of demands for goods and services will not lead to society's desired distribution of income. One of the continuing functions of government is to alter the market income distribution to that desired by society. Taxes, transfer payments, and direct expenditures such as those on education and the war on poverty are all tools used in the effort.

Achieving the desired income distribution does not settle all allocation questions. Many goods, such as police protection, are not usually provided by the market. These public goods still must be allocated. In addition, society may have more egalitarian ideas about the distribution of particular goods than it does about goods in general. There is nothing irrational in deciding that the distribution of medical care should be more equal than the distribution of cars or TV sets. Incomes might be distributed to achieve the desired distribution of cars and TV sets, but other nonmarket arrangements may be necessary to achieve society's desired distribution of medical care. Thus, the distribution of income is not the only allocative decision which society must make, but it is certainly one of the most important.

Incomes serve as both a source of potential purchasing power and as a system of work incentives. The income distribution which is most equitable according to society's preferences may not produce the most work. Therefore, the distribution of income may affect the total amount to be distributed. As a result society must consider the problem of economic growth when it considers the problem of the desired income distribution.

As general income levels rise, however, there is no reason why the tradeoff between additional output and a more equitable income distribution should remain constant. If additional income becomes less important as society grows richer, progressively less weight needs to be placed on the importance of monetary work incentives. In addition, different methods of redistributing income may have very different effects on work incentives. Some redistribution systems may discourage work effort; others may actually increase it.

In most cases there is no a-priori method of determining the qualitative effect of redistribution systems on work incentives. In no case is there an a-priori method of determining the quatitative effect of income redistribution systems on work incentives. In addition, to income a host of nonmonetary incentive systems and work constraints influence work effort. Promotions, demotions, praise, and economic power all provide alternative incentive systems. Assembly lines, bosses, and a standard working day all prevent individuals from altering their work effort. In many cases these other systems of work incentives and work constraints dominate the effects of income on work effort. Thus empirical information must be gathered to determine the interconnections between work effort and the income distribution before the importance of the interconnection can be determined.

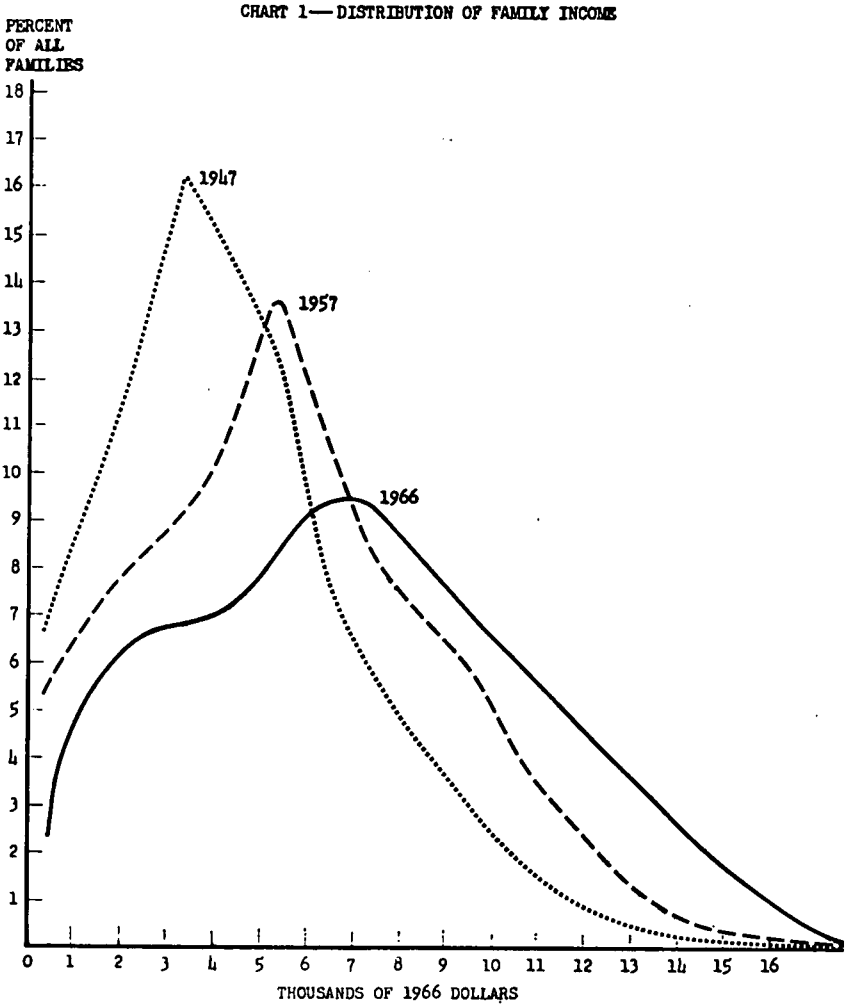
Economists can delineate the interconnections between economic growth and the distribution of income and between work incentives and specific redistribution plans. To the extent that there are unavoidable conflicts between the income distribution and economic growth, however, society must reconcile the different goals. Society may choose an income distribution that does not provide maximum work incentives, a distribution that does not provide the ideal distribution of purchasing power, or a distribution which meets neither goal fully. Unfortunately, no method exists to avoid such choices.

In a democracy the factors that determine the desired distribution of income are as varied as the factors that influence individual preferences. All sorts of constraints might be placed on the acceptable shape of the income distribution. These constraints may be based on beliefs about absolute or relative minimum survival standards or about the proper distribution of economic power. Since economic and political power are interconnected, a democratic form of government might demand constraints on the income distribution to achieve political equality. Social problems, such as those presented by low income minority groups, influence the shape of the desired income distribution. Poverty which is concentrated among a racial minority might be more intolerable than poverty which is spread across the population. The stability of individual positions on the income distribution also plays an important role in social judgments. Society would probably tolerate a much more disperse income distribution if the same individuals were not consistently at the top or bottom. Lifetime incomes as well as annual incomes are important in choosing a desired income distribution.

III. THE AMERICAN INCOME DISTRIBUTION

The 1966 median family income was $7,436, but this average masks a wide dispersion (see Chart 1). Fourteen percent of American families had less than

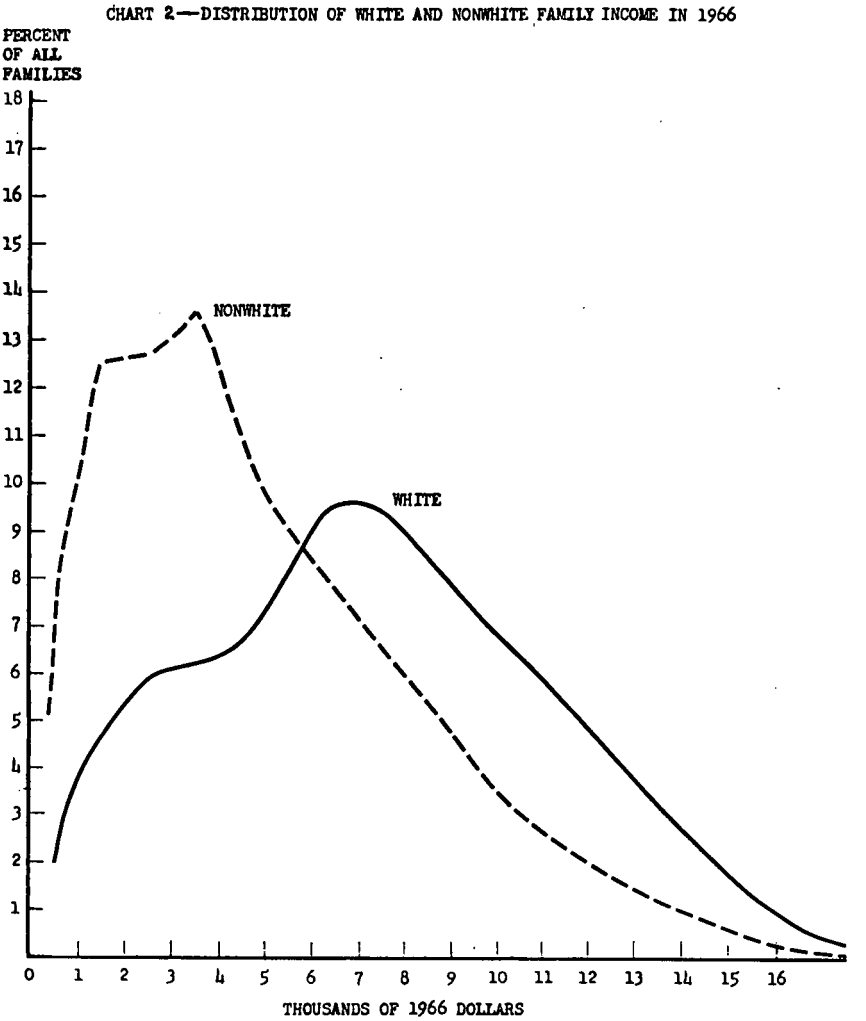
CHART 1—DISTRIBUTION OF FAMILY INCOME



$3000; thirty percent had incomes over $10,000. Among unrelated individuals the median income was $2270. Thirty-seven percent had less than $1500; four percent had incomes over $10,000. Since 1947 family incomes have risen from $4401 (1966 dollars). Although incomes have risen, measures of income dispersion indicate no progress to a more egalitarian income distribution since World War II. In 1947 the bottom fifth of the families received five percent of aggregate income; in 1966 the bottom fifth of the families received five percent of aggregate income.

The impact of racial inequality can be seen in the differences between the income distributions for whites and nonwhites (see Chart 2). In 1966 the median family income was $7722 for whites and $4,628 for nonwhites. Nonwhite incomes were 60 percent of white incomes. Although only 12.4 percent of the white families had incomes of less than $3000, 30.4 percent of the nonwhite families had incomes less than $3000. At the upper end of the income distribution, 31.6 percent of all white families had incomes above $10,000. Only 12.2 percent of nonwhite families had similar incomes. While there have been cyclical changes in the ratio of nonwhite to white family incomes there have been no discernible secular trends towards closing the gap between white and nonwhite incomes. In

CHART 2—DISTRIBUTION OF WHITE AND NONWHITE FAMILY INCOME IN 1966



terms of their income distribution, the nonwhite population is lagging approximately thirty years behind the white population. This was true in 1947; it is true in 1966.

Although relative measures of income dispersion were constant in the postwar period, they imply widening absolute differences in income. In 1947 the difference between white and nonwhite median family incomes was $2249 (1966 dollars); in 1966 the difference was $3094. In 1947 the difference between the median family incomes of the lowest fifth of the population and the highest fifth of the population was $8569 (1966 dollars); in 1966 the difference was $12,065.

Given twenty years of stability in relative measures of income dispersion and twenty years of widening absolute differences, there is no reason to suppose that the nature of the American economy is about to change. The burden of proof is certainly on those that think the income distribution will take care of itself. Unless positive evidence can be found of structural factors that will alter the nature of the American economy, there is no reason to think that our income distribution problems will solve themselves. Without specific government programs to change the income distribution, the present trends will continue.

Poverty as it is now defined will slowly decline. If more realistic long-run poverty definitions such as fifty percent of median incomes are used, there will be no progress in eliminating poverty. The gap between Negro and white incomes will remain constant in relative terms; it will widen in absolute terms.

IV. MEASURES TO ALTER THE DISTRIBUTION OF INCOME

Aggregate Economic Policies: If altering the distribution of income becomes a central goal of economic policy, aggregate economic policies play an important role. Recessions must be avoided. Although there are no secular trends in the ratio of Negro to white incomes, there are large cyclical components. In recession, black incomes are approximately fifty percent of white incomes. In periods of low unemployment (3.0 to 3.5 percent), black incomes are approximately 60 percent of white incomes. The difference is worth $770 to the median black family. High employment does not eliminate differences in the two income distributions, but it narrows them.

Government policies should create tight labor markets. They are costless in terms of government expenditures, and they produce rather than consume resources. According to the advocates of tight labor markets, abundant job opportunities reduce poverty by providing employment and income for the unemployed, the under-employed and those who are attracted into the labor market by the possibility of finding employment. In addition to quantitative employment effects, tight labor markets have beneficial qualitative effects. Shortages among skilled workers encourage businesses to enlarge training programs. Restrictive union practices may decline when workers are less fearful of competition for a limited number of jobs. As the probability of finding the desired job improves, individuals find it more profitable to develop skills and knowledge and become more willing to complete government training programs.

Economists traditionally pay homage to the concept of a balanced labor market in which the vector of labor demands is equal to the vector of labor supplies. In a balanced labor market, however, there are no economic pressures leading to changes in either the vector of labor demands or the vector of labor supplies. If changes in the distribution of income are to occur, the vectors of labor supplies or demands must first be altered. To create the economic pressures which can force the necessary structural changes in the labor market, labor supplies and demands must be out of equilibrium. The demand for labor must be larger than the supply of labor. Shortages rather than balance become the *sine-qua-non* of progress since shortages provide economic incentives for change.

The profit motive is the driving force behind business decisions. Business initiates change when it is profitable to do so. In an unbalanced labor market the employer's preferred workers are no longer available. They are already employed. Since the employer cannot hire his preferred woker, he must investigate the profitability of hiring less preferred workers. Presumably he will hire the disadvantaged if the profitability outweighs the costs of hiring and training them. High utilization rates do more than reduce the supply of workers, however. Raising aggregate demands leads to shortages of goods and services as well as labor. With shortages of goods and services the profitability of extra output rises and with it the profitability of hiring disadvantaged workers.

An unbalanced labor market is similar to an economic boycott. In the normal boycott, economic power is created by the employer's need for the customer's patronage, but in an unbalanced labor market, economic power is created by the employer's need for labor. Both consumption boycotts and labor shortages create market power for the poor, but the sustainability of an unbalanced labor market is obviously greater than the sustainability of a buyer's boycott.

The magnitude of the structural changes caused by unbalanced labor markets depends on the length of time over which the labor market remains unbalanced. Longrun structural changes in methods of recruiting, training, promoting, and in obstacles to advancement should be even larger than short-run changes.

Income Redistribution Policies: The only other economic policies that can have an immediate impact on the distribution of income are direct income transfers. Ultimately everyone should be able to earn a good living. In the short-run this is not possible. Many of those in poverty can be helped in no other way. The trick is to find a method of eliminating poverty quickly that will not conflict with helping everyone to earn his own income in the future. The negative income tax is such a program. It can be used to eliminate poverty; it provides incentives to work.

Other programs such as urban land reform should be considered. Urban renewal projects could be formed to allow individuals to buy the homes or apartments they are presently occupying in ghetto or poverty areas. Individuals would be allowed to buy their current home or apartment with no down payments. In the long-run, urban land reform would have small budgetary costs. Individuals would repay the costs of buying their homes. Urban land reform would create the pride of ownership and the economic power that goes with home ownership, but urban land reform would also result in an increase in the real income of people in the ghetto. In most cases the monthly purchase costs would be much less than current rental payments. Practical programs for urban land reform involving single family homes and apartment houses could easily be developed.

Manpower Policies: The income distribution is actually a product of the underlying distributions of human and physical capital, the level of productivity, the organization of the economic system, discrimination, and many other factors. Manpower policies can be used to change the structure of the economy and consequently the distribution of income. Structural policies, however, are almost by definition policies that take time to accomplish. Given their level of funding, current manpower policies do not have a noticeable effect on the distribution of income distribution in the next ten years.

The Kerner Commission in its Report and in Appendix H correctly points out the long-run importance of increasing on-the-job training. On-the-job training is one of the major areas where Negroes suffer from discrimination. On-the-job training is also necessary to obtain monetary returns from education. Without on-the-job training, education is often of little value.

Existing experience with on-the-job training programs has been favorable. Private training has the advantage of increasing incentives. In on-the-job training, jobs are directly, visibly, and risklessly tied to completing training courses. A visible job can provide the incentives necessary to persuade workers to complete courses of instruction. Without a visible job, the risks of not finding a job or refusing a job offer given during the training period may be so large as to not make training worthwhile.

On-the-job training programs are also important to move individuals onto the promotion ladder. Incentives depend not only on finding entry jobs, but on believing that advancement is possible. Private industry already has set up the machinery and methods of provide training which is automatically geared to specific jobs. To the extent that training is informal rather than formal, only industry can provide it. In addition, training costs are reduced to the extent that output is produced in the training process.

In terms of work incentives, quality of training, and costs, on-the-job training has many advantages. To make a substantial impact on poverty, however, the government must provide financial incentives to train the poor. The real costs of training the hard core unemployed or subemployed are high enough so that private firms simply will not (and should not be asked to) undertake any more than token training without financial incentives. But what kind of financial incentives should be provided?

The present program of grants for on-the-job training suffer from a lack of generalizability. Detailed contracts are negotiated with each firm participating.

This cannot be done for the country as a whole. The human resources are simply not available to negotiate all of the necessary contracts.

Generalizable programs must use direct grants or tax incentives. If a firm qualifies under the provisions of the program, it can receive the subsidy without direct negotiations between the firm and the government. This can take the form of wage or training subsidies. Wage subsidies are an inefficient means of stimulating OJT unless they are made conditional upon providing training. If they are conditional on training, the subsidy might as well be given directly for training rather than indirectly through wages. This is probably more acceptable to both labor and management.

Both general grants and tax credits for training suffer from some severe disadvantages. (1) They encourage cost-plus training programs giving industry very little incentive to economize. (2) They also require an enforcement mechanism. Either the Department of Labor or the Internal Revenue Service would have to check on the costs and quality of training. Since most training is informal, the difficulties of enforcement should not be minimized. Many production costs could easily be made to look like training costs. Thus, the government would be stuck in the middle of a firm's training and production problems. Despite their generalizable appearance, training subsidies might do little to minimize the need for government manpower. (3) Both programs would also give aid to those who do not need it. The government would be paying for many people who would have received training in any case. There is no method to overcome this problem completely, but it can be minimized by restricting the grants or credits to those that meet poverty criteria. This opens another place where enforcement would be necessary. (4) The tax credit scheme introduces additional distortions into the tax system. The inefficiencies of doing this may seem excusable, given all of the other distortions in the tax system, but the costs of additional inefficiencies in the tax system cannot be completely ignored.

An alternative to general revenue subsidies for training is to impose a corporate profit tax surcharge which is placed in a trust fund to be returned to industry for training purposes. This would have the nature of a benefit tax, but it would probably be used for *the group presently trained.*

The incentive system suggested by the Kerner Commission in Appendix H meets some of these objections, but it is too oriented toward unemployment and an initial period of training. Most Negroes including ghetto Negroes are employed. Ninety-three percent of the Negroes currently in the labor force are employed. They need to be upgraded to better-paying jobs with a future. Incentives must be organized to encourage upgrading of already employed workers as well as the employment of the unemployed.

Many of the previous objections could be eliminated by a system of grants or tax credits for raising the income level of a person in poverty. Instead of providing payments for training programs, the firm is given a bonus depending on how much it is able to raise the income of a worker. Raising income levels from $0 to an average of $4,000 over a five-year period might be worth a $5,000 bonus or any other amount. This eliminates the cost-plus nature of training grants and *provides incentives for new and cheaper training methods.* If incomes can be raised without training programs, so much the better. The bonus is then paid to eliminate some imperfection in the market and is doubly justifiable. (For the details of such a system see Appendix A.)

Enforcement personnel would only be necessary to determine the incomes of workers covered under the program. This could easily be done with existing Internal Revenue records and would only require a file check. The government would not have to determine either the costs or quality of the training program and certainly be spared the problems of designing and monitoring good training programs.

The training incentives would be limited to poor workers by having a maximum income limit and reducing the subsidy as incomes rise. Thus, raising an income from $0 to $2,000 is worth much more than raising an income from $2,000 to $4,000. The program would be opened to everyone with incomes under $4,000 per year, but with small bonuses paid for raising incomes above the $3,000 level. The system has the advantage of encouraging both employment of new workers and upgrading of those already employed.

V. CONCLUSIONS

Economic theory has long emphasized the importance of achieving the desired income distribution. All of the axioms about the equity and efficiency of a market

economy depend on achieving the desired income distribution. Empirical analysis of the American income distribution indicates that the income differences between poor and rich and between white and black are growing larger in absolute terms although remaining constant in relative terms. The Kerner Commission report emphasizes the social importance of obtaining an equitable income distribution. The very existence of the Kerner report demonstrates the importance of swift progress toward a more equitable income distribution. Altering the American income distribution must be established as one of the central goals of American economic policy.

APPENDIX A

DETAILS OF AN INCENTIVE SYSTEM FOR UPGRADING WORKERS THROUGH ON-THE-JOB EXPERIENCE

The System

Either direct grants or tax credits would be given to private firms, nonprofit institutions, state and local governments, or departments of the federal government, based on the amount by which they were able to raise an individual worker's income over a five year period.

Eligibility Requirements

An individual whose income is below the maximum covered by the subsidy system would be eligible with the following exceptions:

1. Individuals who are full-time students.
2. Individuals who are part-time students and do not work full-time.
3. Individuals who are within two years of their last year of full-time schooling or who are within two years of their last year of part-time schooling and part-time work.
4. Individuals over 65 years of age.

The first three restrictions are designed to solve the problem of entry into the labor force. Subsidies should not be given to individuals whose incomes are low because they are receiving training or entering the labor market. The two year requirement should be waived for individuals who come from families where the family income was below the poverty line. This would allow the program to have an impact on the problems of poor teenagers which it would not otherwise have. Individuals over 65 are eliminated on the grounds that training programs are not the proper answer to their problems.

A decision must also be made on whether the program should be limited to heads of households. The program should be open to everyone since limitations to heads of households will create the same problems as the current welfare system. The limitation would encourage male desertion and the creation of female-headed households. To overcome the problem of females who are returning to work, a two year work requirement should be instituted like that for teenagers. To be eligible for the program a married woman must have worked full-time in the labor force for two years unless she comes from a family where the family income is below the poverty line. This would allow the program to have an impact on poor females without giving a big subsidy to white middle class wives who are returning to work after their children leave home or go to school.

Maximum Income Limits

Subsidies should be provided to encourage increases in income for all individuals who are now earning less than $4,000. This sum is high enough to allow the head of a family to lift his family out of poverty, but is still significantly below the median income for full-time workers ($5677 in 1965). Since the amount of subsidy per dollar of income increase will fall as income rises, the upper limit is not tremendously important. Most of the subsidy will be given for increases in income below the $3000 level.

The Time Path of the Income Stream

Since calculating the increase in income eligible for a subsidy as the difference in income between the year previous to entry into the program and the fifth year of the program would encourage large income increases in the fifth year and low incomes in the first four years, the subsidy must depend on the average income over the five years. It is still desirable, however, to encourage an upward trend in income since most income increases will not be reversible. Thus a

weighted average should be calculated with the fifth year weighted more heavily than the first year. I suggest the following set of weights:

Year:	*Weight*
1	0.10
2	.15
3	.20
4	.25
5	.30

Income in the fifth year is thus three times as valuable as income in the first year. To prevent firms from playing the system by juggling increases in income into a favorable pattern, a requirement should be instituted that the maximum annual increase in income be no greater than twice the minimum annual increase in income. This will force income increases to be spread over the period, but will still encourage firms to keep employees for the full five years. Wage payments in later years are more valuable to the firm than wage payments in early years. Hopefully after five years they will be so integrated into the firm that very few of them will be dicharged at the end of the program.

Degree of Progression in the Income Subsidy

Since the utility of increasing very low incomes is presumably greater than the utility of increasing relatively high incomes, a strong degree of progression should be built into the subsidy system.

For the first $1000 4% of the total subsidy should be given for every $100 increase in incomes.

For the second $1000 3% of the total subsidy should be given for every $100 increase in incomes.

For the third $1000 2% of the total subsidy should be given for every $100 increase in incomes.

For the fourth $1000 1% of the total subsidy should be given for every $100 increase in incomes.

Thus 40% of the total subsidy would go for increasing incomes from $0 to $1000, 30% for increasing incomes from $1000 to $2000, 20% for increasing incomes from $2000 to $3000, and 10% for increasing incomes from $3000 to $4000. By introducing progression the income subsidy payment a bonus is paid to reach hard core groups and to make the initial hiring decision.

The Size of the Subsidy

How large a subsidy should be given for raising an individual from an income of zero to a weighted average income of $4,000? If increases in income were constrained so that the maximum annual increase could be no more than twice the minimum annual increase in income, the smallest amount of income that would create a weighted average of $4,000 over the five year period is $16,848. The time stream of annual incomes would be the following:

Year:	*Income*
1	$1,053
2	2,106
3	3,159
4	4,212
5	6,318

This would be the minimum five year wage payments and most firms would pay considerably more since it is doubtful that union and labor market restrictions would allow wage adjustments precisely tailored to the subsidy system.

To put the subsidy into perspective look at the training costs of current government programs. The Job Corps current costs are around $5000 per year, but they were initially much higher. The total costs of MDTA training seem to be about $6500 per man year of training. The costs per enrollee are around $1600, but most programs do not last one year. These costs indicate that a rather large subsidy can be given without exceeding the costs of current programs. This is especially true since the subsidy systems' costs are related to actual benefits while the costs of current programs do not necessarily result in any benefits. Thus there are no government risks of failure in the subsidy system. If failure occurs, there are no budgetary costs.

Based on these figures I would suggest $5000 as the proper subsidy for raising an individual from an income of $0 to an average income of $4,000 over the five year period. Five thousand dollars is less than one-third of the minimum possible income that can produce the maximum subsidy. In most cases the actual subsidy would be much less since most individuals do not start at the zero income level. The subsidy could also be adjusted as experience is accumulated.

Potential Costs

The costs of an incentive system for on-the-job training depend on its success. If the program were a failure and incomes did not rise, there would be no payments to employers. If the program were successful and everyone who met the eligibility requirements reached a five-year average income of $4000, the costs would be approximately $20 billion or $4 billion per year. Actual costs would be less since the program would not succeed in raising everyone to an average income of $4000.

Enforcement

The income concept use for enforcement and for calculating the subsidy should be "adjusted gross income" as it appears on the personal income tax form. If this income concept is used, enforcement only requires a computer check of the income tax files to find income in year zero and the succeeding five years. To be eligible for the program the individual must file an income tax form in year zero, but withholding statements are available for all those who worked during the year.

Training Requirements

No particular training programs should be required of industry or government. Any technique which allows increases in individual incomes is acceptable. The subsidy is solely based on their abilty to increase the incomes of their workers. The subsidy is not a subsidy for training labor but for increasing incomes. If this can be done without training or by upgrading other workers and creating vacancies so much the better.

Special Handicaps

Should the subsidy differ for different groups of individuals depending on the handicaps they face? Should a worker with little education, a criminal record, and black receive a larger subsidy than a worker with fewer handicaps? With progression built into the subsidy systems special categories do not need to be established. Workers with the most handicaps will have the lowest incomes. The subsidies for increasing incomes are largest for the lowest income groups. Thus the handicapped can be favored without appearing to discriminate in their favor.

Timing of Payments

The subsidy could be paid in annual installments with the requirements that the books balance at the end of a five year period.

Job Mobility

If a worker changes jobs voluntarily, he is eligible for another five years of subsidies at a new employer but his initial income is the last income which he received at the previous employer. Thus the new employer can only receive subsidies to the extent that he is able to increase the workers income above what it had been at the previous employers. The old employer, of course, receives a bonus based on how much he was able to raise the workers income level. This provision is necessary to prevent immobility in the labor force and create competition for the workers in the program. Private industry risks from job mobility should be covered in the size of the subsidy rather than by preventing job mobility.

If a worker is fired for not working satisfactorily during the five year period, no subsidies are given to the firm. This is a risk which the firm must bear. If a worker is fired because of a slack economy, the firm is eligible to receive the subsidy coming to it for the time the worker has been employed if it agrees to rehire the worker at the end of the recession and actually does so.

The Lazy

What should be done about a worker who participates in the program for five years, quits his job, and then enjoys a period of idleness and poverty? Should he be eligible for the program again? I suggest that he be allowed to enter the

program again, but not with the same employer. This will prevent sweetheart deals between the employee and the employer.

Depreciated Skills

What should be done about workers who have been earining good incomes but whose skills become obsolete because of technical progress? How long a period of poverty should they be forced to endure before being eligible for the program? One year of low income should be necessary for program eligibility. This guarantees that skills are really obsolete and that the costs of technical change are not simply being transferred to the federal government. In special cases where large numbers of workers become technologically obsolete, the Secretary of Labor could certify their eligibility.

Conclusions

There are as yet unrealized problems which would emerge in trying to design a practical system of income subsidies. These would appear in the course of doing the staff work to design the details of a subsidy system, but there do not seem to be any insurmountable problems.

Representative BOLLING. Senator Proxmire?

Senator PROXMIRE. Thank you, Mr. Chairman. I would like to start off with Dr. Colm, since he was the first witness.

Dr. Colm, a number of the other panelists have brought up the very serious point, one way or another, of the dilemma Congress is in right now. We are being asked by experts who have appeared, including this panel, to some extent at least, to engage in a substantial program of creating new jobs, or providing opportunities for more people to work in the ghetto, in one way or another. And yet at the same time we are asked within the next few weeks to pass legislation which you economists overwhelmingly support to increase taxes and to reduce spending, which will have the effect, according to the letters that I have received from the Council of Economic Advisers, of eliminating jobs. Gardner Ackley, who is strongly in favor of the measure, wrote me that the tax increase itself would reduce jobs by 350,000. The reduction in spending will have—of $6 billion and appropriations of $10 billion—or might have an even more extensive impact. So you might be eliminating between 500,000 and 700,000 jobs at the margin, which as Mr. Thurow said, and I think said properly, would be inclined to adversely affect minority groups, Negroes are the first fired, the last hired.

How do we reconcile this situation?

Mr. COLM. Senator, I cannot reconcile these two demands—one, as you said, to do something in addition on our ghetto problem and the rural areas which are to some extent the source of the city problem—and at the same time reduce the budget by $6 billion.

I do believe that we need the tax increase. The chairman of this committee is aware that I have been in favor of that for quite some time. I believe we are late—but we do need that tax increase.

What tactical concessions should be made in order to get Congressional approval for an urgently needed fiscal measure, this is not the question for the scholar to answer. But as a citizen, I give you my view, Senator—I think you are entitled to that—I believe that cutting $6 billion out of the budget, without changing legislation, makes very little sense. You pick those programs where you can cut—we have been told it is about a $40 billion out of $185 billion—where cuts can be made in case Congress does not change legislation.

The President said the need for the tax increase is so urgent that he is accepting the cut. But I believe that the first job a new President

and the new Congress will be to reconsider what programs can be curtailed and what programs should be increased within the limits of the whole fiscal capability.

Senator PROXMIRE. I think I understand that well. I think you have made an excellent point. If I could spell it out—I interpret it this way. You are suggesting that perhaps we can cut some of our military spending, our space spending, some kind of public works spending, such as a highways, perhaps—these programs that involve to some extent at least highly skilled labor, men who are in short supply elsewhere—and then we can turn around and invest what is saved to a considerable extent in providing greater opportunities for people who are underemployed and unemployed. What I am talking about is the aggregate picture, however—the aggregate situation. These jobs, it is true, in the first instance are occupied by skilled people, who perhaps can go elsewhere. But looking at it from an economic impact, as you eliminate—reduce that part of the economy, the stimulus of that part of the economy, and increase taxes at the same time, you are going to have an indirect effect, but a very definite effect on the jobs that are now held by minority groups and by the very people we are trying to help.

Mr. COLM. Senator, if the program of the tax increase as now proposed, plus the $6 billion cut—with the exclusion of the particular categories—if that is adopted and implemented all through the year 1969, I think we will have a slight increase in unemployment during the calendar year 1969. In other words, I believe we are here engaging in a little overkill.

Senator PROXMIRE. To what extent? Right now our unemployment is 3.5, 3.6. You say we will have increasing unemployment in 1969 if we adopt that program. You are talking about increasing up to 4, maybe 4½—another 500,000 to a million employed.

Mr. COLM. Yes, I think in that range, Senator.

Senator PROXMIRE. This presents a tough problem. Let me read you two short paragraphs in this morning's Wall Street Journal:

> Blue-collar lag bodes ill for efforts to find jobs for the hardcore unemployed.
>
> Increases in the number of blue-collar jobs averaged 700,000 a year in 1961 through 1966, but fell to only 300,000 last year. Nearly all the 1967 blue-collar gain came in highly skilled occupations, such as for mechanics and carpenters. Result: "Virtually no additional opportunities for unskilled and semi-skilled workers," according to a Labor Department analysis. By contrast, 1.2 million new white-collar jobs appeared in 1967.
>
> Manpower experts find the trend ominous. If Negroes continue to hold only the type of jobs they generally occupy now, their unemployment rate by 1975 would be around 20 percent, triple the present rate, warns Seymour Wolfbein, former Labor Department economist. A much faster Negro breakthrough into white-collar and skilled craftsmen's ranks is necessary."

So it would seem that the approach that Mr. Ginzberg suggested is highly logical—that is, if you are going to do this, you have to start with education, an intensive emphasis on education—Teacher Corps, whatever—in a very big and emphatic way. What worries me about that is that may be all right for 10 years from now or 15 years from now, but what are you going to do now, what do you do in 1969, 1970, when the unemployment, as you say, is likely to increase. What can you do with any degree of responsibility and efficiency to find jobs for people when we are taking this massive action to reduce opportunity to work.

Mr. COLM. Senator, I have the same reaction as you expressed to my friend Eli's statement. The logic I think is unassailable, considering the underlying problem. But we cannot wait until we have solved the basic problem of attitude, motivation, environmental and educational factors. And I think we have to consider measures which help for the time being.

Now, for instance, an urban renewal program, even at the cost of some other programs, would give relatively more jobs to Negro city dwellers than other programs which would be curtailed.

But even there the effect is limited. The estimates prepared for the Labor Department suggest, for instance, that if the whole housing program of the Commission would be adopted, there would be an increase in employment due to the construction of housing of 1.8 million, of which about 200,000 would be nonwhite. This is a relatively small proportion. But it would help somewhat in the cities.

I do think—I agree with——

Senator PROXMIRE. This is going to be very gradual. I am the ranking majority member of the Housing Subcommittee. Our program this coming year will result in exactly $14 million of additional expenditure on new programs in the housing area. We have had rent supplements on the books for 2½ years, and through last year the total number of families assisted by rent supplements was 400 in the whole country. So what I am saying is this is something that is likely to take some time. We hope eventually we are going to get more. But it certainly is very frustrating and aggravating for all of us trying to solve the problem.

I would like Mr. Ginzberg to comment on this, because I did indicate that timing was a problem.

Mr. GINZBERG. Well, I would first make the distinction again, as strongly as I can, that this is not solely or primarily a money problem, although a lot of problems are not going to be solved without money.

Let me say that we are going to have a considerable number of young people come out of the armed services. While the Negroes do not come out in the same numbers as whites, because the armed services offer them a better career, nevertheless they too are coming out.

I do not think it would take too much imagination, to think how to convert some programs that we now have, such as the GI bill, into an employment program for the ghetto schools by which veterans might be enticed into teaching and where they could perhaps get linked into some kind of career opportunities if they began to teach.

I think we are an overcertified society. We have locked ourselves in in all kinds of ways. We say nobody can be a regular teacher in New York City who does not have a master's degree. All I know is that many people that have a master's degree do not teach the kids in the ghettos adequately. So I am getting to be more suspicious about master's degrees.

I would argue that we should have a series of different kinds of programs—many of which would not necessarily take a lot of money, but would take a lot of will, good will.

I would say that there are literally thousands of women, married women, in New York who under certain conditions, would be willing to give a hand to the education of ghetto youngsters, but they cannot

do so, given the present structures. And I think all the way through we have to begin to think through, at local levels, as well as at Federal levels, how much good will one has to play with. Because if you do not have good will at a local level, nothing is going to happen—I do not care how much money Congress appropriates. We have been through this in our farm program. We have been putting in billions of dollars for farmers over many years, but because it was structured in a particular way, the people that needed it most got least.

I would argue that there is a possibility—even with a tax increase going through, and even with some loss of jobs from the expenditure side—that it is not inconceivable that one could, at that same time, begin experimentally, to say, that Negroes who need jobs, today, tomorrow, or next week, can show up at certain employment offices and be placed on a public job. There would have to be some conversion of money that we are now using for the training. And I would think that it would be possible to say that that the Employment Act be broadened, at least experimentally to offer an opportunity for a man to work if he is able and willing to work—and if he comes to a government office and says "Here I am, I want to work, I am willing to take training, and all I am asking for is a job at mimimum wages"—I think we could do that simultaneously with a tax increase and expenditure cut. I do not know what the fiscal adjustments all come to. But I am not impressed, Senator Proxmire, with working solely with econometric models. I think the problems of the Negroes and the institutions that we have to deal with over the different parts of the United States do not permit one to calculate this out in terms of what a reduction of x amount will do in terms of jobs for y.

Let me put it this way to you.

We understand very little in detail about what a billion dollars of governmental expenditures do for Negroes specifically in ghetto areas. It is a very indistinct relationship. And I could conceive that you could cut Federal expenditures by a sizable amount—I am not advocating this at the moment—and have in the short run relatively little impact on Negro employment.

On the other hand, you could cut in such a way that the differential impact on Negro employment would be very high. We just do not know too much about that. We would have to think our way through that.

So I would say that I would like to go in both directions simultaneously. It seems to me that we have no options; I join Professor Colm in saying that the tax increase is long overdue. You will also have to accept whatever political price you have to pay to get it. I would hope that the programs that are cut would have less direct impingement on blue collar unskilled workers—and there is a way of making some estimate of that. And that would be one of the criteria I would hope that the Congress would follow—one of the criteria—it cannot be the only one. And at the same time, I would like to think about using some of the funds that are around and converting them at least in part to experimenting in five major metropolitan centers—to say that if a man comes and is unemployed, is able and willing to work, including willing to take training, that we will put him on a public service job.

Representative Bolling. Thank you.

Senator PROXMIRE. My time is up.

Representative BOLLING. Congressman Rumsfeld?

Representative RUMSFELD. Professor Thurow, I would be interested in having some comment from you about your remark concerning land reform in the United States. As I recall, you indicated that you had some calculations indicating that it could be possible for ghetto dwellers to purchase their homes for about half of what they are presently paying for rent.

Have you had an opportunity to review the housing bill recently passed by the Senate—it has not been dealt with in the House yet.

Mr. THUROW. Very vaguely.

Representative RUMSFELD. It contains a provision, I believe for the first time—the Percy amendment or title to the bill—that deals with this question of home ownership, and is at least a beginning of an attempt to provide some mechanics and some incentives for home ownership.

I don't recall any material in your paper on this subject.

Mr. THUROW. I did not put any specific figures in. I am not sure exactly what they would be from area to area. The reduction in rents that could occur might be very different in Harlem than they are in Roxbury. Calculations have been made for Roxbury. That area would get a very significant reduction in rents if urban renewal projects allowed individuals to buy their current homes at market rates. To maximize participation there should be no downpayments. One of the big problems at the moment in Roxbury is you cannot insure a house, therefore you cannot get a mortgage, therefore you cannot buy it.

Representative RUMSFELD. Dr. Siegel, you made the comment, I believe, that part of the problem we are facing is a breakdown in the sense of community life. You dealt with it very rapidly as you summarized your paper.

Could you elaborate a bit on that for me?

Mr. SIEGEL. Yes, sir.

Essentially, the legislation under which we live implies something like a national community, with reasonable stability in the lower jurisdictions. We have had an erosion of community in the lower jurisdictions. There is a danger that more and more people are becoming disaffected with the dominant values of our society, and are becoming interested in direct action to resolve certain difficulties. There are more and more existentialists around us, and at all levels of education. There is a great, widely diffused feeling of frustration. This was initially shown, I suppose, by the migration of people from the central cities to the suburbs; but it seems to be spreading, being manifested in other ways in other groups. I think our technology of communication has had much to do with this frustration. In our type of society, sound travels faster than light. We hear all kinds of statements made and amplified, and these sometimes reinforce each other.

Many Government officials themselves seem unconcerned that they, too, are pillars of the establishment; that their words may, therefore, have a special negative impact. One of the rules I would commend to anybody in Government service—based on my own experience of 18 years in it, including 7 years in the "dinosaurian" Eisenhower ad-

ministration, with the President's Council of Economic Advisers—is that the high priests of the inner temple should not themselves kick the sacred cow in the udder. I believe this is a good rule, although we do not always follow it.

There is a peculiar feeling in the land that we can stand innumerable, simultaneous, Lazy Suzan "revolutions-in-place." All you have to do is revolt against this or that which is at hand. It is cute to do so; and not only that, it is a form of self-expression. There is a degradation, in short, of the sense of community—not only geographic community, but also in terms of shared values.

What we seem to be witnessing, for example, at the college level, is not a revolution of ordinary subversion—not, say, Communist Marxism, but something which Communists themselves deplore as infantile leftism. It is more like anarchy, a kind of anticivilization. In other words, there seems to be a substantial breakdown of cherished values in the places of learning too.

Now, if different interest groups pursue what I call "focused rage" as a technique, instead of parliamentary action, in an endeavor to correct different situations, you are not going to be able to maintain anything like a balanced economic policy. You are not even going to have two separate societies, separate and unequal, if rage governs race relations. You are going to have many, many separate subsocieties at first—in collision with each other, grinding against each other—until some kind of an equilibrium emerges in the future. A rather hopeful picture, a constructive one, is that the equilibrium would see two coexisting large societies. Before equilibrium, we shall live in a crushed zone of turmoil.

I confess to vacillation between two different points of view regarding the future. They are reflected in my statement. One is the continuing development of society on what amounts to a stable national basis. The other view, which I have just outlined, involves a breakdown of the sense of community, a decomposition.

In the Congress, you are in danger, in the latter situation, of being pressured, of being subjected to duress, for costly parochial legislation dealing with this or that fragmentary problem of our fragmenting society. The whole activity would soon cease to add up to the maintenance of anything like a sovereign state, a nation-state capable of maintaining a balanced economic policy at home and of conducting a sensible foreign policy abroad.

Representative RUMSFELD. Thank you.

Dr. Ginzberg, as I recall, you indicated that this was an overcertified society, and it is thought that possibly housewives and returning veterans might be included in the teaching vocation.

You might be interested to know that at least here in Washington, D.C., housewives are being included on a voluntary basis, teaching ghetto children—on a completely uncertified basis. I have no way to evaluate what the effect on the children is or might be over a period of time, but at least the effort is being made in some school districts in the District of Columbia, particularly those where students are being bused in from other parts of the city. The housewives in the area to which they are being bused are becoming involved on a systematic tutoring basis.

Mr. GINZBERG. I would like to suggest, if I may—I did a job for you as U.S. aide in Ethiopia some years ago—hardly a model for the United States—it has $50 GNP per person per year. But it is interesting that Ethiopia had a system of national service for 1 year for all university students. My own view is that the ghetto educational problem will not be basically solved until we do something of that order of magnitude. As I look at the bureaucracies of the city schools, they need a tremendous infusion of either married women—but there are not enough of those probably available—or of young college juniors, seniors, graduate students to really shake them up. I don't think it is inconceivable that one of these days, as the national manpower demands hopefully go down as Vietnam peters out, to think about a major effort of that proportion, because I see no other way of assuring that these schools turn out qualified youngsters.

Let me just point out one figure.

As I recall it, about two-thirds of all Negroes being tested for the U.S. Army from the southeastern part of the United States fail the eighth-grade equivalency examinations. The situation in the ghetto schools up North is only slightly better.

This simply means that we are producing every year new inflows of young people into the labor force who are crippled before they ever get started, and although my friend, Dr. Siegel, took some objection to the strong words of the Kerner Commission, I think the fact that a democratic society committed formally to equality of opportunity cannot really remain indifferent to the fact that it permits such inequality to continue. I am more sympathetic than he was to the Kerner Commission. I do believe we are to a substantial degree a white racist society. That does not mean I think white people go home at night and make incantations against Negroes. I just mean they permit a series of institutions to continue unchanged which really assure pathological results. And I would argue that there is not a shred of evidence that Negroes youngsters cannot learn. But we have not been imaginative enough or interested enough to figure out how to teach them.

Representative RUMSFELD. My time is up. Concerning the Kerner Commission Report, it seems to me amid all the questions about "Will it be implemented?" "Why isn't it being implemented?" the important thing to point out is that we don't run the Government of the United States by commission, I would hope. That Commission Report, along with other Commission reports, has a place and a role. It is proper that the Commission was created. But the next step, and the important step, I think, is for the Congress of the United States, and the executive branch, to aggressively look at what the Kerner Commission has said, reject that which does not stand up, and begin to develop ways to move toward the goals and recommendations that are sound. In this regard I congratulate the chairman of the Joint Economic Committee, Senator Proxmire, and the presiding chairman during these hearings, Mr. Bolling. To my knowledge this is the first time the Congress of the United States has begun to look at the work of the Kerner Commission. I am generally in agreement with you, that we can deal with these problems, if we will try, if we have the will. And I also agree with Dr. Siegel that unfortunately, and not surprisingly,

we do not find all the answers in the Commission report, because we do not.

I apologize for running over my time.

Representative BOLLING. Mrs. Griffiths?

Representative GRIFFITHS. Thank you, Mr. Chairman.

I really did not expect to ask this question, but I am compelled to ask it, Mr. Ginzberg. You have pointed out that Negroes do not accept jobs because they find the work demeaning or they see no prospect of advancing into a better job. And then you immediately suggest that one of the ways to take care of the whole problem is to get women to go to work in schools. I would like to point out to you, Mr. Ginzberg, that one-third of the work force is women, and they have absolutely no chance of being promoted. Why do they work?

Mr. GINZBERG. No—I think that is not quite a fair analogy.

Representative GRIFFITHS. Let me tell you how fair it is. Only 1 percent of them draw more than $5,000 a year. Only 1 percent.

Mr. GINZBERG. But I have to remind you, Mrs. Griffiths, two-thirds of them are not full-time, full-year workers. That is a very important point. You can say one-third of the labor force are women, but two-thirds of that one-third are not full-time, full-year workers. Since I have been studying womanpower as a major field of interest for the last 15 years, and up until today I have always been accused of being very partial to women, I do not want to find myself in this peculiar position of being anti-women and pro-Negro. I do not want to find myself in that position.

Representative GRIFFITHS. I am not suggesting that you are. But I am saying that you are saying that Negroes would work if they had a chance to be promoted. But women are working and they do not have a chance to be promoted. For all practical purposes, they have no chance. It is like saying every little boy can be President.

Mr. GINZBERG. I surely agree with you that women have their problems of getting a fair break in the labor market. I am impressed, however, over the last 10 years we have had more women added to the labor force than men. I am impressed, Mrs. Griffiths, with the point I made, which is that as industry relocates from the central city to the suburbs, there is a real subtle competition going on between white women who are drawn into the labor force and the Negoes in the central ghettos who are left high and dry, because the jobs have moved away from them. And many of these jobs are simple jobs that Negroes could fill. And that is going on all of the time. I have always thought women were full citizens, and are as entitled to work as other people.

Representative GRIFFITHS. Why do you think that men are not going to work unless they can be promoted, whereas women will?

Mr. GINZBERG. I did not say all men. I said that young Negoes who are highly identified with the Black Power movement, and therefore are very antisocietal, anticommunity, alienated—simply do not believe that the civil rights revolution they have been waiting for is fulfilled when they can get a job for $1.60 as a dishwasher, and when they suspect that 10 years hence they may still be in that same job.

Representative GRIFFITHS. Let me tell you the firm that washes the windows in my house in Detroit, the president of that firm told me that they pay a window washer from $100 to $150 a week, and they cannot

get window washers. I really do not think that there is any reason not to be able to get window washers at that price. That is a tremendous price.

Mr. GINZBERG. I have never washed a window. I could think some people might get dizzy.

Representative GRIFFITHS. I am sure some people do.

Mr. GINZBERG. But I would argue that in general—there is another point I made—we do not fully understand the economics of the ghetto. And I suppose that some people are not taking certain kinds of jobs because they are not doing so badly on their own. You see, we only know about employment status and we do not know that very well, incidentally—there are new statistics based on new research work coming out of the Department of Labor which indicate that we may be off by several millions in some calculations about who is in or out of the labor force. So that I am by no means clear as to what the full dimensions of unemployment, underemployment, and so on are in the ghettos.

One thing I am sure of that is I do not want to discuss these problems without having the income side of the picture under better control. So that I would like to know much more than is now known about how some people who are unemployed, or reported as unemployed in the ghetto, manage to exist. I have my own views on that, but they are very speculative views. I know for certain that we have built a welfare system which does permit people to exist without working. And I would simply not want to generalize beyond the one point that there are many young Negro men—the evidence showed up after the Watts riots—who said they could not afford to work for less than $2 an hour. When you realize that it might cost them several dollars a day in carfare, that is not too surprising.

You have to take a look at the total employment picture, in terms of what it costs a man to get to a job and get back. I hear about New York City's suburbs, where people say they cannot get anybody to cut the grass. Of course, they cannot. Let us say that they are willing to pay $2 an hour to cut the grass. But it would cost a Negro from New York City, from Harlem, on the New York Central, $2 a day to get to the job and come back, and he is not sure to have a job every day, or 8 hours of work a day.

So that the basic question—the structure of a service employment in the United States, the putting together of the people who want jobs and need jobs, and where the jobs are, is a very difficult matter. The labor market is badly splintered, balkanized.

Representative GRIFFITHS. May I ask you, or anyone who cares to answer, what you think the effect of that part of the tax conference report which permits the issuance of a million dollars tax-free industrial bonds will be upon the inner city?

Mr. THUROW. Probably the answer to that is not very much. When I was working for the staff of the Council of Economic Advisers I was once asked to prepare a report on regional development measures for all of the European countries, what measures worked and what did not. The answer to that is no measure worked. And that was true for Communist and non-Communist countries alike.

Representative GRIFFITHS. Obviously it is not going to help the inner city. But is it going to hurt it?

Mr. THUROW. A lot of European countries have had very aggressive programs of trying to persuade industry to move to one spot or another. They have all failed. There seem to be very strong forces that persuade people to locate in certain places. I still remember the report of the Communist government of Hungary on their regional location policies. The state planning commission had the legal authority to send industries to various regions. They could write an order telling a factory to go to some region in Hungary but the factory would not go there.

Representative GRIFFITHS. Of course not. We are not even suggestting that. What we are doing is giving them a million dollars tax free, and they can select the place to put the factory. And they will select the places where they have the highest skilled employment. If I know smalltown America, and I think I do, they would hang out "White Only" signs. So that in place of actually helping, you will be putting white people to work, and you will still be hurting colored people——

Mr. THUROW. Most of the investigation of southern efforts to attract factories indicates that the policies have been relatively unsuccessful. They might be successful vis-a-vis other southern towns, but they do not attract extra industry into the region. A subsidy is given but it does not accomplish anything.

Representative GRIFFITHS. I checked those in Michigan who used it—companies like Budd Wheel were using it.

Mr. THUROW. I think you could easily get agreement among economists that location subsidies are a complete failure.

Representative GRIFFITHS. I do not want to argue against myself, because I am as opposed to the tax conference report as anybody, not because I am opposed to the tax, but because I am opposed to everything in it—the cut, the million dollars industrial bonds, the cut in Federal employment, and so on.

But I would like to ask you, in your judgment, what would the effect of a tax cut or the tax increase in the matter of tight money be? Do you think the effect would be relatively the same or what? Would you care to answer that?

Mr. COLM. Did I understand——

Representative GRIFFITHS. If we do not pass the tax increase, what do you think the effect would be?

Mr. COLM. I think if the tax bill does not pass, the Federal Reserve would feel that they have the full responsibility of combating inflation—we had a little taste of that in 1966, in the fall of 1966—I think it would be particularly hard on the construction industry, in that respect, particularly on the construction workers, including the Negro workers.

Now, I do not believe that even with the tax bill, we will have an easy-money period, because of the international aspects. But I do believe that with the adoption of the tax bill, the credit policy would be somewhat easier than it would be otherwise.

Mr. THUROW. Let me speak on the other side of that. Professor Ginzberg does not like econometric models, but I happen to. If you program the current Tax Act expenditure proposals into the existing econometric models of the American economy, they indicate a reces-

sion in 1969. Whether that will actually occur or not is another question. All of the econometric models I know anything about end up with a recession in 1969 as a result of the current proposals.

Representative GRIFFITHS. I agree with you absolutely. I think what we are really saying in the tax bill is we cannot afford full employment.

Thank you very much.

Representative BOLLING. I have avoided, with some success, getting involved in the argument of the tax matter during these hearings. I think I will continue to avoid it. One of the things that fascinates me about the last answer is I would love to know where the $6 billion was going to be cut. And I would have a very interesting time—I know something about econometrics, even though I cannot pronounce the word—I would be fascinated to know how you can construct a model without knowing what none of us know, and some of us complain about—where the cuts are going to come. Macroeconomics is not all—while I do not disagree with the report, I think one can take the argument that the kind of cut is going to have extraordinary significance in what happens to the economy.

I was interested in Dr. Siegel's emphasis that we had lost community in this country.

I would suggest that that perhaps failed to take into account the apparent losses of community in this country on many occasions in the past—because I have to face rather promptly another matter that is not totally without pertinence to this hearing—a piece of legislation reported out of the Public Works Committee of the House of Representatives overwhelmingly, which in effect says that the people who now are in Resurrection City will not be given a permit to stay there beyond a certain date in June. I have been reviewing a good deal of history. I have found a rather substantial loss of community in the thirties, when we had a different crisis, and a whole series of losses of community in the last century—one of which resulted in something called Coxey's Army, which involved a very substantial number of farmers coming to the Capital protesting the fact that they were not getting a fair share in the society. While I agree we have a loss of community, and I agree that we have a series of problems, including as one author says in a very recent book on anarchy, that the new left probably represents emotional anarchism as the John Birch represents economic anarchism—I don't find anything remarkably new in it though.

While I sympathize and agree we have a loss of community, I think we have had similar kinds of situations before. Therefore, I am not very much disturbed by a new phenomenon. I am very much disturbed by a repetition of an old phenomenon.

The other thing that I would like to suggest—not getting into this argument either, as has the chairman of the full committee—is that his list of places to cut is a very limited one, with which I——

Senator PROXMIRE. Only suggested.

Representative BOLLING (continuing). With which I can easily agree. I would suggest also there are other areas that would be helpful, in pursuing objectives of the Kerner report, which have been previously suggested by the current President. He suggested that we cut school lunch programs in such a way that we would have funds that

would be available to go to the right place instead of the suburb and middle class, middle income, easy to afford, nonpoor, getting school lunch programs, and we might concentrate our effort on those who really needed them. And in a like manner, although the Congress seems highly unwilling to do it, we might substantially cut aid to impacted areas, so-called, which means that my children today who live in Montgomery County are counted for aid to that particular school system, which is patently ridiculous. It is a suburban system. And I would suggest that the poor need the food, and the inner cities need the educational funds to a much greater degree.

But that is just an illustration of the first point—that nobody knows where the cuts are going to come. It is conceivable, if we had these cuts along with the tax bill, that the President might choose to implement his old recommendations, that a lot of people might get very badly shocked.

But I do have a question.

I would first like to engage in a little housekeeping. Dr. Siegel obviously has read section 2 of the Employment Act, not once, but many times, and he cited an example of a Commission which perhaps quoted it but had not read it. As best as I could find out, in hastily scanning his full statement, he did not quote it in full. I would therefore like to see to it that the record includes the very confused political compromise which is section 2 of the Employment Act—not to suggest that it was not exactly what the Congress felt when it passed it in 1946—but it is a masterpiece of evading many hard, sharp, specific issues in the interest, as Dr. Siegel pointed out, of coming up with a generality which would give you a framework.

But I think it is very clear that that is as political a document as ever emerged—a particular section—as ever emerged from the minds of some very clever people, including the late great Senator Taft.

The sentence follows:

> Sec. 2. The Congress hereby declares that is is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its need and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power. (15 U.S.C. 1021.)

Now, the thing I would like to pursue actually with Professor Thurow is this.

Several witnesses have mentioned the number of underemployed, which we do not seem to do very well with at this level of the Congress—we do not seem to understand the implications of underemployment. Underemployment may be even worse in some respects than unemployment.

Professor Ginzberg mentioned 6½ million. When we had this same question up before, Professor Thurow, I asked a question and it was suggested to me it might be better directed to you.

This was in the context of the Kerner Commission charge, I guess, of white racism.

Is it possible to demonstrate that the underemployed, white poor, are the beneficiaries of a discrimination against the equally or better qualified black poor?

Mr. THUROW. I think it would be very difficult to demonsttate that the white poor benefit from the black poor. It is not so hard to demonstrate that some whites benefit from being able to discriminate against blacks. But generally, it is not the white poor who benefit.

Representative BOLLING. In terms of job opportunity, the contention made by at least one and perhaps two people—I forget whether they were witnesses or questioners—was that the discrimination, black-white discrimination, among employers was so substantial that the underemployed, the potentially underemployed white man, would have a much better opportunity for a better job that might give him something like nonpoverty employment, full-time employment, than a black person.

Mr. THUROW. That is certainly true. If you correct observed statistics for education, training, location, and age, you always end up with a residual—there is something left over. A white worker with a sixth grade education comes off better than a black worker. He makes out better than people who have the objective abilities. In that sense discrimination opens up opportunities for poorly educated and poorly trained whites—opportunities that would not be open if we had to share those jobs equally with poorly educated and poorly trained blacks.

Representative BOLLING. Where does that lead us? That is the statement of the objective facts. Is there any demonstration that this involves discrimination, or is it just an implication drawn from a certain set of circumstances?

Mr. THUROW. From statistics, you can only deduce statistical facts. The question is one of causation. Did the fact arise by accident? Do people just randomly appeared at the office door and happened to be whites or does the observed statistics result from deliberate choice on the part of employers? I think all the evidence points to deliberate choice. When it came to filling low-skill jobs, employers give preferential treatment to the white.

Mr. GINZBERG. May I comment on that?

Representative BOLLING. Certainly.

Mr. GINZBERG. We have just finished a book on "The Peripheral Worker." If you take a look at the labor force in the United States, the first striking fact is that of all the people who worked last year, 45 percent did not work full time full year. That is in part because of the young people that were in school holding down part-time jobs, because of large numbers of women who have part-time jobs, and because of older people and minority people who tend to have—and some poor whites also—who have trouble staying in a job throughout the year.

If you really think about who has regular employment, and who does not in the American economy, I think you begin to recognize that white males, 25 to 55, are the prime work force and for a whole series of different reasons they tend to get the better jobs, to get better fitted into the labor market. And then you have groups, the swing people, and among the swing people are women, some of whom do not want

regular jobs full time full year, but a large number of other people on the periphery such as Negroes who want but cannot get full-time jobs. And among the various reasons discrimination looms large.

Mr. THUROW.The distinction should not be drawn too strongly. About 60 percent of the white males have full time year-round jobs. About 50 percent of the black males have full time year-round jobs. There is about a 10-percent differential. But if you look at the income of those people with full-time jobs, they are 2 to 1 in favor of the whites—even though both groups are working full time year round.

Representative BOLLING. Thank you.

Senator PROXMIRE. Dr. Ginzberg, are you saying in your prepared statement that a job program designed to bring more jobs into the ghetto, into the inner core, the area where minority groups live, might aggravate the problems of the ghetto? In other words, what it might do—as I understand you—many of the younger high school dropouts and others, but with some education, who have been participating in the riots, many of these might not take the jobs, especially if it is keyed to the minimum wage. but that it would attract more people in from rural areas, and aggregate the congestion and the housing problems and so forth. Is that correct?

Mr. GINZBERG. Yes. I think I specifically said that if one moved that way in the North, it would fail to get some of the alienated Negro youth into jobs. You would attract older Negroes, who had worse jobs—that would be good for them—and it would attract a large number of other in-migrants.

Senator PROXMIRE. Your answer is to say what we should be thinking of is how to take advantage of the open housing bill we just passed, and the economic fact that there are more jobs that have moved to the suburbs than people, and the further fact that we were told by a witness in hearings a couple of months ago that of the Negroes and whites living in the inner city, that a greater proportion of Negroes have jobs outside the city than whites in every category—not just service jobs, but in every category. This is because the whites are natives of the city, lived there longer, have seniority, have the jobs there. And the jobs develop, in spite of the difficulties, they have had to go outside.

Mr. GINZBERG. I did have a suggestion that we try experimentally in a series of northern cities to see what would happen—this part of the Kerner Report I am willing to go along with—if we simply said that at one of the employment offices located close to the ghetto, if you want a job, and you are able to work, willing to work and willing to be trained, if you come in we will place you in some kind of public employment at a minimum wage.

I would like to see such an effort.

Senator PROXMIRE. This is the problem I have with you, Mr. Ginzberg. You are a brilliant man. What you say is always so appealing. But you would like to test it out, you would like a pilot program, to see if it would work. It is the question that Senator Kennedy asked Senator McCarthy on Saturday night when he said, "Can you realistically expect to move 10,000 Negroes to Orange County?" Can you? When, how long? This is a problem in Watts. This is a problem in sections of Milwaukee, and all of our big cities. These people need jobs now.

Mr. GINZBERG. You say it is a problem. I do not know how many Negroes who you say need jobs now will take the kind of jobs you are willing to offer them. I don't know how to prejudge that. I am saying to you that I am questioning whether given only minimum wage jobs, with no real career opportunities built into them, how many unemployed youth will be willing to accept them? I really would like to find out about that.

Senator PROXMIRE. Isn't it a matter also of doing lots of things. Not saying you move in a Government program and that is it. But saying you have to do these things, and do them all. No. 1, you have to provide training of every kind that you can imagine, in every way you can possibly persuade Congress to go along with, so they are able to get the jobs that are in the central cities to the extent they can. This is hard, because so many of these jobs require a degree of education that is much higher than it used to be. No. 2—that you do all you can to provide greater mobility, greater housing opportunity, and so forth, in the suburbs. And that in addition, you provide some kind of additional work opportunities, maybe extending summer jobs, something of that kind in the city.

Mr. GINZBERG. I am basically sympathetic to that. I think that we do not have nearly enough knowledge to be specific about how to rearrange situations, the full quality of which we do not understand. I am impressed by the Kerner Commission Report stressing the fact that a very large number of people who were active rioters had pretty good jobs. Yet they rioted.

Chairman PROXMIRE. I would like to ask Dr. Siegel—you talk about—and I think you make a very good point, it is a point that has emerged, that whether we like it or not, there is a need for putting jobs into perspective with the other requirements for economic consideration—inflation, military security, balance of payments, and so forth. In other words, it is not an absolute priority that has to come absolutely first. It has to be put in perspective with other national priorities.

What I cannot understand is why intensive training, cease-and-desist orders, for example—which are highly controversial, but certainly should help to bring down barriers—why those measures, and perhaps some others, are not only consistent with fighting inflation and helping our balance of payments, but are supplementary.

Mr. SIEGEL. Sir, I believe they are or can be. I think what we are witnessing here today is the play of "Hamlet" without the main character.

We need not talk about these other manpower programs as though they are really new. We may be flustered, given the enormity of our problem, and confused that we cannot figure out an absolute answer. But we are not starting from scratch.

We can take account of provisions for cease-and-desist orders. We should acknowledge that other activities are underway, that there are Department of Labor programs, that there is, say, a Manpower Development and Training Act. Sure, we are disappointed over what has been done so far. What I do not like about the Kerner Commission Report is the negativism of its fundamental indictment. Perhaps, I am not sympathetic enough to the concept of white racism. If this idea is to

be rendered constructive, it has to be interpreted as evolutionary, not absolute, even in the past. Why don't we also take account of the fact that we have a society with black and white people which is wrestling with a problem that, after all, is 350 years old? If the problem were easy, it would have been solved already. We would not be here.

Senator PROXMIRE. I do not see anything wrong with the report hitting hard at the fact that racism is a big economic factor, that it is the heart of the economic problem as well as the social problem.

Mr. SIEGEL. Yes, sir. But it ought to go far beyond, on the practical side. The trick is not to give the name—the name of the shame—as white racism. The question is—well, where and how do we go from here? And I feel that what the Commission should have done is to provide objectives which are more feasible, at least within the first year——

Senator PROXMIRE. But it has a good shock effect, doesn't it? We have been enlightened by the fact that in virtually every category Negroes suffer a terrible discrimination. Negro college graduates, we are told, the census report shows, have the same income as white high school dropouts. Harvard Business School graduates, Negro and whites, the discrepancy is some $6,000 a year.

Mr. SIEGEL. Is it simply "white racism," though?

Senator PROXMIRE. Sure it is.

Mr. SIEGEL. I cannot accept the concept as operational, as sufficient, as actionable for correction by men of good will.

Senator PROXMIRE. What is the justification? We are talking in the Harvard Business School, of people who have gotten their degree. they are talking about the average in both categories. Certainly you would not argue that a Negro college graduate is equivalent in ability to a white high school dropout.

Mr. SIEGEL. Absolutely not. I am heartily against any kind of discrimination. What I am interested in is constructive improvement of the situation. I cannot see how scoring a journalistic coup solves the problem. This is the point I am making. A labeling of this complex of problems as white racism may do much more than have a shock effect. As I said before, you can kick a sacred cow in the udder. The only trouble is it may stop giving milk, it may drop dead, it may even turn out to be a bull with marcelled hair.

Senator PROXMIRE. It may wake up and start giving milk. The problem is that you see this—after years and years and years of passing legislation—I think the first civil rights bill passed in 1957, the year I came to Congress—we have passed a number since then. We have been working hard, and you say, in many many areas, trying to work on discrimination. And yet I go to plants in Milwaukee, where 3,000 or 4,000 people are employed, and there are very few Negroes employed. It is existing today. This is true I am sure in Boston, in New York, in all the country.

It seems to me this has to be called to our attention again and again and again as vividly and dramatically, as emphatically as possible. People have to recognize this is a fact. What has happened in terms of passing legislation has not done the job.

Mr. SIEGEL. I would say let us do that and more. I am saying let us not merely corrode people with guilt—let us endow them with concern.

I feel this is the difficulty of the Kerner Report. What it does not provide is additional sufficient encouragement, I think, for white people to move forward with determination to solve the problem. The name of the problem is only the minor part of the thing. If it is called racism, it may seem too fundamental to try to overcome. I would like to call it something else, something more manageable. I do not have a good journalistic handle for it right now; but, seeing this as an evolutionary problem, one that is 350 years old, I am much impressed that there *is* a will in this country even to do something about it. I think this is a very important thing.

I have, in my statement, two quotations from the President, a much unquoted man nowadays, pointing out that, in a period like this, when we are showing such concern, when there is a new generation coming up that is interested in this problem, we somehow do not give ourselves sufficient credit for having made a critical turnaround. In this period, in which the sense of community is under attack, gains have, nevertheless, been made in national concern.

Senator PROXMIRE. Let me get on another part of the Kerner Report. You criticize their argument that in spite of the passage of the Employment Act 20 years ago, we are still short of providing employment—the goal of employment is becoming increasingly hard to attain. You argue that unemployment rates in recent years have been improved. You say nonwhites have shared the improvement.

The year the Employment Act was passed—the following year—unemployment was 3.9, and it is about the same now. In the intervening period, it had gotten worse, during many of the years. Then when you look at the nonwhite unemployment, the year it was passed, unemployment was 5.9 percent, it is now 7.4 percent. During the intervening period, it ranged for many years at 10 to 12 percent.

Now, this does not suggest to me that since the Employment Act was put into effect that the opportunities for Negroes to work have improved—they have not—they have deteriorated. But this was certainly part of the thrust of the Employment Act, was to try to improve the employment opportunities for our people.

Mr. SIEGEL. I would not say that the Employment Act is a causal factor operating by itself. I would say that there is a mentality in this country which the act embodies and expresses. The big change that took place after World War II was the new insistence that the Federal Government has some kind of economic responsibility; that it could actually use its own resources and conduct its operations with greater awareness of the opportunities for fuller employment. I believe that the record would have been far worse if there were no such concern, if there were no crystallization of such an idea in this country. I do not know what the situation would have been in the absence of the act, but I do not think we would have evolved in the way that we did, as well as we did.

In the past two decades, government employment has been increasing as a percentage of total employment. Maybe this is a pertinent favorable factor separable from the Employment Act. The fact that much more work now falls in the service industries in general, rather than in manufacturing and other commodity production, also gives a certain stability to employment.

I repeat that I do not want to say that the Employment Act is the causal factor. I say instead that what has happened in our democratic society is that we have, through some kind of trial and error process, been learning what the central economic difficulties are and trying for improvement. From time to time, around one leadership or another, we take legislative or other action that amounts to an imprecise but major step of "social engineering." I would say if we did not have this concept of empiricism and partial corrective adjustment we could hardly have done as well as we have.

I would say also that we have a good record with respect to moderating recession. Furthermore, we have made some gains in attacking regional economic difficulties—possibly not very remarkable gains, in view of what Professor Thurow says different countries have also experienced, but we do show a concern and movement in that direction. We also show an interest in categorical unemployment—specific groups, especially Negroes right now. But we have long been interested in different categories, and we have surely made some headway.

I also note a remark in the Kerner Commission Report that the Negro middle class has been rising. There have been improvements in the access of Negroes to professional and technical work. There is a greater percentage employed in those areas than before. The Kerner Report cites evidences of such improvement, and I mention them in my statement. I refer to recent census figures showing a decline of poverty—for nonwhites too, although their plight is still deplorable, in absolute and relative terms.

Aggregative sociology troubles me. Professor Ginzberg and others have indicated that aggregative economics may not really show us the true nature of a problem, may not show what the particular impacts of a gross action would be. I suggest that aggregative sociology is even worse if we are looking toward remedy.

I do not think one ought to force the whole community into a box. We should not discourage the many people who do show concern—including the white women who do do voluntary teaching, like my own wife has done, without pay, without the formal qualifications, but with some success. It is important that the different reservoirs of good will not be allowed to go dry.

I have heard, as I said before, very little today about the manpower programs of our Government. Inadequate as they may be, they are in operation. The Kerner Report's impact may not lead to any action that goes beyond them in the near future. They deserve our notice.

I daresay that the JOBS program, which we did not hear about today, will be far more effective than other more ambitious efforts that remain largely on paper in the difficult short run that faces us. The National Alliance of Businessmen will participate in this program to train and hire the hard-core unemployed. It will also try to find jobs this summer for 200,000 needy young people.

We can always devise longer-run programs; and, if we are not by then dead, we may have solutions. The only trouble is that there always is a short run, and you have to keep running all the time anyway.

We have, I think, been making progress under the act, despite the hedged commitment respecting employment under the act. Furthermore, even though the act is not an unconditional mandate for man-

power policy, we can nevertheless pursue various specific manpower aims within the framework of the Employment Act, and we are doing that. Even Professor Ginzberg's suggestion, which I would not incorporate into the act, might be accommodated if it were thought to have a place in a comprehensive manpower program. If we must now identify government with dominant color, we should note that the white majority is working, working every day—though success is limited, especially for racial minorities. The generally improved employment situation of recent years has helped to reveal the subborn employment difficulties that have long afflicted minorities. The majority is not content with the past performance. It should be encouraged to do better within the context provided by the Employment Act.

Senator PROXMIRE. Dr. Colm?

Mr. COLM. I feel we should not be too much concerned with certain, shall I say, rhetorical phrases in the report, but more look at the analysis and recommendations.

The question—events have shown a limitation in what could be done under the basic concept of the Employment Act. I think it is quite clear—we had a period of great success with macroeconomic policies from 1960 to 1965, particularly with government expenditures tax policy, and so on. The record of the last few years, I think, is less something to be proud about. I feel the inflation problem has not been faced, neither in its size nor either character—particularly as a cost-push inflation.

I think the Employment Act was basically conceived in macro-terms. It has limitations. It has shown that our tremendous economic progress has affected various groups very unevenly. There are parts of the rural community and the cities, which I think rightly feel that they have been left behind. And there are structural problems which appear as microeconomic and microsociological details, but are adding up to big issues. The employment act, in its basic concept, which I think was a historical event for its time—and is mainly concerned with the general level of employment, the general level of purchasing power and production—but it did not raise the question of employment for what and for whom, and what are the structural problems in the allocation of resources, and the way specific groups are affected.

I think it is a merit of the Kerner Report that they use the opportunity of their assignment to point out what needs to be done. Obviously, many of the things they propose are in line with policies already initiated which ought to be extended and intensified. The biggest job is the 6 million housing and the 2 million employment task. I do feel that the basic recommendations deserve the full study of Congress, but as I said before, I believe the report has failed to fully appraise the size and financial implications of their recommendations.

Perhaps we should see now which experiments are most promising, and then follow on a larger scale along those lines. I am very much afraid under the $6 billion budget cut some of the really promising programs will be limited because they can most easily be restricted from an administrative and legislative point of view.

In response to Irving Siegel's remarks—I see more usefulness in the Kerner Report than he does—I pay less attention to some of the

journalistic oratory in it, which I do not like either. But I think we have a very serious problem in this country, that groups or regions of the country and groups of people are feeling that they are left behind, to quote the title of the report by the President's National Advisory Commission on Rural Poverty. And I think there is a job to do for both the Executive and Congress, and I can only repeat that I hope the question of the basic tax policy, continuation of the surcharge for the initial phase of this program, and the basic reconsideration of certain allocation of resources which requires changes in legislation will be the first job of a new administration and a new Congress.

Mr. GINZBERG. Senator Proxmire, you mentioned the increase in the rates of unemployment between Negroes and whites since the beginning of the Employment Act of 1946—a widening disparity. Let me suggest to you that what has really happened is there has been such a large-scale relocation of the Negro population from southern rural areas into urban areas, that what was formerly farm underemployment but not counted now becomes unemployment in the cities. I think that is the nub of the Negro problem to a large extent. We have long had a very large number of alienated and disadvantaged Negroes hidden from view in the United States. They were kept on the small farms in the South.

Senator PROXMIRE. This is an accurate historical description. But what I am getting at is the fact you have right now, with what many people consider excessive expansion in the economy, and a situation that indicates this drastic fiscal action on the part of the Government, and an expectation on the part of all you gentlemen we will have greater unemployment next year, you still have almost 8 percent unemployment for Negroes. No matter how you argue historically it is because the Negro was working as a sharecropper on a farm in Mississippi or Alabama, and getting a very, very low income, he has now moved to New York or Chicago, and even those not employed are getting welfare payments which perhaps are greater than the income that they suffered 20 years ago, we all know that is not—this is not an answer, because we know it should be a whale of a lot better. And those who are employed, many of them are working in jobs where the income is pitifully inadequate, and they ought to have greater opportunity.

Mr. GINZBERG. Yes. But I really am somewhat sympathetic to Professor Siegel's emphasis.

Senator PROXMIRE. I am, too. I think all of us have to be. We have accomplished a whale of a lot in the last 10 years. I think all of us have to recognize that. Congress has done far more than it has in the preceding 90 years. But we still have a terrific amount to go, and there always is a tendency to become smug and complacent ourselves—and say "We have done it, now we can get on to something else."

The fact is we passed some good civil rights legislation. We have not put the economic muscle behind it.

For somebody living in a ghetto in Chicago, or New York, or any of the other places now, life is not a great deal better now than it was 20 years ago, and perhaps it is a lot worse, because now they have television and can see the kind of life that the people who do not live in the ghetto live, and see it all the time, constantly reminded of it.

Sure their standard of expectation has gone up. I think in this country we can do so much, do a lot more than we are doing to make those expectations more meaningful.

Mr. GINZBERG. In a certain sense you put too much muscle behind housing. You make it possible for a lot of white people to go to the suburbs and become pure white. So in a certain sense it is the Congress support for housing, lower income and middle income housing that has really I think to a large extent responsible.

Senator PROXMIRE. We have had an FHA program that redlined the ghettos, refused to insure homes in the ghettos.

This brings me to the point I wanted to ask Dr. Thurow.

You talk about urban land reform. I think this is a most stimulating and provocative suggestion you have made. We can take a greater look at opportunities here. I would like to point out that the Senate has just passed a bill, sent it to the House, and the House is in the process of passing a bill, to permit much greater opportunity for the poor to own their own homes. It goes down to the subsidizing at an effective level of 1 percent. It permits people with incomes as low as $3,000 and less for the first time to realistically have a chance to own their own home. I would like to ask you—we still have a conference on this bill—I am sure the House and Senate will disagree—I would like to ask you what we can do to further give a greater opportunity for people to own their own homes. You have suggested that they could cut their housing costs in half if they owned their homes, instead of renting them.

Mr. THUROW. I suppose there are two things. One, decrease the downpayment that would be demanded. Presumably such a system could be run without any kind of a downpayment. Just start monthly payments. That would be one possibility. The other side of the problem is making homes available for sale. That is where urban land reform comes in. Are you going to allow the program to work privately or are you going to increase the supply of homes for sale.

Senator PROXMIRE. One of the things we have is the Proxmire amendment which provides instead of a substantial number of housing units, resulting from the urban renewal and so forth, being for low-and moderate-income housing, that we—which has been construed by HUD to be 20 percent—under my amendment it is a preponderant number which is going to be construed as 51 percent.

Mr. THUROW. In addition to new homes, we should also be willing to let people buy homes they now have. They might not be good homes, but owning your own bad home is better than paying high rent for a bad home.

Senator PROXMIRE. The President's program provides that of the 6 million homes for low- and moderate-income people, 2 million will be rehabilitated units. So this will mean they can fix up their own home.

Mr. THUROW. It should be emphasized that we must look at the incentives of the people who are involved. Land reform fits in with the desires to own your own turf. I think it is very desirable from that point of view. We must look at the incentive structure of the Negro. We talk about education. Every study shows education is not a good investment for the Negro. He cannot expect to get very much out of it. That brings us back to the discrimination, or white racism. If you cannot get a job, it does not make a difference what kind of education you have.

Senator PROXMIRE. Let me ask about that very intriguing point you made at the very end there. You were talking about the waste involved in subsidizing employers to provide training for persons with low incomes and so forth. And you were suggesting it would be much better if they were subsidized for providing an increase in income. I do not think you had a chance to explain clearly, really, how you would accomplish this. It sounds most interesting but also quite different.

Mr. THUROW. The detailed proposal is in appendix A to the testimony.

Senator PROXMIRE. I noticed that.

Mr. THUROW. The system would start by determining an individual's previous income from the Internal Revenue Service. If he did not file an Internal Revenue form, you would assume his income was zero. Then the government would pay a subsidy to the employer based upon the individual's income as reported to the Internal Revenue Service. Just for example, I designed a concrete system that has concrete numbers. Any numbers can be put in. The system has a progressive subsidy. The incentive for raising somebody from a zero income level to the $1,000 a year income level is a lot larger than the subsidy of raising them from $3,000 to $4,000. But in this way, I think you can create an efficient market to train people. You are not tied into particular methods. It is not a cost-plus procurement procedure. The only auditing that would be necessary is to look at the income tax forms.

Senator PROXMIRE. Has that been tried in any other country or area? It sounds intriguing. At the same time I can see some——

Mr. THUROW. I do not know of any case where a system like this has been tried.

Senator PROXMIRE. It might be a good thing for OEO to try.

Mr. THUROW. What we want to emphasize is increasing incomes. I think that is where we should look on whether progress is made or not made. If you look at the income statistics, they show progress is not being made in terms of equalizing Negroes and whites. Blacks are not catching up with whites in terms of their income.

Senator PROXMIRE. There are so many forces in the economy that tend to do this, and do this artificially, and do this out of relationship to productivity. I am talking of construction unions, which put attractive premium on the employer paying more—he is closed down and put out of business, if he does not give—some of the latest increases I think have been 15, 20, 30 percent a year in some construction trades. Now, you are talking about something else. You are talking about a much lower income being raised up to a living wage. At the same time there is this problem of developing artificial, additional artificial forces that mean that people are going to be paid without relationship to their productivity.

Mr. THUROW. That is certainly true. You might have a plumber who goes through a very long apprenticeship period which is completely irrelevant to being a plumber. He learns to put together a lot of joints that modern plumbers never put together.

But what you want to do is to have Negroes advance at least the minimum rate which institutions permit whites to advance. Currently, there are a lot of adverse institutional factors that limit whites' ad-

vancement, but Negroes are not up against those institutional limits. They are way behind them.

Senator PROXMIRE. Well, there are a series of other questions. The hour is late. I apologize. I have taken a long, long time. But I would like to ask each of you gentlemen to answer these questions when you get a chance to correct your remarks. You will each have one to three questions additional, and you can answer them in any way you see. We will see that they are given to you, so that you have a chance to do so.

(The questions to be answered by Professor Thurow are as follows:)

Question No. 1: If income redistribution is to be accompished through the job market, rather than through income transfers, you point out that there will still need to be some sacrifices in other economic goals. Would you elaborate on these sacrifices? I presume that the sacrifices necessary for retraining might have a short payoff period?

(The answer furnished by Professor Thurow follows:)

In the short-run resources might be invested in individuals who could not make a major contribution to increased output. If these resources were taken from other projects with higher payouts, the aggregate rate of growth might fall. Breaking down institutional barriers to employment might require excess demand for labor. Employers may refuse to hire Negroes for good jobs as long as there are other potential employees. If this were the case, the economy might have to tolerate more inflation to increase Negro employment opportunities. To maintain full employment, we might have to tolerate larger deficits in our balance of payments or sacrifice our current exchange rate.

Question No. 2: You point out that excess demand for labor has the effect of redistributing income. This seems clear for the short run; but, in the long run, might not inflation redistribute income away from the poor if such a policy were pursued?

(The answer furnished by Professor Thurow follows:)

The poor are generally not those who suffer from inflation. They are not on fixed incomes, but must earn a living in the labor market. Thus their gains from increased job opportunities produced by inflation more than offset their losses from inflation. They have no monetary assets that might decline in value. The only exception is the aged poor. For them there is an easy solution to the problem of inflation. Society Security payments can be raised to offset the impacts of inflation on their standard of living. Empirically the poor do not fall behind in inflationary periods.

Question No. 3: What would be some of the difficulties in implementing your proposal of grants or tax credits to firms for raising the income of the poor? For example, it may be that firms would promote the poor at the expense of the near poor.

(The answer furnished by Professor Thurow follows:)

The progressivity of the subsidy system determines whether firms would concentrate on the very poor or those near the upper income limit. The more progressive the system, the more encouragement to concentrate on the very poor. Progressivity could be designed to encourage any degree of concentration desired. A progressive incentive system also means there is very little incentive to hire those right below the upper income limit at the expense of those right above the upper income limit. Very little subsidy can be gotten by doing this. If a progressive subsidy plan is not used, the cut off problem is extremely serious.

The major problem is ignorance as to how many firms would participate and how many individuals they would aid. The subsidy would have to be varied by trial and error until a subsidy was found that would engender the desired response. I simply do not know whether $5,000 is too high or too low.

Question No. 4: How do you think the Government should proceed in meeting the employment problem in the cities? Should we try private industry first? Should we beef up up our manpower training right away? Should we start to create Government employmnet on a massive basis?

(The answer furnished by Professor Thurow follows:)

I refuse to accept the implied distinction between public and private employment. Both public and private agencies need to upgrade Negroes and provide them with good jobs with a future. Government subsidies should be given to both private industry and public agencies, but the subsidies should be paid for results—increases in income. If this does not bring a quick response, the only alternative will be to shift to massive government employment programs.

(The questions to be answered by Dr. Colm are as follows:)

Question No. 1: You point out that some of the outlays for the employment policies recommended by the Commission would "represent in part an addition to the GNP by use of otherwise idle resources * * * and in part a shift of resources from uses they otherwise would have." I think that it is extremely important to estimate quantitatively how important each of these sources would be.

(The answer furnished by Dr. Colm follows:)

Answer: It might be useful, at least conceptually, to distinguish three kinds of relationships between the outlays which would be made under the programs recommended by the Commission and the anticipated increase in GNP.

(A) There is, first, the mobilization of previously idle resources. These consist, as far as employment is concerned, of those unemployed and underemployed. They have been running at about 4% of the labor force, or somewhat above 3 million (including the full-time equivalent of the underemployed). Recognizing that the Kerner Commission Report recommendations are so designed that they attempt to give employment opportunities to the hard-core unemployed and underemployed, it might be assumed that as a result of these programs 1 million man-years would be utilized which otherwise might not be. While presently the ratio of the man-year employment to GNP amounts to roughly $11,000 per man-year, perhaps less than one-half of this ratio could be assumed for manpower engaged in these special programs. This would mean that about $5 billion may be added to the GNP (in real terms) over and above what it would be without these programs.

(B) One could compute the increase there would be in social programs or programs for the benefit of the poor if there were allocated to these programs the same percentage of future increases in GNP as they obtained in the past. In other words, here we ask by what amount these programs would increase if their share in the GNP remained constant. For this computation we would exclude the increase in GNP due to the extraordinary mobilization of otherwise idle resources discussed under (A). An increase of about $7 billion per year in social programs would keep the percentage of GNP devoted to these programs constant.

(C) Every increase in social programs beyond the $5 and $7 billion figures would require some change in the relative allocation of resources. Even if these figures are only regarded as a very rough indication of orders of magnitude, it is clear that a program which involves $40 billion per year in additional government expenditures and related private outlays would require a substantial reallocation of resources. The slowed-down version mentioned in my prepared statement, which amounts to $15 billion additional GNP in government expenditures and related private outlays for these purposes, would probably involve a small increase in the proportion of GNP devoted to these purposes.

Speaking only of the estimated government expenditures, for which a little better information for the base year is available, it is estimated in Table 1 of my prepared statement that government (Federal, State and local) expenditures for social programs amounted to 13.1% of GNP in the year 1966–67. We do not have available estimates of the social program expenditures of State and local governments in the fiscal years 1967–68 and 1968–69. Therefore, we do not have a good basis for estimating expenditures for all public social programs as a percentage of GNP for these fiscal years. It may, however, be a reasonable

assumption that expenditures for social programs without implementation of the Kerner Commission Report would grow in proportion to the GNP, that is, remain at 13.1%. It then follows that with full implementation of the Kerner Commission Report the percentage would increase to 15.6%, and with the slowed-down version to 13.8% of a GNP projected to 1968–69.

Question No. 2: In table 2, column 4, regarding the average cost of the Commission's employment recommendation (assuming a longer time period for implementation), how much would be accomplished in the 2 years in terms of jobs and training?

(The answer furnished by Dr. Colm follows:)

Answer: As far as an answer to this question can be given, it is provided in Table 3, Column 2, of my prepared statement. (See. p. 116.)

Question No. 3: In analyzing the increments to GNP that can be expected from carrying out the Kerner Commission recommendations, you don't say much about inflation. Isn't this a very realistic danger?

(The answer furnished by Dr. Colm follows:)

Answer: I think the conclusion can be drawn from my prepared statement and my answer to Question No. 1 that if the recommendations of the Kerner Commission were adopted in full and with the time objectives stated or implied in the Report, there would have to be either a very drastic increase in taxes (at least double the presently considered surcharge) or a substantially inflationary price rise would appear inevitable. With a slowed-down version, I believe a substantial inflationary price rise would be avoided under the following assumptions:

(*a*) that the military phase of the war in Vietnam would be de-escalated or terminated during 1969;

(*b*) that the increase in non-defense expenditures for Southeast Asia or the increase in defense expenditures not related to Vietnam would not fully compensate for the reduction in military expenditures for Vietnam;

(*c*) that the surcharge would be continued for a year or two beyond the date of reduction in defense expenditures;

(*d*) that the Government would adopt a more effective method for dealing with price and wage developments.

If the war in Vietnam should continue or even be intensified, I believe that even the slowed-down version of the Kerner Commission recommendations would lead to some further inflationary price rise, unless an additional tax increase (over and above the considered surcharge) were adopted.

If none of the Kerner Commission Report recommendations should be adopted but the pending proposal for both tax increase and spending cut be fully implemented (without further rise in military expenditures for Vietnam) I expect some slow-down in the rate growth and some rise in unemployment in 1969—possibly with continued temporary upward pressure on prices because union negotiators would still demand wage rate increases to compensate for price rise in the past.

In pointing to the possible inflationary consequences of pursuing the recommendations of the Kerner Commission Report (even in the slowed-down version) I do not suggest that this necessarily leads to the conclusion that no increase in these programs is possible. The relative urgency of various conflicting goals has to be considered. In my prepared statement I say that when survival is at stake a temporary price rise may be accepted as the price we have to pay for inadequate tax policy. But, we have to recognize what policies concerning the international balance of payments would have to be adopted as a consequence of a price rise in the United States which is not in line with price and cost developments in countries with which we are in competition.

Question No. 4: Is there any way of assessing what the per capita loss in efficiency might be in the case of the newly employed under an expanded program? It would appear inevitable that the costs of training would go up sharply, whereas the output might be reduced for an initial period, so that the traditional cost-income ratio prevailing in a particular industry or enterprise might not be pertinent.

(The answer furnished by Dr. Colm follows:)

Answer: In the first year productivity per man-hour for people formerly among the underemployed or hard-core unemployed might be only about one-half of normal productivity. This is partly because of their educational and other deficiencies and partly because half of them would be employed by the Government on public service jobs on which productivity is lower than in the total economy. The cost of hiring and training each new worker is estimated at $3,500—or about $3,100 more than would be required to hire and train an ordinary factory worker.

(The questions to be answered by Dr. Siegel follow:)

Question No. 1: On page 23 of your statement, you write that "the Commission fails to estimate the annual cost of its proposals and to present alternative budgets that also accommodate other major national purposes (including, say, price restraint)." Don't you think that those are tasks for such organizations as the Upjohn Institute, NPA, and the Joint Economic Committee, rather than the Commission in its report completed under pressing constraints?

(The answer furnished by Dr. Siegel follows:)

Part III of the Kerner Report has the title "What Can Be Done?" and Chapter 17, contained therein, presents "Recommendations for National Action." The quoted sentence and the succeeding one in my statement refer to an opportunity that was missed (a) to render "more concrete" the proposals made by the Commission in Chapter 17 and (b) to facilitate "compromise and constructive accommodation." The Commission, indeed, accomplished a remarkable amount of work between the end of July 1967, when it was established, and March 1968, when the commercial version of its Report appeared; and, in this brief period, the Commission necessarily had to rely heavily on completed and ongoing economic research. As I point out later in my statement, the problem of designing "alternative trial balances" could, nevertheless, "have been commended to the Council of Economic Advisers, to such non-governmental bodies as the National Planning Association (which has a Center for Priority Analysis), and to organizations maintaining econometric models." From Dr. Colm's testimony, I was pleased to learn that National Planning Association has already been addressing itself to appraisal, in monetary and manpower terms, of the Commission's recommendations. NPA's existing capability to do so surely owes something to contract support provided by the U.S. Department of Labor under authority of the Manpower Development and Training Act.

Perhaps, as the state of estimating arts improves (or as inhibitions to make projections continue to dissolve), more research groups will engage not only in the construction of alternative trial balances that are useful for compatible and comprehensive policy design but also in the quantification of the manpower implications of different policy mixes. The extensibility of this idea to the implementation of the Employment Act is obvious. The time may soon be right, in other words, to interpret Sections 3(a), 4(c), and 5(b) of the Act as requiring the translation of anticipated or desired total public and private economic performance (including the Administration's legislative program) into coherent sets of financial and manpower accounts.

Question No. 2: I think all of you see a need for extensive public employment to take up the manpower slack. This poses another basic problem. What do we really mean by "job creation?" On the one hand, we know that there are substantial numbers of vacancies. Why can't these be filled from the ranks of the unemployed, in your opinion? Now, on the other hand, it appears to me that many of the jobs that are going begging are very low paying, low prestige jobs which the unemployed do not want. How do we resolve this question?

(The answer furnished by Dr. Siegel follows:)

Concerning what "we really mean by 'job creation,'" three things should be said:

1. "Job creation" is definable in many ways, but the concept is functionally most significant when it allows for a process of mutual adaptation between (a) the available individuals and (b) the work that potential employers (private and public) want done. With regard to available individuals, the adaptation

process may entail enculturation, motivation, basic education, job training, and adequate supervision. With respect to the work to be done, the process may entail the design of jobs having appropriate content or the provision of graded, articulated, job sequences to form career ladders. The adaptation process obviously involves costs, in money and time; appropriate arrangements for sharing the cost burden, however, often do not exist, and the required time cannot always be spared by needy individuals or by would-be employers.

2. Although our society is regarded as work-oriented, it never has devoted itself as zealously as it should to the creation of jobs for those who want them or ought to have them. Work is important not only for economic purposes but also for political and social cohesion; accordingly, even if work generally becomes less onerous, it remains necessary as a form of "social dues." Since the disjunction of income and work is now being pressed, it becomes increasingly desirable for our society to consider establishing conditions for Beveridgean "full employment" as a more wholesome alternative. According to Beveridge, the full-employment standard requires that there be "always more vacant jobs than unemployed men, not slightly fewer jobs." These jobs should be "at fair wages, of such a kind, and so located that the unemployed men can reasonably be expected to take them."

3. As we continue to create jobs in the private sector, we also need, in line with the preceding paragraph, a more decisive assumption by government (at all jurisdictional levels) of its rightful role as *employer of first resort.* Enough work, already well described, remains to be done in the public sector to supply amenities for a growing population and enhance the quality of living. It is not sufficient, however, to talk of the work to be done; this notion of unmet needs has to be transformed into "job creation," into active demand for workers. That is, jobs have to be defined, titled, and translated into slots actually to be filled. Funds have to be provided—by additional taxation and, perhaps, by a sharing of Federal tax revenues with state and local jurisdictions. If government acts as employer of first resort to satisfy unmet public needs, the created jobs are likely to pay well enough, to carry prestige, to represent a full assortment of skill requirements, to provide career ladders, and to include opportunities for meaningful on-the-job training of the hard-core unemployed, of persons of varying degrees of skill and education, and of teen-agers.

Concerning the coexistence of job vacancies and joblessness (or only tenuous and circumscribed attachment to the labor force), two observations are offered:

1. The number of vacant jobs usually reported for a geographic area is smaller than the number of unemployed persons—or of persons who should have jobs, whether or not they actually are in the labor force. (See, for example, New York Times, May 6, 1968.) The problem is not simply one of qualitative mismatch.

2. Anomalies may be due not only to racial discrimination but also to numerous other factors—e.g., age or sex discrimination, union barriers, inadequacies of skill and education (or even over-education), self-image in light of past work history, satisfaction with welfare or unemployment benefits, availability of superior training options, draft status, language difficulty, unsure literacy, health defects, motivation lack, exaggerated expectations, inconvenient job location, transportation cost (money and time), and unattractiveness of pay or working conditions.

To reduce the gap between vacancies and joblessness, we should, as a nation:

1. Move toward the Beveridge concept of full employment as the soundest social alternative to a general attenuation of the link between work and income.

2. Maintain employment incentives (as the Kerner Report proposes) in the design of any income-supplementation schemes.

3. Seek determined action by government (at all levels) as employer of first resort.

4. Support existing government programs (JOBS, CEP, CAMPS, Model Cities, Neighborhood Youth Corps, Operation Mainstream, New Careers, MDTA training, etc.) and private endeavors (e.g., those of the Urban Coalition and the National Alliance of Businessmen) that seeks to improve the employability and employment of racial minorities and that indoctrinate younger slum dwellers in the values of work; and expand or develop such manpower programs in directions indicated in the Kerner Report.

5. Improve work prospects of teen-agers through better counseling and guidance services in the schools and also, perhaps, through establishment of a "youth wage" below the statutory minimum.

6. Emphasize the cultural adaptation and greater functional literacy of disadvantaged children, as well as the general elevation of their educational attainment.

Question No. 3: What, in your opinion, is the practical minimum unemployment figure that we can use as a target under the Employment Act?

(The answer furnished by Dr. Siegel follows:)

In my statement, I referred to 3 percent of the civilian labor force (about 2.3 million persons) as the implicit unemployment target for a society such as ours. This figure may be impracticably low in view of (a) the difficulty of maintaining reasonable price stability as active fiscal and monetary policy pushed unemployment down toward 4 percent in recent years; and (b) structural changes related to the increase in the number of young persons, the greater participation of women in the labor force, and rural-urban migration. On the other hand, improvements in the labor-market performance of racial minorities and teen-agers as the result of specific manpower policies would help us to move toward 3 percent. The unemployment rate for married men, largely comprising experienced workers, has fallen to about 1.5 percent; and this low figure offers hope. Finally, we may be able to improve the Phillips curve by two devices I mentioned in my statement: (a) the introduction of wage-deferment bonds and (b) syndical arrangements with labor and management to limit wage and price increases in consideration of the greater stability of employment and income attainable through balanced government policy. (I have to add that, whatever the national unemployment rate, we cannot afford to be complacent if the incidence is high for any fraction of the labor force identifiable by race, sex, age, or location.)

It may be useful to look at the unemployment rate of 3 percent and its absolute equivalent in another way. The number of persons currently reported as unemployed (seasonally unadjusted) is actually not much above my figure of 2.3 million. The challenge may accordingly be restated as one of maintaining something like our lately realized low national unemployment level while regaining price stability. Thus restated, the challenge may sound less insuperable.

(The question to be answered by Dr. Ginzberg follows:)

Question No. 1: There is a deep difference, apparently, between those who claim that we must decentralize the cities and those who claim that we have to provide jobs in the cities. What is your opinion as to how we can resolve this basic dilemma?

(The answer furnished by Dr. Ginzberg follows:)

We must do both. People must have the opportunity to get out of the ghetto. Housing for Negroes must be opened. Yet many people—poor people and some not so poor—will continue to live in the ghetto for a long time. Conditions in the ghetto must be improved even while many leave.

I do not think that trying to locate industry in the ghetto will come to much. Land is simply too scarce, too costly, and too ill-suited for industrial purposes. Yet, a modest effort in this direction may make sense as one way of intensifying the tempo of the ghetto community. I also favor locating appropriate public buildings in the ghetto such as large State offices, hospitals, community colleges, et cetera.

Attention must be focused, also, on improved transportation. Most ghetto residents will be forced to find jobs outside the ghetto but they must be able to get to them reasonably quickly and cheaply. My priorities are: improved transportation; open housing in the suburbs; and plant location in and near the ghetto.

Chairman PROXMIRE (presiding). Gentlemen, I want to thank you very very much for a most stimulating and helpful hearing. It has been most interesting. We have gotten lots of new and different ideas, and a much better understanding of how complex and difficult this problem is. At the same time I do not think it has diminished our determination to do all we can to help solve the problem. Thank you very much. The committee will resume its hearings in this room tomorrow morning at 10 o'clcok.

(Whereupon, at 12:40 p.m. the committee was recessed, to reconvene at 10 a.m. Wednesday, June 5, 1968.)

EMPLOYMENT AND MANPOWER PROBLEMS IN THE CITIES: IMPLICATIONS OF THE REPORT OF THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

WEDNESDAY, JUNE 5, 1968

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The Joint Economic Committee met, pursuant to recess, at 10 a.m., in room 1202, New Senate Office Building, Hon. William E. Proxmire (chairman of the Joint Economic Committee) presiding.

Present: Senators Proxmire and Jordan; and Representative Rumsfeld.

Also present: John R. Stark, executive director; and Douglas C. Frechtling, minority staff.

Chairman PROXMIRE. The committee will come to order. I understand that Mr. Saltzman is on the way. He has been detained elsewhere.

This morning we begin the fourth day of hearings on the employment and manpower aspects of the Kerner Commission Report. The panel for today is focusing on employment opportunities and job development. The Commission cites an important goal large-scale development, new jobs in the public and private sectors. We are concerned with how this goal can be actualized as well as the potentials, difficulties, benefits, and costs.

As was stated yesterday, the fundamental question before us is what methods are best suited in terms of effectiveness and general economic impact for reducing unemployment and underemployment to a minimum.

Today's panel will look at this question in a somewhat different perspective by providing a closeup at some of the public and private efforts of employing and retaining the hardcore. On the panel are experts in the field of business, academia, and community organizations. The panelists who are present at the moment—and as I say Mr. Saltzman will be here—are Mr. Berkeley G. Burrell, president of the National Business League, Mr. Garth L. Mangum, codirector, Center for Man-Power Policy Studies at George Washington University.

We expect Mr. Saltzman. And we are still hopefull that Rev. Leon H. Sullivan, the chairman of the Opportunity Industrial Center in Philadelphia will be able to make it.

Mr. Burrell, you may begin. Very happy to have you.

STATEMENT OF BERKELEY G. BURRELL, PRESIDENT OF THE NATIONAL BUSINESS LEAGUE

Mr. BURRELL. Thank you very much, Senator.

First of all, it is a sad day. My testimony won't be quite as fiery as I thought it would be.

I am pleased to be here this morning. The National Business League officers and our members around the Nation join me in assuring the committee of our appreciation for this opportunity to place on the record our views with respect to employment and manpower in our cities. Certainly there is no more compelling and urgent problem confronting this Nation today than the matter of gainfully employing the energy and latent talent of the thousands of indigent Americans who occupy our central cities. Yet, as we sit here this morning, the stark fact is that this Nation is not tooling up to do any such thing. Neither government nor private enterprise, individual citizen nor organized group is this morning willing to take the wrenching steps necessary to ameliorate the existing inequities.

What we are experiencing today is a frenzied futile exercise designed to present a facade of change without changing anything. We are engaged in a fancy game of creating committees to create jobs and deluding ourselves into thinking that we are accomplishing something by tossing around all manner of figures that are supposedly representative of new-found jobs for the deprived. The currently fashionable bit of chicanery is the "ghetto plant" idea. Every major executive in the Nation who wants to be identified with the "in set," has a task force working on proposals, is examining several alternatives, is maintaining dialog with the indigenous population, or is in some manner or other giving serious consideration to placing a plant in the ghetto.

Yet as the long, hot summer burns into its ashes of bitter despair, the activity will accelerate, the job supply will remain constant or will shrink, and the growing hatred of black and white for each other will intensify.

The tragic fact is that this Nation remains on the brink of disaster, and most of its stubborn, proud majority population—which happens to be white—has no intention of yielding to the legitimate demands of a long-suffering, deprived minority populace. But it need not be that way; the large-scale development of jobs in our urban centers is a pragmatic possibility. Given the will and adequate resources, the gross national product can be expanded as we provide enriched opportunities for our able-bodied citizenry to become producing components of our society. There are two ways that expanded employment can be provided.

One is to have big corporations provide "instant" jobs in plants cast down in the heart of the central city. Such a course of action, however admirable, will never be a cardinal functional part of the parent company's profitmaking activities. Such plants will always be expendable stepchildren much like the old auxiliary unions created during World War II to absorb minority workers—that can be readily adandoned at the slightest economic downturn or withdrawal of Government support payments. They are a kind of a continuation of the old mid-Victorian concept of the "white man's burden."

What is worse, the population that is projected as the ultimate beneficiaries of this condescending involvement may feel the same smouldering emotion that it has harbored for more than a century: cold, bitter distrust of their benefactors.

The other method of developing the needed job supply is through the growth and development of interracial business enterprises owned and operated by a meaningful joint venture with the indigenous population. And we submit to you that not only is the establishment of such entrepreneurial activities a better method for addressing the problem of providing employment, but we firmly believe that there is no other method that can remotely compare with such efforts in terms of gross benefits to our society. And we are talking about measurable economic benefits as well as ancillary social improvement.

The evidence is all around us. This is a dollar society, a business world, a profitmaking culture that places the highest premium on success in the business of profitmaking. Every man in this country is measured by his peers on the basis of his relative economic success.

The news vendors on the street corners are respected and looked up to by their peers because they are in business for themselves. The captains of industry, the high and the mighty of the world of business enjoy the greatest degree of admiration, indeed, adulation, as a result of their profitmaking skill.

All along the path from the corner news vendor to the top corporate executive, each and every businessman is revered by the small sample population that knows him primarily because he is in business. Every strata of our society holds the business functionary in great high regard and accords him an inordinate amount of respect.

In the light of these facts it would seem that only elementary commonsense would be required to point up the need for an entrepreneurial class of indigenous citizens. Not only has this Nation not seen the need but it is resisting all efforts to point it in that logical direction. The determined effort, with very few exceptions, points in the direction of corporate plantationship, not interracial partnership.

There seems to be a kind of steel net cast over us that galvanizes and magnetizes us into one direction and one direction only. And that direction is the principle of black men working for white men, not with them. And that pattern leads to further chaos.

And I have said it before and I repeat it here and now, you do not need any particular degree of extrasensory perception to predict that the residue of this hated plantocracy will be destroyed by this generation of angry black youth who are determined to assert themselves as men.

These strong, proud young people are not directly bent on destroying our Nation but they are hellbound to establish their own identity, to master their own destiny, and to make those same positive contributions to our society for which white men have seen their names emblazoned in this history book. Unfortunately unless access to power in the business system is provided for them, they will indirectly destroy whatever they can of it, until it is opened to them or until they are suppressed into concentration camps.

In place of this downward dehumanizing spiral we suggest the committee rearrange its thinking, to the extent of redefining both the

Kerner report's assumptions and even the assumptions of the joint committee as it operates under the assumptions of the Employment Act of 1946.

The fact is that in 1968 merely a "useful job" is not enough to "fully utilize the human resources" we are talking about. The committee must accelerate its redefinition of public policy about "employment" to mean "employment in upwardly mobile careers" and "employment as potential managers in businesses that provide access to a stake in the capital accumulation system." That is where the action is in American society and unless the black man obtains the opportunity to qualify there, unless he obtains access to the wherewithals to compete in business, et cetra, not just equal job opportunity but access to equal participation in business, we will still be imposing on black men the subtle steel net of slavery, an advanced form of it to be sure, but one which he is still but the instrument in the hands of another and not "his own man."

To be quite specific, one of the first priorities to be rearranged in the Federal Establishment after the committee develops its thinking as suggested above, is to fund an experimental entrepreneur school for the explicit purpose of developing effective entrepreneurial education programs. Today entrepreneur education for the disadvantaged is scandalously neglected both by Federal agencies and public and private educational institutions.

The best study of what is done is a careful self-indictment checked out by the agencies themselves entitled "Utilizing the Vocational Education Act and the Manpower Development and Training Act To Train Small Business Entrepreneurs." (It is a report by the Labor Department to House Subcommittee No. 5, chaired by Congressman John Kluczynski, dated November 1967).

It reveals, gentlemen, that entrepreneur training falls between and among five agencies' stools and has zero priority at all of them. Neither Commerce; OEO, SBA; HEW, or Labor has anything worth mentioning. Our experience confirms the evidence of the report. We know, because we are doing what they do not do and some of them actually call upon our small capability for help. We suggest that a consortium of the agencies be created to address the public policy vacuum now existing in this area and that this be made high priority.

We feel that an entrepreneur school could compete quite favorably with Job Corps programs and employment programs with respect to cost effectiveness, and we would be happy to take a part of the responsibility to develop such a training program. We remind the committee that only a reallocation of priorities on the Hill can make the agencies start to pay attention, but even after we have achieved this there must be a firm commitment on the part of the executive branch of Government.

These priorities must be firmly imbedded in the mind of the Bureau of Budget, as it has the power to discourage, at the suggestion of the President, the intention of congressional legislation. Unless there is a willingness on the part of the administration to encourage urban tranquility, this vehicle will also be thwarted.

Secondly at a higher level, beyond entry point into the free enterprise system. NBL's approach is partnership not plantationship.

When the NBL refers to partnership in lieu of plantationship, we

seek to join the experience, capital and expertise of the successful majority business community with the struggling minority "business" community in an interracial effort to forge a new economic society.

We do not want the image of whites always controlling jobs and money, rather we want to establish a new class of owners, managers and proprietors who will act as catalyst for the minds of our very young, and point them toward the excited enrichment of careers in the world of business. In the process, we will create jobs that do not currently exist which should cut down the resistance to sharing now prevalent in many areas of the majority community.

We seek to forge a greater balance of power by joining multiracial talent in the vigorous pursuit of profits that will yield a sense of worth, of dignity, of positive value as we expand job opportunities and create economic vibrations that do not and cannot otherwise exist.

A new plant in a ghetto is fine so long as the ghetto residents own at least part of it, manage most of it and exercise some degree of meaningful control over its future.

The National Business League has chartered a course of action for our central cities that can yield to our Nation the highest possible benefits at the lowest possible cost. We call our program Project Mainstream. It involves the rapid revitalization of our cities by involving the inner city residents in a determination of their own destiny; we would do this by creating a total new cultural environment within the heart of the ghetto.

We have developed what we call a modular core that we would place in the heart of every ghetto in our 50-odd chapter cities. Within this new core we would create new economically stratified housing environment, a new diversified shopping environment and a new governmental services or civic environment. During the process of physically erecting the core, we would involve every element in our moving vibrant community. We would train the able bodied in skills that are marketable as they rebuild an area they can identify as their own. We would create a class of entrepreneurs by the merging of white resources with minority capability. We would maximize the benefits of governmental social programs by making them productive of meaningful social benefits.

Perhaps the best analogy of today's circumstances would be our plight on the morning of December 7, 1941. One dastardly act immediately formed us into a committed Nation determined to right a grave wrong. No matter how we got here, we stand today as a nation sorely beset with a massive internal problem that is no less grave than the attack on Pearl Harbor.

The fundamental difference between Pearl Harbor and Watts, Detroit, Newark or the Nations' Capital is the nature of the impact on the total society. Whereas Pearl Harbor united us as an angry aggrieved people, the civil disorders have divided us and splintered both our resolve and our purpose. The polarization that has resulted neutralizes the kind of positive action requisite to rapid advancement toward urban tranquility.

In those days businesses were created overnight. No one asked for financial statements or collateral, all the Nation wanted was productivity. Government would finance any technician who could produce.

Government was willing to gamble that its citizens who sought to produce would produce and were therefore worthy of financial support.

The same kind of spirit is needed today. The hand up that is needed in our area of influence should not be regarded as a handout. It is wrong for Government to pressure industry to build plants in the ghetto if the ghetto residents are not going to share in the operation, ownership and control of these plants.

Look around us in this country today and observe the tiny, infinitesimal number of black businesses that are involved in the Nation's business. Simple proportional mathematics will tell us that there should be ten times the number of successful minority businesses that we have today. How else can the ghetto develop natural leadership based on legitimate power?

But few and far between are those elements of our society that are willing to believe that we have the training and the mental capability to succeeed.

There is a near total lack of faith on the part of the majority population is anyone who is not white. White men weigh other white men's ideas on the basis of the merit of the concept; but they weigh black men's concepts on a scale seared by a mistrust of color. The result is an unequal balance of judgment that a great nation can ill afford.

I hope that these remarks are of some value to the committee and that I might be able to elucidate further if there are specific questions that the committee might wish to direct to us.

Thank you very much.

Chairman PROXMIRE. Thank you, Mr. Burrell, for a fine statement.

Mr. Mangum?

STATEMENT OF GARTH L. MANGUM, CODIRECTOR OF THE CENTER FOR MANPOWER POLICY STUDIES

Mr. MANGUM. Senator Proxmire, Senator Jordan, I appreciate this opportunity. I am particularly impressed that this committee set up as the watchdog of the Employment Act of 1946 implies by this hearing that the achievement of 3½ percent unemployment as a national average is not all that is meant by the promise of "maximum employment" and "a job for everyone able and seeking to work."

Chairman PROXMIRE. I see your statement is 19 pages. If you want to skip any part of it, the whole statement will be printed in the record.

Mr. MANGUM. Thank you, Senator. I promise to skip a good bit of it.

I would like to start by referring directly to the employment recommendations of the Civil Disorders Commission, which are six in number:

Consolidating and concentrating employment efforts, opening the existing job structure, creating a million new jobs in the public sector within 3 years, creating 1 million new jobs in the private sector within 3 years, developing urban and rural poverty areas, and encouraging business ownership in the ghetto.

I notice the absence of remedial basic education and training for ex-

isting jobs. I would like to make some comments on the potential in that area as well.

The Commission was rightly concerned by the problem of administering the current manpower programs. The services available within them are rather extensive, not in numbers of slots, but in the types of services. But they are fragmented and scattered among a large variety of programs and agencies, so that it is very difficult to focus the available services on the needs of individuals. There is a tendency to run the programs for the good of the programs rather than to direct them to the needs of particular clients. There has been a lot of concern about this problem in the last couple of years. There has been considerable progress, but this still remains a very basic problem, and one which can be cleared up ultimately only by the Congress which structured the series of programs in the first place.

It is interesting to note that while the Commission, in looking at this problem of concentration and consolidation, and decrying the fact there was such a variety of agencies and programs involved, still praised the emergence of two new instrumentalities, and suggested a third.

Looking at the existing programs, there are basically two types. Those which provide basic education and skill training to prepare the uenmployed to compete more effectively for existing jobs, and those which provide income through work relief, misnamed as work experience.

The absence of any recommendation to expand the basic education and skill training area may be a result of the focus on the hardcore of the unemployed. There is an assumption that the hardcore unemployed are not motivated by the opportunities to go through a basic education and skill training program, and then hunt a job thereafter. It is thought that motivation can be supplied best by putting people directly on the payroll, and then having them receive the training afterwards under the direction of the employer.

Actually, there seems to be no a priori justification for the choice of on-the-job as opposed to other kinds of training. In fact, it seems that there is considerable potential in each, and the tradeoffs between them probably vary considerably by location and the particular situation.

I am interested, however, to see that the Commission's report focuses very heavily on recommendations for employing the hard-core unemployed, while it itself describes its typical rioter as a young Negro male having more education than his neighbors, and being already employed, but employed in a menial job.

Now, if it is true that the frustrations festering in the ghettos are generated by the lack of opportunities to rise within them, or to emerge from them, then it may well be that these pressures can be cooled as much by offering opportunities to those just below the margin of successful employability, as it might be by trying to pick up people from the bottom of the ladder and bring them up. Since we would assume taking people from below the margin and lifting them above the margin would cost less per head, we may be making a tradeoff of between fewer hard-core employed being served or a larger number of the less hard-core.

It is notable under the current situation that we do have facilities for basic education and training which are not being fully utilized. The skill centers which have been established under the Manpower Development and Training Act, for instance, which are mostly in the inner city areas, do have a good record of enrolling ghetto residents. Compared to other training programs outside the skill centers, there is a very noticeable difference in the degree of minority group membership, lack of education, all the other criteria of the disadvantaged. These facilities, which were established with Federal funds, are currently operating at about half capacity due to the lack of funds to bring people into all the available training stations.

The enrollments in the institutional training segment of our manpower programs is falling. We have to recognize that any service we provide costs money that cannot be used for some alternative. And the very important opportunity costs of each of these two different approaches must be recognized.

I do not think a great deal of comment on the very important area of opening access to jobs is required. The need to remove artificial barriers to jobs is something we are all committed to, though we may not do an awful lot about it.

There have been some interesting experiments, particularly the efforts of a group called the Workers Defense League in New York, now spreading their activities into 30 cities, where they work simultaneously with employers and young Negroes. They have worked with the employer to try to get him to lower his hiring standards—those which were artificial and unrealistic—while at the same time they have worked with the employees to help them to leap over these barriers, in many cases merely training them to succeed in tests. You remember there was one very interesting case in which a local union became very disturbed because nearly 100 percent of all the young people who had gone through this program successfully passed a test that even high school graduates had a great deal of difficulty with. These people went into the courts to say there must have been some conspiracy and chicanery involved but they had to admire those who were successful.

I would like to spend time on the question of jobs in the public and private sectors as recommended by the Commission.

Essentially there are two approaches to creating jobs in the public sector for the hard core or the diasadvantaged. One is the new careers approach, fostered by the Federal Government in a program first introduced by Congressman Scheuer, and bearing his name, in which attempts are made to restructure jobs in the public sector in professional activities, to provide subprofessional aides for all kinds of professionals in health services, education, and recreation. The objective to build a career ladder where people enter at some level within their existing capabilities, but hopefully by restructuring jobs will be able to move up into useful and satisfying careers.

The experience in this program is as yet very slight. It has actually been underway for only a few months. It is much too early to see what will happen. One thing that is noticeable already is that this program is selecting, or what is called "creaming," the available groups rather strictly. It appears at the moment that this will turn out to

be a very useful device for taking people with considerable potential, but who have in the past not had the opportunity or not taken the opportunity for education, and now will have an opportunity to exercise that potential they had all along. I would guess it is likely to be a relatively small but important group.

The other method is that which now carries the name of the "Government as employer of last resort."

It is interesting that this proposal has been endorsed by every major national commission exploring any subject related to this area since the National Commission on Technology, Automation, and Economic Progress, first made that proposal in early 1966.

I think it is important, however, to note that the Automation Commission did not propose the Government as employer of last resort as a single panacea for taking care of the total problem, but as one of a kit of manpower tools that they thought would be necessary to have a comprehensive program.

As that Commission viewed the situation, it thought that the first step was to expand aggregate demand to the maximum that was possible within acceptable limits of price increases—that of course has been done since the proposal was originally made. But the next step was to provide remedial education, training, mobility assistance, improved labor market services, whatever other programs could be provided to increase the ability of the unemployed and underemployed to compete for existing jobs. But then they said there will still be some people left over at acceptable levels of aggregate demands. If we are really going to make the Employment Act of 1946 mean what it says, we should have a floor, a guarantee under all employment, and that would be the Government acting as employer of last resort.

They stressed that even that should be accompanied by basic education, by skill training, by every other possible service, to make it possible for that to be a temporary resort for individual, even though it would need to be permanent as to program, to allow people to move up from that floor into a more satisfactory long-term commitment.

Because any recommendation of this kind always brings the immediate reaction, "that sounds like the WPA," I have gone to the trouble to dredge up some data which go way back to the 1930's, to show that this program does not deserve the reputation that it has long carried in this country. In fact, it was probably one of the highest return investments we ever made. The table appearing in my prepared statement (p. 193) points out some of the concrete public facilities that were created by this program, to say nothing of all the current services, the art, the writers' projects, and all, in addition to the employment. It is possible to have a program of this sort, and have it very productive.

We have had some experience in recent years with the Neighborhood Youth Corps, work experience and training program, and other programs which essentially are the employer-of-last-resort type programs. But one thing noticeably missing from them in contrast to the experience of the 1930's is that there has been very little attention to the productivity of the workers involved. The purpose has been to provide income and some kind of useful activity for people. But there has been little attempt to assure that they produced something worthwhile.

For this reason, there has been relatively little work experience come out of it. There has also been relatively little increase in public facilities and public services.

Once getting round this problem of trying to assure productivity, such a program is not a difficult one to administer. The Neighborhood Youth Corps provides the model. It is not a matter of the Federal Government becoming the employer of last resort, but instead, providing funds to State and local governments, Federal agencies, and private nonprofit institutions, saying to them "If you will demonstrate to us your ability to make productive use of this labor and provide useful work experience, accompanied by basic education and training opportunities, we will put up the money to pay for the wages or the salaries of these people."

This being done, there is no end to the useful kind of work that is available in the society to be done. I have spent some few pages pointing out some of them.

Skipping over to the current emphasis in the manpower programs—the subsidization of jobs for the disadvantaged in the private sector—this is very new. There has been no experience yet to evaluate. All one can do is speculate a little bit about some of the potential gains and some of the potential problems that might occur.

The first limitation in contrast to the public sector approach that one must note is that this is not an approach which is likely to create jobs. It is likely to have very little effect on the total number of jobs available. It is a device to ration jobs or reallocate jobs in the direction of the disadvantaged. At its best it would say to employers, "Rather than hire people who you might otherwise have chosen to hire, who are available to you, we want you to hire people who we describe as disadvantaged or hard-core unemployed and we are willing to pay the difference between the productivity of those people and the wage. We are willing to pay for whatever training and other services you have to provide to make them useful employees, so that you will give your jobs to these people." The implied social assumption is that as a result people who now experience more than their share of the unemployment will get their share of jobs, and other people will share some of the unemployment. We will spread the unemployment and the low-incomes somewhat more equitably. There are some obvious problems.

One of the greatest difficulties will be to assure that the people who are hired are those who are more disadvantaged than the ones the employer would otherwise have hired. If we just simply pay the employer to hire one disadvantaged person rather than another, we have accomplished very little. But on the other hand if we pay him, and he hires the disadvantaged rather than the nondisadvantaged, we have accomplished something.

The other problem will be to assure that people stay hired, and that this is not just a very temporary panacea. It is already apparent even with limited experience in these programs, that assuring that the people hired are the disadvantaged is a very difficult task.

Conceptually, we know there are some people out there who must be disadvantaged, and we call them hardcore unemployed. We have no measure of disadvantage. We know from experience that there are certain groups who experience more unemployment, more underem-

ployment, more low incomes than others. But we do not know that any particular individual merits this appellation.

We know, for instance, that disadvantage is concentrated among Negroes, among those with low education, and some of the age groups. But we do not know that any particular Negro is disadvantaged or even that any particular young Negro high school dropout is disadvantaged. Therefore we do not know that we should pay the employer for taking on one rather than another. How this would work out again in the long run, only the experience of the next year or two will tell us. It should be pointed out, however, that even if the goals are met which currently are for 500,000 people over 3½ years, it will hardly scratch the surface of the problem we are talking about.

If the 500,000 goal were a point in time number, it would be a meaningful contribution and have a meaningful impact, particularly if it were drawn from the ghettos of the country. But we have to remember we are operating in a highly dynamic labor market in which roughly 3 million people enter the labor force every year and a couple of million leave every year. There is a tremendous turnover. Only 53 percent of the labor force works full time, full year at best. If you take 500,000 people over 3½ years, which is a little over 100,000 a year, even if completely successful, you may find you have lost track of its impact in that total turnover.

Another thing to be kept in mind constantly is the concept of opportunity cost. The money we spend doing one thing cannot be spent doing something else, and it is difficult to know without some experience which will turn out to be the most effective—the new approach or some of the older ones.

And a final point to remember. Though we have to, by necessity, act on these programs and problems from a Federal level, on a national basis there is a tremendous difference among the employment problems of various communities. There is a great deal of difference in trying to solve the problem that Mr. Saltzman has in Detroit, which is a town of heavy industry, than in a situation like New York City or Washington, D.C., which are towns of predominant white-collar employment. There is a tremendous difference in smaller cities in North Carolina, where you do not have the problems of tremendous distances from the ghettos out to where the jobs are in the suburbs, and where it is not very far from where the people live to where the textile plant is.

In summary, then, it seems to me that there have been some very useful recommendations made. I have not taken time to comment here on the problems that Mr. Burrell has already commented on, although I do have some in the written testimony But I do want to point out in summary that if one looks at jobs and employment opportunities as an immediate solution to civil disorders, one is probably wasting his time. But if one looks at employment opportunities and job development as part of the process of creating a climate of opportunity within the inner city area, over time, so that the residents there feel they have as much of a stake in the larger society as those of us who do not live under those circumstances, in the long run it will make a very important contribution, both to civic peace and to the welfare of the people involved.

Thank you.

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(The prepared statement of Mr. Mangum for inclusion in the record follows:)

PREPARED STATEMENT OF PROF. GARTH L. MANGUM [1]

EMPLOYMENT OPPORTUNITIES AND JOB DEVELOPMENT IN THE INNER CITY

In 1961 with unemployment at 6.7 percent, a crystal ball preview of this scene would have been incomprehensible: the Joint Economic Committee of Congress, established to further the goals of the Employment Act of 1946 just as exercised about unemployment at 3.5 percent, the lowest rate ever recorded in the absence of wage and price controls. This event indicates neither lack of accomplishment nor misplaced concern but increasing sensitivity to human distress, growing awareness of the geographical and demographic pathology which can be hidden beneath national averages and the rising expectation and impatient of those left out of general prosperity.

Other panels have enumerated the magnitude of current employment problems with special attention to their concentration in center city slums. Suffice it to say that the numbers are large with an inadequate number of jobs, lack of preparation, and sometimes motivation for existing jobs and difficulty of access for locational and, to a lesser degree, discriminatory reasons as the basic problems. These being the difficulties, answers must be found in remedial education and training, bringing jobs to people and/or people to jobs and expanding the total supply of employment opportunities. There has been considerable experience with each and the Commission on Civil Disorders has recommended improvement in some of these efforts along with some previously proposed but still untried additions.

THE SUPPLY OF EMPLOYMENT OPPORTUNITIES

No dependable data exist as to the relationship between the number of people seeking jobs and the number of jobs seeking people. Rough calculations based on testimony before this committee suggest that job vacancies, even in the present prosperous climate, are less than half the number of unemployed, ignoring problems of underemployment and nonparticipation in the labor force.

TABLE 1.—ESTIMATED JOB VACANCIES RELATED TO NONAGRICULTURAL EMPLOYMENT AND UNEMPLOYMENT [1]

	Annual rates (Labor force, 16 years of age and over)						
	1961	1962	1963	1964	1965	1966	1967
Nonagricultural unemployment (thousands)	3,920	3,230	3,260	2,990	2,630	2,250	2,440
Nonagricultural unemployment rate (percent)	6.1	5.0	4.9	4.4	3.8	3.2	3.3
Estimated job vacancies (thousands) [2]	500	605	590	655	820	1,130	965
Estimated job vacancies as a proportion of nonagricultural unemployment	.13	.19	.18	.22	.31	.50	.40
Estimated job vacancy [3] rate and percent	.8	1.0	.9	1.0	1.2	1.6	1.4

[1] This table should be taken only as an indication of general magnitudes and trends over time. Nonagricultural employment and unemployment are official Department of Labor statistics. Job vacancies are estimated from the results of an April 1965 survey conducted by the Bureau of Employment Security and the Bureau of Labor Statistics in 14 cities, published in U.S. Congress, House, Subcommittee on Economic Statistics of the Joint Economic Committee, "Hearings, Job Vacancy Statistics," 89th Cong., 2d sess., 1966, p. 72. The number of job vacancies was estimated by elevation of the average number of unfilled job orders reported by the U.S. Employment Service for each year by a factor of 2.69. The factor was derived from the relationship between job vacancies as measured by the April 1965 survey and employment service unfilled job orders in the cities at the time. Though the unfilled orders were less than ½ of the vacancies estimated by the survey, they were consistent in occupational distribution. The table assumes the relationships between unfilled orders and job vacancies are constant over time and that the national ratio is identical to the total for the 14 cities for which data are available. See Myron L. Joseph, "Job Vacancy Measurement." "The Journal of Human Resources," fall, 1966, 59-80, for discussion of the limitations of job vacancy concepts and data. Despite all these qualifications, it is felt that a general indication of magnitudes and trends is useful. The author is, of course, completely responsible for the use made of the data.

[2] See 1.

[3] As a proportion of nonagricultural employment.

[1] Garth L. Mangum is Research Professor of Economics and Co-Director of the Center for Manpower Policy Studies, George Washington University, where he is evaluating Federal manpower programs under a grant from the Ford Foundation.

Contributions of Existing Programs

The achievements and shortcomings of the various manpower programs have been evaluated elsewhere.[1] Some have met with considerable success and others have made little contribution. The numbers enrolled have been too insignificant to have a measurable impact on the total problem—currently perhaps one in ten of those eligible. However, out of what are best viewed as a series of small scale experiments, a variety of service functions have been identified as being needed in varying degrees by those finding it difficult to compete successfully for or gain access to satisfactory jobs:

(*a*) Outreach to seek the discouraged and undermotivated and encourage them to partake of available services.

(*b*) Adult basic education, to remedy the lack or obsolescence of earlier schooling.

(*c*) Prevocational orientation to expose those of limited experience to alternative occupational choices.

(*d*) Training for entry level skills, for those unprepared to profit from the normally more advanced training which assumes mastery of rudimentary education.

(*e*) Training allowances, to provide support and an incentive for those undergoing training.

(*f*) Residential facilities for youth whose home environment precludes successful rehabilitation.

(*g*) Work experience, for those unaccustomed to the discipline of the work place.

(*h*) Job development, efforts to solicit job opportunities suited to the abilities of the disadvantaged job seeker.

(*i*) Relocation and transportation assistance to bring the workers to where the jobs are.

(*j*) Subsidization of private employment for the disadvantaged.

(*k*) Job coaching to work out supervisor-worker adjustments after a job is found.

(*l*) Creation of public service jobs tailored to the needs of job seekers not absorbed in the competitive market.

(*m*) Supportive services, such as medical aid, for those who needed corrective measures to enter or resume positions in the world of work, or day-care centers for mothers with small children.

(*n*) Relocation allowances for residents in labor surplus areas and special inducements to employers to bring jobs to those stranded in depressed areas.

It remains to make these available as needed and to learn to administer them effectively.

Recommendations of the Kerner Commission

The Commission on Civil Disorders made a number of useful proposals for providing job opportunities to ghetto residents:

(1) Consolidating and concentrating employment efforts.
(2) Opening the existing job restrictions.
(3) Creating 1 million new jobs in the public sector in three years.
(4) Creating 1 million new jobs in the private sector in three years.
(5) Developing urban and rural poverty areas.
(6) Encouraging business ownership in the ghetto.

Notable is the absence of any recommendations to expand existing efforts or undertake new ones to prepare people through remedial basic education and training for jobs which now exist. Each recommendation plus this additional possibility merit discussion.

Improving existing programs

The Commission's only recommendation involving the manpower programs which have emerged during the past seven years is that they be consolidated and their efforts concentrated. The services available are fragmented among a large number of programs administered by a variety of agencies. One result is that services are delivered according to the requirements of programs rather than

[1] Garth L. Mangum, "The Status of Manpower Policy," testimony before the Senate Subcommittee on Employment, Manpower and Poverty, May 7, 1968.

the needs of people. Another is that effective delivery of services has proven to be beyond the administrative capability available in many communities. particularly in those most in need of assistance. Efforts are underway to bring the various programs under one roof and concentrate their efforts on target areas in the ghettos and rural depressed areas. However, administering the incoherent jumble of programs within the limits of their varying guidelines and procedures has so far proven no easier than administering them separately. The situation is improving but still demands consolidation and rationalization along functional rather than program lines. Until Congress takes on this restructuring, federal and local administrators can only make the best of a bad situation. It is interesting to note that, while the Commission recommended consolidation of existing programs, it praised the emergence of two new instrumentalities at the national and community levels, the Urban Coalition and the National Alliance of Businessmen, and recommended creation of a third.

Existing programs are basically of two types:

(1) Those providing basic education and skill training to prepare the unemployed to compete more effectively for existing jobs; and (2) Those providing income through work relief misnamed as work experience. Absence of any recommendation by the Kerner Commission to expand the first category is undoubtedly a consequence of its emphasis on assisting the "hard core unemployed" who, it was assumed, could not be reached or motivated by these means. There seems to be no a priori justification for this choice. Those unemployed the longest or most alienated from the system may be the most difficult to train and the hardest to interest in training. It is undoubtedly true that they are likely to be more easily motivated by immediate receipt of a paycheck from a private or public employer but, for them particularly, remedial basic education and training, whether given on the job or off, will be necessary before they can successfully compete.

However, the Commission's own report describes the typical rioter as having more education than his neighbors and being employed but in a menial job. If it is true that the frustrations festering in the ghettos are generated by the lack of opportunities to rise within them or emerge from them, these pressures are likely to be cooled as much by assisting those just below the margin of successful employment. Employers who can be "bribed" to hire those they would otherwise ignore might be as much enticed by the availability of a well-trained employee. Situations vary widely by location. In some ghettos few jobs exist and city size and transportation inadequacies make access difficult. In others, jobs are within reach and the primary problem is to make the potential employee attractive.

Skill Centers established under the Manpower Development and Training Act in the inner cities have had a good record of enrolling ghetto residents, providing them with basic education and skills and seeing them on to regular employment. The facilities, established with federal funds, are currently operating at about half capacity due to the lack of funds. Enrollments in institutional skill training are falling while increasing funds are being allocated to subsidizing the private employment of the "hard core." While the latter should be tried, it is not clear that it is preferable to the former. How many could be brought into successful employment by training alone is as uncertain as the number who can best be helped by subsidized employment. It is clear that the facilities, instructors and trainees are available to at least double present training efforts. The preferred mix of manpower services differs by community but in most there are many jobs fillable on the basis of training alone.

Opening access to jobs

The need to remove artificial barriers to jobs requires no comment though the means of doing so does. The announcement of public policy inherent in the various anti-discriminatory laws and regulations has made a considerable difference even though enforcement may have had limited impact. Overt, deliberate discrimination is declining but numerous institutionalized barriers remain. Federal, state and local governments are often the worst offenders. Efforts of such organizations as the Worker's Defense League which simultaneously work with employers to lower barriers and employees to surmount them have met considerable success. It is difficult to understand the Riot Commission's inclusion of recommendations for a higher minimum wage in a section entitled "opening the existing job structure."

Jobs in the public sector

The proposal that the federal government should act as "employer of last resort" has been endorsed by every major national commission exploring any related topic since it was first made by the National Commission on Technology, Automation and Economic Progress in 1966. The proposal was not made in isolation as a single panacea but was designed to be the floor under a ladder of various opportunities. Expansion of total employment by increasing aggregate demand was highest on the list followed by remedial education, training, mobility assistance and improved labor market services to improve the efficiency of the labor market and enhance the ability of the unemployed and underemployed to compete for available jobs. The last resort was to supply useful but noncompetitive jobs in public service tailored to the abilities of those left over when inflationary pressures had exhausted the economy's ability to produce more competitve jobs, private or public. It was to be the last resort for the individual and public policy but was to be accompanied by education and training opportunities to provide a way out for those with the potential ability to progress upward from the basic job guarantee.

Because the immediate reaction to the proposal has been frequently to recoil in horror and cry "WPA," I have dredged up a long forgotten table to support my contention that the New Deal work relief programs were, in the context of the times, some of the most productive public investments we have ever made in this country (see table 2). It is worth noting that in 1939, 6.6 percent of the labor force and 2.8 percent of the Gross National Product were involved in such programs compared to perhaps five-tenths of one percent of the labor force and one-tenth of one percent of the GNP today.

TABLE 2.—WHAT $10,000,000,000 BOUGHT:

MAJOR CONSTRUCTION PROJECTS OF THE WPA

	Number		
	New construction	Additions	Reconstruction or improvement
Highways, roads, streets and related facilities [1]	651,087		
Bridges and viaducts	77,965		46,046
Sidewalks and paths [1]	23,607		6,972
Curbs [1]	25,073		3,441
Public buildings	35,064	4,792	85,254
Stadiums, grandstands, and bleachers	2,302	129	797
Parks	1,668	189	6,335
Playgrounds	3,085	107	9,581
Athletic fields	3,026	68	2,457
Swimming pools	805		339
Utility plants	2,877	123	1,172
Water mains and distribution lines [1]	16,117		3,658
Landing fields	353	131	469

[1] Miles.

Source: U.S. Federal Works Agency, "Final Report on the WPA Program," 1935-43 (Washington, D.C., U.S. Government Printing Office, 1947), pp. 131-32.

Related experience is currently being gained in the Neighborhood Youth Corps, Work Experience and Training, Job Corps Conservation Center, Operation Mainstream and New Careers programs. Unfortunately, current efforts have not attained New Deal quality, despite the criticisms of the earlier period. The fact that reports are available on the hours worked and the physical accomplishments of the earlier period while neither are currently known on any current program is an indication of the problem. There has been little attention paid at the federal level to the degree to which productive use is made of the "free" labor by project sponsors. The victims are the value of both the work experience and the public services and facilities which could be produced.

The New Careers is the most intriguing of current work programs, though too new for evaluation. Its purpose is to move the unemployed and underemployed up through restructured subprofessional jobs into useful and satisfying public service careers. Experience to date indicates its potential as a second chance

for those with ability who lack preparation. It is unlikely to ever be a large scale job creation program.

The primary advantage of the public service employment approach is that it creates jobs, whereas neither training nor subsidized private employment are likely to have significant job creating effects.

The Neighborhood Youth Corps provides the best model for a program to guarantee public service employment opportunities, if only its administrators will become as concerned about the productivity of the labor it subsidizes and the extent of basic education and training opportunities provided as they are about income into the hands of enrollees. The federal agency requests proposals from federal, state, local and private nonprofit sponsors who should be required to demonstrate ability to use the labor for useful public service purposes, while building in upward mobility opportunities for the potentially able and maintaining a sheltered environment for those who can never be expected to complete. With that assurance, projects can be funded, monitored and carefully evaluated as a prerequisite to refunding.

Conceiving of useful work to be done by participants in a public service employment program is not difficult, but overcoming opposition of interest groups and administering projects might be. There are few, if any, alternatives to publicly sponsored employment for immobile rural adults with inadequate education. Hard physical work still has dignity in these areas and there is plenty of useful work in conservation and related activities to be done. Since the incidence of broken families is less, the clientele would be primarily male. The always deficient education and health systems could, with minimal training, offer outlets for women as well. A guarantee of rural employment would slow outmigration to urban areas, which might ease their current problems.

The situation in the urban slums is much more complex. Housing discrimination and transportation deficiencies limit the access of slum residents. Personal limitations such as inadequate education and training, police records, low motivation, or family burdens tend to block them from the most rapidly growing urban job. Vested interests control many of the jobs for which slum residents might qualify. Self-esteem appears to be more threatened by low wages and distasteful tasks than by idleness and dependency.

Remedial education and training, transportation improvements, industrial development efforts, and open housing in the suburbs could reduce the need for publicly supported jobs. Absent those, subprofessionalization in the poverty program, education, health, welfare, crime control and community development offer a demonstrated potential for the most able and motivated. Since the employers are hardpressed public agencies, professional reluctance can be overcome by availability of funds, political leverage, and assistance in restructuring jobs. Job needs for women will far exceed the supply of potential subprofessional openings. The better prepared males can also work as subprofessional aides of various kinds but the opportunities are limited. Vast opportunities exist in slum rehabilitation but tapping them will require funds, the overcoming of resistance from institutions with a vested interest in such work and the development of methods to utilize low-skilled labor.

The force account approach to construction of public facilities, typical of the WPA, is probably not feasible politically in the current situation. Only with major portions of the labor force unemployed could the demand for jobs overcome the opposition of those with vested interest in employment in the industries affected. It is lower skilled public service jobs which must provide the major source of employment to unemployed adult male residents of urban slums. Local and state governments and more particularly the federal civil service have been guilty of insisting on unrealistically high eligibility requirements for low-skilled, nonsensitive jobs. These governments are more likely than private employers to demand high school education and clean police records even when both are irrelevant to the job.

A final employment source of almost unlimited potential is the expansion of public employment to those activities which would pay if labor were free, assuming the employment of the idle, the dependent and the lowly paid to be an objective equal to the value of the wages paid. Two mails a day in residential areas has been suggested. The number of unskilled but useful tasks in cleaning, repairing, and refurbishing public buildings, streets, parks, and neighborhoods is without limit, though it may be difficult to avoid the stigma of make work.

The costs of such a program are a simple function of the numbers involved,

the wages paid and the overhead costs. The federal minimum wage is an obvious floor. In fact an attractive aspect of a universal public employment guarantee would be elimination of minimum wage administration. However, the national minimum wage is inadequate to provide motivation in high wage communities and some proportion of average wages is probably preferable. A public service employment program would be made more attractive by availability of a hierarchy of jobs at higher pay. However, if properly combined with education and training and with other public jobs and if effectively administered, regular public employment, in addition to private opportunities, could provide the needed upward mobility. Then only the entry level jobs, plus the supervisory positions attached to them would require subsidization and the minimum wage plus overhead would become the cost.

Finding useful tasks to employ in the public service all the Congress will appropriate funds to employ is no overwhelming challenge. Getting effective administration of such a program might be more difficult.

Jobs in the private sector

Jobs for the disadvantaged in the private sector is the current emphasis in federal manpower policy. Since there is as yet no experience to evaluate, one can only speculate about the potential contributions and problems. Ostensibly, obstacles to employing the "hard core" are removed by reimbursement of the costs of training the inadequately skilled on-the-job to make them equal to alternatively available employees. Actualy little meaningful training occurs in industry at entry levels. Though some of the payments to employers under current programs such as JOBS may be used to purchase basic education and classroom training from educational institutions, it is most useful to view the payment as a subsidy designed to purchase a job. If well handled, the payment will be just sufficient to offset the employers reluctance to hire the client in preference to the most attractive candidate the employer could have hired, Subsidized employment of the disadvantaged faces the same basic handicap as training programs: it does not create jobs; at best it only effects who gets them. A subsidy paid to a private employer for hiring a disadvantaged person may, if high enough, attract expansion for the subsidy's sake as opposed to the production's sake. This is unlikely, however. It is more reasonable to assume that the employer employs the client in lieu of someone else he would have hired in absence of the subsidy.

The chief practical difficulty is assuring that the employee hired is significantly more disadvantaged than the alternative. The MDT On-the-Job Training program fell into disrepute for just this reason. As pressure was applied to expand MDT–OJT, the demographic characteristics of the enrollees shifted away from the minority groups, poorly educated and the young and old who were considered the disadvantaged targets. The hope of the current efforts is that payments of $3500 to $5000 per head rather than the previous average of around $500 can overcome the obstacle of employer reluctance. The basic problem remains, however. To be a member of a minority group or less than a high school graduate or under 22 or over 44 years of age is not prima facie evidence of job market disadvantage. Higher proportions of these groups than others appear to face competitive handicaps but the majority in each group still do reasonably well. "Disadvantage" is not an absolute condition but a position along a continuum. It is difficult to establish criteria which does not open the possibility of "creaming" within each group. This, in addition to the fact that success with 500,000 actually "hard core" unemployed over 3½ years would make a hardly noticeable dent in the universe of need, poses some difficulties for the JOBS program and the subsidized employment approach.

As long as the result is to bring jobs into a ghetto where the employer would not have recruited, who gets the job may not be of great importance. Building a "climate of opportunity" in such places may be the best long-run insurance against frustration and rioting. The most important consideration is that of opportunity costs. A dollar spent on subsidizing private employment cannot be spent on basic education, training or some other alternative. If the employer fails to hire people significantly different in either ability or location than those he would otherwise have hired, social welfare is not enhanced. If he does, the question is only, "Did this expenditure accomplish more per dollar than other alternatives?" The answer will depend on time, location and conditions. Subsidized private employment is an attractive component of a total kit of remedial manpower tools but is not necessarily preferable to others.

Since the Riot Commission endorsed tax incentives as the preferred route to private employer involvement, some comment on that recommendation is necessary. The notion is attractive to businessmen because they expect it to be without controls or "red tape." The expectation is unrealistic. The objective is not to encourage training in general but the employment and training of the disadvantaged in particular. No less "red tape", reporting, monitoring and evalution would be necessary to assure that members of appropriate target groups are enrolled and properly trained under tax incentives than under direct contract or reimbursement measures. As already noted, assuring pursuit of social goals is difficult enough under the more direct approach. Tax incentive devices to bring jobs to the ghettos and depressed areas to create a climate of opportunity there are a different matter. The location rather than the client is the relevant factor and less monitoring is required. As the Riot Commission report rightly points out, there are essentially two long-run approaches to "cooling" the frustrations underlying the riots—"gilding the ghetto" and disperising ghetto population. The first will require bringing jobs to where the people are. Rebuilding the ghettos are most likely to provide jobs to ghetto residents if contractors are of the same race. Negro and other minority group entrepreneurship in this and other small scale industries is vitally important to a climate of opportunity. Dispersion will require not only open housing but low cost and subsidized housing but, accompanied by remedial education and training, would be the best long-run solution.

SUMMARY

The employment recommendations of the National Advisory Commission on Civil Disorders are generally admirable ones. They are deficient in giving too little credence to remedial basic education and skill training. They are somewhat unrealistic on tax credit. Their estimate of the public service and subsidized private job needs are none too large. Both proposals have merit and should be pursued along with expansion of remedial education and training. To have publicly created Skill Centers operating at half capacity for lack of a few dollars in the very inner cities where the needs for them are greatest is less than rational.

Any assumption that lack of jobs is a primary cause of rioting in the short run and that providing jobs will be an effective short run deterrent is probably an over-simplification. Riots are more likely attributable to a complex climate of frustration in which quality as well as quantity of jobs are important but so are many other factors. Potential violence simmers below the surface of most any society but it is held in check by the commitment of the majority to law and order. The immediate participants in a riot and looting may be the idle, the greedy, the angry or just kids on a lark. The key question is, "why have the more stable elements withheld their constraints?"

Probably more important than the immediate availability of jobs is the presence of a total climate of opportunity, including jobs, which create a vested interest in orderly human relations. Immediate riot control, then, is not the dangling of jobs like rewards to good children. Probably nothing but effective "restrained but firm" police action can meet the current challenge in the short run. Longer run solutions involve education, training, housing, mutual respect and jobs. If access to opportunity is guaranteed, motivation should flow from the experiences of those who demonstrate the possibility of finding success within the system.

Chairman PROXMIRE. Thank you, sir.

Mr. Saltzman?

STATEMENT OF ARTHUR W. SALTZMAN, MANAGER OF THE EDUCATION AND TRAINING DEPARTMENT, FORD MOTOR CO.

Mr. SALTZMAN. My remarks may sound a little bit like footnotes to Mr. Mangum's paper. Accordingly, I will edit my prepared statement as I go along.

My name is Arthur Saltzman. I am manager of the education and training department, personnel and organization staff, Ford Motor Co., Dearborn, Mich. For 13 months beginning in October, 1965, I

was director of the Michigan Economic Opportunity Office, the State Technical Assistant Agency funded by the Office of Economic Opportunity. This morning I would like to comment on job development and job creation, and then on some aspects of training the disadvantaged.

The National Advisory Commission Report recommends the creation of 2 million new jobs in the public and private sectors during the next 3 years. I do not pretend to be sufficiently expert to assess the feasibility of this commendable goal but would like to add my voice to those suggesting that we should start by reducing the potential of what Aaron Wildavsky calls ". . . a recipe for violence: Promise a lot, deliver a little."

My comments are made from the position of someone in one community who has made some observations, and I am going to restrict them to reflect that viewpoint.

Delivering what is promised requires continuing and visible action at the local level toward realizable goals acceptable to both innercity Negro citizens as well as other groups involved.

I suggest first that all planning for employment of the disadvantaged in the private sector be done in terms of placement into presently existing jobs rather than into newly created ones. This is the phenomenon Mr. Mangum has just commented upon.

The Kerner Commission Report uses the term "creation of jobs." Senator Proxmire's letter of confirmation for this hearing refers to the "large-scale development of jobs." Job development is the traditional employment office technique of finding a job for a person who would ordinarily not be hired. Whether the job is newly created or not is irrelevant. Most recent private industry programs for hiring the disadvantaged have involved placements into existing jobs. At the Ford Motor Co., hiring practices were changed and the employment office was brought into the innercity, but the jobs were already in existence. Some other firms redefined entry-level jobs somewhat. The important point though is that the jobs themselves did not necessarily constitute a net addition to the total number of jobs available.

Resort to job development is the best short-run strategy for providing private sector jobs for the disadvantaged. This includes: review of hiring standards to assure that they do, in fact, relate to job requirements, militant supervision to assure that they do, in fact, relate to job requirements, militant supervision to assure that all those meeting minimum standards are not screened out, and that entry-level jobs are redefined where feasible. Programs to create new jobs are ultimately dependent upon the real growth of the economy and are not necessarily available when needed.

Second, I suggest emphasis on local rather than national employment goals in planning with the local innercity Negro groups. Local job market realities may mean that entry-level jobs with futures are in short supply, and it is important to avoid unrealistic commitments.

To illustrate the potential difficulties, let me cite appendix I of the Kerner Report (p. 315) which emphasizes that—

> The job must not appear to the hard-core person to be a dead-end job. . . . It must be made clear to him from the outset that his satisfactory performance at the entry level will result not only in continued employment after the training period but also in an opportunity for advancement ideally through a clearly defined job ladder with step increases in both pay and responsibility.

In many labor markets, most private firms are too small to offer job ladders, clearly defined or otherwise. Forty percent of the private work force is still employed in small units. The 20 employee factories, corner gasoline stations and show repair establishments constitute the bulk of the available private sector employment in many areas.

The large enterprises which offer reasonable numbers of well-paying jobs to relatively unskilled workers are located in industrial centers such as Detroit, Pittsburgh, or Cleveland. They may have branch operations in larger metropolitan centers, but these are frequently in suburban locations and inaccessible to the inner-city residents.

These labor market realities mean that in New York, for example, it is more difficult to develop promising jobs for unskilled men than in Detroit where more jobs can be developed. Commitments should be made to New Yorkers in terms of the numbers and type of jobs available there and to Detroiters in terms of the Detroit labor market.

I have emphasized the need to plan in terms of existing jobs for the short run. New jobs are created in the private sector, of course. It should be noted though that new jobs are less likely to meet the needs of the hard-core unemployed than existing ones.

New jobs are created when established firms expand or when new firms are launched. The jobs in the well-established firms are more likely to survive than jobs in newer firms. However, all are vulnerable to the "last in-first out" practice and are unlikely to provide a basis for motivation in the sense that they are secure jobs with promotional opportunities.

I would emphasize local planning in the public sector too. Jobs can be developed by working with privately supported service institutions such as hospitals and utilities to modify entry-level screens. Local, State and Federal governmental bureaus are frequently hamstrung by civil service regulations; but forward-looking commissions have already modified regulations in some cases, and creative administrators can make them even more flexible.

Job creation in the public sector has one great advantage. It is feasible and can be accomplished in a timely manner. The OEO community action program clearly demonstrated that jobs for the unskilled, such as classroom aides and community aides, could be created quickly. However, a problem does arise when these jobs are represented as leading to "new careers." Careers are far more difficult to develop, and again enthusiasts could be inadvertently setting the stage for future unfulfilled promises.

To summarize this first part of my presentation, I suggest planning locally with involved groups. I urge that such planning be realistic to prevent unrealizable expectations. Existing entry-level jobs both private and public should be assessed and, where possible, developed for the inner-city unemployed. The emergence of newly created private sector jobs should be anticipated and even expedited, where possible, but not included as part of the plan. New public sector jobs may be created to meet the needs of the unemployed, but it should be recognized that such jobs are not likely to provide viable careers.

Turning now to the Commission's training recommendations, I find that the essence of my comments again is to urge emphasis on local continuing, visible, result-producing action.

There has been progress in the 6 years since MDTA, but it has produced local-level problems: One year ADC mothers are paid to stay home, the next year they are urged to train for jobs; one year the unemployed are to be trained in institutions, the next year only on the job; one year train the kids locally, the next year in residential centers. These shifts must appear at least a little confusing to the local citizen. A discontinued program frequently means an unfulfilled promise with consequent loss of confidence. There is obvious need for synthesis and continuity.

Next, to increase credibility, programs should be planned to meet individual training needs rather than on the assumption that training needs are known. Just in case this sounds like undue emphasis on the obvious, let me return to the Commission report. The same paragraph cited earlier includes the following assertion about the hard-core unemployed individual, "since by definition he is not eligible even for an entry-level position, he must be given job training."

The facts are that several firms including Ford have hired certified members of the hard-core unemployed for entry-level jobs, and that these people succeeded under the same treatment afforded others hired into the same job. The presumption that *all* members of the hard-core unemployed need training for entry-level positions seems unwarranted.

At Ford, we undertook our first official hard-core "type" experiment in 1964 when we entered into a cooperative office skills program with a local, private business school. Trainees who were selected by the Michigan Employment Security Commission came along so far, so fast that we accused the Commission of "creaming." The following year the Commission sent along a second group selected at random who did very nearly as well.

The point is that we did not know what to anticipate and to this day we do not know how much of the elaborate program was really necessary. There are undoubtedly many hard-core unemployed individuals who reguire extraordinary support in order to survive in the industrial environment, but we have little verified information about how much and what kind of support is needed.

I suggest that we ought to specify the needs of the specific hard-core person involved and the requirements of his particular job before asserting that he needs training by definition.

I think it important to recognize the limitations of our present experience. Ford and other companies are now planning programs which will test various hypotheses about what the disadvantaged person needs. But we do not know. We cannot tell at this time whether it will cost $20 or $20,000 per person to rehabilitate the disadvantaged. We cannot tell what specific training approach is most likely to work. I urge caution in making commitments in the inner city until we learn more.

Finally, a comment on the Commission's recommendation for supervisory training. In this area, too, I would emphasize that planning be focused on meeting individual needs. At Ford we recently completed a companywide supervisory program relating to our recent inner city hiring project. The objective of this program was to inform supervisors of company policy and to provide a forum for them to anticipate problems and formulate plans.

We believe the program achieved its objective, but now what? Consultants talk about the need to change attitudes, develop special counseling techniques, be sensitive to different types of communications problems. This sounds fine in the abstract, but the specifics are that some of these supervisors are Negro and probably have the same background as the new hires, others are white, some from the South. Some are college graduates, others not. The design of a training system to accommodate this supervisory spectrum constitutes a substantial challenge.

We frankly do not know at this point how to deal with it.

In closing, I am aware that something must be done regardless of the problems. I urge caution, however. Money should be spent, but we should be prepared for many false starts and many failures.

We should be prepared to learn from creative failures—recognizing that creative failures are going to mean unfulfilled promises in the inner city. To reduce the impact of unfulfilled promises, ambitious general-purpose programs should probably be given low priority. Modest programs designed locally to validate reasonable hypotheses should be encouraged.

Chairman PROXMIRE. Thank you very much.

Mr. Sullivan?

STATEMENT OF REV. LEON H. SULLIVAN, CHAIRMAN OF THE OPPORTUNITY INDUSTRIAL CENTER, PHILADELPHIA, PA.

Mr. SULLIVAN. Thank you, Senator Proxmire. I want to thank the committee for an opportunity to say a few words, and my words will be very few.

Unfortunately, perhaps the most significant manpower program in America has been hidden by most people who ought to know some of the facts about it. It has been reported to some minimal extent in the press, and there are some administrators and executives in the Federal Government who know about it. But for some reason the real significance and impact of the program has been hidden from the Congress in terms of those committees who should know really what is going on with the program, and much of America.

If I change my tactics, if I decided, as I can do, to make noise, to demonstrate the existence of this program I am sure then that more attention would be focused upon it. But because I am on a "zig" and not a "zag" now, it becomes so that I wonder and thousands of people who were involved in this program wonder whether or not we should zag rather than zig, as we are zigging now.

The program I make reference to is OIC, the Opportunity Industrial Center program, a program created out of the black community, led largely by the black community, a program that was not begun by the Government, is not an agency program, is not a bureaucratic program, but is a program in the true American tradition—of the people, by the people, and for the people. It was initiated in an old abandoned jailhouse in Philadelphia in January of 1964. This program was begun with nickels and dimes from people in the black community, in the concentrated communities rather than the ghetto, for we abhor "ghetto", we abhor it. And my people do not think they live in ghettos.

Situations may indicate to those who live outside that it takes on the proportion of a ghetto. We prefer not to be called ghetto-livers. We live in concentrated communities of America.

From these men and women, black men and women, and boys and girls, tens of thousands of dollars was raised, to initiate OIC, the Opportunity Industrial Center. This was before there was an OEO. This was before there was any effort expended as far as the Department of Labor is concerned, for these kind of indigenously created and initiated programs.

Yet on our own, by the hundreds and then by the thousands, black men and women in Philadelphia began to build OIC.

Our first partnership was with industry—because we did not believe it was possible to develop a manpower program without the full partnership of industry. Therefore, we went to industry, to assist us in structuring our curriculum, to assist in securing equipment, to screen our instructors, and to be sure that jobs were available to our people when our people had concluded training.

This was significant, gentlemen, in that in January of 1964 very few industries in America had begun to open their doors to black men and women of the concentrated community. There was only tokenism on a very broad and general scale. And yet industry, by evidence of the support it began to give to an indigenously created program, said in Philadelphia and in Delaware Valley—If men and women are training, then we will see the jobs are available.

At first many of us did not believe it. We said "We will see, if you put your jobs where your mouth is." So we began training.

Most of the people who came to us did not finish high school. Most of the people who came to us were in poverty categories. Many of the people who came to us were from jails, from all kinds of conditions, walking in the streets, doing many things to keep alive.

The educators and academicians said it could not succeed—for I am a preacher, the pastor of a church, I do what I do free, it is a part of my tithe to God, OIC is a part of my tithe to God. They said it could not succeed because I did not go to academicians to establish a pattern for OIC. I did not go to the institutions. I did not even go to the universities.I went to the people—those persons who had some capability in the community—and designed a program to fit the need of the man who was in need. In other words, if a man needed a suit, I did not go across the country to find out how to make a suit for another man. I took the man and made a suit for that man.

Two distinct phases of OIC distinguish the program. First was skill development. But skill development was only incidental. There are thousands of institutions in America that can provide skill development to black and white people—the academicians, institutions, the technicians. But we developed skill because we wanted a man to have a minimum skill—so that the excuse of industry could not hold up by saying "You have no skill."

The next and most important thing we did was to develop a program of attitude—self-habilitation, I called it—the process of self-habilitation. This was the first self-habilitation prevocational program in America. All programs that have occurred in manpower dealing with prevocational training were patterned after this program begun in the black community, OIC.

The attitudinal program called the feeder program was made out of necessity. After a month I found that putting a man behind a machine to teach him a skill was not enough. Therefore, we developed the feeder, the attitudinal prevocational program, to prepare men for skilled training.

Two weeks to three months, men and women were in the attitudinal training program, feeder training program. Here men learned the basics again of reading, writing and arithmetic, although we did not call it that. So I called it communications skills and computational art. Therefore, the language of computational skills that now you find in your schools and your technical institutions and in your universities is traced to the black community of Philadelphia, where I created the term, communications skills and computational art.

The first programs in America institutionalized to teach minority and African history were in OIC. I did it because I wanted black men to be proud of what they were. A colored woman does not have to be blond to be beautiful, and a black man does not have to be white to be smart. I wanted him to be proud of what he was, to stand on his own feet, and to realize that genius was color-blind. Therefore we taught African-American history. In addition to that, we taught Italian-American history, Irish-American history, Appalachian-American history, Chinese-American history, so that our people could see that every man had a sense of value and respectability in our American society, so that a man could respect himself first, and others next, because if a man respects himself, he does not have to hate you any more.

People who have been a part of violent movements came to OICs by the hundreds, and their total lives have been reconstructed. Women who had been walking the streets for a living, women who had been in jails, men who wanted to tear the country down, had come to OIC, and had become some of the most positive productive citizens in Philadelphia.

It is not what I say that will prove what I say. You should see what I say.

But no one believes it. For example, there are those who say OIC is "creaming." I think creaming was created somehow synonymously with the development of OIC, because there are those who perhaps felt that in OIC, a massive manpower program in the black community, we do not have the sense or capability to take people who had been out of jobs and make them available for productive employment. So they say these people cannot be what you call hard-core people, you must be creaming—until they come to see, and they find people in the seats of OIC, many of them never had jobs in their lives. They have been on relief. Yet to see is to believe it—the President had to come himself to see it. He told me one night he was coming to see it, and the next morning he came on his plane. Mr. Kennedy came to see it. Mr. Brooke came to see it. Mr. Romney came to see it Now Governors and mayors every week are coming to see it. Because it is true. Black men can be made productive. Black women can be made productive, equal to anything a white man or woman can do. There is a militant program of training I speak of now. To say that black men and women cannot is a lie, and much that we talk of in terms of our sophistication and

technicalization of manpower is an evasion of a truth—what black Americans can do and what they can be.

In Philadelphia 4 years ago this program started. We have doubled in what we have added to the Philadelphia economy—every investment that has been made in the program. According to the Department of Labor statistics, we have added $20 billion in new purchasing power to Philadelphia. Each year we save the Commonwealth now more than $2 million that would have gone into relief checks. We saved the money from relief checks, as much as we used to operate the program. The money saved in relief checks in Philadelphia amounts to more than we put into putting the program on. The program on our initiative has spread into 75 cities. It is now reaching more than 20,000 people in makeshift training programs—because the Government does not give me the money to do it on the scale I want to do it.

Mr. Shriver a few years ago wanted to invest $25 million in a budding OIC concept. Members of his staff said it would be too great an investment on a program not proved. He himself said "If we had, we would have put OIC's like supermarkets in every community in America." And he was right.

Four years ago I said integration without preparation is frustration. From my pulpit I predicted what would happen in the streets of America. I say this is an opportunity that we can do away with some of the frustrations by giving men preparation in an era of integration.

I was one of the forerunners of integration. I created the selective patronage program in this country. I created the selective buying movement in America—because industry refused to employ colored people on an equal basis. I created it.

After I saw the jobs opening, and enlightenment come, I decided I would produce men to fill the jobs. Because I said protest is empty without progress. OIC's are now developed in 75 cities on pennies and nickels and dimes, on shoestrings—while billions of dollars are being poured into manpower programs that do not reach us at all. Programs that can be seen, led by black leaders in this country—I mean the real black leaders of this country—are crying for support. We are having programs in church basements, in shanties, on street corners, under trees in this country. OIC. And yet billions of dollars are being spent in sophistication, rather than implementation of programs to reach the heart of the person who needs the work most.

If you do not believe what is being done, come to Philadelphia and I will show you. Go to Seattle, Wash., I will show you. Go to Oklahoma City, I will show you. Go to Roanoke, Va. Go to Xenia, Ohio. Go to San Jose, Calif. Go to San Juan, P.R., where we are trying to start a program under the trees, and I will show you. Go to Erie, Pa. Go to Poughkeepsie. Go to Birmingham, Jacksonville. Go into the delta, where we are trying to start a program now in rural black America. And I will show you—people with pennies and nickels and dimes on shoestrings, trying to save themselves while the Government expends billions of dollars on sophistication.

Maybe if I made noise enough, maybe if I marched on the Capital, people would know. But I am zigging—I am not zagging. So no one listens.

They say "Sullivan, we have given you $20 million, $16 million or something like that." I said a year ago "Give me a hundred million dollars and I will train a hundred thousand men and women for you."

Well, they say, "Take this, we are helping you now, go along, we will devise other programs and try to fit you in." They tried to fit OIC into a program called CEP. They mutilated OIC. They mutilated it. And they put us in to keep us quiet more than produce anything.

Well, if they do not give us the opportunity to expand our work and do it as OIC should, they can keep CEP and we will do our program with volunteers.

It is an American program to fit the needs of American people.

I am a preacher. I am not a theoretician, I am not an academician. I am a black man who knows that either I will do something to help my people to be lifted and raised, or by 1988 one-half of the black community in America will be on relief. We will become a government's people, rather than a people's government. It will mean that the whole life will depend upon what the Government and the President want to do with me. And I do not want that. I do not want a government to tell me what to do, to structure my life. I do not want it. I want to be self-dependent on my own right.

Another thing I want to say is—you talk about jobs, creation of jobs. Black people can create jobs where they are in their own communities. Help us develop skills, and we will rebuild our own inner cities.

General Motors and General Electric—they are not the only ones with sense enough to know how to create jobs. We have got brains, too. We can create economic development ourselves for the good of America. Not just for black men, but for all Americans. Not that we want people to give us jobs, even now.

I want to have the capability to create my own jobs. Six hundred thousand corporations in this country of size, and a very few controlled and owned by black men. I want to create corporations. I don't want to shine the shoes, I want to make the shoes. I want to make dresses, not buy them. My people want not just to be the consumers, the beggar, we want to be producers. We don't want you to build housing for us. We will build it for ourselves, and you, too. We will build them together. There you have a problem with the labor unions. That is a whole new sermon I won't go into right now.

The thing I am saying is there is a movement on foot here, a massive movement of self-habilitation in America; black men who are saying—the cry is not "Burn, Baby, Burn," but "Build, Brothers, Build." The new cry is "Build, Brothers, Build."

What we need, though, is support from manpower committees and councils, from the Congress, to say to the Department of Labor—"Look at OIC, and give OIC a chance to prove or disprove what it can do." And I think this will happen. You give us a chance. Give us a $100 million a year on the basis of what we are doing, come and see what we are doing. And we have not lost a penny that I know of. Might have. But $100 million a year. Eighteen months after we get $100 million, I will double it in income to the community. In 10 years—I did this on the plane—I figured it out—in 10 years, with a $100 million a year—it will still be a baby as far as manpower is concerned—we will develop our manpower, we will develop the capability,

we will organize the community militantly toward training and retraining, and productivity—within 10 years, with a $100 million for 10 years, I will add to the American economy $24 billion. I will add $13,750 million in new wages, and I will save the relief rolls in America $10,800 million that would go in relief checks. I will save the economy of this country $24 billion.

If you think it cannot be done, go to the Chamber of Commerce and ask their economist, because they have been there too, and they said I save more than that. But I am giving you a minimal calculation.

In other words, gentlemen, you have in your hands an egg. Either you can crack it or else you can hatch it. But it is up to this Government.

Thank you. That is what I have to say.

Chairman PROXMIRE. Thank you, Mr. Sullivan. That is one of the most effective presentations I have ever heard, and I have been in the Senate for 11 years now. It is a splendid job.

I would like to start with Mr. Burrell. If Mr. Sullivan would like to comment—you gentlemen have similar approaches, and similar ideas. They are different in some respects.

I agree wholeheartedly with your basic theme of the importnace of Negro ownership and Negroes being in business for themselves. This to a very great extent is a business society. It is a lot of other things too, but it is a business society, and we consider the businessman as a leader, in many ways the important economic leader in our society. So I think what you plead for and suggest is enormously appealing.

I wrote a book about 4 years ago called *Can Small Business Survive?* The conclusion was that to survive it is going to take a great deal more ability as well as more capital. Small business will need to have people who are much more competent in recordkeeping and so forth than many small businessmen have been.

As you know, the survival prospects for small business in this country are not good. The average small businessman who goes into retailing lasts 6 months and fails, or sells out—he often sells out at a loss.

So that it is tough. And it needs all the studies—and there have been a whole series of studies—on the needs of small business. Number one, it needs capital. But number two, it perhaps needs even more ability, training, experience.

So that I think that you are making an excellent appeal. I think what you say makes all the sense in the world. But I just wonder if the entrepreneur school that you talk about can really get it moving with sufficient speed and on a sufficiently comprehensive basis to do the job unless we also look at this from the standpoint of providing training and education at many levels. After all, the best businessmen are men who have had jobs elsewhere, who have learned to be good by working for somebody else for a while. Some come out of school and start their own business, but not very many. Usually they work for 5 or 10 years at least, develop managerial qualities and abilities, have gone through the tough hard experience of competing with others, done well in working for somebody else, and then started their own businesses.

So that what you feel is necessary to be done in addition to establishing the entrepreneurial school, to provide a real opportunity for

the black man, to own his business in the kind of substantial way that you and I agree he does not now.

Mr. BURRELL. Well Senator, I think looking at some of the experiences of the world we miss, for example, the opportunity in America to approach the economic development of the inner city in much the same way that you approach the development of Africa, for example—there you pump in whatever capability is needed—if it is financial resources, if it is the managerial capability of whites, that has to be there.

In our own community we can look around us and find out that American business has joined hands with every conceivable kind of person in this world except the black man in the pursuit of profits, here in America.

So in the normal process of profitmaking, the training that you talk about could be the kind of experience that is needed. I would agree that as time passes, as each minute passes, businesses become more capital intensive. Well, if that is true, then large amounts of capital are indicated.

I do not think I have said today in my testimony, or in any other of my public policy statements—have I seemed to indicate we are talking about the startup of a number of marginal businesses that are expected to feed on its own uneconomic community. But I am simply suggesting more signifiantly that we establish the kind of viable businesses that can compete in an open society.

A mistake that a lot of people make is that as they hear the plea of of the National Business League to create within this country the kinds of businesses that I am now suggesting, they simply look at me, a black man, and I suppose their assumption is that I am talking about the creation of a number of very small businesses. I am not. I am suggesting that the businesses could be made viable and large enough to compete in an open society.

Chairman PROXMIRE. Let me just ask. You had your business experience. I think I have seen you on television.

Mr. BURRELL. I am afraid so.

Chairman PROXMIRE. A gentleman who has a very successful business, or at least has had. So you know yourself the very serious problems of business management, and how you do not easily come by a man who can run a successful small business these days. What kind of experience did you have before your started your own business? Did you start it yourself directly; is this the only employment you have had?

Mr. BURRELL. I have had Government experience, but I certainly did not have a background of business. I had the desire and the determination not to work for anybody after coming out of World War II. So I started with a hundred dollars and went into the dry cleaning business—not knowing really too much about it. I had the experience of having run a rather large drycleaning plant on an Army post. But my experience there was just yelling and screaming and keeping people working. I did not know anything about the business at all.

The point I make is that I started and made all the normal mistakes. I took all the wrenching steps necessary. I did not have the help of peo-

ple who told me—who could have told me I was about to make a mistake. I made them. I think many small businessmen in this country have done exactly that, white or black.

I am simply suggesting that blacks need the right to fail as much as any other person in this country. And that right to fail seems to be somehow elusive. There is no one at this point in time who seems interested enough to join hands with potential black capability and teach them the necessary ingredients of operating a business. There are some small efforts being made right now within our own organization. We run a program of management training and assistance.

Chairman PROXMIRE. I would think—I do not mean to interrupt—I would think that your proposal dovetails very well with Mr. Sullivan's experience.

Mr. BURRELL. It does.

Chairman PROXMIRE. And that these two should work very well together. They are both aimed at the same purpose. Mr. Sullivan's would perhaps involve a somewhat greater number of people. But certainly the people who have developed the self-habilitation, and then the skill, and then the work experience, would be the natural people to work into your entrepreneurial school, and then work on to developing their own businesses.

Would that be your feeling, Mr. Sullivan?

Mr. SULLIVAN. Yes; I think so.

Mr. BURRELL. I would think so.

In addition to that, Senator, I have suggested in the testimony that training of——

Chairman PROXMIRE. Have you applied in any way, your organization, for Government funds?

Mr. BURRELL. We operate a Government-funded program now. We are funded by OEO and EDA.

Chairman PROXMIRE. I mean for the entrepreneurial school.

Mr. BURRELL. No. We have discussed it. There does not seem to be enough enthusiasm at the moment to even present it.

Chairman PROXMIRE. Do you think it would be a good idea now? Are you ready for it?

Mr. BURRELL. I am sure it is. I am more convinced than ever today that there must be someone willing to try it.

Chairman PROXMIRE. Why don't you formulate this into a proposal. Or maybe you have.

Mr. BURRELL. We have one developed.

Chairman PROXMIRE. I would like to see it. I would like to see it formulated as specifically as possible, so that we could see what we can do about it.

Mr. SULLIVAN. Could I say something on that, please?

Chairman PROXMIRE. Yes, sir.

Mr. SULLIVAN. I agree. I can see how they could dovetail. We have already developed a manpower and economic development school. I have done it with private resources. I am building Progress Plaza, which is a $2 million shopping center in Broad Street—not personally, but a community corporation—people put $10 a month down, 36 months, and we raised a quarter of a million dollars, in developing this Progress Plaza. On the site I am developing an entrepreneurial

training school, being built right now, in which I am going to train 200 entrepreneurial managers a year.

Chairman PROXMIRE. Is this in Philadelphia?

Mr. SULLIVAN. Yes. And with these entrepreneurs, I am going to use these men to go into establishments. I am already developing several factories—not for me—I do not get anything out of it—in which I will be training men to go into these smaller businesses, and small factories.

Chairman PROXMIRE. OIC is doing this?

Mr. SULLIVAN. OIC is a nonprofit institution. This is what I call Progress Enterprises, which is another nonprofit group.

Chairman PROXMIRE. I see.

Mr. SULLIVAN. Now, the Ford Foundation gave me money for the entrepreneurial school, and I raised a hundred thousand on my own, just from my own friends and people of my church.

Chairman PROXMIRE. I was just going to ask you that. I do not mean to interrupt. But I would like to know if you could tell me how much foundation money, private money, industrial money of various kinds, how much local or State money or if, and how much Federal.

Mr. SULLIVAN. No State or Federal money at all. This first training program I am using no Federal money. I am talking about the entrepreneurial development and training school.

Chairman PROXMIRE. You have foundation money?

Mr. SULLIVAN. From Ford. And I raised a hundred thousand dollars myself. I am going to train 200 men for businesses in Philadelphia, in the precise Philadelphia area—not only for our own creative businesses but for supermarkets, and other enterprises. I can see how on a national scale, Mr. Burrell, you ought to talk to my men. I think you have something here—Senator Proxmire is saying here—maybe we can work out something.

But I think we are on the threshold of something here that can really mean something.

Frankly, it is my ambition to train a thousand entrepreneurs a year. And I will do it with or without the Government. I am going to do it anyway. If I have you, I can do it faster.

Chairman PROXMIRE. We are all delighted to hear that attitude and that approach.

Mr. BURRELL. Senator, I would like to say we have in our proposal—we can do it at any level. We are simply convinced that these wrenching steps are going to have to be taken if you are going to create within the black community the kind of natural leadership that is required. There is no natural leadership in the ghetto. A man with a shoeshine parlor is not very likely to convince anybody they should do anything. And it is this kind of tiny entrepreneurial effort that has to be changed if the image of the ghetto, as some people call it, is to be one of having in it substantial leadership that can become a real model for people who are hell bent on doing otherwise.

So that whatever it takes to create that kind of an entrepreneurial experience, this country is going to have to face up to the fact that black men must participate in what we know as the free enterprise system. This is what the movement is all about—it is the lack of participation in this free enterprise system that makes people say—since

we do not see blacks participating, let us destroy the system. Those of us who are a part of it know that the system works, that probably America, the free enterprise system of America is the best system in the world. But it has to be preserved long enough to fit blacks into it. I think Dr. Sullivan and his program, and the National Business League; and its 68-year-old program, are probably the only expressions of a belief in the system that we have. And they must be strengthened.

Chairman PROXMIRE. Very good.

My time is up. I will be back with some more questions.

Representative RUMSFELD. Gentlemen, these have been fine statements.

Mr. Sullivan, let me say as one member of the Congress I applaud the fact you are on a zig. I hope and pray you will stay there, and that our society will respond thoughtfully and intelligently, so not only you will continue to be convinced that is the proper course, but so that others will be encouraged to join you.

Your fame and good works are well known—notwithstanding your very modest remarks about this. I would say the fact that this member is at least reasonably familiar with you and knows something about you and about your work, is some indication of that fact.

Mr. Burrell made the comment that there is no natural leadership in the ghetto, or the concentrated community, as you wish. I would say he is wrong. I am impressed by you Mr. Sullivan. Your testimony here has been obviously impressive. Some say that you are the difference in Philadelphia—that it is you that makes the difference. And I, notwithstanding my respect for you, don't believe it. I think there is leadership in the concentrated community, in the ghettos, the urban centers of this country. I think that it is there. I do not know what spark or factor led you to move in the direction you moved, or undertake the particular activities you have undertaken, but I think that the potential for that spark exists in every part of our country. I think that the people are there; the leadership qualities are there; and I would be interested in your comment on this—because it is a very fundamental question.

You don't make people like you and others who are doing what is being done. You do not train them at a school. You did not get this way through some Government program, I would suspect.

Do you have any comment on that?

Mr. SULLIVAN. Yes. Burrell is always right—I do know what he said—I came in a little late.

Representative RUMSFELD. I think he said there is no natural leadership in the ghetto.

Mr. BURRELL. Let me clear that up. Evidently there is some misconception of what I said. I am simply suggesting, Mr. Rumsfeld—natural leadership accrues to the owners of capital, the captains of industry.

Representative RUMSFELD. That is unnatural leadership the way I am thinking of it.

Mr. BURRELL. In a free enterprise society, in a dollar society it is natural. Let me say that Negroes apparently have more leaders than any race of people in the world. Everybody is a leader. I have never heard of a white leader. That is my problem. But I do know that as

I look at the white community, it is the man who is the president of the large corporation, who controls the payroll, who has the management capability of determining the destiny of his company and the thousands of people who may work for him, who is a leader. I am suggesting to you there is scarcely any such natural leadership in the ghetto. We have self-appointed leaders, we have newspaper-appointed leaders, we have all kinds. But we do not have the kind of leadership that I am talking about that has the president of General Motors. And this is what we are heading for and must have if we are going to have urban tranquility—somebody had better help us develop the kind of leadership that is respected—because it is capital oriented. That is my suggestion. You are probably right on the other.

Mr. SULLIVAN. I think really what he is saying is that there is a great deal of leadership potential there that has not been developed. I have had the opportunity to develop attitudes.

There is a gold mine of leadership in the black community, a gold mine. As a matter of fact, the black community is a gold mine. And one of the main reasons that I am trying to do what I am doing as a preacher, and doing it as a minister, because I think God wants me to do it frankly—crazy as it might sound—is because I am trying to prove there is a gold mine of leadership in these communities. They can do things in manpower, in manpower development, they can do something of the kind people thought could not be done. And that is the reason I do not go around much to big cities. We have programs in 70 cities. I have been to 20 other towns. People come to Philadelphia and see what I have done, and go back to do it there. And I don't go. The mayors ask me to come, I won't go. I want to prove that you got leadership right there where you are. All they need is a little direction, encouragement. Because if I go all over the country with my movement, I will die, and the thing will die with me.

I am trying to create something to last a hundred years. I am trying to create something where the indigenous leadership in the concentrated community can assume its own productive assessable role. I am trying to prove there are Sullivans there—there are a thousand Sullivans in these towns. I came out of an alley, you know, broken home, all that bit. I came out of an alley. There are thousands of Sullivans, 10,000. And I am trying to build to show there are a thousand of them there. The only thing I ask is for support. I will do it without support. But I agree with you.

Mr. RUMSFELD. I can remember sitting in a conference where Margaret Meade recommended that we have a year of compulsory service for every young person in our country. A very liberal professor who had been active in the poverty program made the comment that her proposal made his flesh crawl. Everyone wondered why. He said:

> I am for national service, but once you make it compulsory, and pretend that the Government has the wisdom to organize and order the lives of every young man and young woman in this country for a year, into something productive, on behalf of society, you are destroying the whole concept of it, and the Government does not have that wisdom.

This leads to my question about your program.

Is it possible that part of the strength of your program is that it is not being corrupted or bureaucratized or frustrated by the Government

involvement to the extent that others have—it has not suffered the plague of the sophistication to which you refer?

Mr. SULLIVAN. I think there is no question about it, sir. I think that if we are permitted by Government agencies—and there were attempts made to come in and bureaucratize the program, and take it over—I perhaps would have had more money in it, but less effectiveness. I have maintained the indigenous leadership, role characteristics of the movement, because I think it is on that basis that it has been successful. I think the people look at it as being their program. They do not look at it as being a Government program.

They do not look at it as being a poverty program. It is a poverty program. I get money from the poverty program. But they do not see it like that. They see it as theirs, OIC belongs to them, with the support of the Government. I think that is one reason, one of the big reasons it has succeeded. And maybe one of the big reasons I have not gotten more support. Because one of the reasons why in the Department of Labor, other places, OEO, HEW—they might say "Wait a minute, what is this crazy Sullivan doing, he is doing it in 75 cities." The guidelines are set by the people, administered by the people, with the support of Government. Maybe that is the reason. But that is the way it has to be to succeed. The people can't see a program coming from the top down to them. It has to come from the guts up—with the support of the Government. I think that is what America is about.

Representative RUMSFELD. I think you have an exceedingly important point there. I would hate to see you lose sight of it, or any of the rest of us misunderstand what the strength of it is.

It seems to me Mr. Saltzman that your final comment is certainly one that I can agree with. As a person who lives in the District of Columbia during the sessions of Congress, I must say that we have the laboratory, we have the place right here where there is a clear, full, Federal responsibility for many of the kinds of problems that exist in urban areas all over the country. Here we could do exactly as you suggest—undertake some modest programs designed to locally validate reasonable hypotheses, that then could be encouraged.

It may be a Government program, it may not be. It may be simply a stimulation or encouragement, or an education process as to the kinds of things that can be done. I take it this is your sentiment—but not specific reference to District of Columbia.

Mr. SALTZMAN. Yes. But let me say I do not mean that we ought to excuse inaction in the name of "modesty programs." I urge action.

Representative RUMSFELD. Exactly, I appreciate that, and I think so, too. When you made a comment that I think could be misinterpreted —you say you urge caution in making commitments until we learn more—you do not mean caution in terms of making a commitment to deal with the problems, but you are talking about figuring out what works and what does not work.

Mr. SALTZMAN. Yes. I urge caution in making promises which we do not know now how to fulfill to people living in the inner cities. That is the important thing. Because one of the things that—I as a white person going into the black community always get thrown at me a list, a list of the unfulfilled promises that have been made. And unfulfilled promises are frequently a consequence of excellent and

ambitious programs which are untested, fail and then have to be discontinued.

Representative RUMSFELD. My time is up.

Senator PROXMIRE. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman. I, too, want to commend all four of you for very fine statements this morning. I believe there is a wider area of agreement among you than there is disagreement. Mr. Saltzman, you quoted someone else as saying the recipe for violence is to promise a lot and deliver a little. And I think that has been one of our great difficulties with existing programs. You have been quite critical of the existing programs, because in your terms they have a confusion of purpose. And I agree with you—there is a confusion of purpose in the myriad programs that we have operating.

It seems to me that you gentlemen are speaking pretty much the same language. When you summarize the first part of your statement, Mr. Saltzman, and say, "I urge that planning"—you suggest planning locally to involve groups, and this is what Mr. Sullivan is talking about, and what Mr. Burrell is talking about. You said, "I urge that such planning be realistic to prevent unrealistic expectations." And I could not agree with you more. I think you make a strong case for some not of caution here, because as we create new jobs, and then comes a tightening in the economy, the very law of the business jungle is that the jobs last in are usually the first out, so that the new jobs that create great promise sometimes are the first casualties in a slight down-turn in the economy. Would you care to elaborate on that?

Mr. SALTZMAN. I think you have said it very well.

One of the real problems in the private economy of course is the mortality of new firms. Entrepreneurs, as Senator Proxmire pointed out, most frequently fail. And when a new firm hires two or three employees, and then fails, these people are out of work.

Now, this has a tremendous cumulative impact in a community. That is the reason most of our local plans talk about placement into large existing firms. My point is such plans are fine—provided we are talking about existing jobs. But even in large firms, the law of seniority is that the new employees we hire are the ones that have to be released first. What this means to me is that we ought to focus intensively on the job development function.

Senator JORDAN. From your experience with Ford Motor Co., when you took these hard-core unemployed people and threw away your entrance examinations, that is your qualifying examinations, and started putting them to work, did you find that that was a rewarding experience—would you say that they made their way right from the start. Or did you have to work along with them?

Mr. SALTZMAN. This differs. Most of the people hired in our inner city hiring program were given a very brief orientation lecture, if you will, from 2 hours to one day, and then they went to work. Now, they were given the same kind of on-the-job training that other men received—that is a foreman or special instructor showed them how to do their job. But from there on in they worked just as everybody else works, and at least as effectively.

Senator JORDAN. Have they been good employees for Ford Motor Co.?

Mr. SALTZMAN. Yes, sir.

Senator JORDAN. I think that is significant. It proves something to us that we have been searching for a long time—that you can make productive employees out of these people if you give them a chance.

Mr. SALTZMAN. I agree.

Senator JORDAN. Mr. Mangum, I liked the way you handled the Government as an employer of last resort. You said that this was only one of a kit of tools, and should be regarded as temporary or I believe a transitory stage in the development and training of that individual.

Would you care to develop that a little more—becasue I think it is significant. People sometimes think if the Government is an employer of last resort, that is the end of the road. You talk about it as being one of a temporary nature. And I like that. Would you develop that, please.

Mr. MANGUM. You know what sometimes happens to your children. I happen to have coined that phrase in a report that I wrote a few years ago, and it has tended to be picked up and talked about as one single program. I would only stress again that in the original context in which this proposal was devised, it was thought of as something that would always be there as a guarantee or a floor. It would be permanent as a program, but not permanent for any individual. It would be the last resort for both the Government and the individual—to make the Employment Act mean what it said—that anybody who was employable could always have a last resort job, if every effort were put in to move him up and out from that into the regular sector, either public or private employment.

Senator JORDAN. A lot of us have been talking about the need for creating more jobs and concentrating on the problems that beset us in the centers of population.

How do we stop the migration of these people out of the agricultural areas of the country who are being replaced by automation in their jobs—they flock to the population centers.

Have you considered the possibility of going into the country with creating jobs or setting up businesses to keep those people in place, and stop this migration to the population centers?

Mr. MANGUM. Yes, surely. I happen to think one of the places where we have the greatest need for the employer of last resort proposal is in the rural areas, for several reasons. There is much more to be done there by the kind of labor available. The people who live in the rural areas and are without jobs are much more used to rough manual work. And you can use this as a device to some degree to regulate the flow into the central city.

We are all very much concerned, of course, about the center city problem, because there are so many people there. But unfortunately I suppose we are more concerned about it because those people have learned not to sit quietly and docilely and live with their situations. However, we ought to keep in mind that the greatest poverty, the greatest real degradation in this country is still found in rural areas. It is not surprising that people who possibly can are going to get out of those areas into where, though conditions may be bad, they are still a considerable step above what they were in those areas.

Mr. SULLIVAN. Could I speak to that?

One reason we are vitally interested in the development of some sort of a hold-to program is because we do want to do something to polarize

population, to do something to minimize the influx into the bigger cities.

As a matter of fact, that might be the point of our success—the suggestion that you indicated.

For that reason, I am concentrating—my organization is concentrating its work now on rural communities with groups that came from the Delta, and Jackson, Miss., just last week. These are people that came to Philadelphia with the idea of developing OIC-type rural programs—very excited about it.

Also concentrating on communities between the sizes of 20,000 and a hundred thousand. In other words, we have some sort of development under the trees and on the street corners. Now we are going to concentrate on the smaller communities, hoping we will be able to hold much of the community there, because there will be opportunity where they are.

You find many people seek the gold of the streets of the big cities, only to find they are tarnished. But they cannot go back, and they stay there. And they maximize that problem. So you have to polarize your population so that opportunity will be where the people are, to make a good life for them there, and to make the rural areas productive as they can—even to the extent of shifting the concept of economic development into the rural, less populated areas. And we have some thoughts on this that we are quite concerned about. I am glad that you are thinking in those terms.

Senator JORDAN. I think we have to reverse the trend. Let me ask you this—because you have had experience in Philadelphia, a large city center. As your people gain experience and affluence and a job, is there a tendency for them to move out of the city center into the suburbs?

Mr. SULLIVAN. Oh, yes, many of them do. Persons have a tendency to become middle class.

Senator JORDAN. Then they would want to move out of the city?

Mr. SULLIVAN. Yes; out of the concentrated community, into better housing. A great deal of this is aspirational, because some of the concentrated sections are deplorable in terms of life. They want something better for their children. They reach out and move out. And people come and take up where they were. It has to be a reverse and intake, too. But there is the chance aspirationally for a person who gets a better job to go and buy a house in a community he calls a better community.

Senator JORDAN. If we can have a double-edged program of stemming the influx into the cities, and encouraging those who as they gain in affluence to move out of the city centers, we might work toward a solution.

Mr. SULLIVAN. And to our knowledge the middle-class black man—he might leave physically in terms of neighborhood, but not in terms of his work. In other words, I do not want black people to get caught in this middle-class grab bag, where he forgets where he came from. Every middle-class black man, as far as I am concerned, has an obligation to help his brother and sister where he came from. He might do it voluntarily; tithe his time in OIC centers—but the black man must not get caught in that. He must come back and help his brother somehow. In this way he is helping himself and helping his brother,

too. And the idea of polarizing opportunity is essential—it is perhaps the key to some of the solution of urban problems.

Mr. MANGUM. Senator, may I make a further comment on rural opportunity. The week before last I was in North Carolina, looking at a number of different programs. I spent some time in a predominately rural area where a third of the county is white, a third Negro, and a third Indian. There were tremendous amounts of poverty among the Indians and Negroes. I inquired, "How much land does it require to make a decent living?" Somebody said, "If a family has 20 acres of ground and uses it right, he can make it." I asked how many the people had. It turned out that many of the Indians and Negroes in the area did have 20 acres of ground. I asked—where are the agricultural extension agents? I learned that they take care of the middle-class farmers with large farms. These people have their little 20 acres of ground which nobody has ever taught them how to run. A little entrepreneurship on those farms would go an awful long way.

Senator JORDAN. Good suggestion. I am sorry—my time is up.

Chairman PROXMIRE. I would like to ask both Mr. Saltzman and Mr. Mangum about something that troubles me in your testimony.

Mr. Saltzman, you said, "Programs to create new jobs are ultimately dependent on the real growth of the economy, and are not necessarily available when needed."

Now the Ford Motor Co.—I know you do not necessarily agree with everything they support—but they favor a $10 billion tax increase, and a $6 billion cut in expenditures. The best calculations I can get from exchanging correspondence with the Council of Economic Advisers is that this will eliminate 700,000 jobs. Yesterday we had testimony from very competent economists that—one said that every single economic computer, programing the tax increase, and the expenditure cut, shows a recession in 1969.

Now, my question is—how can we provide additional jobs if the economy is going to go backward—if they say in order to achieve price stability we have to put the brakes on as tight as this fiscally, and create not 3½ percent unemployment, or 3 million people out of work, but 4 million people out of work, perhaps, and 4½ percent unemployment.

I want to ask that of Mr. Mangum, after you reply. He might be thinking about this—in response to this Government as last resort concept. How can you have a Government job of last resort if the economists all tell us you are going to have 3 million unemployed, or you are going to have inflation.

Mr. SALTZMAN. Well, I really do not know how to respond to that question, Senator. Let me just respond again from the point of view of somebody working in a firm.

It is very difficult for me to tell when a job is being eliminated as a consequence of changing technology. That is, the net difference in jobs is difficult to ascertain. Therefore, when the economy contracts—which is what you are talking about—I cannot predict what is going to happen in my firm.

Chairman PROXMIRE. But you have told us that—and I quote you: "Programs to create new jobs are ultimately dependent upon the real growth of the economy."

If the economy does not grow, you are not going to have the jobs.

Mr. SALTZMAN. Yes; I think this is a fact of life.

Chairman PROXMIRE. So Congress is going to create a very, very difficult situation for the last hired, the first fired, the marginal workers black and white, who are always likely to be close to the fringe anyway. Then if we try to counteract that with a Government program, what happens to our stabilization effort?

Mr. SALTZMAN. I really cannot make any intelligent remark on that. The point is, of course, that inflation could be a far worse consequence even for the last-in, first-out individual than the present situation.

Chairman PROXMIRE. That is right. But I do think there is a failure on the part—this is something that maybe I am wrong on, because heaven knows economic expertise is on the other side—all the Government expertise seems to be on the other side. But I think we have completely misjudged the kind of inflation we are in. It is very largely a cost-push inflation, with wage increases greatly exceeding productivity increases. It is not a demand-pull inflation. We are operating at 84 percent of capacity. Just last month, once again, the hours of work per week dropped, so that overtime is very scarce. We are not utilizing our manpower very vigorously. We could expand our production greatly it seems to me without having a demand pressure on prices. So I think that is one of the reasons why frankly my policy judgment is to oppose the tax increase—although I am going to be in the minority in doing so.

Mr MANGUM. I think we should recognize that we have always required the poor to be our price stabilizers. That is simply the way things are structured, as you pointed out. If we are going to try to restrain inflation by reducing employment, obviously the people left out will be the people least able to bear the burden.

Secondly, I think we should add to what you have said about the nature of the inflation. A wartime situation is inherently inflationary because you hire people to produce goods which you throw away, in effect, by shooting at other people, rather than the peacetime situation where you produce goods for people to use their pay checks to buy. So you are always going to have in a wartime situation a tendency to have more money chasing fewer goods, which is the classic case of inflation.

Chairman PROXMIRE. It is a little different kind of wartime situation now of course—quite different than World War II, and considerably less impact than the Korean war. There is the enormous increase in the size of our economy.

Mr. MANGUM. At the same time we went into this at a much higher level. We went into World War II with tremendous slack. We had some slack when we went into the Korean war. We had relatively little slack when we went into this. And then your final question, about what one does, how one justifies advocating Government programs in this situation.

In the first place, it would be my opinion that the accumulation of $10 billion in tax increase plus $6 billion in expenditure cuts is excessive. Secondly, I say the justification for manpower and antipoverty programs simply has to be that we must find some way to quit requir-

ing the poor to be our only stabilizer of the price level. We must find some way of spreading the unemployment around if unemployment must be the balance wheel; I think for instance, that the employer of last resort kind of program can be justified on grounds that the addition to aggregate demand necessary to create a job on that kind of a program would be less than the aggregate demand addition involved in the traditional way of creating a job. It is a difference of $5,000 against maybe $20,000 or $30,000 in that circumstance. So what you would attempt to do is say——

Chairman PROXMIRE. This is because the Government would provide jobs that are much lower paid?

Mr. MANGUM. Lots of things are involved in it; profit margins, and a lot of other things. It would be lower paid. It would also be labor intensive rather than capital intensive. But what we would really be trying to do would be to spread the unemployment more equitably. Why should we load people already experiencing 6 months of unemployment every year with the additional unemployment? Why don't we load it on the people who are experiencing 4 weeks of unemployment each year? There should be some attempt to spread the burdens of price stability a little bit more broadly.

Chairman PROXMIRE. The trouble is that WPA really did not provide any experience with a job of last resort, because as you know, the lowest—I just checked it—the lowest level of unemployment in the thirties was in 1937, when it went down to 14 percent. At one point it was 25 percent. And, of course, the underemployed were probably, together with the unemployed—were half the work force during much of this time. So that the WPA—I would agree with you—was very creative, and very constructive in many, many ways, not only because it kept people from just wasting themselves, but also because of the quality of what they produced to some extent.

We still have not really wrestled with whether or not it is possible to move the Phillips curve to create a situation in which you can have relative price stability—and I think we should be willing to make a sacrifice on this—maybe accept 3- or 3½-percent inflation if necessary—in order to get the unemployment down perhaps to 2 percent—maybe less than 2 percent.

Is it conceivable, conceptually, that if the Government provides a job of last resort in your judgment could you get unemployment down to much less than it has been in the past—say get it down to 2 percent? Could you reduce the number of unemployed?

Mr. MANGUM. No one knows how far down it could get. I would be prepared to argue on the basis of absolutely no experience that in some other kinds of conditions than a wartime situation, and moving toward it somewhat more gradually instead of the sudden plunge we took in the last quarter of 1965, that we could get down at least to 3 percent. I wrote for Senator Clark a report in 1963 in which we advocated 3 percent as a goal under the Employment Act of 1946. I do not see any reason to think that in the package we set, in which we provided all the basic education, remedial education, the manpower training programs, the relocation, and ultimately, even though we did not call it by that name, the employer of last resort, we could create an environment which would shift the curve and make it possi-

ble for us to operate at somewhat lower levels. We can only find that out by experience, moving down and see how far we can go before these things happen. But we won't do that I am afraid in a wartime situation.

Chairman PROXMIRE. Congress Rumsfeld?

Representative RUMSFELD. Mr. Burrell, I was visting recently with Congressman Widnall, a member of the Joint Economic Committee, who also happens to be the ranking minority member of the House Banking and Currency Committee. He could not be here today because he is involved in the housing bill. We were discussing some reports that it is increasingly difficult for businessmen to obtain adequate insurance protection against fire, crime, and other hazards, because the business may be located in a general area that is considered to be high risk, and that even in some instances where the insurance might be available, the rates might be prohibitive.

Have you or your organization any evidence that this is a fact? If so, how serious is it, and do you have any thoughts as to what the Congress might do to deal with this problem?

Mr. BURRELL. Well, it is a serious problem—so serious that I might suggest that in looking at some of our businesses located in ghettos, and we get reports—where fire insurance used to cost $200 for a 3-year premium, these costs have spiralled to a point, if it is available at all—to a point where it is probably more likely $300 per year, as opposed to $200 for 3 years.

When we were talking about small, marginal type businesses, these kinds of costs just simply cannot be absorbed. Every indicator points to the fact that this national insurance corporation, I think it is called, within the Riot Commission report, needs to be absolutely adopted, so that business can continue—whether they be black or white of course—because business just cannot operate without insurance. There is no way to be self-insured and operate a small business in the community.

So, I would certainly support the fact that the Congress needs to get not into this national insurance development corporation, whatever the technical name is, that is suggested in the insurance section of the Riot Commission report.

Representative RUMSFELD. Thank you, very much.

Mr. Sullivan, you made the comment, I believe, that some people have hidden the OIC concept, and I think you included the Congress in that—in the very early part of your statement. Could you be rather specific for the committee as to how, if at all, the Congress has hidden the OIC?

Mr. SULLIVAN. I think—I do not think I said Congress. I said some agencies of Government.

Representative RUMSFELD. You are thinking of the executive branch?

Mr. SULLIVAN. I do not think I mentioned Congress. I mentioned—some aspects, for example, in the Department of Labor that have looked at OIC and have—in some manpower programs, have castrated the program I think, in my opinion, for the sake of just keeping us quiet. I know this is a very difficult thing to say. The idea here—you expend a billion dollars in manpower—is a program that the

entire Department of Labor knows is a viably, successfully proved program, with the best analysis that money can buy. They have investigated our program; analyzed our program; studied our program—the best manpower experts in the country. Reports come that the program is not a lie, it is doing what we say it is doing.

Groups all over the country are clamoring for these programs, indigenous people, trying to start something with nothing, needing some support from somewhere. And yet you put a billion dollars in manpower programs, and literally almost cut out OIC and say "We cannot go any further with this thing, because we do not have room for it," or perhaps it is not ready just yet, or because it does not fit in quite yet. When you cannot fit OIC into something, and cut it all to pieces in order to make it fit—you cannot use OIC as a square peg in a round hole. It has to be a round hole for a round peg. And so they say "Look, we are giving you $10 or $15 million. That is wonderful." It is not great. My program is the cheapest program in the country; $1,000 from the street to a job. Other manpower averages about $3,500. I do it for one-third.

My productivity is greater. This is a very—to say in public, sitting like this—my productivity is greater. My retention is greater. Almost two times as great as some of the conventional manpower programs. I have 7,000 people on a waiting list. They say you go to classrooms and some are empty. In OIC classrooms people are standing outside waiting to get in.

In Bedford Stuyvesant, a program started 8 months ago, already they have a thousand people on the waiting list. Just motivation. People sitting, waiting, yearning to go into a job. And we cannot understand—my leadership cannot understand why it is that here we are trying to do something, we have the community motivated to do something——

Representative RUMSFELD. There are generally two sides to a coin. I take it from what you are saying, then, that you know of no instance where the statutes passed by Congress have resulted in any situation that would be detrimental to the OIC. Conversely, I take it you refer to the absence of anything positive to encourage the executive agency in this area.

Mr. SULLIVAN. I do not know which. It is very possible there is some legalistic problem.

Representative RUMSFELD. I do not know of any. I would be curious to know if there are any.

Mr. SULLIVAN. I think it is a question of competence. You raised a question of where are the Sullivans—whether or not there is the competence to do these things elsewhere.

The problems in some communities have occurred because there has not been the kind of support, because they have been able to take the leadership and develop them. In other words, we have not had the resources, the flowing resources.

Industry has, therefore, taken it on its own and said they are going to help. For example, a couple of weeks ago we organized a National Advisory Industrial Council, comprised of Ben Gilman, the head of A.T. & T., the head of General Electric, the president of Metropolitan Insurance Co.—Edgar Kaiser—25 men have come together to weigh—

we have to do something to help this program, or else otherwise something is going to happen to it. And I——

Representative RUMSFELD. Have there been instances where people who have come up to leadership positions, or could have come up to leadership positions in the OIC concept, have been clipped off for fully Government-supported activities?

Mr. SULLIVAN. No, I would not be able to say that.

Representative RUMSFELD. Have you heard any criticisms of the program in that it might not lend itself readily to political control in the local or urban areas by big city machines?

Mr. SULLIVAN. Oh, yes.

Representative RUMSFELD. I am not surprised.

Mr. SULLIVAN. Oh, yes. You have a movement here.

Representative RUMSFELD. I sensed that it would not be as easy to handle.

Mr. SULLIVAN. It is not easy to handle.

Representative RUMSFELD. Some of the OEC programs under the current statutory provisions, and under some of the operations of the Office of Economic Opportunity, are much more workable from the standpoint of the Chicago political situation, for example.

Mr. SULLIVAN. Mr. Rumsfeld, you said something that is very true.

Representative RUMSFELD. I sensed that that might be hiding behind the door.

Mr. Sullivan, I have heard the concern expressed by some over a period of time, and also very recently, as a matter of fact, that investment in the ghettos or the concentrated communities is wrong because it is going to perpetuate them. I happen to think that is rubbish. And I take it from your comment to Senator Jordan about trying to avoid this middle-class grab-bag mentality, but rather to keep people in the urban centers, and build and strengthen them and balance them, is an answer. And from your answer I assume you would agree with my conclusion that this fear is unfounded.

Mr. SULLIVAN. Yes, sir. I think the only support that can be feasible, even in making the Government employer of last resort—it should be counted as a temporary measure. My community, my people, cannot afford to be dependent on the Government for their livelihood.

One reason we have OIC—I showed you this. Here you have my community—we have had to lean on the white community for everything, for education, for jobs, everything, you have to lean on. And you are always leaning. What happened in Germany—take it away and it falls. Actually the thing OIC is doing is say—we'll build your own strength, so if they take it away this won't happen. That is what I am trying to do. I do not want anyone to have to prop me up all my life. I want to develop my own self-dependability. Help me until I get there. But I am going to get there. So that any support that is given in relief or anything else to me must be only a temporary expedient, until I am able to stand on my feet. And that is what I am working towards.

Representative RUMSFELD. My time is up again. Thank you.

Chairman PROXMIRE. I would like to ask Mr. Mangum and Mr. Saltzman to comment on what I think was a very intriguing and ingenious suggestion yesterday by Professor Thurow of Harvard. It may not be practical—he is the first one that called it to my attention.

This was a criticism of the present system of Government grants for on-the-job training, saying that the approach should not be generalized this way—that it amounts to cost-plus contracts, and is just as inefficient. Instead, that you ought to have a sliding scale of compensation for the employer, and pay him in relationship to how much the employee's income was increased. In other words, if you increased the productivity of this man so he can earn more money, then the employer would get a better grant. This way you would have some incentive, and be more efficient.

I know it is bringing something new in. But I am interested in your reaction.

Mr. MANGUM. Conceptually it sounds like a good idea. I think it runs into the same problem as the current system. You take Mr. Saltzman's firm—how much did he increase the income of those people who were living in the Detroit ghetto and who were all unemployed. He took them out of unemployment and paid them whatever he pays them on that assembly line, which is pretty good. He increased their productivity by employing them. Yet, he did not make them inherently any more productive. Should he have payment for having done that? Should the Government pay for that productivity? Ford is being paid fairly well by consumers of Ford automobiles.

Mr. Saltzman?

Chairman PROXMIRE. Before he comments, let me say what I was intending was that instead of having a flat compensation to the employer, regardless of whether the man develops into a $4,000-a-year, $80-a-week man, or develops into a $7,000- or $8,000-a-year man, it ought to be related to how much—how productive he has become—so that you can develop into a man—give him every possible opportunity, there would be some incentive to get all the training and productivity give him a chance to really show his stuff, because it is going to help the employer directly and immediately.

Now there is a natural tendency for an employer to do that, they all should of course. If you are a good employer, you want to do this. But there ought to be a special effort to do this, so that you upgrade the skill as much as possible.

Mr. SULLIVAN. I agree with you, Senator Proxmire.

Chairman PROXMIRE. That kind of differential incentive you think would be useful?

Mr. SULLIVAN. Oh, yes. Yes, sir.

Mr. SALTZMAN. One of the things that concerns me, when we talk about on-the-job training is that, I wonder if we are really talking about training. On-the-job training typically does not amount to anything very sophisticated. When you get into a very skilled trade, we require an apprenticeship program, of course.

Chairman PROXMIRE. That is it. That is the trouble. So many of these programs should train people to do the simplest kind of thing. A fellow makes a minimum wage, and the employer is not really looking for talent. Maybe this would make him think in terms of trying to do that.

Mr. SALTZMAN. Again, let me talk about my experience working for the State.

My problem was that in my judgment most on-the-job training grants "enabled marginal employers to provide marginal employment

for marginal employees." This is from a speech I once made. Now the thing is that companies like Ford really do a reasonably good job of on-the-job training. We have a highly articulated apprenticeship program which works very well. We are in the process of exploring ways of modifying it now, to accommodate the new people coming into our organization. We are in the process of exploring ways to enable them to become foremen, and occupy other positions.

Most well-established firms have consideration and concern for their employees and do these things without Federal help. What happens, therefore, is that the moneys for on-the-job training do not necessarily provide incentives to responsible employees in the sense you are talking about.

Chairman PROXMIRE. They do not now. But we would like to see them structured so they would.

Mr. SALTZMAN. At Ford we are willing to ask for Government help where the new people require extraordinary service or support. As I said in my presentation, we are not quite sure now what this extraordinary service or support will really amount to. But when you make moneys available in large sums, what happens is that in effect you do not pay for training—you frequently just subsidize marginal employers. And it is very difficult to avoid this—when one gets into the practicality of administering a program at the local level. I have tried it, I know the pitfalls.

Chairman PROXMIRE. You do not think this would help overcome that tendency to——

Mr. SALTZMAN. This sounds fine in concept. But administratively——

Chairman PROXMIRE. I think there is no question we ought to try it out on a limited scale to begin with.

Mr. MANGUM. The only measure we have of people's productivity is what they get paid.

Chairman PROXMIRE. That is right.

Mr. MANGUM. It is another way of saying, "Let us have the Government subsidize increase in incomes." It is another way of saying, "Let us have the Government pay a portion of the increase in incomes."

Chairman PROXMIRE. I would like to ask Mr. Sullivan—yesterday Dr. Ginzberg stated that there is evidence that "many Negroes are turning down jobs which pay the minimum wage or slightly more." He suggested they do so because they find the work demeaning, or that they see no prospect of advancement. He speculated that many were able to earn an equivalent income from "quasi-legal work" in their own neighborhoods with less effort. In view of these difficulties, I wonder how successful a program consisting of the Government as last resort employer would be. How could the jobs be noncompetitive, and still not be deadend jobs?

Reverend SULLIVAN. You call them "chicken feeding" jobs. These are jobs in the community just to keep us quiet, so we will have something to do. Deadend jobs. One of these gentlemen mentioned the deadend concept.

In the final analysis, it will help keep a man's—keep him living, but it won't give him the kind of life——

Chairman PROXMIRE. He argued it would be counterproductive, because he said what is likely to happen is that you will attract people

from rural areas to come into the concentrated communities to work, it will aggravate the congestion, and the housing problems, and the people who live there, many of them, the fellows who are proud and who want a job to lead somewhere, won't take the jobs anyway, and that therefore it is not a good solution.

Mr. SULLIVAN. There is a question about how good a solution it is. We have concentrated on some training. We want a man to be able to look forward to something, something beyond where he is. Even the kind of stopgap jobs we would encourage our people to take are only temporary, in terms of coming back and learning a skill.

Ninety percent of the colored people in America are still doing service-type jobs. Even those jobs are going out of existence—labor, shoeshine, domestic jobs, cooks jobs.

Chairman PROXMIRE. Elevator operators.

Mr. SULLIVAN. Yes. Even good cooks—Southern fried chicken, they make them now in packages. Biscuits look like pills. You put them in water and they expand and jump out. This is the future of America. So that the jobs we have—by 1988, if we are not careful, one-half—1970, one-half of our population will be relief-type people. So we have to develop some skills.

The thing that has happened is industry has become receptive to a man with some kind of a skill. For that reason, you have people who have never finished high school, sixth, eighth, ninth grade, going into IBM work, teletype work. We know how—in 10 weeks we can make a secretary out of a girl who has never finished the 10th grade. She has the dexterity.

We know we can teach this kind of capability. Just to put them in something and say this is as far as you go, that is not enough. You can put them there as a stopgap, but only that. The incentive should come through the productive training, in cooperation with industry. For that reason I said OICs ought to be like supermarkets. I think Sargent Shriver is right. Feeder programs, training and retraining programs. In that way it keeps going around.

Chairman PROXMIRE. I would like to have you and Mr. Burrell comment on a problem that has plagued many Members of Congress, and divided Presidential candidates and others recently, and that is the deep difference between those who think we must de-centralize the cities—that is do our best to persuade people not to live in these concentrated communities, and persuade them to move to the suburbs, the argument being that the economic fact of life is that there is greater increase in jobs in the suburbs than people, and especially the blue-collar jobs. But all kinds of jobs are in the suburbs. There are good solid economic reasons for it, one of them being that the land is much less expensive, of course, in the suburban areas, and second being we now have a transportation system that enables us to take advantage of that, with highways all over the place, and with trucking transportation. That this is a clear, definite, continuing economic fact of life. And to try under these circumstances to, some people say, gild the ghetto, or concentrate in these already congested areas, is noneconomic, won't work very well. But on the other hand, you have the problem which Senator Kennedy put to Senator McCarthy in that debate on Saturday night: "Are you telling me you are going to move

10,000 Negroes to Orange County in the next few months; and if you don't, what are they going to do in the next few months? How are they going to solve their problem?"

In other words, theoretically it might be fine to say move to the suburbs. Practically, how do you accomplish this, and is it worthwhile to accomplish?

Mr. BURRELL. Senator, you just sailed up my favorite stream!

I think that we have a lot to accomplish by way of making the pie larger, so that you can divide the slices greater. In our present growth pattern we have a certain size pie, and nobody seems to be willing to cut it any thinner. I think you would agree that the revitalization of the urban centers must be the next frontier of activity in this country. If that is true—and it must be true, because we simply cannot continue to permit our cities to become increasingly black, further deteriorated—a lot of activity is going to have to occur within the central cities in order to make it livable for anyone who wants to live there. In other words, the tax base continues to flee to the suburbs, and it leaves this uneconomic core in the center, living on the most valuable land that the country has. The reverse of that is that you say the jobs are fleeing to the suburbs, and they certainly are. They are following the money. The development of enterprise around the beltways of this country means that you do not have people living there who can accept the blue-collar job. So why don't we approach it both ways.

One real fact of life is that as long as all the people in this room live, we are going to have a Chinatown. I do not know whether we are ever going to have the utopian community that says a Negro in this house, a Chinaman in this house, an Italian in this house, and so forth. I do not know whether that will come within our lifetime or many more lifetimes of persons.

So there are people who say gild the ghetto—it is a—it is becoming part of the romance of our time. But I think it is a fact of life that we are going to have to rebuild our urban centers so that anybody would like to live there. You pump in the social services that are necessary—law and order come high upon the list of priorities, schools high up on the list of priorities. This is why people have gone, this is why the central core cities have been abandoned to blacks, to their detriment.

Here we are, the uneconomic central city, trying to solve our own problems. With what? Yet we must get away from the economics of despair, and the attitude of scarcity and cutback in this economy, and look at where the new units are for growth. I leave it to the economists to tell me where the mortgage money is going to come from to build in the numbers that would be required, numbers of housing that would be required—and I would suggest that there are many job opportunities attendant to that kind of revitalization. If Leon will help when the time comes to take on the unions—and that is going to have to be done, because somehow Negroes are going to have to participate all along the line in the revitalization of our urban cores in the planning, in the development, in the actual construction, in the construction trades.

The day of the old line master carpenter is gone. We have subcontractors that do all kinds of things. Subflooring is done by the sub-

contractor. You do not need a degree in electrical engineering to pull wires through a conduit. You do not need 6 years of apprenticeship to learn how to nail a piece of board up on a wall. These are the new opportunities that could be created, and a lot of money is going to have to be spent in doing it. Negroes are not going to have an opportunity to build an Israel as the Jews did, and to develop the kind of pride in Israel that they developed. But they can have a stake in recreating their own communities, and from it will come the kind of pride that we are all looking for within the black community.

We can solve a lot of problems therefore simply by beginning to approach the problem of how you revitalize our urban centers. You will give people then the opportunity to earn the money that it will take to crack the white picket fence that surrounds our central cities, and those who want to move there can, there will be a free movement in this country that has to occur. Any other programs that we are talking about leave America divided at its foundation, which is its economic base, and this is where we are going to have to reach. There is going to have to be a commitment on the part of the Congress, on the part of whatever administration, and somebody better send the message to the Bureau of the Budget that Congress should not be frustrated in its attempts to revitalize our centers and provide these kinds of opportunities.

Mr. SULLIVAN. I think he made the speech for me.

It has to be made clear that prejudice, discrimination cannot obtain in our communities. Wherever I go—here I am Leon Sullivan, in Philadelphia I am Leon Sullivan. Where people do not know me I am still a black American. So I can move where I want to move.

The second problem is economic. Prejudice and economics. You have to develop economically. This is one reason for my theme song, I have to have OIC's all over this country—in every community, like supermarkets. So I get a dollar in a man's pocket that is an independent dollar, and not a Government dollar to keep him quiet. It is an independent dollar, so he can be independent as a man can be in America— so they can move out and buy a house out there, where he is not permitted to buy because he does not have the kind of economic credentials to get it. I want him to have economic credentials. That is what I am working for.

Chairman PROXMIRE. Thank you very much.

Gentlemen, I want to thank you for a splendid job. I want to ask each of you to answer the following questions when you get the transcript.

The question is this:

Do the poor and the minorities discover their needs only when Government promises to fulfill them? This is relative to the argument of overpromising. Or are Government programs a dim reflection of those needs? The statement that violence is in part caused by so-called Government promises implies that the people do not know what their needs are until some Government program articulates them. Quite the reverse may be true—that is, the people who make their needs known by many methods, including outright demands and petitions—for example, Resurrection City movement, and many others—while the Government struggles to catch up with the facts.

And any observations you would like to make on that would be very much appreciated.

Mr. MANGUM. Several comments occur to me in reference to Senator Proxmire's question. The implication of some of the questions this morning appeared to be, "We shouldn't have promised so much." It could as well be argued that we should have delivered more.

I spent my boyhood on a sharecrop farm far from town without electricity, radio, telephone, newspapers, and so forth, and my youth on the WPA in a small community where my friends' families were all in the same boat. I don't think it ever came home to me that we were poor. I doubt that this is true today in a city with television and Cadillacs. This revolution of rising expectations is occurring all over the world and word of the American poverty hasn't penetrated the jungles.

Surveys have shown that few have heard of or been touched by the Federal programs. During the Detroit riot, I made my own survey among program administrators I knew there and discovered that only 7,000 people were enrolled in all the Federal work and training programs in the entire metropolitan area. Total enrollment nationwide in all programs was less than 300,000. Not to have gotten enrolled probably doesn't add to the frustrations but I'm sure that to have enrolled, worked at it and then not obtained a job afterward does. That is when we had better be prepared to deliver.

This leads naturally to comments on the universe of need, a subject upon which you heard testimony recently. I will only comment that, in an economy where 11 million experience unemployment in a year of record employment, 2.5 million of them for 15 weeks or over and over 1 million for more than one-half of the year; where 2 million work part-time while looking for full-time work, where over a million stand in the wings, not looking for work but ready to enter if an attractive job appears, where 11 million work for less than the Federal minimum wage and over 3 million men work full-time and yet do not earn $3,000 per year, an average enrollment of 300,000 at a total annual cost of $1.8 billion hardly matches need with resources.

I don't imply that things are getting worse. Employment and earnings are at record levels. But this is an awful big country. Too many people, though a lower proportion than in the past, are being left behind—and we can afford better.

We all realize the budgetary "crunch" but as good economists we should all look to our priorities. Agricultural subsidies, space exploration, veteran's benefits, highways, and a whole variety of aids to the middle class, to say nothing of military expenditures, could all be delayed with less pain than aid to the disadvantaged.

Within the manpower field, the Federal Government is still spending $4.5 billion a year on higher education and nearly $2 billion on impacted areas middle-class education compared to about $1.5 billion on the Elementary and Secondary Education Act and $256 million on vocational education, only 1 percent of the latter aimed at preparing the disadvantaged for jobs. We are spending $1.8 billion on remedial work and training programs in an attempt to clean up past failures while the influx of new disadvantaged exceeds the enrollments, let alone the success of remedial programs.

I don't imply by this that all of the manpower and antipoverty money has been well spent. This is a new field. We have 200 years invested in our educational system, over 100 years in monetary policy and

30 in fiscal policy, yet they still have their shortcomings. We are 6 or 7 years into the remedial manpower business. We have accumulated a great deal of valuable experience. Just when we have lessons which could be applied, unfortunately, everyone is too busy frantically searching for a gimmick to solve our problems overnight and "on the cheap" to take stock of the experience.

Mr. BURRELL. I would make one quick observation, Senator, and that is the Government has the faculty in its wisdom or lack of it in seeing what it recognizes as a problem, and then devising a solution that they think was problem-oriented, and then work backward and hope that they bump into the problem somewhere along the line. And I would suggest that Government listen to men like Leon Sullivan, and the Berkeley Burrells of this world—I had to get that in, Leon—I do not want you walking off with all the money—so that we can identify for Government, or anybody who is interested, what the problem is, because I think we can come closer to articulating the need of the militants in the street who recognize the problem, but who cannot quite articulate what the problem is. That does not mean we are all omnipotent. But it does suggest to you, or should, that if part of the problem is the lack of participation in the capital accumulation process in this country—this is a dollar society—then we had better devise a means by which we can change the fact that Negroes have only one-half of 1 percent of the capital in this country, to a point where it is more commensurate with their percentage of population.

Chairman PROXMIRE. Well, thank you. You other gentlemen might reply in the record. (See below.)

I asked unanimous consent to include at the end of the printed record of today's hearing a very fine statement by George Meany, president of the AFL–CIO, on Congressman O'Hara's (Democrat of Michigan) bill, H.R. 12280, to guarantee productive employment opportunities for those who are unemployed or underemployed, along with a policy statement of the AFL–CIO Executive Council on the urban crisis, adopted in September 1967, together with a background paper on this issue of the AFL–CIO Policy Committee.

(There being no obections, it was so ordered, and appears on pp. 228–244.)

Tomorrow morning we will meet in this room. We have five experts who will discuss racial discrimination as an economic problem, which will conclude our hearings.

Thank you very much.

(Whereupon, at 12:45 p.m. the subcommittee was recessed, to reconvene at 10 a.m. Thursday, June 6, 1968.)

(The following letter was later submitted by Mr. Saltzman in response to Chairman Proxmire's request:)

FORD MOTOR CO.,
Dearborn, Mich., June 18, 1968.

JOINT ECONOMIC COMMITTEE,
Congress of the United States,
Washington, D.C.

GENTLEMEN: The following statement is submitted in response to Senator Proxmire's question about the needs of "the poor and the minorities".

I think that most people have some concept of their own personal needs whether they are rich, poor, white or black. Poor people participate willingly in government programs which, in their judgment, meet their needs in part or in whole. The problem of "over promising" arises when stated program objectives initially appear to meet individually perceived needs but later do not.

When programs have clearly specified goals, i.e., increased welfare benefits, desegregation, the right to vote, free access to public transportation and the like, such goals are measurable and at some point individuals can determine the extent to which goals and their own personal requirements have been met. They can decide then, to withdraw if their needs have not been met, request goal modification or continue to participate.

What happens all too frequently, however, is that a government project is represented as one thing and is in fact another. When the Office of Economic Opportunity established its Community Action Programs with its concept of citizen participation and citizen voice, large numbers of individuals in many communities willingly participated. It developed shortly, however, that the program hadn't been thought through; than an effective voice for the local residents had not been provided and thus a poorly conceived program frustrated individuals in many communities.

Similarly, the "Head-Start Program" was represented as enabling previously disadvantaged students to function as effectively as their peers. Parents who were aware that their children were second-class students willingly participated. Since an eight-week summer Head-Start Program could not produce promised results, we had once again the potential for frustration.

It seems to me that the federal government should focus on providing an environment within which local leaders (including federal, state or local government officials) can synthesize community requirements sufficiently so that citizens can decide whether group objectives meet their individual needs.

To this end, program objectives should be established which are realizable and measurable in terms local citizens can understand. Then citizens can determine whether their continuing participation is warranted by comparing group objectives to their own and group achievements to the minimum achievements they are willing to accept.

Sincerely,

ARTHUR W. SALTZMAN,
Manager, Education and Training Department,
Personnel and Organization Staff.

STATEMENT BY GEORGE MEANY, PRESIDENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS*

My name is George Meany and I appear here today on behalf of the American Federation of Labor and Congress of Industrial Organizations.

At the outset, Mr. Chairman, let me say that I have come before the Congress on many occasions to testify on behalf of pending legislation. I can recall no single occasion when I felt so wholeheartedly in support of a piece of legislation. H.R. 12280 and its companion bills are of paramount importance.

Congratulations are due to you, Mr. O'Hara and to all the members of the House who joined in sponsoring this legislation, for having introduced a sound, commonsense, realistic, achievable piece of legislation. I intend to discuss it in detail in a moment, and describe why we think it is so badly needed. Before I do, I want to deal with what, I am sure, will be the main objections that will be raised by opponents.

Some will say "America can't afford it." Others will say: "It will cost too much."

Let me answer in this manner:

First I am in basic disagreement with those attempts to sell America short. I am convinced that this nation can do every single thing that is necessary to solve the problems of America.

The defeatists in our midst, the cynics who only look at the price tag on an idea and never its worth, undervalue this nation. They undervalue its material and its moral strength. I do not.

Any nation with a Gross National Product of over $800 billion a year can afford the expenditures proposed in this bill and in all the other measures we support that will solve America's problems.

Let me make it quite clear that I don't consider these are just the problems of the cities. I think the urban crisis of America is the problem of all America. No matter how great his personal wealth, no matter how elaborate his personal holdings, no matter how secure he considers his investments—if our cities fail—every American fails.

*Statement made before the Select Subcommittee on Labor of the House Education and Labor Committee, on H.R. 12280, a bill to guarantee productive employment opportunities for those who are unemployed or underemployed, May 7, 1968.

Let me deal for a moment with the reaction of those who talk only about the cost.

They are the ones who never discuss how costly it is to do nothing. They are the ones who fail to realize that a jobless man is a liability to this nation while an employed man is an asset. There is an even greater cost—the decay of this nation's moral fiber.

Most of the members of this subcommittee voted recently for the Civil Rights Act of 1968—a vote to right ancient and grievous wrongs, including discrimination in housing. We in the AFL–CIO applaud this action. We supported you all the way in that fight.

But now we must turn our attention to the next task—the task of translating civil rights legislation into economic reality. Let me read to you from a statement of the AFL–CIO Executive Council in August 1964, shortly after the first memorable Civil Rights Act was passed. This is a quotation from that statement:

"It cannot be said too often that for equal rights and equal opportunity to be meaningful, there must be full opportunity as well; full employment, full educational opportunities and all the rest. The right to be hired is empty indeed when there are no jobs to be had; the right to be served in a restaurant or hotel has no meaning for those with no money to spend.

"In that sense the fight to create jobs for all, and to abolish poverty in America, are themselves civil rights campaigns, indispensable to the success of the law which bears that title. The AFL–CIO will press for these goals as vigorously as we campaigned for the Civil Rights Act itself."

That was the simple truth then; it is the simple truth now, nearly four years later.

Let me make it quite clear that I have complete and utter confidence in the ability of our democratic process to solve all our problems, including the problem of unemployment. If I didn't I wouldn't be here today.

The American trade union movement has complete confidence that this country can do the job that is necessary to solve our great domestic problems. It seems to me the time has long since passed when the Congress can afford just to study, debate, discuss, deplore—and do nothing.

Against that background, Mr. Chairman, I would like to turn my attention to this bill, which I consider an absolute must if we are to solve the American urban crisis.

In our work-oriented society, the major solution to unemployment, underemployment and most poverty is the opportunity for a regular job at decent wages. For the unemployed and the under-employed, as well as for the children of all impoverished families, there is no more realistic route out of poverty than gainful employment.

H.R. 12280 gets directly to the heart of this issue. It authorizes $4 billion of federal grants to federal, state and local government agencies and private nonprofit organizations, in the first year of operation, for the creation of up to one million public service jobs for the unemployed and under-employed. Moreover, the services that would be provided by this program are badly needed, socially useful work that would not otherwise be done.

The bill proposes—with utter simplicity—that America meet two of its pressing national problems—unemployment and a backlog of unmet public service needs. It does this through a program that would put one million unemployed and underemployed people to work, at not less than the federal minimum wage, or the prevailing wage, whichever is the higher, in performing badly needed services in parks, schools, hospitals, playgrounds, libraries, public building and similar institutions in the government and private, non-profit sectors of the economy.

In advocating the idea of a public service employment program, in February 1966, the tri-partite National Commisssion on Technology, Automation and Economic Progress declared that:

"Employing the unemployed is, in an important sense, almost costless. The unemployed consume; they do not produce. To provide them meaningful jobs increases not only their income but that of society. Much of the work that needs doing calls only for limited skills and minor amounts of training . . .

"The public service employment program should be coupled with basic education, training and counseling to raise the productivity of the employees and assist them to move on to better jobs. With this assistance, the opportunity for higher incomes would provide the necessary incentive to seek other jobs. Since the jobs would provide services for which society has growing needs, no element of make-work would be involved."

Early enactment of H.R. 12280 would get such program under way. It would provide the keystone for the government's numerous anti-poverty efforts among people of working age, as well as the various private programs to provide jobs for some of the hard-core unemployed. It would be a resounding act of federal government commitment to help the unemployed and under-employed lift themselves and their families out of poverty.

Unfortunately, large-scale pockets of unemployment and under-employment in our urban centers and depressed rural areas have become a social cancer, despite the general economic improvements of the past seven years. The rise of sales and production of the 1960s has not provided enough job opportunities for the most disadvantaged, unskilled, inexperienced job seekers—particularly Negroes and teenagers—in a period of spreading automation and rapid growth of the labor force.

In 1967, according to the official reports of the Labor Department there were 3 million unemployed or 3.8% of the civilian labor force. Among Negroes in the labor force, 7.4% were reported to be unemployed. Among teenagers, 12.9% were unemployed and Negro teenagers the percentage was 26.3%.

However, the government's report of 3 million unemployed in 1967 is an economic statistic—an average for the year-as-a-whole. Such an economic statistic, however, does not adequately measure how great an impact unemployment has on people. The situation—in human terms—is much greater and more serious.

In 1966, when reported unemployment was about the same as last year, the Government's survey of the work-experience of the population shows that 11.4 million people were unemployed some time during the course of the year; 3.4 million had two or more periods of joblessness; 2.4 million were unemployed 15 weeks or more during the year and 1.5 million of these long-term unemployed were men; 2.2 million Negroes were unemployed during the course of 1966 and one-third of them were jobless for 15 weeks and more. A similar situation existed in 1967, as the government's report will indicate when it is published.

Revealing as these reported figures are on the extent of unemployment, it is now widely recognized that they are an understatement.

This understatement is due to the fact that the 1960 decennial census did not accurately count the population. This was particularly true in urban slums and depressed rural areas. It is also due to the fact that people who have given up seeking jobs are not counted as unemployed. The greatest social problems are among those who are not counted—those who are so cut off from the mainstream of American society that they are not included in the officially-reported, regular statistics.

Estimates of the unemployment undercount vary—some go as high as 3 million or more. The estimate of the AFL-CIO Research Department is that the understatement is in the neighborhood of 1½ million, possibly more.

This would mean that there were approximately 4½ million unemployed, on the average, in 1967. It would mean that about 13 million people were unemployed during the course of the year and about 3½ million to 4 million were unemployed 15 weeks and more.

In addition, we have the Labor Department's reports on under-employment. In 1967, there were 2.2 million people who were reported to have been compelled to work part-time, because full-time jobs were not available.

In recent years, therefore, there have been about 3 million to 5 million people who have been unemployed for long periods of time or have been seriously under-employed.

This situation is even more serious than it looks on the surface, because it is not evenly distributed throughout the country and across the entire population. It is concentrated—with dire social implications—in the slum districts of our urban centers and in depressed rural areas.

In a special survey of 10 urban slum areas in November 1966, the Labor Department found that approximately one-third of the population of working age had serious job and income problems—unemployment, under-employment and very low yearly incomes. This would mean that about 10% to 15% of the adult men and about 40% to 50% of out-of-school teenagers—including those not usually counted—were unemployed in the slum districts of our major cities in November, 1966. The situation in urban slum areas is not much better at present.

As for rural areas, the Commission on Rural Poverty estimated that approximately 18% of adults in such areas are under-employed. A measure of the problem in less-populated areas of the country can be seen in the Labor Depart-

ment's report, for March 1968, that there was substantial or persistent unemployment in 487 small rural communities—about the same as two year before.

In terms of human beings, families and communities, therefore, the problem of unemployment and under-employment is far more serious than official reports usually indicate. And this problem is highly concentrated in urban slum districts and depressed rural areas—particularly among Negroes, Mexican-Americans, Puerto Ricans and Indians.

Moreover, many of these unemployed and under-employed people have very little, if any, education, vocational training or regular work-experience. Many of them, too, are rural migrants from the southern states into the cities of the North and West, or the children of such migrants. Ill-equipped to compete in the regular labor market, they are unemployed or part-time occasional workers—frequently people who have drifted outside the government's usual statistical reports.

So a key answer to this problem is jobs, now—not next year or the year after.

And public institutions, in both urban and rural areas, have an urgent need for the services that these people can perform.

Let us put these two needs together constructively—as H.R. 12280 does—and get this program on the road, now.

Such employment, at the wage floors provided in H.R. 12280, should include provisions for assistance to help these people move up the job and income ladder to better-paying and more-skilled jobs in public and private employment. The immediate need is regular employment, linked with literacy training, guidance, counseling and training in skills.

Moreover, the program envisioned in this bill does not preclude the importance of private business efforts to hire some of the hard-core unemployed. But the process of business hiring—depending on general economic expansion and the opening of unskilled, entry jobs in private business—can hardly be expected to meet the needs of the large numbers of disadvantaged unemployed and under-employed rapidly enough.

Let me, at this point, make a comment on the proposals, to "let private business take care of the problem."

The fact is the private sector just cannot do the job alone. I think it is time the Congress faces up to this fact and stops trying to pass the buck to private employers.

We think the National Alliance of Businessmen is a good idea and we are doing our best to be helpful. But even if this program is a 100% success, it will only make a dent in the problem. As a matter of fact, the *Wall Street Journal* carried an excellent article on this subject recently and I am so impressed with it I have brought along a copy which I ask be put in the record at the end of my statement.

So it follows, Mr. Chairman, that we do not support H.R. 16303. I have prepared a detailed comment on this measure, which I also ask be included in the record at the conclusion of my remarks.

Suffice it to say here, that we are pleased to see Republican proposals for meeting this problem but we are not impressed by this measure. It would benefit all-too-few workers and it places major reliance on tax gimmicks, which we oppose. We support, as I've said before, the concept and the approach of the O'Hara bill.

When we look ahead, Mr. Chairman, we find that America's labor force is growing rapidly—about 1½ million a year in the next 10 years. And the spread of automation is reducing labor requirements in some industries, increasing the educational- and skill-requirements of many jobs and moving industry location from cities to the suburbs and countryside.

The American economy must expand rapidly, merely to prevent the present level of unemployment from rising—to provide jobs for new entrants into the labor force and for those displaced by automation. Unless immediate action is taken to provide a million public service jobs now, large-scale pockets of unemployed and under-employed disadvantaged people will persist, as a spreading danger to the fabric of American society, even if the economy continues to expand normally.

A halt to general economic expansion or a recession, of course, would mean rising unemployment and under-employment—a potentially explosive situation. But even the present size of the problem has serious social consequences.

Federal action to create one million public service jobs must be the keystone of any realistic national effort to employ the long-term unemployed and seriously

under-employed. The government must be the employer of last resort and the time for such action is now!

At this point, someone may say: "Fine, but is it feasible?"

There is ample evidence to prove that such program is as workable as it is necessary.

Two studies, in the past several years, report a public service employment potential of between some 4 million and over 5 million jobs. (4.3 million according to a study by Greenleigh Associates and 5.3 million reported by a study for the Automation Commission.)

This need in urban and rural public service and private, non-profit institutions can rapidly be translated into one million jobs within a year, if the funds are made available.

Dr. John W. Gardner, Chairman of the Urban Coalition, recently reported:

"To find out how many socially useful jobs could be made available immediately, The Urban Coalition asked Dr. Harold Sheppard of the Upjohn Institute to survey a sample of major cities. Based upon a preliminary analysis of this survey, Dr. Sheppard has concluded that at least 141,000 persons could be employed almost overnight in the 130 cities with population over 100,000. These would be jobs in regular city departments where supervisors are already available and work tasks are clearly defined. If this sample were expanded to small cities, to county and state governments, and to jobs with private, nonprofit organizations, it is likely that enough jobs could be found to put 500,000 persons to work within six months. By further planning, the number might be expanded to a million or more within a year.

"A public service employment program would not only enable unemployed to earn their own way, it would benefit the general public by the many necessary and useful tasks which would be performed."

I agree completely with Dr. Gardner. Let me now conclude with a few words.

Mr. Chairman, we in the AFL–CIO have been warning about unemployment and the social ills it breeds, for the last dozen years. Eight years ago, it was the major burden of our testimony to the platform committees of both parties.

We've said it repeatedly in every conceivable forum and we've been greeted with indifference by the Congress.

Now the Congress can no longer delay. Now the Congress can no longer pretend unemployment will disappear if no one notices it. Now the Congress is hearing the voices of the people all over this land.

Now the Congress must act.

NATIONAL MANPOWER ACT OF 1968, H.R. 16303, 16304, 16305

While we are pleased to see this effort on the part of many Republicans to deal with the job and training needs of the unemployed, the underemployed, the poor, and members of minority groups, we are of the view that the proposal does not come to grips effectively with the problems confronting us.

The total number of jobs in the first year is estimated at 300,000, including 220,000 in the private sector and 80,000 public service jobs through Community Service Employment programs. In the second year, the number of public service jobs authorized would increase to 100,000, but no estimate has been made with respect to the private sector beyond the first year, because of the inability to predict what effect the proposed tax credit could have.

In terms of actual job creation, this program leaves much to be desired. The tax credit would create few if any additional jobs, but rather would influence the filling of jobs already available. Thus, in the main, new jobs which would be created by the National Manpower Act of 1968 would be those connected with the Community Service Employment programs—80,000 in 1969 and 100,000 in 1970—and these are far too few in number to meet our urgent need for jobs or to assist in a meaningful way in providing manpower for the nation's needed public services.

There are, however, other weaknesses from which the proposed tax credit for private business enterprises suffers. It should be noted, first, that the summary which describes the content and purposes of the National Manpower Act of 1968 contains a proviso—"that no existing employees are dismissed in order to hire green-card people"—which is not included in the language of the proposed statute. But even if it were included, the fact is that a program of tax credits can lead to a game of musical chairs—with the unemployed workers, given the advantage of such subsidy to the business and thus made more attractive to the employer, displacing employed workers. This would merely reshuffle unemployment among unskilled workers.

Moreover, it would be impossible to assure that such tax credits were not being given to employers for doing what they would have done anyway—that is, to hire workers to meet the employers' normal needs. Consequently, the proposed program of tax credits could represent a windfall to employers without necessarily accomplishing the purpose for which the credit is proposed.

So far as the proposed program of Community Service Employment is concerned, we see the need for a substantially greater number of jobs. We also have reservations about the extent to which priority is given in the National Manpower Act of 1968 to the creation of small service companies as the mechanism through which the jobs are to be created. There is a place for such service organizations, but we believe priority should be given to public service jobs in regular government and non-profit agencies, where there would be greater opportunity for the workers to move up the job ladder to greater skills and incomes.

Another major feature of the National Manpower Act of 1968 which we would question is the proposed Economic Opportunity Corporation.

We are not sure that we understand its purpose. It would appear to duplicate activities already being carried on by existing bodies, both public and private, especially with regard to providing information and technical assistance, and the conduct of research. And, so far as mobilizing the private sector is concerned, we are not convinced that such a formalized arrangement is necessarily more desirable than the present approach which is embodied in activities of groups such as the Urban Coalition and the National Alliance of Businessmen. It seems to us that the kind of representational activity which the proposal advocates as a means of expediting private-sector involvement could be accomplished through advisory bodies, assuming there is in existence the legislative authority for carrying out the programs for which such involvement is sought.

In summary, H.R. 16303 indicates concern for the problems of the unemployed and seriously underemployed. However, the total number of jobs involved in this proposal is altogether too small—even if fully achieved, 300,000 jobs would hardly make a dent in the problem.

Moreover, the major emphasis of this bill is on a tax subsidy to private business for hiring unemployed and seriously underemployed workers—which employers normally do, when entry-level jobs open up. There is little, if any, new job creation involved in this major part of the bill.

The clear-cut job-creation proposal in this bill is 80,000 public service jobs in the first year and 100,000 in the second year—a very long way from providing a keystone for meeting the urgent needs of about 3 million to 5 million people who are long-term unemployed or seriously underemployed.

[From the Wall Street Journal, Friday, Apr. 26, 1968]

POLITICS AND PEOPLE—HOW MANY JOBS?

(By Alan L. Otten)

WASHINGTON.—One reason President Johnson isn't seeking big new urban-help programs in the wake of the recent rioting is his belief that Congress wouldn't approve them; he doesn't want to raise excessive hopes among the poor by asking for help he knows they won't get, the White House explains.

Richard Nixon says he won't join those who promise billions of Federal dollars to rebuild America's cities, because the budget bind makes such promises "dishonest and a cruel delusion."

This concern about raising excessive hopes has become a favorite bipartisan explanation (critics might call it a rationalization) among those opposing any dramatic new Government moves. Yet this same over-optimism may be the tragic flaw in the politicians' favorite alternative answer to the problems of the urban poor: Massive involvement of private enterprise.

Consider the Administration's three-year program, now being launched with great fanfare, for Federally subsidizing business to hire and train some 500,000 men and women chronically unable to find work or out of work for a long time; the goal is to hire 100,000 of these hard-core unemployed in the next year. A 65-member National Alliance of Businessmen will spearhead the 50-city campaign, acronymically entitled Job Opportunities in the Business Sector.

It's a laudable effort, by dedicated citizens giving unselfishly of time and energy, and they seem to be going about it in a highly professional way. There

are local orientation meetings, quotas for each city, hiring-pledges from individual enterprises, magazine ads urging businessmen to join up.

Maybe this campaign can indeed accomplish what earlier ones have not. But the problems are enormous, and certainly the previous efforts have been a disappointment. Business response was sluggish. Administrators often reported far more success at putting hard-core unemployed in school or in public work than in private jobs. Dropout rates were high, both during training and afterward.

One knotty question facing JOBS recruiters: How far down into the pool will they dip? Their target is "poor persons . . . who are either school dropouts, under 22 years of age, 45 years of age or over, handicapped, or subject to special obstacles to employment." That core sounds hard enough, but chances are a lot of recruits will be people who lost their jobs not so long ago and probably would soon have found new ones anyhow. Business is still out to make money, after all, and it's still easier to recruit and train people with some motivation and job experience than those with little or none.

The Administration's three-year target of 500,000 jobs is the official estimate of hard-core unemployment in the 50 cities, averaging out to a little over 3,000 in each city each year. But many experts believe the real number is two to six times the 500,000, counting such groups as those who have simply given up the search for work. In the District of Columbia, for instance, where the first-year JOBS quota is 2,000, even the official estimate of hard-core joblessness is 8,000 to 12,000, and "for every hard-core unemployed person we go out to recruit, we find several more," says Fred Hetzel, the local U.S. Employment Service director. "How many are out there?"

As fast as some hard-core unemployed find jobs, other low-skilled workers are losing theirs to automation and other factors. The very success of the newly employed persons may draw into the labor market friends and relatives who haven't been looking for work, or attract to the big cities still more poor families from rural areas. Even if the 500,000 goal is fully achieved, says manpower specialist Garth Mangum of George Washington University, "we will never notice the difference."

That may be the basic drawback of the JOBS campaign. The openings it seeks to filll already exist; it is not creating additional jobs. Moreover, present Government economic policy may even be reducing industry's manpower need; Federal spending plans are being trimmed, to quiet some of the boom in the economy, and invariably the least- skilled workers are fired first as the economy cools.

So other routes may have to be explored, too. Some specialists urge a harder sell to persuade employers permanently to lower hiring standards and unions to lower membership requirements. Others think the Government must subsidize business not only to train less-skilled, less-productive workers but also to keep them employed. And still other experts believe that along with all this there must be an extensive program of Government employment for those willing to work but unable to find it in private industry.

A series of high-level commissions—most recently the President's "riot commission"—has proposed that the Government not only spur private hiring but also itself become an "employer of last resort." So has the prestigious Urban Coalition, with its considerable business membership. Most of these recommendations talk of a million or more "meaningful" public service jobs—working for the Federal Government and also, with Federal financial help, for state and local governments and non-profit institutions.

To dismiss such involvement as mere leaf-raking is to write off the roads and bridges, parks and playgrounds, paintings and plays created during the depression by the Civilian Conservation Corps., National Youth Administration and Works Progress Administration. Today's counterparts could be cleaning up slum neighborhoods, helping professional staffers in schools and hospitals and parks and libraries, baby-sitting for working mothers, providing extra mail deliveries for business. Most of the proposals envisage schooling and counseling along with the make-work, to help the men and women eventually move up to better positions.

The JOBS program and other Federal efforts to induce business to hire more hard-core unemployed are eminently worthwhile, and by all means must go forward. But their accomplishments may at best make a small dent in the problem, and perhaps a more open-minded attitde toward expanded Government employment is also in order. No one here is sure how much it would ease the slum tensions that so deeply worry the politicians and everyone else. What people do say, however, is that there's no bigger or more expensive make-work program than rebuilding burned-down cities.

THE URBAN CRISIS:
*an analysis
*an answer

The growth of the American population has increased sharply—from several hundred thousand a year in the 1930s to an average yearly rise of 2.7 million since World War II. Moreover, the number of people in rural areas has been declining, while metropolitan area growth has been booming. Each year, the population of America's metropolitan areas grows by over 3 million, the size of a very large city.

Under the impact of the technological revolution in agriculture, employment in farming has dropped—it fell 3.2 million between 1950 and 1966. Hundreds of thousands of farmers, farm workers and their families—several million people—have been leaving the rural areas in search of jobs and homes in the cities.

Many of those who seek their future in the cities are Negroes. Between 1940 and 1967, probably about 4 million Negroes moved from the South—primarily rural areas—to the cities of the North and West. In 1960, according to the Department of Labor, about 40 percent to nearly 50 percent of the Negro population of 10 major northern and western cities was born in the South.

The Department of Labor estimates that almost 1.5 million Negroes left the South in 1950-1960, following a similar migration of 1.6 million Negroes in the wartime decade, 1940-1950. This historic migration is continuing at about that rate in the 1960s.

For the country as a whole, the proportion of Negroes in city populations rose from less than 10 percent in 1940 to over 20 percent in 1965. In most of the large northern and western cities the rise was greater.

All of the new migrants to America's cities of the past quarter of a century—whites and Negroes, Puerto Ricans and Mexican Americans—have faced the difficulties of adjusting to a new and strange environment. But these difficulties have been especially harsh for Negroes.

The Negro migrants to the cities of the past quarter of a century have brought with them a history of slavery, segregation, lack of education and, frequently, poor health, as well as suspicion of government authorities. On coming to the cities of the North and the West, the new migrants have faced the discriminatory practices of those areas, lack of adequate housing and the impact of automation on job opportunities for uneducated, unskilled workers.

The northern and western cities are suffering, in part, from the social ills and delinquencies of the South—including color bars in private, state and local government employment; backward standards of education, vocational training and public welfare gener-

THE AFL-CIO EXECUTIVE COUNCIL adopted at its September 1967 meeting a major policy statement on the urban crisis containing a 10-point program keyed both to immediate and long-range needs. The program is based on this background paper prepared by the Federation's Economic Policy Committee containing a detailed analysis and recommendations.

ally, with particularly low standards for Negroes and Mexican Americans; social patterns to enforce the dependency of both poor whites and Negroes.

Since World War II and particularly since the early 1950s, the spread of automation has been reducing the number of unskilled and semi-skilled jobs that require little or no education or training. The types of jobs that helped to adjust previous generations of foreign immigrants and rural American migrants to America's urban areas have not been expanding.

In ghetto areas in the cities, about 10 percent to 15 percent of the adult men and about 40 percent to 50 percent of out-of-school teenagers (including an estimate of those usually not counted by the Labor Department) are unemployed. In addition, a Labor Department survey of slum areas in November 1966 found that nearly 7 percent of those with jobs were employed only part-time, although they wanted full-time work, and 20 percent of those working full-time earned less than $60 a week. This same Labor Department survey found that nearly 40 percent of the families and unrelated individuals in big city slum areas earn less than $3,000 a year.

However, it costs about $7,000, at present prices, to maintain a modest standard of living, including a few amenities but no luxuries, for a family of four in America's metropolitan areas—more for a larger family and less for a smaller family. Elimination of the amenities would result in a cost of about $5,000 to maintain a minimum decent standard of living for a family of four in our urban areas—scaled up and down for different family sizes.

Yet government reports indicate that probably about 20 percent of the population, within city limits, earn less than the amount necessary for a minimum decent standard of living. Within ghetto areas, perhaps 60 percent to 70 percent or more of the families are in that category. The result is badly overcrowded housing, inadequate diet, poor medical care, few books and magazines for about 20 percent of city families and about 60 to 70 percent of those who live in ghetto slums.

The hardcore slum areas continue to deteriorate. People with jobs, some skills and some regular incomes have been moving out. They are replaced with new migrants from the rural South—adding to the remaining lowest-income families, the jobless, the aged and fatherless families.

A large proportion of these slum residents depend on welfare payments, often to mothers with dependent children and no father present. The Labor Department survey of November 1966 found that 30 percent of the population of East Harlem, 30 percent of the Watts population, 40 percent of the Bedford-Stuyvesant children and 25 percent of the adults receive welfare payments. Moreover, the lack of adequate child-care facilities in slum areas is a barrier to employment for women with children.

Trapped by a history of degradation and the recent impact of automation, these new migrants to the city are also trapped by the unavailability of low-and-moderate cost housing, as well as by discrimination against colored peoples.

The peak home construction year before World War II was 1925. From 1926 to 1945, a period of 20 years, home-building was in a slump. It wasn't until 1946 that the 1925-level of housing starts was reached.

Since 1945, the ups and downs of residential construction have followed conditions in the money market —interest rates and availability of money. Normal

business operations and government programs have provided housing for families in the middle-income range and above (at present, about $7,000-$8,000 annual income and more).

The residential construction of the postwar period, however, has essentially ignored housing for the entire bottom half of our income distribution—for the lower middle-income group as well as the poor.

For lower middle-income families, with current incomes of about $5,000 to $8,000, the postwar years have seen only little new housing construction, with present rentals or carrying charges and taxes of about $85-$135 per month. This is particularly true for large families, with three or more children, in this income-range.

For the urban poor—families with current incomes of about $5,000 a year and less—there has been hardly any new housing construction during the 22 years since World War II and there was very little of such construction in the preceding 20 years from 1926 through 1945. Almost a half-century of rapid change in our cities—including the great Negro migration—has passed with hardly any housing construction for low-income families.

Realistic rentals for poor families would have to be concentrated around $40 to $70 a month. Since the private market cannot provide such housing, public housing and public rehabilitation are essential. But, in recent years, the total number of new public dwelling units has been only about 30,000-40,000 per year.

Moreover, the urban renewal program, which has bulldozed Negro slum areas, has concentrated on the construction of commercial buildings and luxury high-rise apartments. Relocation of families displaced from the slums has been neglected or ignored and there has been hardly any replacement of low-rental housing.

In addition, during the 1950s and early 1960s, the traditional conservative opposition to low-cost publicly subsidized housing for the poor was joined by many so-called liberals—the same coalition that debunked the impact of automation on unskilled and semi-skilled factory workers and on industrial location as a trade union myth.

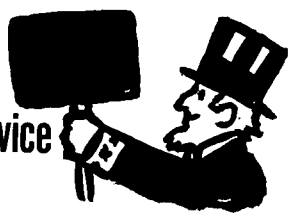
At the same time, middle and upper-income families have been moving to the suburbs. This movement has opened up older housing in the cities. But, combined with the movement of industry to the suburbs and countryside, it has reduced the tax-base of the cities, when the demands on their financial resources for housing, welfare, education and public facilities are mounting. Moreover, the change of industrial location has compounded the problems of inadequate mass transportation facilities for low-income city-dwellers to get to the new areas of employment growth. And most suburban communities have rather rigid color-bar restrictions, as well as an absence of low-cost housing.

The New Deal's beginnings to provide low-cost public housing nearly perished between 1952 and 1966. And much of the long-delayed legislation of the 1960s to achieve partial adjustments to the radical changes in American life were first steps, without previous experience, precedents and trained personnel. Moreover, federal appropriations for even these purposes were kept down by public apathy. Yet, they were greatly oversold and their adoption aroused expectations of overnight solutions that were impossible to achieve.

America's urban crisis is a national complex of social problems—rather than simple problems of individual communities. No city or state government can solve them in isolation. Neither can private enterprise, even with the promise of tax subsidies. Their solution requires nationwide social measures, with adequate federal funds and standards.

Step by step, we must begin immediately to rebuild America's cities and lift the living conditions of the American people.

One Million Public Service Jobs



There are a large number of people who cannot find regular employment in the job market due to insufficient jobs for those who lack education, vocational training and previous regular employment. Such long-term unemployed and under-employed persons, including those who have given up seeking jobs, should be given the opportunity to work in local, state, federal and non-profit public services that would not otherwise be done.

Jobs of this type, with wages not less than the federal minimum wage, could provide services for which society has growing needs—such as in parks, recreational facilities, day-care centers, hospitals, schools and libraries. In endorsing the concept of such a program, the tri-partite National Commission on Technology, Automation and Economic Progress declared:

"The public service employment program should be coupled with basic education, training and counseling to raise the productivity of the employes and assist them to move on to better jobs. With this assistance the opportunity for higher incomes would provide the necessary incentive to seek other jobs. Since the jobs would provide services for which society has growing needs, no element of make-work would be involved."

We urge immediate adoption by the Congress of a $4 billion program, along the lines of the bill introduced by Congressman O'Hara of Michigan and 76

associates, to provide the necessary funds to federal, state and local government agencies and to non-profit organizations, to help them bear the cost of creating one million public service jobs for those who are now unemployed or seriously under-employed. The emergency employment section of the anti-poverty bill introduced by Senator Clark of Pennsylvania represents a step in this direction.

In a work-oriented society, jobs for the unemployed are the first essential towards helping people to lift themselves out of poverty and deprivation.

2½ Million New Housing Units Each Year

America requires a national housing goal of 2½ million new dwelling units each year during the next decade, supplemented by a large-scale effort to rehabilitate substandard housing that is worth saving—to provide an ample supply of decent homes for our rapidly growing population, as well as for those who live in substandard housing. Such goal is in sharp contrast to the annual construction of only 1.2-1.6 million new housing units in recent years, accompanied by very little rehabilitation.

The most urgent needs are: 1—to provide low-rent publicly subsidized housing—new and rehabilitated—for the approximately 20 percent of city families whose incomes are below the requirements for a minimum decent standard of living (about $5,000 a year for a family of four); 2—to provide adequate housing for lower middle-income families (between about $5,000 and $8,000 a year for a 4-person family) who are not eligible for public housing and cannot obtain decent dwellings in the standard, privately financed housing market; and 3—to provide expanded and improved community facilities and services—such as schools, hospitals, mass transit, day-care centers and playgrounds.

Low-Rent Public Housing—Construction of new, low-rent publicly-subsidized housing should be stepped up immediately from a yearly rate of 30,000-40,000 new starts of recent years to 200,000-300,000 per year in the next two years and stepped up, thereafter, to an annual rate of 500,000.

New public housing construction should be supplemented by large-scale publicly-subsidized rehabilitation to provide additional low-rent housing. Rentals of such new and rehabilitated housing should be concentrated in a range of $40 to $70 per month to meet the needs of the city poor. In order to maintain decent housing at low rentals, a partial government subsidy should be provided for adequate maintenance of the properties.

A major federal effort along these lines should include architectural designs and first-class construction for attractive homes and neighborhoods. It should also include an emphasis on people and services—with provision for nearby shopping, schools, transportation, playgrounds and the availability of social services. As part of an overall effort to rebuild our urban areas, new and rehabilitated low-rent public housing should be located in both the city and suburbs and interspersed with other types of rental and private housing for the creation of balanced neighborhoods.

The federal program should include provision for the potential sale of low-rent public housing developments or parts of such developments to tenant cooperatives or to tenants who meet the income requirements for home-ownership.

We strongly support an adequate rent supplement program, but this program should be a supplement to, not a substitute for, a major effort to provide new and rehabilitated low-rent homes for low-income families.

Housing for Lower Middle-Income Families—Another large-scale program is needed to provide the opportunity for decent homes for lower middle-income families—with monthly rentals concentrated in a range from about $85 to $135.

A considerable step-up and overhaul is needed in the present very small program of federally subsidized interest rate loans—at 3 percent—to sharply increase the construction of such housing by cooperatives, nonprofit and limited divided corporations. A federal subsidy for the partial abatement of local taxes on such properties is also required.

Federal housing legislation should also make it possible for cooperatives, nonprofit and limited dividend corporations to acquire existing properties—with government insurance of long-term and low-interest loans—for the operation of such housing.

Trade unions, limited dividend corporations, cooperatives and churches should be encouraged to participate in a large-scale effort to provide decent homes that lower middle-income families can afford.

Moderate-Income Housing—This section of the housing market already operates with government-insured mortgages such as FHA and VA. There is need, however, to increase the supply of funds that move into this part of the housing market.

Major sources of additional funds, such as pension funds, college endowment funds, and private trusts are not attracted, to a sufficient degree, by mortgage investments, even when they are government-insured. A bond or debenture-type obligation, fully guaranteed by federal insurance, could be the method to channel additional funds, through the private bond market, into the financing of housing, as a supplement to the funds of private mortgage financing institutions.

An increase in the supply of moderate-income housing will enable such families to upgrade their living conditions and make additional dwellings available for lower middle-income families.

Open Housing—Housing restrictions against Negroes and other minority groups must be eliminated. All people, regardless of color or national origin or religion, must have the legal right to buy or rent dwellings that they can afford—in the suburbs and outlying areas, as well as in the cities. Open housing is an essential part of a meaningful effort to rebuild our metropolitan areas.

Urban Renewal—The emphasis of the federal urban renewal program should be shifted drastically from commercial and expensive high-rise construction to a focus on homes for people, balanced neighborhoods, community facilities and services. Families to be displaced by the elimination of slum housing must be provided assistance in finding decent dwellings at rents they can afford.

We have repeatedly stated our support of the Model Cities program with adequate appropriations and we reiterate our support. But this program alone is not enough.

The ghettos of our major cities must be replaced, as rapidly as an increasing volume of new and rehabilitated housing becomes available, by balanced neighborhoods, with a mixture of different types of housing and different economic and racial groups. A combination of new sites for housing developments, open housing in the suburbs, the large-scale construction and rehabilitation of low-rent and lower-middle-income housing can quickly begin to eliminate ghettos and the isolation of their inhabitants. Any semblance of apartheid—whether enforced by old racial barriers or new legislative proposals of well-meaning liberals—has no place in America.

Mass Transit

Every American city has an urgent need for an improved and expanded mass transit system. The need is greatest and most urgent in the low-income areas of most cities. With the movement of industry to outlying areas and suburbs, open housing and the establishment of adequate mass transit systems are as essential to the solution of America's urban crisis as the massive construction and rehabilitation of housing.

In localities where the construction of rapid transit systems will take several years, emergency measures should be adopted to provide temporary but adequate and fast service in areas that now have inadequate transit service or none at all.

Mobility has always been an important part of American life. The rebuilding of America's metropolitan areas must include adequate provisions for mobility in transportation, housing and employment, rather than the stifling isolation of ghettos.

Accelerated Construction of Public Facilities

The rebuilding of our metropolitan areas will require an increased pace of public facilities construction —water supplies, sewage systems, mass transit, schools, hospitals, day-care centers, playgrounds, libraries, museums, clean air and water.

The Congressional Joint Economic Committee has published a comprehensive and detailed inventory of existing state and local facilities projected needs in each category for the decade 1965-1975. This

report projects a rise from $20 billion for state and local public facilities in 1965 to more than $40 billion in 1976—for a total expenditure of $328 billion over the decade.

In the past, federal grants-in-aid have accounted for 20 percent of the aggregate cost of these state and local outlays—with borrowing accounting for 50 percent and current state and local revenues for 30 percent. Federal grants-in-aid vary by category from none at all to 50 percent and more.

An acceleration in the pace of building these essential facilities—the underpinnings of adequate living conditions—will require a step-up of federal grants-in-aid.

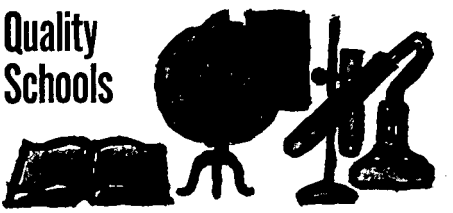
We urge the Congress to adopt at least a $2 billion a year additional grant-in-aid program for an acceleration of public facilities construction by state and local governments—in addition to categorical grants-in-aid.

Youth Employment

The highly successful Neighborhood Youth Corps program provides about 300,000 full-time and part-time jobs for youngsters below the age of 21—part-time for youngsters who are in school and full-time, including training, for out-of-school youth. This program should be expanded substantially—to aid youngsters to remain in school and to provide some work and training for young people who have dropped out of school.

The small Job Corps program in rural and urban centers for jobless out-of-school youth should also be expanded, as experience with this effort increases the feasibility of solid progress.

Quality Schools



The 89th Congress of 1965-1966 rightfully deserves recognition as the education Congress, for never before in our history was there such a comprehensive attempt to deal with the specific problems facing the nation in education. There remain, however, significant gaps in the over-all plan to fully develop programs which will realistically meet the needs of urban communities.

At the elementary and secondary school levels, priority must be given to the principle of equalizing the standard and quality of instruction provided pupils from low income families with those from middle- and upper-income groups.

The recently developed More Effective Schools program advanced by American Federation of Teachers' locals should be implemented in all urban communities. The program requires additional funding beyond present levels because of its very nature. It addresses itself to the remedying of years of substandard education offered minority and low-income groups.

Significant aspects of the program are costly, but there are no alternatives. To meet our current and future needs, local school systems must have funds available to approve programs which will reduce class size to a maximum of 22, add additional teachers to deal with problem children, add to guidance counselor services and upgrade the skills of counselors, provide special care for the seriously disturbed child, provide teacher-aids and add medical and dental services over and above the amount now provided in regular school programs.

Vocational education and training is not reaching the hardcore of the large number of unemployed youth in our cities, the school dropouts and youths with socio-economic disadvantages.

Vocational education must be geared to the needs of the modern job market. It must adopt educational methods that reach into young peoples' minds to pre-

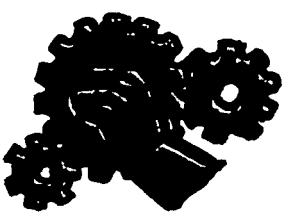
pare them for work—not merely to teach them the skills of an occupation, but to prepare them for the complicated world of work, through a combination of general education, occupational education and practical learning on the job at the going wage rate.

To reach these young people in large cities, the federal government should make available to the states and local communities grants to encourage innovative vocational education programs. Experts have estimated that at least $1 billion will be necessary to make such innovative programs effective.

In addition, year-round use of school buildings in the afternoon and evenings, as well as regular daytime sessions, is essential to meet the growing need for job training, remedial education and recreational facilities, for working youths and adults. Such use of school building is also needed to serve as community centers and to house a variety of activities related to the improvement of urban conditions.

Recent federal legislation in the field of higher education has placed great emphasis on student aid, to meet the increasing tuition costs and fees at the nation's institutions of higher learning. Major reliance on the financial institutions of the nation, to make government-insured loans to meet this need, has proven, thus far, to be unworkable and unrealistic. The financial institutions have not responded adequately to this program. As matters now stand, Congress should return its attention to this problem to bring about a workable solution.

Manpower Training



Manpower training programs must be strengthened and increased emphasis given to training for meaningful job opportunities.

The government's training program provides for training, with the payment of allowances, up to two years. Unfortunately, the present emphasis is often on training programs for jobs which are dead-end, as well as low-wage. Moreover, as long as present training allowances remain as meager as they now are, few workers, especially heads of families, can afford to forego the opportunity for immediate employment, even at low wages—particularly if there is no assurance of a job at the end of the training period.

The government's training programs should be linked with job-placement when training is completed. Also, it is essential that training allowances be increased to strengthen the staying-power of the trainees.

Public Welfare

Our federal-state public welfare programs were intended to provide assistance and services to deal directly with poverty and social deprivation. Public welfare is supposed to provide assistance—on a dignified basis and as a matter of right—to individuals and families in need of the basic essentials of living.

Today, our public welfare programs fall far short on these counts. Over 7½ million people are today living on a precariously low level of existence, in many cases shut off from even the most basic necessities of life.

It must be remembered that those on public assistance include about 2 million over 65 years of age, 700,000 are blind or permanently and totally disabled and about 5 million are in families with dependent children (of which about 3,750,000 are children).

The entire public welfare program must be restructured. A comprehensive program of public assistance should be established, based on the single criterion of need. A federal minimum standard for public assistance payments, below which no state may fall, should be determined. Comprehensive social services should be readily accessible, as a right, to those who need them. The Administration of all welfare programs receiving federal funds should be in accordance with the principle of public welfare as a right. The Advisory Council on Public Welfare, in its report of June 1966, recommended these principles as a basis

for correcting the existing deficiencies of our public welfare system.

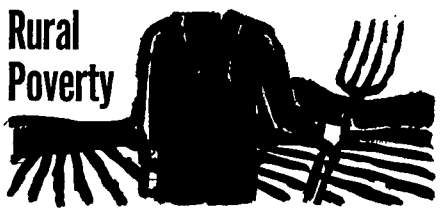
The federal government should establish nationwide federal standards—with adequate federal funds—to provide a decent floor for the public welfare system.

State work-incentive programs should be required by the federal government to permit welfare recipients to retain a substantial number of the dollars they earn without penalty, thus encouraging them to go into the job market and eventually move off the welfare rolls.

Eligibility requirements for welfare applicants should be simplified, and demeaning investigations of applicants should be eliminated, to enable social workers to perform their professional services of guidance, counselling and assistance.

Neither the federal government nor the states should seek to coerce welfare recipients to participate in work-or-training programs without providing adequate day-care protection for the children, or without prior determination of the skills and aptitudes of the welfare recipient for the work or training, and without offering some cash incentive for the welfare recipient to participate in such a program. Such work or training program should be part of the Labor Department's manpower and training structure.

Rural Poverty



The American urban crisis is, in part, a reflection of the poverty and backwardness of many rural areas —particularly in the southern and southwestern states. The cities of the North and West are now paying for the delinquency of these rural areas. A meaningful attempt to solve urban problems must include efforts to lift the living conditions in the poor rural areas and to upgrade the education and skills of the rural population.

Nearly 30 percent of the American population lives in rural areas. Only about one-fourth of these rural residents are farmers or farm workers. The others live in small towns or villages, strip settlements along old roads, Indian reservations, old mining settlements or in scattered isolated dwellings.

Federal legislation should provide farm workers with the same protection afforded other workers—such as unemployment compensation and the right to organize unions and bargain collectively with employers.

The federal program to assist low- and moderate-income rural families to buy or rehabilitate housing should be provided with adequate funds.

In the long-run, the solution of the nation's urban and rural problems requires a population with adequate education and vocational training. The beginnings to achieve this objective in rural areas—under the Vocational Education Act of 1963 and the Education Act of 1965—should be continued and strengthened.

The approach of the Appalachian Regional Development Program should be extended to other regions of rural poverty—federal aid for the establishment of adequate public facilities such as highways and roads, hospitals and health centers, schools, vocational and technical training institutions.

The Agriculture Department's encouragement of recreational and tourist activities in rural areas should be extended, as well as such community improvement projects as the improvement of water and sewage facilities.

Fair employment practices are as essential in rural areas as in metropolitan communities. Rural Negroes, Mexican-Americans and members of other minority groups must have full and fair employment opportunities to work in the industries of the rural areas and in the rapidly growing employment in state and local governments.

Such efforts are needed to improve the economic and social balance between rural and urban areas and lift the standard of life of all Americans.

Economic Planning

We urge the federal government to develop, coordinate and maintain a national inventory of needs for housing, public facilities and services, by specific categories, based on present unmet backlogs and estimates of future population growth.

We urge each state and metropolitan area to develop a similar inventory of needs within its geographical jurisdiction.

Such inventories of present and projected requirements should serve as the foundation for programs in each category. They should also be used as yardsticks for the measurement of progress towards meeting the objectives of adequate housing, public facilities and services.

A planned national effort, under federal leadership, is needed to apply as much of the nation's resources as possible to meet the requirements of a rapidly growing urban population, while providing a sound foundation for the continued advance of the private economy.

THE URBAN CRISIS:

A 10-Point Program

America's urban crisis is rooted in the radical social and economic changes of the past quarter of a century, as well as in the tragic history of Negro slavery, segregation and discrimination.

The population of America's metropolitan areas has skyrocketed, with an increased birth rate and the migration of millions of people from the farms and rural areas. While middle-income families have been moving to the suburbs, the cities are being left with a minority of wealthy people and large numbers of the poor, the deprived, the new migrants.

At the same time, the spread of automation has reduced job opportunities for uneducated, unskilled workers and speeded up the shift of industrial location from cities to suburbs and outlying areas. The need for adequate housing, community facilities and services has soared, while the tax base of the cities has narrowed. And despite the long overdue adoption of federal civil rights legislation, discriminatory practices are still a widespread reality, although rapidly declining under the pressure of government, churches, trade unions and other private institutions.

Instant adjustments and overnight solutions to this complex of problems are impossible. Gimmicks and slogans can achieve headlines, but hardly any positive results.

Yet complacency can lead to disaster. Rapid forward strides are essential to the preservation of a free and democratic society.

Immediate measures are needed to provide jobs, decent housing and adequate community facilities. Planned programs over the next decade or two are required to revitalize our metropolitan areas as centers of American civilization.

The Economic Policy Committee of the AFL-CIO has given careful and thoughtful consideration to both immediate and long-term programs which will meet the needs of America's urban areas. The Committee's report to this Executive Council, which is hereby made part of this Council statement, contains solid recommendations which the AFL-CIO Executive Council now adopts as its program for meeting the urban crisis. Specifically, the AFL-CIO calls for:

1. One million public service jobs for persons now unemployed or seriously under-employed. To provide this necessary means of helping people lift themselves out of poverty and deprivation, Congress must immediately adopt a $4 billion program to fund federal, state and local government agencies and non-profit organizations along the lines of the O'Hara bill. We also consider the Clark bill a step in the right direction.

2. Two and a half million new housing units each year, including:

a. Public housing through new and rehabilitated low-rent homes for the 20 percent of city families whose incomes are below requirements for a minimum decent standard of living. New public housing construction, now at a 30,000-to-40,000 annual level, should be immediately increased to 200,000 to 300,000 for each of the next two years and 500,000 a year thereafter. Adequate appropriations for the rent supplement program are a necessity.

b. Housing for lower middle-income families not eligible for public housing and unable to afford decent dwellings in the standard, privately-financed housing market. Federally-subsidized interest rate loans and a federal subsidy for the partial abatement of local taxes on such properties are needed to increase construction of such housing by cooperatives, non-profit and limited dividend corporations. In addition, federal legislation should make it possible for such groups to acquire existing properties, with government insurance of long-term and low-interest loans.

c. Moderate-income housing, already operating with government-insured mortgages, stepped up through measures to increase involvement of pension funds, college endowment funds and private trusts.

d. Open housing, in suburbs as well as in cities, an essential part of a meaningful effort to rebuild our metropolitan areas.

e. Urban renewal no longer confined to commercial and expensive high-rise construction. The focus instead must be on homes in balanced neighborhoods, with families displaced by slum clearance given assistance in finding decent dwellings at rents they can afford.

f. Model cities program, with adequate appropriations.

3. Mass transit, improved and expanded, is an urgent need in all metropolitan areas.

4. Accelerated construction of public facilities, such as water supplies, sewage systems, mass transit, schools, hospitals, day-care centers, playgrounds, libraries, museums, clean air and water, are

THE AFL-CIO EXECUTIVE COUNCIL adopted this statement at its quarterly session, September 12, 1967, in New York City.

essential to rebuild America's metropolitan areas. For this, we urge Congress to adopt at least a $2 billion a year grant-in-aid program to state and local governments in addition to categorical grants-in-aid.

5. A substantially expanded Neighborhood Youth Corps program to help youngsters remain in school and to provide work and training for those who have dropped out of school.

6. The opportunity for quality education can be met only by realizing the need to close the educational gap between the privileged and underprivileged schoolchildren of our nation, by special incentives to teachers in slum areas, federal subsidy of the More Effective School type program, full use of school buildings for job-training, adult education and community centers. In addition, vocational training must be realistically geared to the modern job market.

7. Manpower training must be linked with job placement and training allowances must be increased so that trainees can afford to remain in the program.

8. Public welfare assistance must be restructured, with the program based on need alone, a federal minimum standard of payments and adequate federal funds should be provided, state work-incentive programs should enable welfare recipients to retain a substantial amount of the dollars they earn without penalty, and demeaning investigations of applicants should be eliminated on the principle that comprehensive social services are a matter of right to those in need.

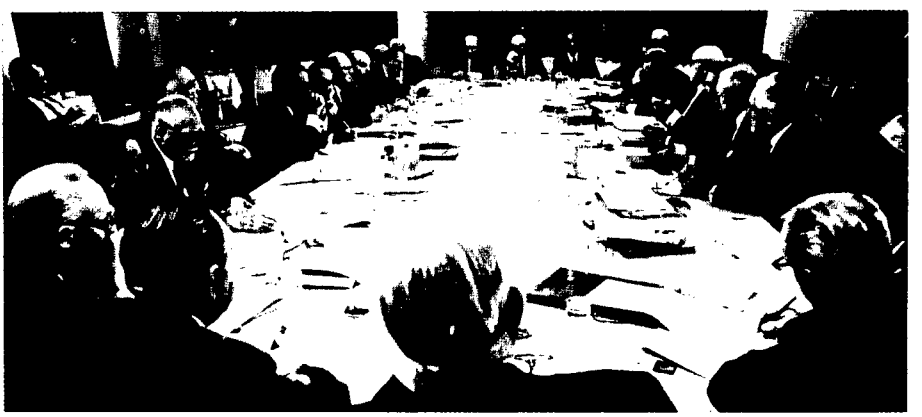
9. Relief of rural poverty, concentrated in the southern and southwestern states primarily, by federal legislation to provide farm workers with unemployment compensation and according to them the same right other workers have under the National Labor Relations Act to organize unions and bargain collectively; by adequate federal funds to assist low and moderate-income rural families to buy or rehabilitate housing; continuation and strengthening of the Vocational Education Act of 1963 and the Education Act of 1965 in rural areas; federal aid in establishment of adequate public facilities, such as highways, hospitals, schools, vocational and technical training institutions; extension of the Agriculture Department recreational and tourist activities in rural areas, and provision of full and fair employment opportunities for Negroes, Mexican-Americans and other minorities to work in the industries of rural areas and in state and local governments.

10. Economic planning, under federal leadership, and including each state and metropolitan area, should include the development, coordination and maintenance of an inventory of needs for housing, public facilities and services to facilitate application of the nation's resources to meet the needs of a rapidly growing urban population, while also providing a sound foundation for a continually increasing private economy.

America's urban crisis did not come upon this nation without warning. It has been coming for a long time and the government has not been alert to its responsibilities.

The program we have offered will not achieve success overnight. By its very nature it is a step-by-step proposal for both immediate action and solid achievement.

America cannot wait any longer to get started and the federal government must supply the leadership and resources to the great national effort that is mandatory.



The AFL-CIO Executive Council discusses problems of the cities before adopting a ten-point program.

EMPLOYMENT AND MANPOWER PROBLEMS IN THE CITIES: IMPLICATIONS OF THE REPORT OF THE NATIONAL ADVISORY COMMISSION ON CIVIL DISORDERS

THURSDAY, JUNE 6, 1968

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The Joint Economic Committee met, pursuant to recess, at 10 a.m., in room 1202, New Senate Office Building, Hon. Richard Bolling presiding in place of Committee Chairman Proxmire.

Present: Representatives Bolling, Curtis, and Rumsfeld; and Senators Proxmire and Jordan.

Also present: John R. Stark, executive director; and Douglas C. Frechtling, minority staff.

Chairman PROXMIRE. Congressman Bolling, who has been chairing these hearings, will be along shortly. Today we have the last session in our current hearings on the manpower implications in the Kerner Commission Report. We have been fortunate in the quality of our witnesses. They have all been most informative and stimulating. Today we are equally fortunate in having a distinguished panel of experts. They are Bertram M. Beck, executive director of Mobilization for Youth, of New York City, accompanied by Russell A. Nixon, associate director at the Center for Study of the Unemployed, New York University; and Virgil L. Christian, Jr., professor in the department of economics at the University of Kentucky.

Another scheduled witness, Dr. Carl H. Madden, will not be here today.

Mr. Beck, we will be very happy to hear from you.

STATEMENT OF BERTRAM M. BECK, EXECUTIVE DIRECTOR, MOBILIZATION FOR YOUTH, NEW YORK CITY

Mr. BECK. Thank you, Senator. I very much appreciate the opportunity of testifying before you. My testimony is not that of a national expert on manpower, but of a man who runs a neighborhood program in one of the ghetto areas of the city of New York. We do have with us today—in addition to Mr. Nixon, who is going to speak of an aspect of our work—Mr. Gilbert Lewis, who has been working with a group of youngsters who are being trained for employment in the film industry, and they have made a 10-minute film of life in our particular

area of our great city. We hope that we might have the opportunity at any point that you feel it would be appropriate, Senator, to show you that film as a setting for our testimony.

Chairman PROXMIRE. I think that would be fine. We were informed of this. I think that film might be very enlightening.

Mr. BECK. At any point you think it is proper, Senator, we are ready to roll.

Chairman PROXMIRE. Are you set up right now?

Why don't you proceed with your statement, and while you are doing so, you can have your people set up.

Mr. BECK. Very well.

In my statement—I have submitted for the record a written statement, so I will merely hit the highlights of it in my oral presentation.

The program with which I am concerned on the Lower East Side has as one of its primary purposes, training people for employment and securing jobs. I would like to talk to you about the impact of the current national efforts to prepare people for employment on an ongoing program.

To begin with, I would like to make the point that while the Kerner Report contained no revelations it has caused me and those with whom I work to do a lot of soul searching about the real nature of racism in our society; most particularly the way in which racism may be present subtly in our own attitudes. As we reviewed this phenomena in relation to employment, it became increasingly clear to us that the major obstacles to securing employment for the ghetto residents are a series of credentials which are required for entrance into jobs in our society today. Some of them are the credentials of unionism. Some of them are the credentials of professionalism. Some of them are the credentials of life habits; a manner of speaking, a manner of addressing other people. The absence of these credentials is what keeps our aim to place people in jobs that exist from finding fulfillment in the actual act of placement.

Today, in our society, a number of different solutions for economic problems in urban areas are advanced and I would like to talk about them briefly one by one.

First, we have been attempting to locate industry in the slum areas, and I know you are familiar with what has been done in Watts and some of the other depressed areas of our cities.

Despite these success stories, I cannot be optimistic about attracting substantial large-scale industry into what is plainly a high-risk area, unless there is some form of public subsidization for such a venture. I do not, however, view subsidization of industry to perform public acts as not the proper line of attack on a public problem. I believe that industry has a proper concern with social problems, and is increasingly discharging its social responsibilities. I also believe that industry's primary concern will continue to be and must continue to be, operating a profitmaking venture. I am skeptical about mixing this profit concern with Government's responsibility to solve social problems.

A second solution advanced is the creation of jobs through the institution of public works projects. I am sure you are aware that thus far, although this holds promise, Congress has not really pro-

vided a major public works program that would make the Government the employer of last resort for people who want to work.

In addition to these two possibilities there is a third venture which is the organization of producers cooperatives and consumer cooperatives, which meet the need, the growing desire of the most deprived people in our slum areas, to run their own show, and to master their own social institutions. And although the cooperative idea is an old idea, I think it has a new relevancy because it fits so well into the desire of people to run their own show.

The fourth possible solution is the possibility of tackling the requirement of credentials which keep people out of jobs. We need to shift the focus from what piece of paper you hold, what diploma you hold, or what apprenticeship you have passed through, to what is the competence of the person, what can the person do.

Now, in a program which has been funded by the OEO and the Department of Labor, we have been training a number of persons who have left the rolls of the public assistance for jobs in the health arena, for social work positions. Although this has been a small and, to some people, an expensive program, I think we have demonstrated something that gives us a clue as to one way out.

When this program was opened, although there was not broad publicity, there were five applicants for every job slot available. This gives the lie to the notion that welfare rolls are full of freeloaders who would prefer to sit back and take a check, and do not want to work. That has not been our experience—five for each job slot available.

The program has taken 16 persons, mostly women, all Negroes and Puerto Ricans, off the welfare rolls, and trained them for jobs where they are now earning from $5,000 to $5,500 per year.

This fact I am about to cite is, I think, very important. Before the trainees joined the program, they had been receiving public assistance amounting to $45,000 per year. Their new jobs represent annual earnings of close to $78,000. For the graduates, placement after their 40-week training has resulted in an aggregated earning power of over $171,000.

Now, these facts speak for themselves. I think they are undeniable. We can move people—and they want to be moved—from welfare into productive jobs in the service sector. Yet, to continue this program under the present resources that are made available to the OEO and the Department of Labor, it requires enormous effort because the competition for funds available is so great, and the amount available is so small.

In summary of what I have said, the fact of unemployment and underemployment in the central city is obviously a national disgrace. One of the obstacles to employment is credentials which are required for jobs—and I use the term "credentials" very broadly, including not only formal education, but also the apprenticeship system in the unions, the kind of personal relationships one has. The requirement for credentials keeps us from advancing people into jobs. I ask that we try to open occupations, when people are competent to do the jobs, rather than focusing on the attainments that are often the consequence of the class position of your parents.

Another point I made is that although we might look to a massive public works program as an immediate solution at least for the men

and the women seeking jobs in my neighborhood, thus far Congress has not seen its way clear to advancing this kind of solution.

I have held before you the possibility of developing occupations in the service sector, occupations which will be of benefit to our hospitals, our welfare agencies, recreation, and I have given you, I think, some very convincing data that this can be done. I have given you the economic facts that show these are real savings.

I do believe that if those of us who have been fortunate in our society, and have the credentials—the degrees and the right words—are willing to move over a little bit and say that we will allow other people who have been shut out of society to come in—not with credentials, but with competence—then I think we could make some dent in this problem.

Now, I was asked to bring with me this morning, in addition to the film, one of my associates, Mr. Russell Nixon. Mr. Nixon is a chairman of a committee of the board of my agency. He is, in other words, a volunteer at Mobilization for Youth. His particular committee has been concerned with the building trades unions and the exclusion of certain minority groups from them. He has been making what I would characterize as a dignified, statesmanlike, rational approach to this problem. I thought you gentlemen might wish to hear what the obstacles are that are encountered in a neighborhood when you try to make an approach which I would characterize as polite.

(The prepared statement of Mr. Beck follows:)

PREPARED STATEMENT OF BERTRAM M. BECK

Gentlemen, I am grateful for this opportunity to appear before the Joint Economic Committee. Let me begin by saying I am convinced that the employment crisis in the urban ghetto is the single most destructive fact of our domestic life.

I am reminded that George Bernard Shaw once wrote that England lost its American Colonies because an important British official was on holiday during the Battle of Saratoga.

It is the intent of my testimony to convince you that "business as usual" in our affluent and economic complacent society is the most dangeraous course we can follow. There is no "holiday" from malnutrition, infant mortality, urban violence and decay. And *these* are the real offspring of unemployment in cities throughout this nation.

The Kerner Report is extrenely pessimistic but useful on the subject of unemployment and under-employment. On page 402, it casually drops the incredible fact that in the 16–24 year old age group among Negro men in the central city, 22.5 percent are currently unemployed and probably two or three times that figure are under-employed. Think of it. In our cities seven out of ten black American men between the ages of 16–24 are either out of work or working far below their capacity. Mix this gasoline with the growing fire of racial pride and self-regard that is spreading throughout Black America and we find that the real miracle is that the nation has suffered so *little* violence in the summer riots.

What are we going to do about it? Do we intend to retreat into our enclaves and recite parables about "crime in the streets", "law and order", "juvenile delinquency", or are we at the very least, willing to concede that we have failed on *every level of public action* to deal effectively with a jobless, hopeless and violent ghetto.

I'm quite sure this committee has listened carefully to a spectrum of programs and approaches to the problem of unemployment. I will not add significantly to this list. I will, however, try through my experience with Mobilizatioin for Youth on New York's Lower East Side, to identify some unique aspects of the problem as I see it.

I intend today to focus in the problem of *implicit racism*. When the Kerner Report authenticated the word "racism," I believe it is meant to describe the subtle habit patterns of our society that prevent the "have nots" from sharing the institutions, wealth and prerogatives of the "haves." In the field of employment this kind of racism is particularly vivid.

Getting good jobs anywhere in this country requires "credentials". . . . they are manifold, these credentials, and simply not available to most minority Americans. These credentials come in the form of institutional traditions, habits of speech and dress, nepotism, patronage, under and over graduate degrees and probably most vicious of all, professional standards—standards which are cut in stone, immovable, unrealistic and do not admit the possibility that there is more than one way of getting a particular job done. Behind this curtain of "professionalism," with its 25-year pins and secret handshakes—our society becomes increasingly polarized. The traditional "ladders" out of the ghetto are removed and our successful, affluent, industrial nation becomes a closed fraternity leaving only the most humiliating service tasks to most folks outside the club.

Even a half-century ago, the immigrant poor of America shouldered their way into our economy and our politics through many ports of entry. The Irish and the Italians built railroads, highways, and skyscrapers. Those ports are now closed . . . . closed by the conspiracy of "credentials" that ranges from union cards to racist hiring practices. Thus the lion's share of the American dream is walled-in by our own complacency, our habits of success, our myopic optimism, our anxiety to live the good life that our grandfathers were denied.

Having said that, let me briefly cover the three of the usual "solutions" propounded by manpower experts in recent years to the employment crisis. The first is the "industry into the ghetto" argument—which calls upon the American industrial establishment to move pieces of its production capacity into the central city where it can take advantage of the resources of manpower available there. *I see no serious evidence* that the private sector of our economy is prepared to do anything of the sort except on the most token basis. American industry considers the ghetto a high-risk area, incompatable with the standards of their business. American industry is not, with some exceptions, prepared to engage in the kind of sensitive, unique skill training operations required to qualify many of the ghetto unemployed for productive labor. The spectre of "credentials" reappears—the habits, the standards of a lifetime are not about to disappear and be replaced with surge of uneconomic morality—it isn't going to happen and we must look elsewhere.

A second "solution" often advanced is the creation of jobs by the institution of public works projects by the Federal Government. Forgive my cynicism—the Kerner Report was published four months ago—the Kerner Report unequivocably nailed the central city crisis to vast unemployment. There is not now, nor has there been, any credible evidence of a will on the part of the Congress or Administration to create such public works projects in response to what the Kerner Report has described as a national emergency. It is not a matter of money—it is a matter of will. When this country was paralyzed by a depression three decades ago, our meagre public resources were mobilized into a positive program of rebuilding the nation, both its property and its people. *There is no less a crisis before us now.*

A third "solution" is one for which I have much enthusiasm but little hope. That is the belief that the poor themselves can, in the ghetto, build their own viable economy based on local industry, cooperative economics and self-determination. It is the nature of all men to survive even the most degrading environment. And in the ghetto, particularly in the black ghetto, the determination to govern his own institutions and build his own economy and life-style, is now the first commandment of the new, articulate black militant. The stridency of his voice is an excellent measure of our failure—and I intend to help this home-made economic and social upheaval in any way I can. But make no mistake; it is a poor alternative made necessary by our failure of will, our unbending credentials—our national selfishness. To be candid, this movement towards self-determination cannot do much in the way of altering the inexorable facts spelled out in the Kerner Report. The resources simply aren't there. But it *can* help to

transform the black American into a formidable political and economic force which we can never again ignore.

Beyond these alternatives are, I think, some possible roads for us to take. One of these is in the development of new jobs, new careers tailored to the ghetto resident. By this I mean new occupations that spring directly from the needs and experiences of the poor. If you will indulge me, I will describe one very small example of this approach now in operation at Mobilization for Youth. We are now training welfare recipients in a new occupation called a Social Service Technician. The program, to nobody's surprise, is a complete success. In it's first phase, it has moved 39 people directly out of poverty into well-paid skilled jobs of the future. Before the program began, 33 of these people were jobless, and six held sporadic, low skilled, low paid jobs. The remarkable success of this program is partly traceable to the fact that the problem of "credentials" was removed by the fact that a new occupation, uncluttered by hiring practices or infallible standards, was the goal. The occupation itself, which calls for a functioning professional, working as a social service assistant in the New York City Hospitals, came directly out of the real experience of the people involved and filled an ugly gap in the impersonal and clinical character of the hospital environment. There *is* enormous importance to this tiny success but it is to tiny in proportion to the problem that it cannot even be taken seriously as a partial answer. You might be interested in knowing that getting the tiny amount of money required to run this program called for an operation comparable to getting relief for the Marine garrison at Khe Shan. Why? Even those of us with impeccable credentials are slowly being killed off in our efforts to seek relief for the embattled ghetto community.

There is still another road which it may be possible for us to take. And that is through the development of job training and job placement programs in which the federal, state and city governments provide incentives to private industry to train and place young men and women into their existing work force. This is a complicated business, especially complicated by the need for whole new skill training systems, sensitively devised, unencumbered by courses in hair-straightening and hostile teachers. The Department of Labor has made an interesting if minimal beginning with its MA–3 program which does provide some economic assistance to industry and merges the experience of social agencies with the job needs of business. I applaud this program and my own agency is a major functionary in its development in New York City. But, again, it is almost laughably small and will, at its present level, do no more than mildly dent the central city unemployment figures.

So let me summarize:

(1) The fact of unemployment and under-employment in central city is a national disgrace. The figures cited in the Kerner Report foretell a national disaster.

(2) Racism in the form of "credentials" and overt bigotry pervades our established public and private institutions.

(3) Despite the horrifying reality of the employment crisis, the Federal Government shows no signs of responding either in terms of massive public works programs or in terms of the wide-spread funding of employment programs on any level.

(4) The hope that major industry will move into the ghetto is nonsense and the resources available to build ghetto-owned industry are simply not adequate.

(5) There are *some* possible avenues of approach; one, through the systematic development of new occupations and a second, through the development of publically funded-incentive programs which are designed carefully and sensitively, using the wisdom of those who live and work in the ghetto.

But none of this means anything at all, unless somehow this Congress, this entire Nation can take at least two important steps:

(1) We must stop ignoring and avoiding the terrible truth about the urban ghetto. We must find the courage to see our domestic Hell for what it is, and make an irrevocable decision to mass our resources and our collective intelligence to change it.

(2) We must give up a large portion of our prerogatives; open the doors of this private club called the affluent society and hope that our failure of the past will be forgiven by our new brothers of the future.

Representative BOLLING (presiding). Thank you, Mr. Beck.
I understand the film is not ready yet, so we will proceed.
Mr. Nixon.

STATEMENT OF RUSSELL A. NIXON, ASSOCIATE DIRECTOR OF THE CENTER FOR STUDY OF THE UNEMPLOYED, NEW YORK UNIVERSITY

Mr. NIXON. Thank you, Mr. Bolling.

Members of the committee, I am sure that we all are here this morning under the shadow of the desperate events of the last 2 days, which it seems to me gives added urgency to the hearings that this committee has wisely scheduled, and is very effectively conducting—an added urgency to the Kerner Report which is the subject of these hearings.

A major virtue of the Kerner Report—*the Report of the National Advisory Commission on Civil Disorders*—is that it is addressed to the naked facts of our society and it calls on all concerned to "tell it how it is"—to "see it how it is"—here and now. The crisis of our cities and the scale of civil violence and rebellion which led to the creation of the Kerner Commission and its Report make it absolutely imperative to face up to the hard realities of the adverse employment conditions and job opportunities for Negroes, Puerto Ricans, Mexican-Americans, and other minorities in our economy.

As Dr. Beck suggested, I will be addressing my attention to the construction industry—perhaps the most important employment area at issue, because of its huge size, because of its crucial central role in our economy, because of its special significance for the ghettos and minorities, and because of its enormously growing potential in our society.

I would start out by summarizing three facts which I think characterize the present situation and are relevant to this particular hearing addressed to the question of racial discrimination and employment.

These three facts are very simply stated.

First. As a result of a complex pattern of past and present discrimination and exclusion, minority workers are generally barred from most construction work—except in very marginal circumstances, and in the unskilled categories, the construction industry labor force on June 6, 1968, is lily white.

Second. No programs are underway, and no changes are in the works at the present time which will result in a balanced construction labor force with appropriate proportions of minority workers in the years immediately ahead. Current antidiscrimination agreements and declarations by building trades, union, and employers, legal enforcement actions and special apprenticeship programs are highly laudable, but they are inadequate to change significantly the basically white makeup of the construction labor force.

Third. The continuing failure to create a minority worker construction labor force is leading to an intolerable impasse which threatens to result in drastic and often violent confrontation whenever building

and construction is undertaken in our cities. It is unrealistic—and you here in Washington are sitting in the middle of an example of this, in the question of the stalemated cleanup work following the violence of some weeks ago—it is unrealistic to expect that white work crews are going to be permitted peacefully to rebuild our slums, rehabilitate and build new low-income housing, construct schools and hospitals, in the Negro, Puerto Rican, and Mexican-American neighborhoods of our country.

The comprehensive housing plan just approved by the Senate, the model cities program, government public works at all levels, are all put in jeopardy by the failure to integrate the construction labor force.

Finally, to shift from what I think is a statement of facts to an opinion and a recommendation.

A drastic crash program on a new level and a new scale is needed to bring Negroes, Puerto Ricans, and Mexican Americans quickly into the construction industry, and to avoid the dangers and troubles inherent in the present situation.

New routes and standards for entry into construction jobs, rationalization and restructuring of jobs, new programs of on-the-job training, with realistic ladders for occupational advancement must be developed.

I would emphasize to you that impressive steps are being taken by many employers at the present time, through the National Alliance of Businessmen, and the Urban Coalition, to do just this in major sections of industry.

It is high time that the construction industry made the same effort.

Since we are dealing here with extremely difficult and complex problems, and an issue which involves very seriously vested interests, I would suggest that a special blue ribbon commission be established to design and recommend a realistic program for the full and immediate integration of the Nation's construction labor force.

Dr. Beck has mentioned the special experience at Mobilization for Youth, and I think that this is significant, because Mobilization is a high-quality youth program, a pioneer in this field, in the Lower East Side of New York City, and its experience confirms the observations I have just made.

To put it very simply to you—in 5 years of rather sophisticated and very serious effort, Mobilization for Youth has been completely unable to channel its trainees, primarily Puerto Rican and Negro youth—into jobs in the construction industry.

Mobilization for Youth is aided in its job development efforts by a volunteer group of employers, union representatives, and other concerned individuals who comprise the Mobilization for Youth Committee on Employment Opportunities. The committee chairman is Herbert Bienstock, the Regional Director of the U.S. Bureau of Labor Statistics. A year ago, Mr. Bienstock appointed a Special Subcommittee on Employment in the Construction Industry, and named me as chairman with Mr. Holmes Brown, vice president of American Airlines, Mr. Donald Armiger, assistant vice president of the First

National City Bank, Mr. Ed Corwin of the New York Board of Trade, and Mr. Harold Wolchok, Teamsters Union official, as other members. Aided by the Mobilization for Youth staff we have worked during the past year canvassing all avenues of approach to the development of jobs for MFY youth in the construction industry. These efforts are continuing, but as of now we have failed to place a single MFY Puerto Rican or Negro youth in construction work.

In the course of our efforts we have had conferences with all the principle groups concerned—with Government officials responsible for enforcement of nondiscrimination laws, with the head of the New York City Building Trades Council, with the chief employers, with civil rights representatives, with the personnel director of New York City, with the leaders of the Bureau of Apprenticeship Training, and with Workers Defense League apprentice training project leaders.

We have been impressed in our discussions with the unanimous and vigorous affirmation of hostility to all forms of racial discrimination in the construction industry. We do not question that. At the same time, we have been impressed with our inability to develop through these impressive and authoritative contacts any concrete program or process for the employment of MFY trainees in construction jobs in the city of New York.

We are concerned because we think that this reflects a generalized situation throughout the country as far as minorities are concerned.

Viewed from the frame of reference of the Kerner report, "national action on an uprecedented scale" to eliminate the roots of racial discrimination, it is completely inadequate merely to state that from now on, overt racial discrimination will be ended in the construction trades. This is true for at least two reasons.

First. De facto discrimination is part and parcel of the present apprenticeship and hiring system of the construction industry. Without far-reaching changes in the industry's job entry processes, that system will perpetuate a racist labor force, regardless of antidiscrimination avowals by employers, unions, and Government.

Second. The racist distortion of the present construction labor force composition is so extreme that "time" cannot be left to solve the problem and drastic balancing action, remedial actions, are immediately required. The estimate of the NAACP that "given a continuation of the present rates of advance, it will take Negroes 138 years, or until 2094 to secure equal participation in skilled, craft training and employment" is well founded.

The present policies of exclusion practiced by the construction trade unions is an admixture of racial discrimination and a tactic of limiting the supply of labor for advantage in the establishment of wages and working conditions for construction union members. This concern for wages and economic security is a thoroughly legitimate objective, but it cannot any longer be pursued at the price of racial exclusiveness, whether achieved by overt discrimination or by artificial hiring standards unrelated to job performance, discriminatory occupational tests, and an exaggerated and one-dimensional training procedure.

To continue to permit the misuse of the apprenticeship system and the craft standards to bar minorities is not only socially intolerable today, but it also jeopardizes the legitimate and socially desirable values of the apprenticeship and craft systems themselves.

The lessons of the developing manpower programs for the hard core unemployed make clear that new employment policies to "screen in" rather than to "screen out" the disadvantaged are necessary. Industry, business and Government generally are increasingly recognizing the need to redefine, redesign, and restructure jobs to create new job opportunities for the disadvantaged, to pursue special programs of recruitment in the ghettos and of in-service training and supportive services are necessary to make possible fruitful employment of hitherto excluded workers. Valuable new resources of labor are being uncovered. New careers in nonprofessional and subprofessional jobs in the public service are opening new opportunities for people who desperately need them and meeting serious manpower needs at the same time. These are manpower efforts that go far beyond simply refraining from illegal acts of discrimination or even of token and symbolic integration. They are in the spirit of the Kerner report. The construction industry has not yet made similar efforts.

The New York State Commission for Human Rights has recently completed a survey of the minimum qualification for apprentices in 57 Building Trades Joint Apprenticeship Committees in New York City. These standards, summarized below, indicate the widespread exclusionist character of the apprentice system in New York.

Minimum Qualifications, 57 Building Trades Joint Apprenticeship Committees, New York City (as of January 11, 1968)

Require high school graduation	30
3 years or more residence	22
Below 26 years of age	43
Police clearance or police record report	22
Minimum point score	23

Source: "Building Trades Analysis of Apprenticeship Selection Standards in the New York City Area," New York State Commission of Human Rights (mimeo) March 1968.

When you add the less visible barriers and exclusion devices you can readily understand how this exclusion process perpetuates itself. I won't detail the table—it is in the testimony. But out of the 57 building trades joint apprenticeships, 30 of them require high school graduation for even applying to get into the industry. Twenty-two of them require police clearance before they can even apply to get into the industry. And 23 of them have "minimum point scores," which is a ready formula for exclusion.

The consequences of this type of practice is represented beyond any question in the facts of participation in the construction industry in the city of New York. It is within this framework that we have had our so far unsuccessful experience at mobilization in placing our youngsters in the construction industry.

This table, which was prepared by the Commission on Human Rights in New York City, on the basis of extensive hearings, and updated from 1963 to 1967. Just let me highlight a couple of points. These are symbolic.

ESTIMATED UNION MEMBERSHIP AND APPRENTICE PROGRAMS, NONWHITE JOURNEYMEN AND APPRENTICES

Union	Approximate total membership	Negro and Puerto Rican	
		Journeymen	Apprentices
Elevator Construction Union, Local No. 1	2,300	10	(1) 5
Plumbers Union, Local No. 1	3,000	24	2
Plumbers Union, Local No. 2	4,100	21	2 or 3
Operating Engineers Union, Local No. 14 and 14A	1,600–1,750	23–50	0
Operating Engineers Union, Local No. 15 (A, B, C, D)	4,700	[1] 407	0
Sheetmetal Union, Local No. 28	3,300	(1)	(2)(3)
Ironworkers Union, Local No. 40	1,050	(1) 7	14
Metallic Lathers Union, Local No. 46	1,600–1,750	5	5
Steamfitters Union, Local No. 638	6,800		14
A	4,000	0	
B	2,800	200	
Total	28,450	697	54

[1] Uncertain status.
[2] Zero Negroes.
[3] 12 Spanish speaking.

Source: "Bias in the Building Industry," an updated report, 1963–67, the city of New York, Commission on Human Rights, May 31, 1967, pp. 14–17.

The Elevator Construction Union Local No. 1, approximate total membership 2,300 people, has 10 Negro and Puerto Rican journeymen. This is in a city with 35 percent Negro and Puerto Rican population.

Plumbers Union Local No. 2, that is the home local of the president of the AFL–CIO, 4,100 members, 21 minority journeymen and two or three apprentices.

In the Steamfitters Local 638, 6,800 members, 200 minority journeymen and 14 minority apprentices.

On an overall basis the New York City Human Rights Commission estimates that less than 2 percent of the skilled craft unions are Puerto Ricans and Negroes.

Let me repeat again—this is the situation in a "progressive" city—in a State and city that have pioneered in the enactment and application presumably of antidiscrimination legislation, in a city in which 30 to 35 percent of our population are Negro and Puerto Rican, and in a city in which we are spending a billion dollars in the next year for school construction, and contemplating model cities programs, and rebuilding of slums, and the building of more hospitals. I suggest to you that these two purposes—or this purpose, and this situation, or condition, are completely at odds.

The conclusion of the New York City Human Rights Commission report is simply this. It says:

> The pattern of exclusion in a substantial portion of the building and construction trades, which was revealed in its 1963 hearings, still persists * * *. To a considerable degree, this exclusionary pattern is attributable to racial bias, but regardless of what the other underlying causes may be, there is no doubt that the import of this pattern of exclusion is racially discriminatory, and its victims are the non-whites * * *. The unions continue to maintain almost insurmountable barriers to non-white journeymen seeking membership. They continue to be lily-white * * *. The employers continue to shirk their responsibility to include the non-white journeymen in their work force * * *.
>
> —*Bias in the Building Trades, p. 44.*

I would suggest that this situation is at least as bad in all of the other major cities of our country.

The Special Importance of the Construction Industry

This is important—and I come to the concluding point—because of the very particular importance of the construction industry. It is not just a by-the-way example, in my opinion. This is in the center of the employment and economic system of our country. The pattern of racial exclusion in the construction industry is of special significance because of a number of reasons:

1. *It is a large industry.*—Total new construction expenditures in March, 1968 were at an annual rate of $81 billion. In that month this year, 3,425,000 wage and salary workers were employed in contract construction.

2. *It is an industry with especially large growth prospects.*—On the logical assumption that social and employment programs of the future will emphasize urban redevelopment, slum clearance, housing, hospital, school and other public facility construction, the potentiality for growth in the construction industry is enormous. The conservatively based estimates of the U.S. Department of Labor foresee an increase of 1 million workers in contract construction between 1965 and 1975. If the economic proposals of the Kerner Report are implemented, the growth of construction employment will be even greater.

3. *The Construction industry is extraordinarily dependent on public funds.*—Between 50 and 60 percent of new construction projects are Federal, State, and local public works. With new programs, this proportion could rise substantially.

4. *Construction is highly visible and especially related to the low-income and minority population.*—Everybody watches construction production. Much of it now and in the future will emphasize slum needs, be located in slum areas and be the result of special programs to meet the needs of minority groups.

5. *Construction jobs are good jobs and consequently important to minority workers whose complaint is low paid menial work as much or more than it is unemployment.*—This is true on two counts.

(*a*) In 1967 average construction wages were $4.09 an hour, and $154.19 a week. Total private industry wages in 1967 were $2.67 an hour and $101.99 a week. Plumbers average weekly wage in 1967 was $170 and that of electricians was $190.42.

(*b*) Construction jobs are male jobs, both in the sense that they are filled by men and in the highly important symbolic sense that they are manly jobs. Thus this work has special meaning for the Negro male whose manhood has been demeaned by menial work.

The importance of construction suggests not only that racial exclusion from that work is particularly damaging, but that realization of equal rights in this industry would have enormous positive implications. Much of the test as to whether the Kerner report will have real meaning will be decided in the construction industry.

Thank you very much, Mr. Chairman.

Representative Bolling. Thank you, sir.

We will hear next from, Dr. Christian.

STATEMENT OF VIRGIL L. CHRISTIAN, JR., PROFESSOR OF THE DEPARTMENT OF ECONOMICS, UNIVERSITY OF KENTUCKY

Dr. CHRISTIAN. Thank you, Mr. Chairman.

My testimony is a marked contrast to that of the previous speakers, in that they addressed themselves to the problem of an overt discrimination in the job market, whereas I wish to talk about institutionalized discrimination for which education is a strong proxy variable.

In the Kerner Report which presents the typical Negro rioter, there appears the statement "he feels strongly that he deserves a better job and that he is barred from it, not because of lack of training, ability, or ambition, but because of discrimination by employers." [1] And again, in ranking grievances of the Negro community as perceived by that community, it lists inadequate education fourth—not even in the first level of intensity.[2] These quotations indicate that the Negro does not realize that his problem is even more fundamental than job discrimination; namely, that relatively poor schooling has placed him at a marked disadvantage before he reaches the job market. He is therefore mistaken in putting most of the blame for unequal treatment on the employer, because the total society is in fact responsible for a considerable part of it.

1. Unequal educational opportunity puts the Negro worker in an inferior position in the competition for jobs entirely independent of discrimination by employers.

Segregated schooling has meant inferior schooling for Negroes. This point, not disputed by any serious researcher of the question and strongly reaffirmed by the recent study "Equality of Educational Opportunity" sponsored by the Department of Health, Education, and Welfare, suggests that the nonwhite suffers in two ways: First, lower enrollment rates for nonwhites at all grade levels leads to a lower median number of years of schooling; second, lower quality academic programs means that at given levels Negro students score lower on achievement-tests and, additionally, that the score gap generally widens as the grade level progresses.[3] At the 12th grade, the "achievement disadvantage suffered by Negroes in comparison to whites is about 9 points in the standard scores in the metropolitan North, but about 12 points in the rural South." [4] Should the Negro from the rural South migrate to the urban North his disadvantage, because of a between region variation which affects all students, becomes even larger. This means, of course, that there is a perfectly valid economic reason for employers to lean toward white applicants in their hiring policies, particularly for the better paying and more demanding jobs, since they know that the white at a given grade level is likely to have had better schooling and will presumably be more productive.

Occupational data growing out of the reports generated by title VII of the Civil Rights Act of 1964 lend support to the foregoing

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[1] Report of the National Advisory Commission on Civil Disorders, p. 73: U.S. Government Printing Office, 1968.
[2] Ibid., p. 81.
[3] James S. Coleman et al., "Equality of Educational Opportunity," p. 218 ff.: U.S. Department of Health, Education, and Welfare, Office of Education, U.S. Government Printing Office, 1966.
[4] Ibid., p. 220.

contention. Mr. Orley Ashenfelter of Princeton University, in a report prepared for the EEOC based on 1966 data has prepared an index of occupational position for 28 major industries in which he shows that for the industries studied (with one minor exception) Negroes occupy a disproportionate number of low paying, low skilled jobs, and further that they are concentrated in these industries which have a high proportion of such jobs.[5] Extending his analysis by examining the relationship between the Negro's educational attainment and his job position, Ashenfelter postulates that nearly a third of the differential between the Negro and white indices of occupational position disappears when the Negro attains the same median years of schooling. Were a further adjustment made for the lower quality of Negro schooling, it appears likely a third of the remaining differential would vanish.[6]

Thus it appears that roughly half the job discrimination faced by the Negro in the industries studied was attributable to differential education. In one sense it is tragic that this is true. For it means that the long-run solution of the problem involved a great deal more than just overcoming employer discrimination, difficult as that might be. And it implies that millions of Negroes currently in the labor market, and hence discriminated against in this vital respect already, will be at a competitive disadvantage all their working lives.

It is no more than honest to point out, however, that the EEOC data do not provide a basis for inferences concerning the entire labor force. They cover firms having 100 or more employees, not the full spectrum of American business. Corporations are therefore disproportionately represented. If it be true that small firms are more likely to discriminate in their hiring practices than are larger ones, then the case for educational disadvantage is overstated here. But it would be serious even if it involved only the firms covered by the EEOC reports.

2. Migration of the Negro from the rural South to urban ghettos, South and non-South, will not, in and of itself, cure the problem of educational inequality.

In 1910, 91 percent of the Nation's nearly 10 million Negroes lived in the South and only slightly more than a quarter of them were in cities of 2,500 or more.[7] By 1966, only 51 percent of the 21.5 million Negroes were in the South and 69 percent of them lived in metropolitan areas. The 12 largest central cities contained two-thirds of the Negro population outside the South, and one-third of the total in the United States. Obviously the Negro population has become dispersed geographically and increasingly concentrated in the largest urban centers.

Unfortunately, there is little evidence that this dramatic shift in Negro population has brought an equally dramatic shift toward educational equality. In fact, the previously cited study of educational

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[5] Orley Ashenfelter, "A study of Policies and Practices Relating to Title VII of the Civil Rights Act of 1964," mimeographed. The technique used by Ashenfelter was developed by Gary Becker in his "The Economics of Discrimination," University of Chicago Press, 1957.

[6] The method involves adjustment of years of schooling for Negroes downward to make them equivalent to years of white schooling. Achievement score data from the Coleman report provides an empirical basis for the adjustment.

[7] U.S. Riot Commission Report, op. cit., p. 239.

opportunity states that the disadvantage suffered by the Negro in the rural South is reduced by only a fourth in the urban North. The reasons seem apparent: they can be summarized by noting that the urban Negro generally is found in substandard housing in a racially segregated section of the central city, frequently attends schools which are almost as segregated as those in the South, and is beset by all the miseries attendant to the urban slums. The flight of the more affluent white residents to the suburbs has eroded the tax base and, additionally, and perhaps more importantly, has left a socioeconomic atmosphere that is hardly conducive to quality education; the two factors taken together indicate that it will be increasingly difficult for city governments to finance good schools and substantiates the notion, advanced in the Coleman Report, that the students in them will not be highly motivated.

3. Improvement of the schools which Negroes attend is then a necessary, though not a necessary and sufficient condition, for curing the concentration of Negroes in low-skill, low-paying, low-status jobs.

The preceding argument is not to be interpreted as a defense of the employment practices of American industry. Or of the apprenticeship and membership practices of organized labor for that matter.[8] That there is widespread discrimination by both management and unions is an unequivocal fact, widely studied and thoroughly documented. Hence it would be fallacious to assert that the Negro's job inferiority would be wiped out if he achieved full educational equality, given the existing social attitudes toward him. But it would be equally fallacious to assert that his job inferiority would be wiped out by corrected social attitudes, given the existing disparity in educational achievement.

In the absence of racial discrimination the job market would become completely impersonal, and competitive forces would compel employers to hire the better prepared workers, leaving the Negro still behind in respect of the better jobs.

There is still another aspect of Negro employment that is related to the level of educational achievement of the Negro. That is, the low occupational status of the Negro worker, which is partially attributable to inadequate preparation for the better jobs, makes him highly susceptible to underemployment and unemployment.

UNEMPLOYMENT RATE AND THE PERCENTAGE NOT EMPLOYED, FOR MALES 25–54 YEARS OLD, BY COLOR, FOR THE UNITED STATES, 1957 AND 1967

Year	Unemployment rate (percent)		Percentage not employed	
	White	Nonwhite	White	Nonwhite
1957	2.7	7.0	5.3	11.2
1964	2.8	6.6	5.6	12.2

[1] Table reproduced from Harold M. Baron and Bennett Hamer, "The Negro Worker in the Chicago Labor Market," edited by Julius Jacobson, Doubleday & Co., Inc., 1968, after data developed by Susan Holland and J. Ross Witzel in "Labor Force and Employment in 1964," U.S. Department of Labor, 1965.

[8] See F. Ray Marshall and Vernon M. Briggs, Jr., "The Negro and Apprenticeship," Johns Hopkins University Press, 1967.

Baron and Hymer, in a study of Negro employment in Chicago, make the additional point that nonwhite employment is more cycle sensitive.

> Within the business cycle we find that the fluctuations of nonwhite employment are more marked than those of whites. During downswings in the economy nonwhites are cast into the pool of the unemployed at a rate twice that of whites.[9]

In respect of unemployment and underemployment, it must be conceded that the body of opinion of labor economists is that discrimination in the labor market, not educational disadvantage, is the primary culprit. Sidney Pecks asserts:

> The color line is also apparent when it is known that twice as many Negro adults as whites are unemployed whatever the occupation, educational level, or age.[10]

And Baron and Hymer continue:

> Apologists often try to explain away high rates of Negro unemployment in terms of the racial differences in education and occupational experience * * * we find that at every occupational level and in every occupational category Negroes have a considerably higher rate of unemployment than whites.[11]

The only modification suggested here would be to emphasize that low educational attainments concentrate nonwhites in occupational categories that are vulnerable to layoffs, which affects gross unemployment figures, and, second, that an adjustment made for the inferior quality of Negro schooling might reduce sharply the within-occupation unemployment rate differential between whites and nonwhites. If this statement seems a bit tentative, it is because the work upon which it is based is not far enough advanced for one to be unequivocal—a few weeks hence it might be much stronger, or, alternatively, withdrawn entirely.

In the former case one could then argue that differences in education are important in explaining high rates of Negro unemployment, and not feel like an apologist in doing so, for he would be putting a share of the responsibility on the total white society, where it certainly belongs, rather than entirely on labor market institutions, which have responsibility enough without shouldering that of others.

It is unfortunately true that the two major aspects of the Negro's problem—inadequate schooling, which places him at a disadvantage before he reaches the labor market, and discrimination in the job market itself—are both outward manifestations of the racial attitudes of the white majority. Nothing said thus far should be taken to mean that equalizing educational opportunity is a complete solution. It leaves the second factor out entirely, and it says nothing about the millions of Negroes in the labor market who have already been victimized by second-class education. But it has been emphasized in this statement because there exists legislation—title VII of the Civil Rights Act of 1964 in particular—aimed at overt market discrimination. Enforcement is the issue there. The real tragedy for the present generation is the large group of people populating the urban ghettos who are, and always have been, obsolete in terms of the skills needed to be economically effective in an urban society.

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[9] Ibid. 0. 238. The study referred to was made by Lester Thurow and reported as "The Changing Structure of Unemployment, An Econometric Study." Review of Economics and Statistics, XLVII, (May 1965).

[10] Sidney M. Peck, "The Economic Situation of Negro Labor," in The Negro and the American Labor Movement, edited by Julius Jacobeon, Doubleday and Co., Inc., 1968.

[11] Baron and Hymer, op. cit., p. 239.

Unless the United States is somehow able to maintain a level of economic growth that will sustain relatively full employment over the next two or three decades, it is difficult to believe that even the most racially free market will be very kind to these people over that period.

Representative BOLLING. Thank you.

Mr. Beck, would you, for the benefit of those of us like myself who arrived a little late, tell us a little bit about the film.

Mr. BECK. I would very much like to, Senator.

The film is in a sense a background for the testimony of Mr. Nixon and myself, but it also is in a sense a witness, for the film was made by Neighborhood Youth Corps youngsters, all of whom are members of minority groups, all of whom are school dropouts with very low reading levels. They are youngsters who are working with technical guidance from adults, but the adults did not tell them what to film or how to structure the film. So in a sense I think the film—I do not know whether you will agree—is a witness for human capacity, for the potential of people who are often thought of as having very little potential. It is a rough film in parts, some of the language is rough. But it is an honest film and shows you something of the neighborhood in which I live and the youngsters who made the film also live.

Representative BOLLING. Thank you very much, Mr. Beck. We will now proceed.

(At this point in the hearing the film referred to was exhibited.)

Representative BOLLING. We thank you very much.

I for one hope that those who saw it understood it, and that a great many more people see it, because so few people understand the situation with which in a rather distant way we in the Congress deal, and you gentlemen deal much more closely.

Before proceeding with the questioning, I ask unanimous consent to place in the record at the appropriate place the statement of Congressman Charles E. Bennett to this committee on the subject of these hearings.

(The statement referred to above appears on pp. 280–297.)

At this time I will recognize Senator Proxmire for questions.

Senator PROXMIRE. Mr. Nixon, you discussed the mobilization for youth effort, and you said that you were unable to place a single Puerto Rican or Negro youth in construction jobs.

Precisely whom did you see? Was it local union people, employers, both? Where did you find your principal difficulty, and what did you do to try and move them?

Mr. NIXON. The answer is that we talked with the leading construction employers in the city, and we talked with both Mr. Peter Brennan, who is the head of the Building Trade Council, AFL–CIO, New York City and New York State, and we talked with individual union officials. We have not been able to break through the apprenticeship entry route and the requirements which they have set up.

We have sent people to apprenticeship programs, tried to get them through, but without any exception they have been excluded by a variety of standards which are petty well known—high school graduation, passing of tests at a certain level.

Senator PROXMIRE. Did you have any Negroes or Puerto Ricans who met these standards who were excluded—that is, who were high school graduates, got police clearance?

Mr. NIXON. I am very glad you asked that, because that makes the point.

There is a tendency to turn off now and say "Well, there is no discrimination, anybody that can meet these standards can get it without discrimination." I think there is a great deal of truth in this statement. But the standards have now been set at such a level that whether or not there is racial discrimination as such, the consequence is excluding minority people from those jobs.

I would suggest that they are standards that are not related to performance, they are not related to what is required to do the job, they are excessive, they are designed basically to limit the supply of entry of labor into the trades.

Senator PROXMIRE. Do you get any cooperation in this viewpoint from employers? After all, employers are anxious to hire people to do the job. They often have a dearth of people who are available, especially in the construction trades, where you sometimes have a big demand, and they have to wait for people to meet it. Do you get any cooperation from any employer on this?

Mr. NIXON. Let me just say that from employers and unions we are getting sympathy in a way we never got it before. But basically——

Senator PROXMIRE. How are you getting it in a way you never got it before? Are they suggesting ways in which there can be exceptions? What concrete measures are there?

Mr. NIXON. They are much more open in their statements of hostility to discrimination. They are more open in their efforts to make sure that there is no overt discrimination practices. But they insist that the standards be maintained just as they are, and that they do not really change the requirements for high school graduation, no police record and so on.

Senator PROXMIRE. What proportion of Negroes have a high school diploma in this area, who are unable to find jobs?

Mr. NIXON. Sixty or 70 percent do not have, Senator.

Senator PROXMIRE. That single qualification excludes them. In addition, if they have any kind of police record, even if they are picked up on the basis of suspicion for something, they are out?

Mr. NIXON. That is right. There are variations in this. Also beyond these specific requirements, there are the less definite requirements of a verbal test, an evaluation by an administration group.

There has been an effort, as you know—the Workers Defense League, financed by the Department of Labor—to try to get by the barriers that are set up through tutoring specially selecting Negroes and Puerto Ricans and helping them to pass the tests by intensive efforts. I think this is a laudable effort. But I would suggest to you this highly publicized program is only aiming at the entry into apprenticeship throughout the country of 375 minority people in 2 years. This is not the route by which we can expect to achieve an integrated labor force to clean up Washington, D.C. right today, or to build new schools in the Bedford Stuyvesant area, the Lower East Side, or in Harlem, N.Y.

Senator PROXMIRE. I would like to ask Mr. Christian to come in on this at this point. I think you make a very very strong and reasonable argument that there are two elements here. One is racism and discrimination, and another is a more subtle less obvious kind of racism—

inadequate education. Because they have less education they have less qualifications.

At the same time, what studies have been made of the kinds of jobs for which educational qualifications are not significant, or are not important? Mr. Nixon makes a point which seems to me to have a lot of reason to it—that many, maybe most of these jobs should not really require educational achievement of a substantial amount.

Mr. CHRISTIAN. Senator, that is certainly true—the kind of job he is talking about. I was addressing myself really to the entire spectrum of employment in the country, and in particular to the better paying jobs—the managerial jobs. He is still talking here about a man who is, if I understand the building trade—and I do not know perhaps as much about that as I should—functioning in a skilled or semiskilled way when a foreman tells him what to do, or it is apparent that he knows what to do. That is, he can be told exactly what to do.

Now, there are studies underway which indicate that many of the educational job qualifications are not needed for jobs of that sort. That, in fact, people with lower levels of education than has been presumed can function effectively in these jobs. I think maybe Mr. Beck or Mr. Nixon could say more about that than I can.

Senator PROXMIRE. That would be very helpful. I think every member of this panel, and most of us are familiar with people with very limited formal education who have been extraordinarily productive in almost any kind of a job, but at the same time others who do not have that genius, rare genius—Lincoln or somebody like that—just fairly ordinary, but with a very limited education, school dropout, can still do many of these things and do them well.

Mr. BECK. Yes, Senator.

I would like to address myself to that point, in these terms.

We have had some success in training programers for computer work, certainly key punch operators, who have a very low formal education.

Senator PROXMIRE. What do you mean by very low?

Mr. BECK. A fourth grade reading level—youngsters who have left school at the earliest legal opportunity, and got very little out of school.

In these film-making ventures, we found that youngsters who lack a theoretical background, if we get to them early enough actually can operate rather complicated equipment, quite readily, and then learn their theory.

In the social work occupations that I mentioned, we have been able to take people who have little formal education, and, over a period of 9 months, to expose them to some theoretical notions and some practical work, as they secure a job. Over 75 percent of the people I referred to in my testimony are voluntarily going to get their high school equivalency now. I think the answer to this problem is in part that we are pretty fixed on a notion of a conventional education pattern—8 years, junior high, high school, college, graduate education. If we would think instead about the kind of potential that is in the youngsters who made that film, how we can get them to work, and while they are at work exposing them to educational experiences, the mind can be stretched, abilities can be developed. We should never desert the notion

that competence is needed at different levels for different jobs, and we want to develop competence.

Senator PROXMIRE. Have you attempted to work up alternative qualification standards that you suggest? In other words, they simply have finished their legally required education, or something of that kind—that they not have a conviction for a felony, something that is better than the obvious disqualification of many persons who can do a good job if given a chance?

Mr. BECK. Senator, there has been little of that. I would like to see us, as a nation, move toward the standard of competence to do the job—whether it is to lay bricks, to demolish a building, to be a teacher, to be a social worker—where we would attempt——

Senator PROXMIRE. Have you submitted a formal alternative and made an effort to persuade the building trades or any one of the building trades to consider adopting it?

Mr. BECK. I will turn to Mr. Nixon for that on building trades.

Senator PROXMIRE. Particularly the laborers, for example.

Mr. NIXON. The answer is only in a very partial way, Senator.

The fact is in the construction trades, one of the characteristics is "darkness" as far as facts are concerned. We do not know many of the things that we should know about the building trades. There is no objective description of what the actual performance requirements are in the basic trade classifications in the building industry. There is a tendency to make those descriptions address themselves purely to, let us say, a master plumber, or a master electrician, and you have only two categories—apprentice and plumber. We have learned in other sections of industry you have to restructure jobs, and you have to define different levels. And there may be some people who do not meet the standards of total master plumbing capacity who can still do good plumbing work.

Senator PROXMIRE. Around our house I could not fix anything—my wife has to do all the work. I think that is common with many of us—no matter how much we have gone to school, or what evidence we have of formal education. A pragmatic examination of some kind—do you have this manual dexterity, do you have a way of being able to fix things—being able to work intelligently with your hands and so forth.

Mr. NIXON. Senator, those standards and descriptions do not exist in the building trades. I say that categorically. I think they are not known for very good reasons, because if you found them out, you would find many of these standards are excessive, and even perhaps regressive in the sense that you set requirements which damage the likelihood of a worker staying on that work, and doing it properly.

It should be noted that when the civil rights movement began to develop, and the pressure against overt discrimination and against the "father to son" line began to develop, there began to be a substitution of higher standards in the building trades industry which did not exist before. These are new historical developments.

If you ask the plumbers' union or the carpenters' union in New York "How many of your members are high school graduates," they will

look away in embarrassment, they do not know, except they do know most of them are not, and yet they set such a standard for entry.

Now, just one other point.

We have learned a great deal in the last few years, and industry has been learning and maybe teaching a great deal about this, and they have found that it is possible to use hitherto excluded people in very productive ways. They have found that their standards were excessive. One of the characteristics of the development as industry is trying to meet the demands for job opportunities of the disadvantaged is to lower the entry standards of requirement. That is happening in major corporations. It is a general lesson that we have learned in the labor market in the past years. I am just repeating myself to say to you that none of this has been translated into the construction industry in this country.

Senator PROXMIRE. My time is up. I will be back.

Representative BOLLING. Mr. Curtis?

Representative CURTIS. First yet me say how pleased I am to find a dialog like this finally developing before a congressional committee. I have been seeking one on these subjects for over 12 years.

I would like to ask a question of Mr. Nixon.

In my study of the Kerner report, I did not find any of this kind of material or dialog at all. Did I miss it?

Mr. NIXON. No, sir. I think the Kerner report is weak in this regard. It does mention the need for eliminating some of the excessive standards. It does mention the fact that there has to be more positive recruitment efforts and so on.

When it discusses the building industry, it does so in a very sleight-of-hand way and says that the efforts of the AFL–CIO, and the construction employers, to encourage minority entry, and nondiscrimination practices, should be encouraged and increased.

I think this totally inadequate, sir. I think this will not meet the needs of the problem we have in our inner city. And without putting this as a mark against the Kerner report, I would say an extension of the spirit of the Kerner report in this field would require much more inquiry and the development of a much more far-reaching report.

Representative CURTIS. I appreciate your remarks. I feel very strongly this way. In fact, I would carry your remarks a step further. It seems to me the Commission avoided a discussion of excessive employment standards in the construction industry and their effect in producing all white construction unions.

Everything you have said today about the situation in NewYork City, I certainly find and have found over a period of years to be true in my city of St. Louis, Mo. I will touch on this a little bit later.

I worry very much about what I think can be an over-emphasis on racism. I have to be careful how I say this, because I do not want to create the impression that I in any sense do not think that racism is deeply involved. But I was impressed with some of the task forces of the Kerner Commission—which I thought were excellent. Some I thought were, unfortunately, almost worthless.

The chapter, "Profiles of Disorder" was one I though was excellent.

On page 73 of the Kerner Report, under the section of "The Riot Participant, Profile of the Rioter," the task force reports, concerning the urban rioter:

> He is extremely hostile to whites, but his hostility is more apt to be a product of social and economic class than of race. He is almost equally hostile towards middle-class Negroes.

Now, my own judgment would be along these lines. But the Kerner Commission apparently did not read the work of at least some of their task forces.

If this Commission task force statement is true, then what has been widely spread around the country as the report of the Kerner Commission—that the underlying cause, Negro poverty and unemployment and white racism—is not true and is apt to divert our attention from getting to the real problems.

Now, let me relate this again to your critique of the building trades—and believe me, I share a great deal of your conclusions and observations.

On the other hand, if we oversimplify this to believe that white construction unions have their origin in racism, I think we are making a mistake.

I could not be a bricklayer in St. Louis, mainly because my father wasn't; nor was my uncle, and so forth.

A great deal of what I see in the craft unions—and this is true in the building trades—comes from what is in a way a very fine system, with great merit to it—the guild system, in which the father transfers to the son the skill that he has learned. Having said this, I go on to argue, however, that valuable as this system has been in the past, because other values in the society must be recognized, we must now work to alleviate the harmful effects it is having.

But by saying it is racism that motivates the leaders of the building trades, gets their hackles up, because they feel in their hearts, as I interpret it, that this is not so. And yet racism might seem to explain what has happened, because certainly, racism can produce this situation you describe.

Would you comment on my observation there?

Mr. Nixon. I agree with you. I think there is racial prejudice and discrimination in the situation today, and there is a huge residue of it in the past. But I would put a very large emphasis on the general restricting of the entry into the crafts for the purposes of collective bargaining—that this is a very major factor.

I think it would be very hard for you to extricate one from the other—although my inclination would also be to say where there is discrimination, it is more basically in service of the exclusion of the supply of labor than it is in the service of racism.

I would like to just make one point.

You may notice in my remarks I talked about Negroes, Puerto Ricans, and Mexican-Americans. You must remember that there are 5 million Mexican-Americans in our country, 4 million of them in the Pacific Southwest, and that in New York City, we have 1 million Puerto Ricans. So this is a wide problem.

Representative Curtis. I could not agree with you more—and particularly making that emphasis, I also include the American Indians,

which we frequently forget. Let us not forget also that a lot of these people are whites—even Anglo-Saxon Protestant whites.

This is why the emphasis of the task force that this is more a social-economic "product of social and economic class than of race" is important to understand, though racism gets into it, there is no question about it. But a great deal of the problem of the Negro as I see it now is that the Negro has been a rural dweller, and his skills have been in the rural area. We have had a continued migration—not Negro migration alone, but he is very much caught into it—to the urban areas. And the rural dweller always has a problem of adjusting rural mores and customs and so forth to urban living. There is also this economic factor—the difficulty of having his skills translated.

In one way the movement is symbolized in the Smith-Hughes Act of 1917—Federal vocational education, which is oriented toward agricultural skills. We have done some of it, but we have not moved to update this to the training of urban skills the way we might.

I think one of the key problems we have got to answer—and this is an economic one which cannot be assumed by either side—does automation create more jobs than it destroys?

Now, Dr. Theobald argues it does not, and therefore, that automation will continue to render certain people economically obsolete. I could not disagree more with his statement and his theories. Every bit of evidence I see indicates the opposite. Quite the contrary—as automation moves, we have better opportunity to utilize people with limited skills.

Mr. NIXON. You are absolutely right, Mr. Curtis. If you examine Mr. Theobald's remarks, you will find they are usually absent of facts. With regard to technological change, the evidence that we do have indicates that the probable net impact of technological change in the last 10, 20 years has reduced the overall skill requirements rather than increased the skill requirements. We know this.

Representative CURTIS. I am so happy to hear this—because you see—my time is up—the people who are arguing for the adoption of the negative income tax, the guaranteed annual income, et cetera, are on the Theobald premise.

My assumption, and let us get to it, is that our Nation's greatest underutilized assets is the unskilled Negro—the Negro citizen, the Puerto Rican citizen, et cetera. We have jobs going begging. It is true you are not going to match the people—these skills with the new jobs created without quite a bit of work. But the potential is there and it could be done.

Well, I will come back. Thank you.

Representative BOLLING. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Mr. Christian, you developed some very interesting statistics pointing out, under your second point on page 4—the migration of the Negro from the rural South to the urban ghettos, South and non-South, will not in and of itself cure the problem of educational inequality. And you point out that in the last half century a substantial number of Negroes have migrated to the central city—to the extent that now 12 of the largest cities contain two-thirds of the Negro population outside of the South, and less than half of the Negroes are now in the South, whereas 50 years ago, 91 percent were in the South.

This then leads me to an observation, a statement made by Mr. Beck, when he points up the very bad situation with respect to employment of colored people in the cities. Negro men in the central city between 16 and 24 years of age—22½ percent are currently unemployed, probably two or three times that figure underemployed.

Seven out of 10 black American men between the ages of 16 and 24 are either out of work or working far below their capacity.

Then what attraction is there in the central city for these people to migrate from the country? I will ask you, Mr. Beck, to comment on that, if you will.

Mr. BECK. Well——

Senator JORDAN. Why should they come to the city to such a formidable reception?

Mr. BECK. It is the hope that somehow in the city there will be a better life. We certainly see that in the migration of people from Puerto Rico, where ostensibly you would not feel that they were bettering their situation, and yet they come with the hope that somehow, you know, there will be new opportunities.

Senator JORDAN. Well, are inducements held out to them that they will find a better life in the city? I cannot understand why this trend continues in the face of the very adverse circumstances that obtain in the cities for them.

Mr. BECK. Of course there have been instances where people have come into the city at times when there was a big market for unskilled labor, and then have been left there. Those are sometimes inducements. I have read of instances, you know, where labor is imported for seasonal jobs. Sometimes differences in welfare standards, I think, may be a reason. Differences in practice concerning a minority group are another factor. The excitement a big city holds for some people is still another.

I think it is probably a compound of those factors that causes the migration.

Mr. NIXON. May I make a comment?

I just want to say the very fact of their coming indicates a degree of motivation which is a very positive factor. That is particularly true of the Southern black who comes North, and of the Puerto Rican. But we must recognize there are degrees of frightfulness. And if it is frightful in Harlem, it is more frightful in San Juan. The official unemployment rate in Puerto Rico is 14 percent, and the responsible estimates are that unemployement is actually 30 percent in Puerto Rico. So they are not coming from a very nice, idyllic rural situation to the ghetto problem. They are coming from one bad situation to one that from our standpoint is still bad.

Senator JORDAN. This leads me to the second part of my question. Can we deal with this proposition totally by concentrating our efforts on the central city, or must we also go to the rural areas with remedial programs?

Mr. CHRISTIAN. Well, Senator, first of all I think there is a further inference in regard to the migration—there has been a technological revolution in Southern agriculture. In fact, there has been a technological revolution in agriculture in general, which has made employ-

ment of the purely manual sort of laborer decline sharply—it has been a hopeless employment situation for the Negro on the farm. It is better to have some hope of a job than no hope of a job. Welfare was more available in the city, you see. This began with the New Deal programs when you could at least go to a soup line in the city—in the country there was very little.

Now, your next question was what?

Senator JORDAN. I want to know—should we not have put a good deal more effort than we are doing towards heading off this migration by taking remedial action in the rural areas, where the potential migrants now live who are planning for one reason or another to pull up their stakes and move to the central cities.

Mr. CHRISTIAN. Well, coming from an economist this may sound nonsensical—but it has always seemed strange to me that when our problem was too much production in agriculture, we continued to spend millions of dollars in speeding the technolgical revolution in agriculture, so that we get more and more per acre from fewer and fewer workers on the farm. Consequently, we have run these people into the cities, and have done nothing about preparing them for employment in urban areas.

Senator JORDAN. Could a good part of the answer be to move some industry into the rural areas rather than to bring it into the central core of the cities?

Mr. CHRISTIAN. Well, that would be desirable if it could be done but, of course, you realize there are advantages to industry in concentration. That is where industry is integrated and interdependent, there are advantages in having plants close together.

Mr. NIXON. It should be observed that the major locational development with regard to industry has been out of the city and into the noncity areas. The likelihood of reversing this, I think, is very slim. I think that, Senator Jordan, you are right in saying much must be done in the rural areas. But please remember we are going to try to do something to make it better in the inner cities. We must do something to make it better in the inner cities, which is going to increase the motivation of persons to come to the inner cities. I do not know how you are going to be able to stop this historical trend which has been running so deep and long in our economic situation.

Senator JORDAN. Mr. Nixon, you made a pretty harsh indictment of the building industry, construction industry, and I think well deserved. I agree with you there has been a very great discrimination there in employment practices.

But 50 to 60 percent, according to the statement you made, and I think that is accurate—of new construction projects are Federal, State, or local public works.

Now, why can't we apply the provisions of the Civil Rights Act of 1964 to see that those public works projects do not permit discrimination by reason of race, creed, or color?

Mr. NIXON. Well, I certainly agree with you. Incidentally, I did not mean to make an indictment of anybody. I meant to make a plea for change. I think in this instance we have the laws that we require.

Congress has done what is necessary with regard to legislation. Where we are falling down is in the administration and application of the legislation.

Senator JORDAN. In the application of the statute.

Mr. NIXON. No question about it. We have the weapons.

Senator JORDAN. Very good. Then you see no immediate need for new legislation to deal with this problem.

Mr. NIXON. My answer to that would be I do not.

Senator JORDAN. You do not. You would say that we have enough statutes on the books—if we implement them, if we give them substance and direction, that we can meet this thing with the existing statutes?

Mr. NIXON. Yes, Senator. Without going into detail, these statutes have now been tested for the most part at the highest court levels, and are solidified in every conceivable legal fashion.

Senator JORDAN. Would you agree, Mr. Beck?

Mr. BECK. Yes, sir. I see really a need to interpret the statutes so that we begin viewing such a phenomenon as the apprenticeship system as a form of discrimination.

Senator JORDAN. All right. We are legislators. I want to know wherein we are at fault here—what we need to do to get this thing going. Mr. Christian, did you want to speak to this point?

Mr. CHRISTIAN. Well, I would agree with the other gentlemen insofar as overt discrimination on both sides of the labor market is concerned. I am not sure that I agree entirely in regard to the point—education—that I was trying to make. I am not ready to say what I think should be done, because that is not something I came prepared to do. But it seems to me that in respect of educational advancement, we are at the moment moving very very slowly. Insofar as it would take a generation of students, that is 12, 15 years, to cure the thing if you began immediately—we are talking about a long pull. At least I am talking about a long pull. These gentlemen are talking in terms of more immediate matters.

Senator JORDAN. Thank you.

Mr. NIXON. Could I just suggest to you. Senator, Congress never really gets out of the law it passes, even though it does not do the administering, because you do appropriate the money, every year, and you have appropriation hearings, and there is a reasonable expectation that the Congress will begin to ask, "How is our money for public construction being spent insofar as antidiscrimination laws are concerned?" and to begin to make this a part of the judgment with regard to appropriations.

Senator JORDAN. That is a valid criticism. We do not follow up. Thank you.

Representative BOLLING. Mr. Rumsfeld?

Representative RUMSFELD. Thank you, Mr. Chairman.

This must be an unusual day. I have been in Congress 5½ years, and I cannot recall a previous hearing in committee or subcommittee where I agreed with practically everything that had been said. I certainly commend you three gentlemen for your contributions.

Mr. Nixon, you are obviously a very nice man. You began your statement saying, "A major virtue of the Kerner report is," and then proceeded to discuss a subject which, as Mr. Curtis has pointed out—

and I would have to agree—at least as far as I have been able to find, the Kerner Commission Report practically ignores in toto. The index cites page 145 on union discrimination. If you read page 145, there are two or three sentences, innocuous sentences. If you look at the summary and conclusions, what do you find. You find that the Commission commends the AFL–CIO for what they have done thus far and encourages them, as you have properly pointed out.

You say you do not want to indict anybody—not with reference to the Commission, you were referring to the building trades—and I quite agree with you. Indictments do not serve much good, and in the last analysis any indictments that could be handed out at that level really fall to the people in our society for permitting such a situation to exist over a period of time.

But as a practical matter, this committee, as you properly have indicated, has to know where the problem is very specifically, and where to apply the oil. I think you have put our finger on an exceedingly important problem area. I can say that—if you are too nice to say it—I think it is most unfortunate the Kerner Report did so totally ignore this exceedingly important problem area.

Mr. Christian, I was very pleased to see in your statement the comment that enforcement is the issue with respect to title VII of the Civil Rights Act, the employment title. I was equally delighted to hear Mr. Nixon's comment, which is what gave rise to my opening remarks that I agree with practically everything that has been said. Mr. Nixon commented that the Congress does have the very important responsibility, not simply of initiating and passing statutes, but then of following them up, in the oversight and review responsibility of the Congress. In my opinion the Congress of the United States, during the 5½ years I have served in it, has not done the job it should, and certainly this is an area where we can spend a great deal more time.

The question came to my mind, Mr. Nixon—you mentioned, or it was mentioned, that there are some areas in our society—and I know this from my congressional district—where there is a shortage of labor. We talk about these credentials and requirements.

It became apparent from what you said that these requirements are not waived for Negroes and other minority groups, Puerto Ricans, Mexican Americans, simply because there is a shortage of labor. The question then is: from your experience, are those requirements and credentials in fact being waived with respect to whites?

Mr. NIXON. No; they are not being waived with regard to whites, blacks, or browns.

Representative RUMSFELD. So the fact is that we are just tied up with these requirements and credentials, so to speak, and continue to have this shortage of labor. In my congressional district we have the lowest unemployment of any district of the United States of America. They are crying for qualified labor.

Mr. NIXON. The way this is handled is instead of increasing the labor supply by allowing an easier entry route, is to increase overtime, which has certain desirable consequences.

Representative RUMSFELD. And raise prices.

Mr. NIXON. And also to bring in skilled tradesmen from other areas where work is not so tight into a particular area where it is tight.

For instance, in New York City we will on occasion bring in skilled craftsmen to New York, if we have a shortage, rather than to open up the entry so that you can get that labor right out of your New York City labor force.

Representative RUMSFELD. But isn't it true they also, then, raise wage rates to try to attract additional people?

Mr. NIXON. Wage rates—no, sir; I do not think so. They are not trying to attract additional people. The wage rates are set very high.

Representative RUMSFELD. If there is a shortage of labor, there is not a pressure to increase wage rates—to decrease that shortage?

Mr. NIXON. Not exactly that sequence. I think the maintenance of a relatively limited supply of labor is a powerful lever for the development of wage rates that are quite high, relative to other wage rates. And that depends to a certain degree on not having a larger supply of labor available. That is really the way to work.

Now, as far as I am concerned, high wage rates are a highly desirable thing, and I think the union has a right and should defend its standards. It cannot do it at the cost of a racially exclusionist policy in the construction trades.

Representative RUMSFELD. What about this provision in the tax conference report that provides tax incentives, tax-free revenue bonds to attract industry to other parts of the country. Have you had a chance to look at this? Is there any possibility that this conceivably can be harmful from the standpoint that you are talking about, that an operation might—because of an unwillingness to lower the requirements, particularly for the minority groups—move to an area where there is possibly a greater number of potential employees who are white?

Mr. NIXON. I suppose that might be a danger. But I do not think it would have to develop that way.

Actually, I think that provision could be used to the advantage—if you added to that the requirement for certain equal opportunity applications, that you might turn that toward equal opportunity rather than against it.

Representative RUMSFELD. Mr. Beck, I understand that you have been involved in both public activities and purely private activities?

Mr. BECK. Yes, sir.

Representative RUMSFELD. Was the Henry Street Settlement in existence 20 years ago?

Mr. BECK. 75 years old.

Representative RUMSFELD. 18 or 20 years ago I went up to the Henry Street Settlement and participated in some activities up there over a brief period of time, demonstrations and various things. I am curious to know how you compare the public with the private activity.

We had some very interesting testimony from Leon Sullivan, from Philadelphia, in which he compared some of the difficulties. He feels one of the great strengths of his private activity is that it is their own, that with this comes a strengthening of desire and pride.

Mr. BECK. Yes, Senator. That is why I hold two jobs. One is executive director of Henry Street Settlement, and the other is the executive director of Mobilization for Youth. Mobilization for Youth is what some people call a quasi-public operation. All its funds, $6 million, come

from taxes, some from city, some from Federal Government. But the problems of operating such a venture are enormous.

One problem is that all of the funds are for specific time limited programs that have a beginning and an end. The effort to maintain continuity without any funds for the central core of this quasi-governmental organization, places a great strain on the administrator—the episodic nature of funding through the Office of Economic Opportunity and other Government sources on a demonstration basis causes great waste, and difficulties.

Then, too, there are certain proper responsibilities that come with the relationship with Government—certain proper restrictions on activities.

Now, to move to the strictly voluntary sector, there we have what I think is a very important part of America. Henry Street is a long-standing agency. And yet it is supported almost entirely by people who dig into their own pockets of their own free will. Henry Street aims today to increase social participation of the people in the neighborhood, to get them to interact with their government institutions. This I feel is a questionable expenditure of public funds, but a very proper expenditure of voluntary funds.

At Henry Street there is provision for encounter between persons from middle-class walks of life and persons who have not fully participated in society, and an encounter around joint efforts.

So that I, too, like Mr. Sullivan, am very interested in doing my part to maintain in America a truly voluntary association, as Henry Street is, that will interact with the public sector, monitor the public sector, and thus try to really make democracy work.

Representative RUMSFELD. Thank you very much. My time is up. I do have some other questions, and I would like to come back.

Representative BOLLING (presiding). Prior to proceeding to the next round of questions, the Chair has a question to ask and a brief statement.

The question is to Mr. Beck. You mentioned public works projects in which the Government would be an employer of last resort. I wonder if you would be able to give an idea of the kind of public works projects you have in mind, and whether they would be the kind of projects that would enable there to be connected with them an educational program which might be an upgrading of skills program, or any other kind, for that matter.

Mr. BECK. Yes, sir.

I had in mind necessary demolition of uninhabited buildings in the slum, some of which we saw in the motion picture, and reconstruction of housing. One small project that we had at Mobilization involved actually purchasing a tenement and using unskilled local people to gut that tenement—really take the heart out of it, strip it right down, under supervision of skilled people, and then to reconstruct that tenement. This is a public works under private auspices. We did get a mortgage from FHA on that building. It is now being conducted as a cooperative.

This could be done on a much broader scale. And in doing it, just as you suggest, Senator, there must be, to my way of thinking, an accompanying educational program to upgrade skill—but not, I would like to restate this—staying on the track of conventional formal education, but trying to create new ways to stretch knowledge and skills outside the classroom.

In our auto mechanics training, for example, at Mobilization, we have helped a lot of young people to learn to read because of the need to read the technical manuals. And that is not done in a classroom—it is done there—a mixture of work and learning.

I would like to see a public works program that would help us rebuild these devastated areas in the cities, that would have this kind of educational component, and we could say to any man—and in the service sector to any woman—if you want to work, here is the way out.

Representative BOLLING. This leads to my comment. I hope I will not condemn all future programs to a greater delay by saying this. But it happens I grew up in the area from whom many of the migrants to the inner cities come and did come—the Southern part of the United States—and I grew up at a time when something which it is still socially acceptable to condemn—I said socially, not politically acceptable to condemn—the new deal with attempting in a very preliminary way in that area to do most of the things that we have been talking about today—including the kind of educational and work programs that you have just described, and including the effect discussed by Senator Jordan, to do something about the rural poverty, so that we would prevent the migration to the central cities. It seems to me an interesting commentary on the history of this country that now today we are beginning to discuss things that were attempted and out of the political process and the legislative process 30 years ago. I think it is good at least that we catch up in 30 years.

Senator Proxmire?

Senator PROXMIRE (now presiding). Yes, I would like to, for the record, clear this up. And I hope I can clear it up by securing from you a different kind of an answer than you have given so far.

I have gotten the impression that you oppose any kind of legislation in the area of civil rights at the present time. You said we don't need any more laws, what we need is enforcement of laws. This shocks me. Because the Kerner Commission had some very explicit and definite and I think wholesome recommendations in the area of legislation. No. 1—they wanted to bring Federal, State and local government agencies as employers covered by title VII of the 1964 Civil Rights Act. That would take legislation. No. 2, they want cease-and-desist powers, which I think are enormously important, if you are going to have a Civil Rights Act that means something. That takes legislation.

Then there are other lesser but very important provisions here. There are some five areas of recommendations where they say the Congress should take action.

You do not want the record to stand that you are in opposition to these, do you?

Mr. BECK. Not a bit, Senator. Let me respond, and then I know Mr. Nixon will want to respond.

My response was in relation to the problem of apprenticeship as it stands within the building trades field, and whether that could be attacked under present legislation. My opinion is that it could. But——

Senator PROXMIRE. Cease-and-desist orders even there would help, would they not?

Mr. BECK. Yes. But my response was to the issue of whether it could be attacked under present legislation.

I certainly think that we need additional legislation. I fully support the Kerner Commission recommendations in every respect on this matter.

Senator PROXMIRE. Would you disagree with the House's action in cutting the Full Employment Opportunity Commission funding from the $13 million requested down to $7 million?

Mr. BECK. I would disagree completely and entirely.

Senator PROXMIRE. Of course that is not new legislation, but it is an appropriation.

Mr. NIXON. I would want to be understood on this also.

Of course I would support some additional legislation. I am sure some of it would be helpful. And perhaps even important. But I would want to say again that on the books right now, the work that you have already accomplished in this field—if that were fully applied and fully administered, you would be able to handle this problem.

Senator PROXMIRE. Can you fully apply it in the area of employment without cease-and-desist orders? This is going to be very vital.

Mr. NIXON. I think the defeat that the civil rights forces suffered in the cease-and-desist issue was an important defeat, and it made it easier to avoid the application of this legislation. I would be all for increasing the effectiveness of that legislation. But I would not want to let the situation slip away from us, as it has so often, by referring to the need for new hearings and new legislation—until we have done all that we can within the framework of the present legislation.

Senator PROXMIRE. I want to get this absolutely clear. Are you saying that we should not pass new legislation until we exhaust the possibilities of the legislation we have—are you saying that?

Mr. NIXON. No, sir. I would not in the remotest conceivable way—I am not opposing anything from a legislative point of view which strengthens the drive for new opportunity and legislation. I am all for it.

Senator PROXMIRE. You favor cease-and-desist orders now; is that right?

Mr. NIXON. Without any question.

But if we are paying 50 to 60 percent of the cost of contract construction in this country and we have in those contracts the requirements you have already put into law, all we need to do is enforce them. That is all that is necessary.

Senator PROXMIRE. Doesn't this take legislation? Maybe it doesn't.

Maybe I am ignorant in this area. Would it take legislation to provide that appropriation—I know we cannot do it on the appropriations bill. A point of order would be made in the Senate, and it would be killed immediately.

But don't we require authorization measures that authorize funding and construction, that no funds will be expended where discrimination is being practiced. You need that legislative act.

Mr. NIXON. You already have that.

Senator PROXMIRE. It is part of the law?

Mr. NIXON. A variety of different ways, and at different levels, Federal, State and local.

Senator PROXMIRE. You are saying, then, this part of the law is not being enforced?

Mr. NIXON. Exactly.

Senator PROXMIRE. Can you document that?

Mr. NIXON. Yes, sir.

Senator PROXMIRE. Will you?

Mr. NIXON. Sure, glad to. It has already been documented. You are not giving me much homework. The documentation of this has been very extensive. But I would be glad to supply the committee with it.

(At the time hearings went to press no further information had been received.)

Senator PROXMIRE. I would appreciate that.

Now, Mr. Christian.

Mr. CHRISTIAN. Well, I think I made it clear—I meant to make it clear that I think enforcement is the problem as far as overt labor market discrimination is concerned. I think the spirit of the Civil Rights Act is adequate. Now, if cease-and-desist orders are necessary to enforce it; then I say make it possible for them to be used.

I certainly did not want to say unequivocally that additional measures may not be needed to insure educational equality.

Obviously, I think that anything in the way of social institutions that maintains largely segregated schooling is bad. I think all the history indicates that segregated schooling has meant inferior schooling for the Negro. There is no question about that. And I think it is important also that the Coleman report be taken at its face value when it says that the motivations of the children, the goals of the children, are as important as what actually takes place in the classroom. Therefore I think it very important that Negro children be allowed to go to school with so-called middle-class white children, because they will learn as much from them, really, as they will from the classroom itself, in terms of their life objectives.

And whereas these gentlemen have emphasized something, I think, that is extremely important—namely, getting the Negro a job—I have tried to emphasize integrating him across the entire spectrum of jobs—that is, given that he has a job, he should be as likely to be found in a managerial position, speaking in terms of the proportions of people, white and Negro in the country, as if he were a white man. And I think that educational equality alone addresses itself to that problem.

Senator PROXMIRE. I would like to ask Mr. Beck—you and Mr. Nixon together I think have made a very constructive and very positive and emphatic recommendation with regard to one particular industry.

And I think your points are very well taken. I assume that you are arguing that by and large, with some exception you brought out in the preceding answers—you would press for enforcement of the present law. That is the job of the administration—not the job of Congress.

Let me ask, however—and I have asked the staff, while you were speaking, to go through your recommendations as thoughtfully as they could—and their feeling and my own feeling is that your recommendations on what we do to overcome racism, with the exception of this one particular industry, are somewhat generalized—not as precise and specific as perhaps you would like to make them.

What I am thinking of is that the Commission does have these recommendations that I alluded to and you alluded to on page 234, as to just what ought to be done. I wonder if you would like to make comments on them or modifications or alternatives that would tell us a little more explicitly what you think should be done.

Mr. BECK. Well, without the report before me, I am really hard pressed to be responsive, Senator. But I might, with your permission, submit that as an addendum to my testimony for the record.

(The following addendum was subsequently supplied by Mr. Beck:)

Ours is a country which prides itself on its social conscience, its unprecedented productivity, and its capacity to adapt to the challenges of changing times and values.

No situation has so challenged the nation as the racial tensions and disorders that have already occurred and still threaten the peace and order of our cities. No official document of recent years has presented so sweeping an indictment as the Report of the National Commission on Civil Disorders created to meet this challenge.

Yet instead of responding to the recommendations of this report, Congress now proposed that the principal financial burden of paying for a distant war should be borne at home by the poor, the undereducated, the technologically dispossessed, the urban slum dweller, those left stranded in rural and mountain areas, the aged, the ill, the lone mother and her children and abroad by a reduction in our investment and development aid to the emerging new nations of the narrowing world.

I would advocate the following:

1. Rejection of the conference report on H.R. 15414 (Excise tax bill) with its mandated reduction of $6 billion dollars on federal non-Vietnam spending as the price of a tax increase. It is understood that at least $2 billion of this reduction will come from domestic social programs many of which have already been reduced by budgetary cuts.

2. Passage of an equitable tax bill which will provide sufficient revenue to meet the threat of inflation and our social needs within the established principle of ability to pay and the constitutional obligation placed on Congress to allocate federal appropriations by agency and program.

3. Appropriations and expenditures at a level at least equal to that of the President's Budget for HEW, OEO, HUD and foreign aid programs; increased appropriations for job creation and food distribution programs; supplemental appropriations for expansion of job programs during the summer months and for Head Start.

4. Expanded job creation programs in public and non-profit agencies (such as provided in Clark-Javits-O'Hara bills S. 3063 and H.R. 12280) and new comprehensive housing provisions (such as provided in S. 3029 already passed by the Senate).

5. Repeal of the freeze and other regressive welfare provisions of PL 90-248 as provided in the Harris-Kennedy bills (S. 2893) pending development of an underpinning nationwide program of adequate and dignified welfare provisions.

Senator PROXMIRE. I would like to ask Mr. Christian—your statement that inadequate education of Negroes implies millions will be at a competitive disadvantage all their working lives does not seem to

give adequate weight to the possibilities for adult education. And of course there is a lot of emphasis, should be made a lot more—but there is some emphasis at least in the economic opportunity administration to overcome this. And I would hope that they could make progress here.

How about it?

Mr. CHRISTIAN. Senator, my experience with it has been that in general it has not worked too well. I hope some way or other somebody can find a way to make adults aware of their educational deficiencies, and willing to do something about it. We cannot very well make education compulsory for people that age. In general, I just do not think it has worked very well. I hate to say that I despair of it, but I am very skeptical that it will ever be effective for very many of these people.

Now, certainly there are outstanding exceptions of people at that age who have faced their inadequacies and availed themselves of further schooling.

Senator PROXMIRE. There are outstanding examples of progress in this area. The Office of Economic Opportunity has done some remarkable things. Yesterday Mr. Sullivan testified very eloquently about "self-habilitation" as he called it, how it has worked in Philadelphia, how they have tremendously upgraded people's skills. I am not talking about a formal education, although you have to have some of that, too. But primarily an opportunity for people to get enough education so they can develop some skills they can sell—even though they are adults and have a very limited basic education.

Mr. CHRISTIAN. Well, I could not believe what I said and not think it is worth a try. Anything that can be done in this area certainly would help.

Senator PROXMIRE. You see, it is so frustrating for those of us who do not want to write off an entire generation—such a terrific proportion of people in the minority groups are over 16, as you say cannot be required to go to school, and have years and years to live, and want to make those years as productive as possible. And if they just give up on their education, they are not going to.

Mr. CHRISTIAN. Well, it seems to me that the society that has discriminated against them in this way, certainly owes them something. Whatever can be done for them in this way, or in any other way, I certainly favor.

The difficulties I see with adult education can be summarized as follows: (*a*) convincing the vast number of ghetto people—we are talking about 7 or 8 million—who are beyond compulsory school age that they would benefit from further education and/or training; (*b*) providing the instruction needed, such instruction presumably having to come from a public education establishment that is already under heavy fire relative to its adequacy to do the job; and (*c*) financing the additional demand on the education system. Traditional methods of local school finance would surely not suffice.

Senator PROXMIRE. My time is up. I am going to yield not only time to Congressman Curtis, but the chair also, because I have to leave. We have a vote.

Representative CURTIS (now presiding). Thank you, Mr. Chairman.

I am sure this side won't abuse the privilege of having the chairmanship.

I cannot fail to underline what Mr. Nixon said about this law on the books. I am so disturbed that whenever we do not know what to do, we pass another law, without first having taken a look to see how the laws we have are operating.

Congress has two functions. One of course is the legislative function. But we also have the oversight function, which is to look and see how the laws that we have written are working out, because I think it is from a proper utilization of the oversight functions that we gain our greatest insight as to where new legislation is needed. How can you legislate with intelligence without first finding out how our present laws are working. This I think is one of the basic criticisms I direct to what is called the poverty war and so forth—we just pass more laws. This occupies us, but it gets us away from what I think is the main business.

In St. Louis we have had a very interesting development in the building trades, where independent unions, not with the AFL–CIO, moved in to create the industrial type union in the construction industry. This came to a climax about a year or so ago in the building of the Gateway Arch in St. Louis.

Let me close these hearings, if I may, by asking if the panel would be willing to respond to written questions that we might send to you to complete this record, and also make it clear that the record is open in case you would like to expand upon the remarks you have made. We thank you in behalf, I know, of Chairman Bolling and the chairman of the full committee, Senator Proxmire, and all of us, for your great contribution. We appreciate it very much.

Representative Charles E. Bennett, of Florida, has submitted a statement for the record which will be included at this point.

STATEMENT OF REPRESENTATIVE CHARLES E. BENNETT, OF THE THIRD DISTRICT OF FLORIDA

Mr. Chairman, I deeply appreciate the opportunity to make this statement to the Joint Economic Committee, hearing testimony on the manpower recommendations of the Kerner Commission, including problems of unemployment and underemployment in America. The committee is doing our Nation a grat service by holding these hearings.

Securing the employment of our country's hard-core unemployed is our prime domestic challenge. Not unexpectedly it was a major consideration of the report of the National Advisory Commission of Civil Disorders.

I have introduced legislation which I believe will help solve the problem of the two million permanently unemployed we now have in the United States. The bill is patterned afer the suggestions of the National Advisory Commission of Civil Disorders and on my own research and study in the critical area of finding and creating jobs for the unemployed, underemployed, and the hard-core big city resident

who in the midst of affluence has found no opportunity to work for a part of the action himself.

My bill, H.R. 17567, would provide a tax credit for employers who employ members of the hard-core unemployed. It has 19 cosponsors in the House of Representatives and is pending in the House Ways and Means Committee. I hav previously introduced H.R. 244, which is also pending in the Ways and Means Committee, and which would provide tax deductions to individuals and businesses who create new jobs. I am pushing for legislation in this field because I believe it is crucial to the stability of our society.

We must also continue our basic manpower training and development programs and provide for their beefing up to assist in the creating of new jobs for the hard-core unemployed.

Jobs are the key to the poverty revolution in our land today. Manpower training programs cannot create jobs. Neither can government on the wide scale that is needed today. Businesses must be given the necessary incentives to create new jobs and to take a chance with these permanently unemployed.

My bill, H.R. 17567, would help make this practical.

It would first provide that the Secretary of Labor determine what specific individuals make up the hard-core unemployed. He would then issue these individuals a "green card." As recommended by the Commission this identifying of the hard-core unemployed should not be imposed on private industry.

Businesses, large and small, would be encouraged to hire these hard-core unemployed, and for the first 6 months or less, the employer would be allowed a 75-percent credit; 50 percent for more than 6 months but not more than 1 year, and 25 percent for the employee who works for more than 1 year but not more than 2 years. The individual must be retained for at least 6 months. The worker would receive the higher of the minimum wage or the prevailing wage. The employer would be restricted on the number of green card employees he could hire, and could not substitute green card employees for existing employees.

Mr. Chairman, this legislation is patterned after the very popular act allowing tax credit for investment in new equipment by businesses. I believe it is a part of the answer to the problem of the permanently unemployed.

I believe a tax reduction to a bare minimum to individuals with low incomes as a substitute for Federal doles and subsidies is a needed step in helping to solve these problems. This could be accomplished by legislation which I introduced in the House of Representatives over the last several Congresses. My bill, H.R. 241, to do this is pending in the House Ways and Means Committee.

This bill would reduce the income tax to $5 for those citizens classed in the poverty status to eliminate the need for handouts from the Federal Government.

Attached are copies of H.R. 1767, H.R. 241, and H.R. 244.

I appreciate the opportunity to appear before the committee.

90TH CONGRESS
2D SESSION

H. R. 17567

IN THE HOUSE OF REPRESENTATIVES

MAY 28, 1968

Mr. BENNETT (for himself, Mr. DOWNING, Mr. FASCELL, Mr. BARING, Mr. BYRNE of Pennsylvania, Mr. ADDABBO, Mr. HAYS, Mr. FRIEDEL, Mr. CLARK, Mr. ROYBAL, Mr. WALKER, Mr. WALDIE, Mr. OTTINGER, Mr. LEGGETT, Mr. PICKLE, Mr. TIERNAN, Mr. HOWARD, Mr. MATSUNAGA, Mr. MACHEN, and Mr. PUCINSKI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1954 to provide a tax credit for employers who employ members of the hard-core unemployed.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits against tax) is amended by redesignating section 40 as section 41 and by inserting after section 39 the following new section:

"SEC. 40. EMPLOYMENT OF THE HARD-CORE UNEMPLOYED.

"(a) GENERAL RULE.—There shall be allowed, as a

credit against the tax imposed by this chapter, the amount determined under subpart C of this part.

"(b) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section and subpart C."

(b) Such part IV is amended by adding at the end thereof the following new subpart:

"Subpart C—Rules for Computing Credit for Employment of the Hard-Core Unemployed

"SEC. 51. AMOUNT OF CREDIT.

"(a) DETERMINATION OF AMOUNT.—

"(1) GENERAL RULE.—The amount of the credit allowed by section 40 for the taxable year shall be equal to the taxpayer's qualified employment expenses (as defined in subsection (b)) for such year.

"(2) LIMITATION BASED ON AMOUNT OF TAX.—Notwithstanding paragraph (1), the credit allowed by section 40 for the taxable year shall not exceed—

"(A) so much of the liability for tax as does not exceed $25,000, plus

"(B) 50 percent of so much of the liability for tax for the taxable year as exceeds $25,000.

"(3) LIABILITY FOR TAX.—For purposes of para-

graph (2), the liability for tax for the taxable year shall be the tax imposed by this chapter for the taxable year, reduced by the sum of the credits allowed under—

"(A) section 33 (relating to foreign tax credit),

"(B) section 35 (relating to partially tax-exempt interest),

"(C) section 37 (relating to retirement income), and

"(D) section 38 (relating to investment in certain depreciable property).

"(4) OTHER RULES MADE APPLICABLE.—For purposes of determining the amount of the credit allowable under section 40, the rules established by the second sentence of section 46(a)(3), by paragraphs (4) and (5) of section 46(a), and by section 46(d) shall apply.

"(b) QUALIFIED EMPLOYMENT EXPENSES.—

"(1) IN GENERAL.—For purposes of this subpart, the term 'qualified employment expenses' means, with respect to any taxable year, the aggregate of the applicable percentage of expenses paid or incurred by the taxpayer during that year with respect to the compensation of green card employees.

"(2) APPLICABLE PERCENTAGE.—For purposes of

paragraph (1), the applicable percentage of any expense shall be determined under the following table:

"If the employer pays or incurs the expense when he has employed the individual—	The applicable percentage is—
6 months or less	75
More than 6 months but not more than 1 year	50
More than 1 year but not more than 2 years	25

"(3) EXPENSES TAKEN INTO ACCOUNT.—For purposes of this subpart, the expenses taken into account with respect to the compensation of an individual are only those expenses—

"(A) for wages or other compensation, or

"(B) for fringe benefits of the kind required to be taken into account under section 1(b) of the Act of March 31, 1931, as amended (40 U.S.C. 276a; Davis-Bacon Act),

for such individual which are attributable to a trade or business carried on by the employer and deductible under this chapter.

"(c) LIMITATIONS.—

"(1) INDIVIDUAL MUST BE RETAINED FOR AT LEAST 6 MONTHS.—No credit shall be allowed under section 40 with respect to any individual unless such individual is employed by the taxpayer, as a green card

employee, for a period or periods aggregating at least 6 months.

"(2) INDIVIDUAL MUST RECEIVE HIGHER OF MINIMUM WAGE OR PREVAILING WAGE.—No credit shall be allowed under section 40 with respect to any individual unless such individual, throughout his period or periods of employment by the taxpayer as a green card employee and prior to the payment or incurring of the expense in question, has been paid wages not less than whichever of the following is the greater—

"(A) the minimum wage which would be applicable to the employment under the Fair Labor Standards Act of 1938 if section 6 of such Act applied to the employee and he was not exempt under section 13 thereof (and disregarding any applicability of section 14 of such Act), or

"(B) the prevailing wage for his occupation in the locality as determined by the Secretary of Labor (but adjusted to reflect fringe benefits in the manner required by section 1(b) of the Act of March 31, 1931, as amended (40 U.S.C. 27a; Davis-Bacon Act)).

"(3) MAXIMUM NUMBER OF GREEN CARD EMPLOYEES TAKEN INTO ACCOUNT.—The maximum number of green card employees whom the taxpayer may take into account at any one time shall be determined in accordance with the following table:

"If the total number of employees is—	The number of green card employees taken into account shall not exceed the following percentage of such total number:
10 or fewer	50
More than 10 but not more than 100	25
More than 100	15

"(4) EMPLOYER MAY NOT SUBSTITUTE GREEN CARD EMPLOYEES FOR EXISTING EMPLOYEES.—No credit shall be allowed to an employer under section 40 for the taxable year if the Secretary of Labor determines that during such year, or during the immediately preceding taxable year, he has dismissed existing employees for the purpose of obtaining a credit under section 40 or for the purpose of increasing the amount of such credit.

"(d) CARRYBACK AND CARRYOVER OF UNUSED CREDITS.—If the amount determined under subsection (a) (1) for any taxable year exceeds the limitation provided by subsection (a) (2) for such taxable year (hereinafter in this subsection referred to as 'unused credit year'), such excess shall be—

"(1) an employment credit carryback to each of

the 3 taxable years preceding the unused credit year, and

"(2) an employment credit carryover to each of the 7 taxable years following the unused credit year,

and shall be added to the amount allowable as a credit by section 40 for such years, except that such excess may be a carryback only to a taxable year ending after the date of the enactment of this subpart. All provisions of this title which determine the operation of the carryback and carryover of the investment credit shall apply for determining the operation of the carryback and carryover of the employment credit.

"SEC. 52. ISSUANCE OF GREEN CARDS.

"(a) IN GENERAL.—The Secretary of Labor shall prescribe and publish standards for determining which segments of the labor force constitute the hard-core unemployed and shall, through the system of State employment agencies, through community action agencies, or through such other local agencies as he designates, issue a green card (or other similar identifying document) to each individual who is a member of the hard-core unemployed within the meaning of such standards.

"(b) SAFEGUARDS.—The Secretary of Labor shall prescribe such regulations as may be necessary to insure—

"(1) that no holder of a green card will use such card (A) for periods of employment aggregating more than 2 years, or (B) for a series of short-term employment with a series of employers, and

"(2) that a green card employee who voluntarily leaves employment two times shall be placed at the bottom of the list of the referral agency.

"(c) EXEMPTION FROM MANDATORY LABOR UNION MEMBERSHIP.—The first proviso of section 8(a)(3) of the National Labor Relations Act (29 U.S.C. 158(a)(3)), and any agreement entered into thereunder, shall not apply to any green card employee until he has become a permanent, full-time employee.

"(d) GREEN CARD EMPLOYEE, ETC.—For purposes of this subpart—

"(1) The term 'green card' includes any similar identifying document issued for purposes of this subpart.

"(2) The term 'green card employee' means any employee who holds a green card which is then valid for use as provided in this subpart."

(c)(1) The table of sections for subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code

of 1954 is amended by striking out the last line and inserting in lieu thereof the following:

"Sec. 40. Employment of the hard-core unemployed.
"Sec. 41. Overpayments."

(2) The table of subparts for such part IV is amended by adding at the end thereof the following:

"Subpart C. Rules for computing credit for employment of the hard-core unemployed."

SEC. 2. The amendments made by the first section of this Act shall apply to taxable years ending after the date of the enactment of this Act.

90TH CONGRESS
1ST SESSION

H. R. 241

IN THE HOUSE OF REPRESENTATIVES

JANUARY 10, 1967

Mr. BENNETT introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide assistance to individuals with low incomes by reducing the amount of income tax on individuals.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) part I of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to income tax on individuals) is amended by renumbering section 5 as section 6 and inserting after section 4 the following new section:

"SEC. 5. REDUCTION OF INCOME TAX ON INDIVIDUALS.

"(a) MARRIED PERSONS FILING JOINT RETURNS.—In the case of a joint return of a husband and wife under section 6013, if before applying this subsection the amount of tax determined under section 1 (a) (2) (after the appli-

cation of section 3) or table III in section 3 (b) exceeds $5, then the tax imposed by section 1 or section 3 on the taxable income of such individuals shall be reduced (but not below $5) by $200.

"(b) HEADS OF HOUSEHOLDS.—If before applying this subsection the amount of tax determined under section 1 (b) (1) (B) or table II in section 3 (b) exceeds $5, then the tax imposed by section 1 or section 3 on the taxable income of the individual shall be reduced (but not below $5) by $150.

"(c) SINGLE PERSONS NOT HEADS OF HOUSEHOLDS; MARRIED PERSONS FILING SEPARATE RETURNS.—If before applying this subsection the amount of tax determined under section 1 (a) (2) or table I, IV, or V in section 3 (b) exceeds $5, then the tax imposed by section 1 or section 3 on the taxable income of the individual (other than a husband and wife filing a joint return) shall be reduced (but not below $5) by $100."

(b) (1) Subsections (a) (2) and (b) (1) (B) of section 1 of such Code are each amended by striking out "a tax determined in accordance with the following table" and inserting in lieu thereof "a tax equal to the tax determined in accordance with the following table, reduced as provided by section 5".

(2) Section 3 (b) of such Code is amended by striking

out "a tax as follows" and inserting in lieu thereof "a tax equal to the amount determined in accordance with whichever of the following tables applies, reduced as provided by section 5".

(c) Section 2 (a) of such Code is amended by inserting "section 5," after "section 3,".

(d) The table of sections for such part I is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 5. Reduction of income tax on individuals.
"Sec. 6. Cross references relating to tax on individuals."

SEC. 2. The amendments made by the first section of this Act shall apply with respect to taxable years beginning after December 31, 1966.

90TH CONGRESS
1ST SESSION

H. R. 244

IN THE HOUSE OF REPRESENTATIVES

JANUARY 10, 1967

Mr. BENNETT introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1954 to provide deductions for persons engaged in trade or business who provide new jobs for the skilled and for all persons who provide new jobs for domestics and the unskilled.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to itemized deductions for individuals and corporations) is amended by adding at the end thereof the following new section:

"SEC. 183. DEDUCTIONS FOR PROVIDING NEW JOBS.

"(a) NEW JOBS FOR THE SKILLED.—In the case of a taxpayer who is engaged in a trade or business, there shall

be allowed a deduction for each new job provided in such trade or business which has an annual salary rate of $3,000 or more.

"(b) NEW JOBS FOR THE UNSKILLED.—In the case of any taxpayer, there shall be allowed a deduction for each new job which he provides for a domestic, maid, handyman, or other unskilled worker.

"(c) AMOUNT OF DEDUCTION.—The amount of the deduction for a new job under subsection (a) or subsection (b) shall be the amount which equals 25 percent of the annual salary rate for such job at the time the job qualifies as a new job.

"(d) YEAR OF DEDUCTION.—Any deduction allowed under subsection (a) or (b) with respect to a new job shall be allowed only for the taxable year of the taxpayer in which the job qualifies as a new job.

"(e) DEDUCTION TO BE IN ADDITION TO TRADE OR BUSINESS DEDUCTION.—Any deduction allowed under subsection (a) or (b) of this section shall be in addition to the deduction (if any) allowable under section 162 (relating to trade or business expenses).

"(f) NEW JOB DEFINED.—

"(1) IN GENERAL.—For purposes of this section, the term 'new job' means a position of employment

which is full time, which can reasonably be expected to be permanent or of indefinite duration, and which does not replace any other position of employment which the taxpayer (or any related predecessor employer) formerly provided.

"(2) QUALIFICATION AS NEW JOB.—For purposes of this section, a new job within the meaning of paragraph (1) qualifies as such after it has continued for at least one year.

"(3) LIMITATION.—For purposes of subsection (b), a taxpayer will not be deemed to have provided a new job unless the appropriate State welfare agency or State unemployment agency has certified that the employee is qualified only for unskilled labor and cannot be retrained for a job of a skilled classification in which there are job openings in such State.

"(g) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(b) The table of sections for such part VI is amended by adding at the end thereof the following new item:

"Sec. 183. Deductions for providing new jobs."

SEC. 2. Section 62 of the Internal Revenue Code of

1954 (defining adjusted gross income) is amended by inserting after paragraph (8) the following new paragraph:

"(9) DEDUCTIONS FOR PROVIDING NEW JOBS.—The deductions allowed by section 183."

SEC. 3. The amendments made by this Act shall apply with respect to new jobs provided after the date of the enactment of this Act in taxable years ending after such date.

(Whereupon, at 12:25 pm., the Joint Economic Committee was adjourned, to reconvene subject to the call of the Chair.)

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