

816

JOBS AND PRICES IN ATLANTA

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CONGRESS OF THE UNITED STATES
NINETY-FOURTH CONGRESS
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JOBS AND PRICES IN ATLANTA

MONDAY, DECEMBER 8, 1975

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

The committee, met pursuant to notice, at 9:30 a.m., in the council chamber, City Hall, Atlanta, Ga., Hon. Hubert H. Humphrey (chairman of the committee) presiding.

Present: Senator Humphrey and Representative Heckler.

Also present: John R. Stark, executive director; George R. Tyler, professional staff member; Michael J. Runde, administrative assistant, and M. Catherine Miller, minority economist.

OPENING STATEMENT OF CHAIRMAN HUMPHREY

Chairman HUMPHREY. On behalf of the Joint Economic Committee of the Congress, I want to express our thanks to all those who have cooperated so generously and helpfully in making possible the arrangements for this hearing.

May I also explain to you that because of unusual circumstances which have arisen in the Congress today, a number of our colleagues who intended to be with us are not able to be here. In fact, Congresswoman Heckler and myself are under considerable duress from the leadership to come back to Washington.

The Joint Economic Committee is holding hearings throughout our Nation to evaluate the fundamental state of our economy, to ask some very important questions, and hopefully to elicit from our witnesses helpful suggestions.

We are asking questions to determine why, year after year: 6 to 9 million of our people are looking for work, but are unable to find it; inflation rates at rates of 7, 8, 10, or 11 percent; interest rates remain at levels of 10 to 12 percent for the average borrower, for consumers, for small business, and for farmers; the number of new homes built is less than one-half the number that is really needed; our mines and factories produce at only 70 to 75 percent of their capacity; and why the budgets of American families continue to be squeezed by both inflation and unemployment?

All of us know, regardless of our political persuasions or our background, that we have a troubled economy with contradictions everywhere. Despite a Federal budget deficit of \$70 billion, unemployment has remained at or above 8.3 percent for months.

Industrial output rose 11 percent in the last quarter, yet our total output next year, in 1976, will be no greater than it was in 1973. I

might add, in that period of time, of course, we will have added several millions of people to our population.

While 30 percent of our industrial capacity stands idle, inflation continues at a 7 to 8 percent annual rate and wholesale prices have been rising at a double-digit rate.

The retail price of oil and gas has doubled; in fact, since 1973 the crude oil price has gone much higher than that, yet we are finding fewer new oil and gas wells than at the old price.

These contradictions point up clearly the characteristics of the new economic world that we live in—a world where the old solutions no longer seem to be effective.

Budget deficits don't always reduce unemployment, as we once thought such a formula would do; tight money policies don't always stop inflation; and higher prices don't always mean greater output.

Ours is an economy that cannot be managed with the established, old, traditional policies, or understood with the old simplistic economic theories. We have both recession and inflation at the same time. This is the first sustained period in the history of industrialized societies that this has happened.

Therefore, we must find new policies, new tools, and use new ideas if we are to achieve a rapid economic recovery to full employment without renewing destructive inflation.

The Employment Act of 1946, which established this committee, by the way, and also the President's Council of Economic Advisers, is the principal law governing national economic policy. It calls upon Congress and the President to pursue policies to maximize employment, production, and purchasing power.

Yet, our experience under the Employment Act of 1946 has been very discouraging. We have failed to maintain high, permanent employment levels. Moreover, instead of redoubling our efforts to keep our people at work, successive administrations and Congresses have accepted even higher unemployment rates as a target for so-called full employment. Today many in the administration would accept a 6-percent unemployment rate as full employment. To me, of course, this is completely unacceptable, and I think it is to most of us.

This hearing in Atlanta, a thriving city, and one of the great cities of America, is one of a series designed to review the Employment Act of 1946; to consider why it has failed to bring about full employment; and to consider steps that can be taken to make it effective.

I might add, the 30th anniversary of the Employment Act will be this coming February, and we intend to hold a series of meetings and seminars building up to a conference then in which we will review the 30 years of experience under the Employment Act, and hopefully come forth with some suggestions for its modification, or its improvement.

I have some personal ideas on that subject which are reflected in my proposed legislation designed to put the American economy back to work—legislation including the Balanced Growth and Economic Planning Act of 1975, and the Equal Opportunity and Full Employment Act proposal. These proposals, like others, always need to be carefully examined.

This hearing is being conducted, however, for another reason: To hear suggestions on how fast our economic recovery can and should occur.

It is no secret that the majority of Democrats in Congress, fundamentally disagree with the President on the speed with which our economy can recover; and I might add that that disagreement spreads through a bipartisan coalition.

Most Democrats in Congress want a rapid recovery—a recovery designed to cut unemployment quickly—and a recovery which will make use very quickly of our idle factories and labor, rather than allowing them to remain idle and unproductive through the end of this decade, or longer. I should add that my associate here today, the Congresswoman from Massachusetts, is one that believes very strongly in the importance of achieving a rapid recovery, because her community and district have suffered very seriously from unemployment.

The President would move much more slowly than some of us think appropriate. He has urged that Congress accept a more leisurely economic recovery.

The President's policies would still leave 5 million people or more unemployed in 1979—4 years from now—and it is not guaranteed by any means to hold down inflation.

I don't want to lose the production that is presently being lost, or the trillion and a half billion dollars of lost production which will be lost due to administration policies between now and 1980.

There is another important reason, however, why I reject the President's economic prescriptions.

Unemployment and economic uncertainty create tremendous social pressures. They cause crime to rise. They place heavy stress on family life. They weaken the fabric holding our society together; this worries me a great deal more, even, than some of the economic consequences.

It is my judgment that we can restore employment, and we can raise incomes, and restore savings. But it is much more difficult to restore the human spirit. Sometimes, in fact, there is not much that we can do. It then becomes a permanent casualty of recession.

We must now act, therefore, to reduce unemployment and achieve recovery. We must do so to achieve our full economic potential. But even more importantly, we need full employment to restore our national spirit—to restore the spirit which can only come with gainful, productive work.

With these introductory remarks, let me now say we will be hearing today from a variety of witnesses. Following our host—and I see him here before me—Mayor Jackson, Governor Busbee will appear. He will be succeeded by a panel of unemployed workers, and then a panel to review the economic and employment outlook.

After lunch we will hear from a panel analyzing the social impact of unemployment; they will be followed by a panel reviewing some innovative job creation programs in the Southeast.

Finally, we will invite anyone from the audience to speak up who wishes to on the subject of employment and economic recovery. We welcome your constructive suggestions. We welcome any suggestions that any of you might be able to offer.

With that, might I ask my colleague, Congresswoman Heckler, if she has any opening comments.

Representative HECKLER. Mr. Chairman, I would like to say that it is my pleasure to join with you in this important hearing on the economy in Atlanta.

Economic issues are the highest priorities on my agenda, because, as our Chairman has said, in Massachusetts, we have suffered, and do continue to suffer, from a very, very high rate of unemployment. So what we are eliciting today goes beyond a regional focus.

The purpose of this hearing is to add the Southern data which you will offer to us, to the record. Nonetheless, the problem of unemployment does not have a regional limitation or definition. It is a national one. I am unhappy with the pace of recovery. I am concerned that too many in society are facing enormous economic and emotional problems, as a result of the unemployment situation, as it presently exists.

However, I do not feel that we will find today, Mr. Chairman, just one Federal solution. I am concerned that all elements of society will have to be brought into the decisionmaking process and to the debate in order to find a true answer.

I am concerned that we must have innovative thinking to bring in the private sector; to bring in the academic sector; to pool labor and management; and together, to work out what will be a new and more dynamic course for America.

I am also deeply interested in the human dimensions of unemployment, which I see in my own district. I see broken marriages; and the sad consequences on the children, and on the whole of society, and I think that is a dimension of employment which our society should evaluate very seriously, I know we will have witnesses today who will speak about that particular aspect of the problem.

And so, Mr. Chairman, it is a pleasure to serve with you, as it is in Washington, and to work with you on this committee. It is a pleasure also to go out to Main Street in America, because I think in Washington we are too desk-bound, too insulated from the real needs of our people.

The people here will speak with a slightly different accent than mine. Nonetheless they will speak for the same human concerns, and I feel that while Congress is in Washington, what we are doing today is especially important, and it's my pleasure to be here and to join you.

Chairman HUMPHREY. Thank you. We are very fortunate to have such a gifted woman as Congresswoman Margaret Heckler.

The gentleman on my right is John Stark, Executive Director of the Joint Economic Committee, and on his right is Mr. George Tyler from our committee staff. We have other staff members here too.

All right, Mayor Jackson, we are most pleased to have you. It's a great honor to be in your beautiful city, and might I say that I know just exactly how the Falcons felt yesterday, having some from Minnesota where our mighty Vikings have tasted some of the same fruit.

STATEMENT OF HON. MAYNARD JACKSON, MAYOR, CITY OF ATLANTA

Mayor JACKSON. Mr. Chairman, for us, that was a moral victory, yesterday. Having gone to Morehouse College, I am very well versed in moral victories on the football field.

I am delighted, Mr. Chairman and Congresswoman Heckler, to welcome you to Atlanta, with your committee. We feel it is a distinct honor

to our city to have you here, and for us to have the chance to be able to speak to you about our concerns.

Before I begin, Mr. Chairman, let me tell you what hats I am wearing. And I think that I reflect the positions of my colleagues in these organizations in my remarks this morning.

I come to you first as the mayor of what I believe is the greatest city in this country.

I come to you also as a member of the Board of Directors of the National League of Cities.

I come to you as a member of the Board of Advisers of the U.S. Conference of Mayors. I come to you as a member of the Legislative Action Committee of the U.S. Conference of Mayors, and with a special responsibility this year of carrying the LEAA argument in behalf of the USCM around the country, and especially before Congress.

I come to you as the newly elected president of the National Black Caucus of local elected officials, representing 1,600 black, locally elected officials in the Nation.

And I come to you as a very active Democrat, and a southern regional coordinator of the National Conference of Democratic Mayors, coordinator of the National Conference of Democratic Mayors, coordinating nine States for NCDM.

But I also come today, and I want you to know that, and I say this from my heart, that you, in my opinion, Mr. Chairman, are one of the best informed, one of the most humane, elected officials in the history of the United States of America. As a former mayor, as one who sat in the hot seat, as it is my privilege now to do, I know that you realize that is why the U.S. Conference of Mayors in Boston in June rose in support of you after a speech—one of your shorter ones, lasting for only 1 hour: everyone rose in an enthusiastic ovation for what I consider one of the greatest speeches I ever heard.

In the city of Atlanta we had the good fortune to enjoy for many years a relatively low rate of unemployment for most groups. In 1971, the city's unemployment rate was 1.9 percent. It is now 12.5 percent.

In the city of Atlanta we, therefore, really didn't have a background for dealing with a horrendous problem like his. The black community's unemployment rate in Atlanta now is 15.3 percent. This successful American city, which owes nobody in the world a single dime for operational expenses, and has not borrowed since 1937; which has an AA bond rate by Standard & Poors & Moody; which cannot budget by anticipation more than 99 percent of the actual receipts from the previous year—this great, successful city has an unemployment rate that is a disgrace to the Nation.

The current and continuing national recession has demonstrated very clearly to us that neither Atlanta nor any area of the country is immune to the tragedy of unemployment. As a mayor, I know that unemployment is at the root of many of our most serious problems. This last year showed how our revenue and service needs are undercut by declining employment.

Equally important, the national economic recession has focused our attention on the longer term prospects for employment. Candidly, I was shocked to discover that, with the national, current unemployment level of about 7 million to 8 million people, that there was going to be an increase, Mr. Chairman, of about 22 million people in the national

labor force during the next 15 years. What scares me to death, Mr. Chairman, is that I see little sign that this increase in the labor force is being planned for by the Federal Government, as it should be done.

Further, I wonder whether, even with the best efforts on the part of the public and private sectors, an increase of that size in our labor force can be accommodated. This afternoon you will hear from Mr. Jules Sugarman, who sits behind me now; the chief administrative officer of the city of Atlanta. He has some very interesting, and I think some very challenging ideas about whether we can accommodate all the persons who now need work and who will need work for the next 15 years, and if so, how? I earnestly believe this question deserves serious national, immediate attention, and action, by the Congress.

Consider for a moment, please, some of the problems we face. Officials of the executive branch of the National Government, are predicting that substantial unemployment will be with us for the next 4 years. There has even been some suggestion that 8 percent unemployment is acceptable. I specifically, Mr. Chairman, absolutely reject that idea. Anybody who would dare to say that 8 percent unemployment in this Nation is an acceptable figure, as our President and his spokespersons have suggested, is one whose feet of clay extend above their necks.

Now, the existence of unemployment at abnormal levels creates enormous burdens and hardships for families and individuals who are unable to find employment. This burden of unemployment is disproportionately borne by a small proportion of the population. Yet everybody suffers from heavy taxpayer burdens created by unemployment for the tax support given to welfare and unemployment insurance; these are needed items, but items which, by the way, should be borne exclusively by the Federal Government.

Unemployment also contributes to the growth in crime and domestic unrest. I emphasize that—but I leave that.

Programs of public employment has thus far fallen far short of meeting the need for enough jobs. Public employment alone, Mr. Chairman and committee, will not and cannot do the job. It must be done using a combination of public and private employment—and I tell you, by the way, that one of the big problems is what happens when we get Federal dollars, which we need in the cities, and then there is talk, as there is talk, now, about discontinuing these important programs, leaving us high and dry.

I come to you now, remember, as mayor of a successful city where 20 percent of the entire work force of Atlanta now is paid by Federal dollars; and where about 30 percent of the employees paid from the general fund are paid by Federal dollars.

So a successful city's mayor is worried about what's going to happen in Congress.

Furthermore, the deficit in available jobs may increase substantially because of the complex nature of the problem. And because of this complex nature of the problem of full employment, no executive or congressional agency has a clear responsibility to champion the cause of full employment and to develop policies and programs to achieve it.

Now, what can we do? The only real solutions to our employment problems, it seems to me, is the creation of enough jobs, and if necessary, the fair sharing of available employment. It is, I think, one of the

most regrettable things that I have come to the point now that I am forced to stand here and even consider the idea of job-sharing, Mr. Chairman. I don't like that idea. I would like to see us avoid it. But it might be necessary, if we don't find some other ways of changing the situation.

This would involve a series of major pieces of legislation, which I will now outline for you.

First, I suggest, we must proclaim our dedication to the permanent objective and national priority of full employment in the United States. We must support the U.S. Conference of Mayors' policy that calls upon the Congress and the President to undertake: "Such actions as are necessary to achieve a national unemployment rate of not more than 2 percent within 10 years.

Second, the cities need some more help from Congress. Last Sunday, Mr. Chairman, November 30, 1975, in Miami, Fla., the National Conference of Democratic Mayors adopted its urban policy statement which addresses the national priority of full employment. I mentioned my connection with NCDM in the United States. Now, I strongly support the National Conference of Democratic Mayors' urban policy statement, and I am going to present, now, its position on full employment.

Any effort to improve the quality of life and to restore fiscal soundness to our cities can only be accomplished through a meaningful reordering of priorities at the Federal Government level.

The primary goal of any new priorities must be full employment with reasonable price stability. The country has failed miserably in its efforts to obtain full employment in the last seven years and that failure has cost the cities dearly.

In order to enact these full employment programs and other policies, a re-examination of our priorities must take place and meaningful cuts must be made in certain portions of the budget.

A reordering of national priorities demands recognition of the fact that the social defense of this nation is every bit as vital to the national defense as is the military defense.

The imbalance between domestic expenditures and Pentagon and Foreign Aid expenditures must be readjusted if vital city programs are to receive a proper share of Federal revenues.

Next I suggest to you that we must support the adoption of the public works and countercyclical fiscal assistance programs, which as you now know are in conference. I want to congratulate the chairman, Senator Hubert Humphrey, on his leadership on the countercyclical bill. Current Federal policy, by addressing neither inflation nor unemployment has concentrated the country's economic ills in its cities. That situation has forced city governments to undertake actions which are counterproductive, sometimes, to what national economic policy seeks to accomplish. In other words, a reduction in both unemployment and inflation. So by not now providing countercyclical aid to the cities, the Federal policy frequently is self-defeating.

What that means, in very plain, simple language is, Congress gives us the money to hire people for the city program, while on the other hand many of the cities in the Nation—so far not Atlanta, thank goodness, and knock on wood on that—then have to lay off city employees shortly thereafter, paid by the tax dollars of the city treasury. Now that is counterproductive. It doesn't even make sense. That's stupid; that's what that is; and I respectfully urge, therefore, the Senators and Members of the House of Representatives, who are here today, to do everything possible to take immediate positive action on

the accelerated public works and countercyclical fiscal assistance programs. Congressional appropriation of funds for this legislation for a minimum of eight quarters is vital for our cities, and to help achieve full employment.

Third, we must work for a reenactment of revenue sharing and a revision of the Federal revenue-sharing formula. The current revenue-sharing formula does not give sufficient weight to the special problems of the cities. Greater weight should be given to need, but any revised formula must assure all political subdivisions of their present level of revenues, so that support by the coalition of cities, States, and counties is not weakened. Vital jobs that these funds support cannot be suddenly terminated with no recourse.

Fourth, we must support the permanent extension of the Comprehensive Employment and Training Act and an expansion of this program. Now the USCM supports this act for the flexibility it provides through its grant bloc programs to local governments. As a mayor I believe that we can best provide for our own community through programs that we design. CETA and bloc grant programs should be expanded to better cope with local unemployment, especially for hard-hit central cities.

Expansion of unemployment programs, it seems to me, needs to include comprehensive vocational education training programs and permanent—Mr. Chairman, and the committee—permanent summer youth job programs. What we are saying really is that the sixties, and the hysteria of that time, gave rise to a summer focus; a summer orientation. We got to thinking about the hot summer, and cooling off the hot summer. We need to cool off the entire year, Mr. Chairman. Therefore, summer job programs for youth should be expanded to year-round programs of employment for young people; of recreation for young people. Youth programs funded on an emergency basis with inadequate dollars, and little planning, have got to be expanded. Meeting the needs of youth employment is crucial to our goal of full employment and stable cities.

Finally, Mr. Chairman and the committee, I speak to you as one who walks the streets of Atlanta. I speak to you on who holds people's day once a month, and in different sections of the city where I sit down and listen all day. First come, first served. We talk to 100 or more people every day we have a people's day, and I haven't missed a month in my 24 months as mayor.

I also tour the council districts; go out with the members of the council. I actually have them show me through their eyes what their problems are.

Mr. Chairman, I tell you in all honesty I walk the streets sometimes at night. I go into bars. I go into whatever skidrows we have—they are very small and scattered. I go into the slums of Atlanta, and I walk where those who are the neediest will grab me by the arm and plead for a job.

Mr. Chairman, I tell you now my number one frustration as mayor is to see people not begging for welfare, although they need it; not begging for food, although they are hungry; not begging for money, although they are broke; but begging for a job, and we need the help of Congress in this issue.

Thank you.

Chairman HUMPHREY. Mayor Jackson, I would hope and pray that the entire Congress of the United States hears your message; it was a very moving, powerful and well documented message. One of the deep regrets I have is that messages such as yours fall upon the ears of so few of us at any one time.

Governor, it's a great pleasure to see you.

Governor BUSBEE. Thank you Senator Humphrey and Congresswoman Heckler, it's a delight to be with you. I am sure that the mayor has adequately welcomed you to our great city, but I would like to join with him in welcoming you to Georgia.

Chairman HUMPHREY. May I say we're very honored to have your presence here, Governor, and these meetings would not be what I call productive without the participation of the chief executive of this State. We look forward to your comments.

STATEMENT OF HON. GEORGE BUSBEE, GOVERNOR, STATE OF GEORGIA

Governor BUSBEE. Mr. Chairman and distinguished members of the Joint Economic Committee:

I appreciate your invitation and am pleased to be able to be with you this morning. On behalf of all Georgians, I would like to welcome you to our beautiful State and particularly to the great city of Atlanta.

Your factfinding mission is a timely one. Last Thursday, after careful study of our November revenue collections, I was forced to trim Georgia's current revenue estimate by \$57 million because of the continuing economic uncertainty caused by the recession.

By noon today, all State agency heads will have submitted to me their recommended cuts of a minimum of 3.5 percent in each of their fiscal year 1976 budgets. In addition, I intend to ask the Georgia General Assembly, when they convene in January, to eliminate approximately \$28 million in capital outlay funds that were appropriated in this year's budget, but which have been frozen as a hedge against a revenue shortfall.

Many special interests, I'm sure, think that all I ever learned about arithmetic is subtraction since this is the third time, including calling a special session of the legislature, that I have cut the State's budget since taking office in January. If you include the \$36 million I cut before taking office, a total of \$270 million has been trimmed from the Georgia budget—and there will be well over 1,000 fewer employees on the State payroll next fiscal year.

In the South, Georgia's experience has been the rule—not the exception. The recession and national economic policies have drastically affected our neighboring States. For example, Florida's fiscal year 1976 expected revenue is 10.92 percent below what was collected in fiscal year 1975. Kentucky is expecting 7.5 percent less than in 1975 revenues—and Tennessee is reporting minus 7.0 percent.

It's not easy denying teachers pay raises, children a kindergarten or being forced to shelve some new programs I believe are sorely needed. The programs I wanted to finance at the State level to spur employment, productivity, and economic recovery have had to take a back seat to a higher State priority—a program of State fiscal restraint and responsibility—which I feel has cut the fat and stream-

lined State government as well as helped hold down the national inflationary spiral.

While we don't have the fiscal resources to fight the recession, I and many other Governors have taken alternative actions which will help foster faster economic recovery.

I recently returned from Europe on a trade mission to three countries in an effort to attract industry to Georgia and the South. Since taking office, I've met with representatives of over 100 of the Nation's 200 largest firms to encourage them to expand operations in Georgia communities so that jobs will be created and productivity increased.

With the assistance of the Georgia Legislature, the State department of community development is being streamlined and reorganized so that economic development efforts of our cities and towns might be enhanced through well coordinated and competent State technical assistance.

In short, I feel that State governments are doing their best to help overcome a national problem—economic recovery.

I read your letter to me about the purposes of the Joint Economic Committee's efforts in Atlanta very carefully. I noted you were interested in determining why we have not met the goals of the Employment Act of 1946, the bill which established your committee. As you know, the Employment Act established as a Federal responsibility the achievement of maximum employment, production, and purchasing power.

In rereading the Employment Act, I was particularly struck by the term Federal responsibility, so I looked it up.

The word Federal is defined as * * * and I quote :

Of or constituting a form of government in which power is distributed between a central authority and a number of constituted territorial units.

Unfortunately, I'm afraid that too many of our people believe that word means power only to a central government. "Federal responsibility," then, means that solving a national problem is the sole burden of those who govern from Washington.

As we approach the 30th anniversary of the Employment Act of 1946 and the 200th anniversary of the founding of this Nation, I would hope that we would reaffirm that we live under a Federal system of sovereign governments.

The responsibility for economic recovery is just as much my burden and that of my colleagues as it is the Congress and the national administration's. Creation of jobs and the administration of programs to implement this goal is and should be joint responsibility between the Federal Government and the States. We cannot continue to ignore our collective actions on each other and the effects these actions have on our individual efforts to solve the Nation's problems.

I must say to you candidly that one of the biggest obstacles I have encountered in attempting to ease the problems of the recession * * * in addition to the obvious problems with revenues * * * has been the Federal Government itself.

Last February, I met with the President and asked his assistance in establishing a pilot program for a State Department regional representative for the eight Southeastern States. This regional representative could be of great assistance to southern Governors in helping arrange trade missions, or in the establishment of consulates and trade

offices, and in keeping Governors abreast of the administration's foreign policies with other countries so that we might do our part in furthering the national interests, such as the creation of an even more favorable balance of trade.

Despite Presidential assurances of action, nothing happened.

A month later, I broached the subject with Secretary Kissinger, and in August, all 18 Governors in the Southern Governors' Conference endorsed the opening of a regional office. Secretary Kissinger, who was a guest of the conference, responded that he would pursue the questions and establish an office or, at least, assign a State Department representative to work with the Atlanta office of the Southern Governors' Conference.

While I recognize this may be an insignificant problem for the Secretary of State, it is nevertheless an action that could help lead to significant foreign investments in our region, and that means jobs to folks in Tifton, Waycross, Augusta, and Albany.

We have yet to hear from the State Department.

The highest priority of my administration is the achievement of sound economic growth without detriment to our environment, which is our greatest resource next to the Georgia people.

While it is essential that we protect and manage our natural resources, we must also maintain the State in a position to allow sound economic growth and development compatible with environmental constraints.

The proposed amendments to the 1970 Federal Clean Air Act being considered by Senator Muskie's subcommittee in the Senate * * * and by the Subcommittee on Health and Environment in the House * * * would no longer allow a State such as Georgia to have even reasonable industrial growth and development. Under the guise of "prevention of significant deterioration," a faction of the Congress is proposing to limit additional emissions to the atmosphere by new industries in any community to such low concentrations that reasonable economic growth would be prevented.

The inequity of such an approach and the discrimination against the Southeast is appalling. It is further revealed in some of the proposed language in the amendments * * * and I quote:

* * * to protect any State, region, or area of the country from the loss of jobs or tax revenues to other States, regions or areas which but for this subtitle would permit significant deterioration of air quality.

An amendment to a Federal act concerned with air quality that attempts to protect certain States while discriminating against others is unacceptable to us.

An example of the discriminatory aspect of the Muskie subcommittee proposed amendment is the increment change that would be allowed for sulfur dioxide.

Let me aside from my prepared remarks that congressional support for the public works bill in conference is vital. There is no way that we can economically develop our communities unless they have sewage treatment facilities. We're trying to help at the State level. We desperately need—I know the political realities in Washington on this; it's over now in conference and we're willing to compromise on it, if we can just get half a loaf, and it evidently looks like this is what we're going to have. But, Mr. Chairman and Mrs. Heckler, there is no way

that we can develop our State unless we can protect our environment, and we must protect our streams.

I'll go a step further. I testified before the Rockefeller Commission; I also testified again on behalf of the National Governors' Conference on Public Law 95-60 as well as on the Water Pollution Control Act. We have a deadline on streams that industry has to comply with by 1977. We are making them comply with these environmental laws in this State. We ask that these laws not be extended as far as industry, to those States that have not made them comply because again, if we make them comply with our environmental laws down here, they're going to move to other States where they don't have to comply and we were in good faith with them.

But we cannot comply with our municipalities by the deadline of July 1977, because of the \$9 billion that the administration has impounded and denied us for these cities. We just can't make the schedule.

There are many other recent or imminent congressional actions which deny States the opportunity to participate fully in our federal system of governments.

I understand that there are efforts being made to take the urban system portion of our highway program away from the States.

The National Health Planning and Resources Development Act of 1974 (Public Law 93-641) completely bypasses Governors and other elected officials by establishing a system for health planning and regulation which is not accountable to the public.

Title X of the Economic Development Act, the job opportunities program, does not provide an orderly uniform way by which Governors can assist in helping determine regional problems so that these limited funds could be more effectively utilized.

Amendments to the highway trust fund which would allow States to preempt 3 cents of the 4-cent Federal tax and thus help alleviate the fiscal crisis in our transportation departments caused by declining motor fuel tax revenues due to fuel-efficient engines and soaring gasoline prices can't even get to the floor.

Yet Governors in the national interest have adopted energy conservation as our prime thrust. To the extent we are successful in energy conservation in the national interest, we only exacerbate our respective gas tax revenues shortfalls.

I could go on with examples, but my point is this: To solve our national problems, we—the Federal Government and the States—must jointly formulate policies and goals and work closely in their implementation.

In so doing, States need the flexibility and authority to administer programs not only in the national interest, but also in a manner which meets State and local policies and priorities as well.

It is not my purpose here today to lay blame, but to assess the need for change. I recognize that much or most of the blame for the massive shift of power to the Federal Government was the inaction of the States. However, because of massive reorganization, institution of more efficient management systems, and a new breed of Governors who are determined to be chief executives instead of ribbon cutters, States can once again serve as laboratories of change and innovation in attempting to solve national problems.

To help solve our economic woes, I strongly agree with Governor Lamm of Colorado: "The States, in sum, are an old idea whose time has come, gone, and then come once more."

Thank you for your consideration, and I'll be happy to respond to any questions you might have.

Chairman HUMPHREY. Governor, let me tell you that you may appreciate our coming here, but I am very grateful for the opportunity that we have had to listen to you and to Mayor Jackson. It just re- fortifies my growing belief that so much talent is out here at the State and local levels to manage so many of these problems. You have made a very impressive argument in behalf of much closer coordina- tion and cooperation between our levels of government. I must say that your interpretation of the word "Federal responsibility" is new. It is of course fact, and in a sense old, but it has not been stated that clearly. The responsibility for getting these things done is a Federal responsibility and not just a national responsibility, and I must say that that is a very good, impressive definition of our joint re- sponsibilities.

The matters which you have brought to our attention will be given every consideration. I know that you have been—in the matter of regional representation with the Federal Government in helping you on your trade programs and industrial development programs, has been sort of shuttled and shoved around from one desk to another. When I served as your Vice President, I strongly recommended what we called Presidential representatives in every region to act as action officers to get things done for Governors and local governments be- cause the normal structure of the governmental agency sometimes doesn't permit the kind of effective, active response that is needed. I'm not going to promise you that we're going to do what you ask, because you have been promised before, but why don't you call me in about a month and see if we haven't been able to do something about it. I don't want to promise something we can't deliver but I'm going to see Henry Kissinger. He needs me, believe me, because I'm chair- man of a Foreign Relations Subcommittee. He is going to have to hear about the Governor of Georgia and I'm going to tell him that the Governor of Georgia wants to know when the Secretary is going to hear from him. At least he can get a friendly little message down here. He traveled a long way to go to China and Indonesia and then the Philippines and now over to the European countries and to the Soviet Union. I'm going to suggest that he come down here with a nice letter down to you in Atlanta, that's only 1 hour and 27 minutes from Washington.

Governor BUSBEE. Yes, sir, I just went there, it's the same going up.

Chairman HUMPHREY. Congresswoman Heckler.

Representative HECKLER. I would like to say, you have made a bril- liant presentation. This has been very, very worthwhile for us. I think you have an innovative approach to government. You have a sophisti- cated understanding of the complex components of growth, which involve the Federal Government, State, and local, as well as the private sector.

Now I am particularly intrigued—I could ask lots of questions, but I will just ask one—I am intrigued with your aggressive promotion of foreign investment in Georgia. Have you considered whether there

might be any national interest compromised by having excessive concentrations of foreign investment in the United States? Suppose some of the Arab countries wished to invest heavily in new industry which would create new jobs for Georgia and would have a number of economic benefits for the area. At the same time, we're involved in very delicate relationships in terms of the Middle East. How would you deal with this? Do you think there is any danger to be feared from large foreign investment and should the national security—should international questions of relationships between governments be a factor in terms of the promotion of this type investment?

Governor BUSBEE. Well, I've heard this same concern expressed previously. We're very successful as far as international trade investment. To answer your question, there are two parts. One is we're out there for two things, one is for trade and development of the interests we have in international trade which we severely need. We have been very successful in this. You made mention of Arabian countries there; we only have one investment in Atlanta from OPEC countries and that's \$12 million; it's the Hilton Hotel Hotel chain. I don't think that \$12 million is really going to affect the Hilton Hotel chain one way or the other.

Representative HECKLER. But should there be a limit at all, Governor, do you think that's appropriate?

Governor BUSBEE. As far as any limit and as far as we're concerned, I don't see the necessity of that in the years to come because I don't see it coming to Georgia. We're not really having this type or response to our investment program.

Let me tell you where the development is going to come from. It's going to come from West Germany because they're a credit nation; they have two or three problems that require that they build and invest abroad.

It's going to come from Japan. You're going to see a great change in trade, like Taiwan unless we do something international there. I am briefed thoroughly by the State Department every time before I go on a mission. I'm briefed about commerce before I go on any economic mission, and I think this points out the need of having those people down here instead of my having to go to Washington for it. But as you look over at Taiwan now and look at the trade potential that we have there. They practically have a balanced trade, but they're doing the importing from Japan and the exporting to the United States. Now, they have changed their federal policy. They're going to import from the United States and balance their export-import as between our two countries. This holds out a great potential for us. We are very diversified. To be very frank with you, we have the means to control foreign investment. We did this on land purchase laws which limit the amount of land that a foreign country could have or even one coming down from the north could have. We have the means of dealing with them. You have the means in Congress to deal with this. We do have the means to deal with it in our own States but I don't foresee this for some time to come because these are joint ventures mostly we're having now and compared to the total investment in any sector, we don't have too much from any one country.

Chairman HUMPHREY. I want you to know, Governor, that we have no laws in Minnesota that would prevent money from Georgia coming up that way. You just get it up there, we'd be delighted.

I look upon this matter of investment—to be quite serious about it—as important. We Americans have over \$150 billion of American capital invested abroad. We've got to make sure that we don't set up positions here at home that would preclude the opportunity for reasonable investment in the United States. Investment is the way we get jobs. I think one thing has escaped our attention in much of this discussion. You don't get jobs by just wishing for them, you've got to build factories and shops and transportation systems and all the facilities it takes. It used to be said it took about \$15,000 to produce a job. I imagine the figure today is closer to \$60,000 or \$75,000 to produce one job, so when we're talking about jobs we've got to have investment and I'm all for it.

I want to say that I think our tax laws and other things have to be looked at very carefully in terms of how we provide the means of accumulating capital to make jobs available. Government jobs are fine, but somebody has got to pay for them and the only way you can pay for a Government job—and I'm for public service jobs, I'm for emergency public works like Mayor Jackson pointed out, I think these things are necessary—but those things can't be paid for just by printing money. They have ultimately got to be paid for out of production and out of the revenues that come from production, so I think that message needs to be brought into everything we have.

I'm one who believes that we need this very careful partnership and balance, not only in the government, Federal, State, and local, but between the governmental structure on the one hand and the private sector on the other. Quit the feuding and get to cooperating.

I certainly want to commend you on your efforts here. I will look into these environmental laws, Governor, and the other suggestions you have. If you don't mind, I'm going to take the liberty of bringing your testimony to the attention of Senator Muskie, for example, in that one area. I will bring your testimony to the attention of the Secretary of State in the area that you referred to and to other Federal officials.

Governor BUSBEE. Thank you so much, Mr. Chairman. Again, I appreciate it.

Chairman HUMPHREY. We have a panel of unemployed workers now. I'm going to ask the panel to come forth to occupy the chairs here. Mr. Tim Sims and Mrs. Annie Pearl Smith.

I understand that each of you has some prepared testimony. Is that correct, some short statement? After the statement we'll proceed to ask questions. We'll start with you, Mr. Sims. We're doing this alphabetically.

STATEMENT OF TIM SIMS, MEMBER, PANEL OF UNEMPLOYED WORKERS

Mr. SIMS. Senator, I hate to say I'm unemployed. I used to like to use the word "self-employed" but I've come to the realization I might as well tell the truth and admit that I'm unemployed. I would like to tell you my story.

I had a good bank job. I was employed as a manager of an office. I had been in real estate there for approximately 7 or 8 years.

I quit my job to start building houses. I always wanted to be the owner of my own business. My college training was in architectural engineering, and I quit my job in the early months of 1973 and secured

a few construction loans with the help of a land developer that I knew and started building houses. I had three houses under construction, they were properly financed, they were in good locations. Then, in July of 1973, we were hit with the dollar devaluation and the wheat sales. The energy crisis was beginning and interest rates went to hell. I was originally paying $7\frac{1}{2}$ percent for construction money, then on renewal notes, it went to $16\frac{1}{2}$ percent to carry my houses.

Chairman HUMPHREY. You see, Mr. Sims, I just interrupt you to say that this is the kind of information that those like yourself know about which doesn't get to the public. You can only read in the press that the prime interest rate has been lowered or raised, which means really very little to a person in small business or to the average consumer who pays much higher rates.

Mr. SIMS. That's true.

Chairman HUMPHREY. You were paying in 1973-74 an actual interest rate of about 15 to 16 percent, is that correct?

Mr. SIMS. Yes, sir. I couldn't borrow money at anywhere near the prime rate, so as a small businessman starting his own business I paid the very highest interest rate. I was lucky to roll over my loans; most banks in town wouldn't even touch a builder starting out after the credit crunch occurred, but I did continue to renew my notes and I did continue to build for another year. But during this time, in the newspapers and press and so forth, there was a suggestion of short-termness about the crunch—it would be over in the next quarter, or we'll see the upturn in two more quarters. So in my particular case, I listened to that and I kept thinking, yes, it's going to turn around. How many times did we hear that, by the middle of 1975, and by July in particular, the recession will be over and we'll be on the upturn. Then it was the third quarter, then it was the fourth quarter and now we don't know when it will be.

But anyway, in my case I held on. I went ahead and paid the high interest charges. A lot of builders would give up and let the houses go back to the bank, let somebody else take the loss. I held on. I avoided foreclosure, I avoided bankruptcy. I haven't made a dime since I started but I have held on.

About July of this year, it finally occurred to me that the economy was not going to turn around and I was going to have to do something to generate income. I had been literally eating my assets until that time, selling off a little bit of property I had at a time to get by.

I started looking for jobs that I could possibly take at night in order to still build during the day when the imminent recovery occurred. I thought, well to do this, I'll have to take a job that is more or less beneath what I'm capable of doing.

In one instance I answered an ad for a night desk clerk job at a motel. I felt like I could probably just walk in and get the job on the spot. I went out to the place and I thought, My God, they must be having a convention at the motel. The parking lot was full and the people were milling around. I walked into the lobby, this was a motel on the outskirts of town; there were businessmen, there were ladies, all types of people standing around with application blanks in their hand. Well, I went up to the clerk in charge and I said, may I have an application blank, and he said, well you can have one, but I don't think we'll get to you before the end of the day, and they will surely have hired some-

body out of this crowd before they get to you. So right then I realized what a depression we really were in, and still are, according to my industry.

Regarding the real estate industry in Atlanta, the city it dotted with empty condominiums, empty apartments, single family houses that have been sitting empty for 2 or 3 years. We have an office space occupancy rate, even with the new buildings coming on line, across the board of about 75 percent, which means a 25 percent vacancy rate. I don't know who is going to suffer the loss, I don't think the banks can do it after they foreclose on all this nonproductive real estate.

Chairman HUMPHREY. The banks, as you know, are loaned up to their ears in unproductive real estate loans now.

Mr. SIMS. That's right.

Chairman HUMPHREY. This is one of our danger signs in the banking picture.

Mr. SIMS. We have a very large complex in our city, a beautiful complex, very well located. The developer has filed for chapter XII, I believe already, and that shouldn't have occurred. This is happening to well planned complexes, well located developments. The marginal people have gone under long ago. There are a few small builders like me that didn't get in too far over our heads who are still hanging on, but the marginal people have already gone and now the well thought out projects are beginning to go.

My impression of what the Government is doing for my industry is very poor. I think the only positive thing the Government ever really did for builders is the tax credit and in a lot of cases this worked directly against builders rather than to help him because only the people who built houses in the early months of 1975 really benefited.

Chairman HUMPHREY. Up to March 31 I think it was.

Mr. SIMS. Yes. Because their houses came on the line about the time when they still had profit in the house and they could sell it at the price the tax rebate dictates. But for the houses that were constructed in 1974, the price tax credit prevented us from raising our prices to cover our increase in interest expenses, so the tax credit thing really didn't help us. The people that built houses after March 1975, also were not helped by the tax credit. So there's a vast segment of our industry that wasn't helped despite the good intentions of this law.

I don't know the status of commercial construction depreciation in Congress but I know the effect will be to halt construction if the depreciation deduction is modified to where it won't allow projects to get off the ground; it'll just stop construction, put more people out of work. Yet, the incredible thing is they call this a loophole, when its an incentive to give people jobs. The people who benefit from this so-called loophole in my opinion provide homes, provide offices and they are producers in our society.

These are just impressions that I've got. In my case I feel that I have wasted 2 years. I have consumed what little capital I had accumulated. I'm probably now at least 6 years behind my peers in their career goals. I was just a victim of circumstances and time.

Chairman HUMPHREY. Mr. Sims, I very much appreciate your testimony. I am sitting in considerable sympathy. Our second son was in the housing business and I know what happened. He had to go out and scramble and now is working—fortunately at long last, he passed a

civil service test and got a small job in the Housing Authority, but both he and his wife are scrambling to make a living. So I know just what you're talking about. He was in pre-fab housing, got in a partnership worked day and night, hard-working—it just went down the drain.

Mr. SIMS. Many people did. I just want to mention one other thing. Most of us in construction are not eligible for unemployment benefits. We're self-employed people and we don't contribute to the State unemployment funds, so unemployment is devastating. In a way, small sub-contractors are rugged individualists. They don't depend on anyone else for their living; they get out and fight and hustle for what they take home. Yet, they're the ones most penalized by our unemployment compensation system. It's tragic. People have lost their homes and had to move back with family.

Chairman HUMPHREY. Mrs. Smith, we want to hear from you.

Thank you very much for coming and feel perfectly relaxed and tell us your story.

STATEMENT OF ANNIE SMITH, MEMBER, PANEL OF UNEMPLOYED WORKERS

Mrs. SMITH. I am a housewife and mother. I'm the mother of seven children. I had an eight-room house. At the present I have lost my job. I have been out of a job a year—

Chairman HUMPHREY. A year?

Mrs. SMITH. A year and 9 months. I'm unemployed and things are just so tough. I draw unemployment of \$70 a week.

Chairman HUMPHREY. How much?

Mrs. SMITH. \$70. When you try to pay rent, lights, gas and feed the children, you don't have anything. I had to give up something, I had to give up my home. I didn't want to give it up, I couldn't afford to pay the rent—that's a true fact. So then we got food stamps. That's the only thing really that saved us for food because if I had to pay \$70 rent a week and my grocery bill is \$90 a week for seven children. I can't afford to not feed them, so I lost my house, I lost my car. My children have been lacking for almost 2 years. We just barely scrape by. Things that they have to have, we can't afford to get and things they have to have at school they can't get—books, important things, we just can't make it.

I'm not only speaking for myself, I'm speaking for all mothers who have lost their husband or who haven't lost their husband, who are out there trying to make a living, and not only with seven children, but with one child, six children, four children. It's awfully hard. If they don't do something about it, putting us back to work, I don't know what's going to happen to them. We have children dropping out of school, bad children, stealing, on dope and everything right now, actually pushing it. I pray and hope to the Lord my children don't go out there, I pray for them and we talk about it, but I really don't know what's going to happen. I love them, they love me and we're kind of close, but I've been out of a job so long and if they can't get the proper things they need in school and the proper clothes like the

other children, something might happen. I hope it don't, I hope the President and you all will get together and try to make something better.

I worked for the General Motors, Lakewood Plant—

Chairman HUMPHREY. General Motors?

Mrs. SMITH. The Lakewood Plant, and I have been out a year and a half, we're supposed to go back to work, but we have had letters before saying that we're going back to work. Yet under this depression we're going further and further back. And I hope there is something you all can do for all the mothers.

Chairman HUMPHREY. How long did you work for General Motors?

Mrs. SMITH. I worked there 5 years before I got laid off.

Chairman HUMPHREY. Five years, and you were taking care of your family?

Mrs. SMITH. Yes.

Chairman HUMPHREY. Now let me ask you, do you get unemployment compensation?

Mrs. SMITH. Yes, that's all I get.

Chairman HUMPHREY. And you get some food stamps?

Mrs. SMITH. Yes.

Chairman HUMPHREY. But you have to buy some of those food stamps.

Mrs. SMITH. I have to pay for my food stamps.

Chairman HUMPHREY. I think this is important for the record. So many people feel that food stamps are just passed out.

Mrs. SMITH. No, you have to pay for them.

Chairman HUMPHREY. You pay a part payment for them, for example, if you get \$5 worth of food stamps, what do you pay, \$2 or \$3?

Mrs. SMITH. They don't come in \$5—

Chairman HUMPHREY. I know. How does it go with you?

Mrs. SMITH. If you get \$150 in food stamps, you pay \$50 or \$48. It's according to your family size and income.

Chairman HUMPHREY. In other words, you pay a share of the cost of the food stamps.

Mrs. SMITH. Yes.

Chairman HUMPHREY. And without those food stamps, I understand you to say you'd just be down and out.

Mrs. SMITH. That's right, I couldn't make it. You couldn't feed the children on \$70 a week and pay house bills. And I have moved into my sister's house and we're staying in three bedrooms, it's a five-room house with three bedrooms and it's really hard. She has four children so we are really stacked up.

Chairman HUMPHREY. I say you are. Your sister has four children?

Mrs. SMITH. Yes.

Chairman HUMPHREY. And you have six—seven?

Mrs. SMITH. I have seven but I have six at home.

Chairman HUMPHREY. So there are 10 children in that home plus your sister and you?

Mrs. SMITH. That's right.

Chairman HUMPHREY. And how many bedrooms you say?

Mrs. SMITH. Three.

Chairman HUMPHREY. You are stacked up.

Mrs. SMITH. Plus I lost a five-bedroom house. I had 10 rooms but I had 5 bedrooms and I lost that and my car too.

Chairman HUMPHREY. You go down to the employment office looking for work?

Mrs. SMITH. Yes I have gone and looked for jobs, filled out applications, taken physicals, I have walked so much I have holes in the bottom of my shoe almost going back and forth and they say well come over here and be here, I'm going to hire today. But you go over there, and they say, well I'm sorry we'll call you. They take your application and then you get your hopes built up, go take a physical, go all the way through it, you're all the way built up. Then, we'll call you later, and you sit by the phone and you sit by the phone and read the paper. They say you get 95 percent of your money, that's not so, you get 95 percent of your money if you're working but not employment you don't.

And I'd rather work, I don't want to be unemployed. I don't want that \$70 a week. I'd rather be working and taking care of my children. I do not want welfare. Welfare is for someone who really is not able to work. I'm able to work and I want myself and my children to realize they have to work.

Chairman HUMPHREY. How old are your children?

Mrs. SMITH. My oldest one is 19, the youngest one is—17, 16, 15, 14, 12 and 11.

Chairman HUMPHREY. Are any of your children able to help on to jobs?

Mrs. SMITH. My oldest son just go a job but he'll be laid off next week. The rest of them are in school, we're trying to keep them in school because I really want them to get an education, hoping maybe things will break open for them when they get an education, they can come out and do something, be able to get a good job.

Representative HECKLER. I'd like to say that I admire your spirit and you're on the right track in bringing up your children well, and I really think you deserve a great deal of credit for the struggle and for the example you're giving to your children.

Mrs. SMITH. Thank you.

Representative HECKLER. I know, I have three teenaged children at home myself and you have six.

Mrs. SMITH. Yes.

Representative HECKLER. And I know what that food bill means and I know what the struggle is like. Tell me why is it that the GM plant laid off—how many people were laid off and what are the prospects of the plant rehiring you?

Mrs. SMITH. There was 2,000—2,500 laid off and they were going to call back next January 19; they will be calling back, they say.

Representative HECKLER. How many will be called back, do you know?

Mrs. SMITH. They say all.

Representative HECKLER. They say everyone will be called back?

Mrs. SMITH. That is right.

Representative HECKLER. You said you have received other notices that you may be called back?

Mrs. SMITH. We got the same letter in July and then it came up that later on we got the second notice that production was pulling up and we weren't needed.

Representative HECKLER. That's why you don't have any confidence in this new notice, is that right?

Mrs. SMITH. That's right.

Representative HECKLER. Was the reason for the layoff the energy crisis?

Mrs. SMITH. Yes.

Representative HECKLER. Are you worried about having your unemployment benefits cut off soon?

Mrs. SMITH. It will be cut off.

Representative HECKLER. When will they be cut off?

Mrs. SMITH. January the second.

Representative HECKLER. Do you read the help wanted ads and look for a job yourself?

Mrs. SMITH. I have gone, I have looked for a job myself, I have—if anyone calls and tells me they know where there is a job, I go, but there's so many people out there. You fill out a lot of applications and come back, when you're out there they take your application and everything, we'll call you. They call some people, some they do hire.

Representative HECKLER. What did you make when you worked at the plant?

Mrs. SMITH. How much was my salary?

Representative HECKLER. How much did you earn?

Mrs. SMITH. I was making \$5.42 an hour.

Representative HECKLER. Do you feel the union has helped you during this period?

Mrs. SMITH. Yes. My union really has been sticking by me.

Representative HECKLER. They have? What have they done?

Mrs. SMITH. They have sent me to places trying to get a job, tried to help. I got a call from them Friday, my check was messed up at the employment office, 2 or 3 weeks behind, or even a month behind. I have to go down there, they will call and find out why my check was late.

Representative HECKLER. So they do social counseling?

Mrs. SMITH. Oh, yes.

Representative HECKLER. So you don't go to Government to do that?

Mrs. SMITH. No. They got us the food stamps.

Representative HECKLER. The union helped you do that?

Mrs. SMITH. Yes; they got that.

Representative HECKLER. Is there any special union program or other program for Christmas benefits for people who are laid off?

Mrs. SMITH. I do not know.

Representative HECKLER. Keep up the struggle. You are really a very fine, very inspiring woman.

Mrs. SMITH. Thank you.

Chairman HUMPHREY. Let me ask you, you talk with your friends and your neighbors, is your story typical of what you know among your associates and your friends?

Mrs. SMITH. Yes; it's the same.

Chairman HUMPHREY. Very much the same?

Mrs. SMITH. Yes.

Chairman HUMPHREY. Could you just kind of fill me in on this? You lost your home—you had to give up this home that you had where you had enough space for your children and yourself and obviously it was a little more comfortable.

Mrs. SMITH. That's right.

Chairman HUMPHREY. Is this happening to other friends of yours?

Mrs. SMITH. Oh, yes. I have six that I can call by name that have lost their homes because—

Chairman HUMPHREY. Lost their cars, too?

Mrs. SMITH. Yes; I lost my car too—they really have given up. We really don't know which way to go. We had some that went to work off and on, but you have to wait until they call. A lot of them don't have families here, they have to go stay with friends. When you have had a job and been working and been independent all your life, it's hard to turn to someone else, they help you, but maybe not really wanting to. I feel guilty about putting all my burdens on my sister. It's too much with a large bunch like that, moving into her home, crowding her. That hurts my pride. I want to be able to do something. I don't want this, to fall on my children and fall on her children. We feel bad about trying to get food stamps but we really can't do anything about it. If we don't get food stamps, we would starve; I'm telling you what I know. If I had to buy groceries—and all you ladies and men, most of you, go to the grocery store. You don't go in the grocery store with \$5 to get nothing but a loaf of bread and milk and that would take it.

Representative HECKLER. I'd like to ask Mr. Sims—do you use food stamps? Are you eligible for food stamps?

Mr. SIMS. I have never inquired about them, I don't use them.

Representative HECKLER. Do you have any special reform of the housing industry or reform of the finance-mortgage lending practices which could stop these terrible cyclical things which hit housing so drastically?

Mr. SIMS. That's a \$64,000 question. I don't have any answer to that. I know that a lot of the intricate FHA and VA and so forth programs—I think the only thing that can help housing is to get the interest rate down and the supply or mortgage money available. That's the only thing that's going to do it.

Representative HECKLER. The only thing that will revive housing?

Mr. SIMS. That will revive housing. The little programs, the intricate things, just flashes in the pan.

Representative HECKLER. Thank you.

Chairman HUMPHREY. Mr. Sims, you know other people among your group—we all have our little group that we associate with—you're an independent businessman, a small businessman. You know others in your same predicament?

Mrs. SIMS. Yes; I do.

Chairman HUMPHREY. Do you find there are quite a few?

Mr. SIMS. There are quite a few, Senator. Atlanta is a rather unique town for builders. We have heavily wooded areas and the small builder usually does better than the large builder for some reason. So we have a lot—our city has very small builders and the effect of the thing is that we're all sitting around crying. A lot of the builders have gone under, the ones who were a little overextended went under quickly.

Chairman HUMPHREY. You liquidated a good deal of your assets, isn't that true?

Mr. SIMS. Yes, I have. Some of them have moved back in with parents, they have taken all kinds of measures, sold their assets like I have. There are very few that have made a living, a few have.

Chairman HUMPHREY. Mrs. Smith, you mentioned your children. One of the things that concerns me about the recession and the inflation is its impact on family life and what is happening to a number of our young people that can't find jobs. The share of the work force that is between 16 and 25 is about 26 percent of the total work force, but the unemployment rate for that age group is about 45 percent.

Mrs. SMITH. That's right.

Chairman HUMPHREY. The work force of young people is about a quarter of the total work force but in terms of the national unemployment picture, the national picture which, of course, is very general, it's about 45—almost half of the total unemployment, and the thing that is so distressing to me as a father and a grandfather, as a Member of Congress, is the fact that these young people get turned off so to speak.

Mrs. SMITH. Yes.

Chairman HUMPHREY. They become very discouraged and they don't acquire a rewarding work experience. You need a work experience to develop the discipline that's necessary and the habits that are necessary for gainful employment. When you're off the payroll for such a long period of time or never even get a chance to get on a payroll, it's just like never learning how to swim.

Mrs. SMITH. That's right.

Chairman HUMPHREY. Or never learning how to do any normal activity.

Mrs. SMITH. That's right.

Chairman HUMPHREY. I'm sure that you visit with mothers and with people in your community. What do you hear, what do they have to say about what's happening to their young people?

Mrs. SMITH. They're worried about their young people because they go out looking for jobs, they can't find jobs, they are turned down. The children have then got to turn to something else to do, the wrong things to do or the wrong way to do it. My children have been very discouraged. My daughter just sits and cries. She says, "Momma, I've got my social security and I go out looking for a job"—she goes to Zayre's and Treasure Island, she goes to Richway, Rich's, everywhere, she can't find one. You have to say to them you're old enough to get a job, go try to make a living. What happens? They say, "Momma, you have worked so hard and you go out looking for a job, we're going to help you." I have tears in my eyes really. It really hurts. I can't make a living, they go out there and try and they can't make a living either.

But I sit down and we talk about it. Well things ain't going to be like this always. We was brought up real poor and I say, I have tried real hard to do by you all the best I can. Right now we can't get it but after a while maybe we'll be able to stretch out. But that "maybe" keeps stretching from one year into another year, and it's hard. And the other mothers feel the same way. We sit and talk about it; it's discouraging. Mothers have children going to college and coming out, they can't find jobs. My oldest son is 19, he's going to an area technical

school to be an architect, it's disgusting to him. His tuition is up and he can't find a job, it really is hard, either way you go.

I really hope the President and you all will try to come down and do something for all Americans.

Chairman HUMPHREY. What do you think we ought to do? I'm sure your advice is better than some that we've been getting from some of the top economists. I'd like to hear what you think we ought to do.

Mrs. SMITH. I think right now, we're in a depression. Even so, we could all get put back to work, even if we do not have to work 40 hours, we don't have to work 40 hours, just a little. If we work 12 hours, a lot of jobs I know were for 4 hours, 3 days a week, that would help everybody stay on the job. Everyone would get a chance. Everyone would get a chance. Everyone would be self-employed. That's what we need and then jobs would be open for all.

Chairman HUMPHREY. Would your children, for example, if a job was offered by the community to work in a park or to go out and work in the forests or work in an office, government job—not paying too much—would they be willing to accept it?

Mrs. SMITH. Yes. A check—it doesn't have to be but \$5 but with their name on it, that's important.

Chairman HUMPHREY. A check with their name on it.

Mrs. SMITH. That's important to a child. I know how I felt when I got my first check. When I got my first check I was so proud and it wasn't but \$13, but I was proud, that's my name. That's important to children and that's important to make them want more, to work harder and say, this is mine, I can go spend it if I want to, buy candy, if I want to, buy a pair of shoes downtown, I can go get it. If I want a blouse, I can pick up and go get it. It's very important.

Chairman HUMPHREY. Mr. Sims, do you have anything else you'd like to tell us?

Mr. SIMS. No, sir.

Chairman HUMPHREY. I understand you feel that two of the needs in your area is availability of mortgage money and lower rates of interest, is that correct?

Mr. SIMS. Yes, sir.

Chairman HUMPHREY. Let me ask you a question. There are all kinds of suggestions made. What would you think about a mortgage rate of let's say 7 percent—

Mr. SIMS. That would be very good. I could live very well with the fluctuating in the construction loan interest rate if that were the case with the mortgage money. If that could be 7 percent, we would welcome it.

Chairman HUMPHREY. Then you feel you could handle the fluctuations of the construction loans?

Mr. SIMS. Yes, sir, that would stabilize the demand. A one-quarter percent rise in the rate for mortgage money eliminates so many buyers. And as it goes up a whole point, it takes about 25 percent of the buyers.

Chairman HUMPHREY. Has any Government official ever come to you you and ask you what you thought ought to be done?

Mr. SIMS. No, sir, they usually come and tell you you're doing something wrong.

Chairman HUMPHREY. I'm very interested in what I said to you. I know somebody may come to you and say, well now, sir, you haven't filled out the forms properly; you haven't done something right, but does that person ever say to you, look I know the housing industry is in the doldrums, you're not the only one that's in trouble. Has he ever said, hey, what do you think we ought to do?

Mr. SIMS. No, sir.

Chairman HUMPHREY. Isn't that interesting. We've got all these people going around telling you—not only you but others—that, this has got to be done, you've got to fill out the forms, or you didn't do the right thing, or it wasn't properly inspected.

Anybody ever ask you, Mrs. Smith, what ought to be done?

Mrs. SMITH. No. No one ever asks.

Chairman HUMPHREY. That's why we're not getting it done, you see, there's more plain commonsense out here. You two have talked more sense here than we've heard for a long time.

Mrs. SMITH. That's the truth.

Representative HECKLER. I'm very interested in what you said, your attitudes on welfare. You obviously are proud of your work. You've worked hard. You're encouraging your children to work and their frustration comes from not being able to find any opportunities and I can sense how deep a frustration that is and how difficult it is for a mother to continue to encourage a child to seek employment when nothing seems to be available. I'm interested in your attitudes on welfare. You feel welfare should be for the disabled. Will you explain that a little bit more? The attitudes of people that you know, the women that you know in your situation. How do they feel about going on welfare? How do they feel about welfare as an alternative?

Mrs. SMITH. Well welfare—I'll tell you how I really feel about welfare, I'm not kicking welfare, it's necessary. Welfare is for mothers who have little children, who have to stay home with their children or with disabled people. I'm not kicking welfare, I just say I do not want to be on welfare because I'm able to work and I think a lot of mothers—all the women that I know—prefer working.

Anyone in their right mind would rather work than be on welfare, and draw a check every week. Welfare is just a check once a month, that once a month check goes out in 1 day. When you go to the grocery store and pay your bills that welfare check is gone. I know a lot of people who were down to \$2 or \$3, but would rather work, and never went down to apply for welfare. We think we're going back to work and praying and hope we go back to work. The ones who are on welfare today, they are looking for work. I know a lot of them on welfare and they're working, too, because they have to have both of them. They have to buy groceries and their little check comes in, they have to give the children a little bit of money to have something or to buy some clothes. Because I know how it is with seven children where you have to buy and I have one coming out of high school now this year and things are so hard. Every day you come home, I've got to have such and such. I don't have the money to come up with this but I want my child to march down the aisle. This is very important to me, it's very

important to all mothers, even the mothers on welfare. I say put more jobs for more mothers and fathers, they will not accept welfare, they would rather be working.

Representative HECKLER. So among your friends, most of the women who are heads of household as well as yourself would rather find a job?

Mrs. SMITH. That's right.

Representative HECKLER. You feel welfare should be available for those who are unable to work or are disabled but in general you feel it is not an attractive option.

Mrs. SMITH. That's right.

Representative HECKLER. Most of the women you know would prefer to work.

Mrs. SMITH. Yes.

Representative HECKLER. And for the record, would you give me the name of the union, because I think this union obviously has been extremely helpful to you in terms of trying to iron out the snags in your check and delays with the Government, et cetera. If the union is doing good work I think they deserve the credit.

Mrs. SMITH. It's the UAW, Local 34.

Representative HECKLER. Local 34.

Mrs. SMITH. And another thing I didn't say, they were very understanding and helpful—they had a Government man out there for the ones who had Government homes. I didn't have a Government home, I had a consumer home, and they helped me as much as they could. When my payments were late after being laid off, they called the man up. I appreciated that, too.

Chairman HUMPHREY. I wish—how I wish that certain people I know in Government could have heard what you had to say, both of you. It's desperately needed. You have been very impressive. We thank you. This record, as you know, is going to be made available to our colleagues in the Congress and I'm going to do my level best to see this particular portion of this record is brought to the attention of people that ought to hear it and ought to know it. I wish they could have been here and felt the impact of what you had to say as I have. I'm very thankful. I have been very moved and very touched with what you had to say Mr. Sims and you Mrs. Smith. You represent the wonderful citizenship in this country.

Mrs. SMITH. Thank you.

Chairman HUMPHREY. You make everybody proud. Thank you very much.

We have another panel. Mrs. Coretta King; Hon. Richard Fulton, mayor of Nashville, Tenn.; Mr. Augustus Sterne, president and chairman of the board, Trust Co. of Georgia; Mr. Ray Marshall of the University of Texas; Mr. Herb Mabry, president, Georgia AFL-CIO; and Mr. W. W. Gaston, senior vice president, Gold-Kist, Inc.

We are very pleased and privileged to have a panel of this distinction to visit with us. For the next hour or hour and a half, we would like to hear from you on the employment and economic outlook in this part of America and nationally.

Mrs. King is cochairperson of the Full Employment Action Council, and I think what we will do is just go down the list as I have introduced you if that is agreeable. We will lead off with Mrs. King,

followed by Mayor Fulton, and then Mr. Sterne, Mr. Marshall, Mr. Mabry, and Mr. Gaston.

So, we welcome you and thank you for your cooperation in coming here.

STATEMENT OF CORETTA SCOTT KING, COCHAIRPERSON, FULL EMPLOYMENT ACTION COUNCIL, AND MEMBER, PANEL ON EMPLOYMENT AND ECONOMIC OUTLOOK IN THE SOUTH AND NATIONALLY

Mrs. KING. Thank you, Senator Humphrey.

I am very pleased that I have been asked to give this testimony before the Joint Economic Committee.

I wish I could join in the discussion of the economic recovery and how it is progressing, but, in honesty I cannot. For the millions of unemployed it must be said that the notion of recovery is little more than a cruel joke. For the 43,000 officially unemployed Atlantans and the tens of thousands of others excluded from that category, there has been no recovery, nor is one in sight. Even in the profoundly inadequate definitions we use, the number of jobless people in Atlanta has recently risen. Once again the official unemployment for September stood at 9.3 percent, up a tenth of a percent from August, and up 4 full percentage points from September 1974.

And this masks an even more vicious and socially explosive reality. In neighborhoods like my own, the unemployment rate is not 9 or 10 percent, but perhaps twice that figure. In 1970, when the average rate for Fulton County was 3 percent, unemployment was 7.1 percent in the area near my home. One out of every four families in that tract was living below the Government's official poverty income, and there is little doubt that conditions have become substantially worse since then. For young people, and especially young blacks, unemployment may be as high as five times the overall rate. The hard truth is that a whole generation has been cast into economic limbo, and will remain permanent exiles from prosperity unless our policies are changed.

The human meaning of the current level of joblessness in Atlanta can be seen in just a few startling facts:

One, for the first time in decades there are now soup kitchens being operated by several churches in the Atlanta area. For hundreds of people, this is a vital supplement to their diet. For many it is the only meal of the day.

Two, on a number of streetcorners in this city, men are lined up at 7 o'clock in the morning seeking temporary jobs that pay as little as \$1.50 an hour. According to one estimate there are well over 10,000 such men—men so desperate for work that they will spend 10 or 11 hours to earn \$10 or \$12.

Three, when a painfully small number of public service jobs were advertised under the CETA program, over 3,000 people appeared at the Civic Center in downtown Atlanta. Some waited all night just for the chance to apply for a job.

Finally, in several Atlanta neighborhoods there is now the sorry spectacle of elderly men and women going from door to door, literally begging for work. When a staff member of my organization told one

such woman that he had no work to offer she burst into tears to plead for 15 cents. She did not even have the bus fare to return home.

Against this tragic background I think it is simply wrong to speak of a real recovery or to debate its pace. On the national level, unemployment has not only increased massively in the last years, but most projections do not even suggest a return to previous levels until the 1980's. We are not actually talking about a recovery from high levels of unemployment, but an acceptance of high unemployment as a permanent part of American life. Whatever the trends of industrial production or the GNP may be, they will have little human meaning if they ignore the literally millions of Americans, black and white, who are now suffering under the impact of the current recession.

And, let me speak just of black America for a moment, although unemployment cuts across the lines of race and tortures the spirit of every worker, especially the poor and unskilled.

But, for black Americans, in particular, the economic policies and actions of the past few years have been nothing less than a frontal assault on all the gains and victories of the 1960's. Even the slow and often inadequate progress of that decade has turned into absolute reverse in the 1970's. The legislation we black Americans struggled for and at times died for is now being literally undermined. To my mind, current policies amount to nothing less than the repeal of the 1964 Civil Rights Act and the gutting of its promise of justice. What good is the legal right to sit in a restaurant if one cannot afford the price of its food. And what good is the promise of fair employment when there is no employment. For black Americans, the deliberate creation of high unemployment has meant nothing less than the denial of the basic human right to live as full-fledged members of the American system.

But are there really economic policies which can insure decent jobs for all Americans?

I believe there are, and I am proud to serve with Mr. Murray Finley, president of the Amalgamated Clothing Workers, as cochairperson of the full employment action council, a broad coalition of labor, minority, church, and business groups dedicated to supporting legislation which will insure decent jobs for every American. I know Senator Humphrey and others on this committee are familiar with the work of the action council, so I will simply place these council documents in the written record.

Senator Humphrey, in fact, is cosponsor of two measures I believe are major contributions to the struggle for genuine full employment. One, the Economic Planning and Balanced Growth Act proposes nothing more dramatic than that we seek to plan ahead and try to anticipate problems, rather than allowing them to catch us unprepared. The chronic poverty and unemployment in Appalachia stands as a sad monument to the effects of not planning ahead. And black Americans, perhaps more than any other group, are all too aware of the effects of industrial relocation, or rapid automation on the economy of urban areas. Black people were drawn to central cities of our country by the promise of jobs. But, even as they were arriving, the jobs were passing them in the other direction, moving to far out areas and are now even being exported to other countries. I suppose we are now to believe that the jobless should migrate to Singapore or Taiwan to compete for

their former jobs. Clearly, no one who has examined the problems first-hand can doubt that America as a country ought to do what every American business does to plan ahead to deal with the employment problems which the future will hold.

The other bill, the "Full Employment and Equal Opportunities Act" is even more central to the issue at hand. Introduced by Representative Augustus Hawkins, the bill seeks to force the Government to fulfill the promise of full employment that it made 30 years ago, in the 1946 Employment Act. The bill's central thrust is the clear, uncompromised right of every American to a job. It commits the Federal Government to follow all the particular fiscal, monetary, and other measures needed to insure that such job opportunities are provided. This bill has been criticized by some as unworkable and unrealistic. But if a Government commitment to full employment is unrealistic, then someone must explain how France, Sweden and many other European countries have done the job. The men and women who lose their jobs in those countries do not end up forgotten and deprived, but reemployed in new industries, new construction and the provision of health, education and other services that are frequently far better than our own. In short, the opponents of full employment want us to believe that what is possible for less wealthy countries is impossible in America. I, for one, cannot accept such a view.

These measures would make a substantial impact on our current unemployment. But I would like to end by stressing one point.

The problem of unemployment is at base a political problem. We are suffering the highest unemployment since the great depression, basically because of conscious, politically motivated decisions. The poor, minorities, and average workingman, have been deliberately chosen by the current administration to bear the brunt of our economic policy.

It is time we put a stop to this antisocial and antihuman strategy. The unemployed are not pawns to be sacrificed in some economic chess game, but American citizens whom our leaders are elected to serve. We have the economic tools and methods to create full employment today. What we need above all else is leadership with the courage and compassion to take the needed steps.

Chairman HUMPHREY. Mrs. King, we thank you very much for your fine statement and we are going to go through the witnesses and then come back for questioning. Our next witness is our friend, the mayor of Nashville, Tenn., the Honorable Richard H. Fulton.

STATEMENT OF HON. RICHARD H. FULTON, MAYOR, NASHVILLE, TENN., ON BEHALF OF THE U.S. CONFERENCE OF MAYORS, AND MEMBER, PANEL ON EMPLOYMENT AND ECONOMIC OUTLOOK IN THE SOUTH AND NATIONALLY

Mayor FULTON. Mr. Chairman, I appreciate the opportunity to appear here today as mayor of the great city of Nashville, Tenn. and as a Representative of the U.S. Conference of Mayors. There is a special pleasure that I derive from these hearings as it seems only yesterday that I sat as a member of the Ways and Means Committee in the House of Representatives. I am delighted to see some of my former colleagues

and I extend on behalf of the nation's mayors, our appreciation to the Joint Economic Committee for hosting this hearing in Atlanta.

It has become apparent to me during my initial weeks as mayor of a growing southern city that no problem or concern at the local level is greater than the need for a national examination or reexamination of the employment and training programs needed to restore the confidence of citizens in our economy. I was a member of the Congress in 1973 when the Comprehensive Employment and Training Act (CETA) became law.

As did many of my former colleagues, I felt very strongly about the need to create a single delivery system for consolidating the categorical programs which have grown to frustrate job seekers throughout the country. Today, some 2 years later, I remain convinced that the creation of the Comprehensive Employment and Training Act and the designation of local prime sponsors was the most positive step taken in the manpower field during the last two decades. In recent weeks, however, CETA has come under extreme criticism. It has been cast in the shadow of doubt with the very basis of the CETA concept being questioned by the foes of local government control and decision-making.

Fortunately, the program has weathered the storm. Many of the questions asked about isolated incidents of patronage, abuse of public service employment and prime sponsor indecision, can be answered briefly. Simply, our economic picture in 1973 was healthy in comparison to today's economy which has been marred by the high levels of unemployment and recession. Moreover, we still bear the scars of double digit inflation and the uncertainty and instability at the national level has had a domino effect on local governments.

In recent months more local governments are beginning to express concern over impending deficits. Some have experienced unprecedented layoffs of permanent civil servants, increased welfare rolls and minority job seekers. Crowding the unemployment labor market are many skilled workers in the automotive and housing industries.

The response of the administration has been the signing into law the Emergency Employment Act of 1974, creating title VI of CETA and authorizing 310,000 public service jobs.

Currently, there are 9.1 million Americans unemployed and the authorization for these 310,000 employees expires at the end of this month.

Although, the Department of Labor has granted prime sponsors an extension of the funds through June, our research indicates some twelve prime sponsors deplete their funds in January. With an additional 120 of the 900 prime sponsors running out of funds the public service jobs are more scarce. Our most immediate recommendation then, would be a simple extension or reauthorization of title VI through fiscal year 1977.

I will offer some specific recommendations for public service employment later, but I simply want to make the point that this small gesture by the administration and the Congress to address a national unemployment crisis of 8.3 percent is locally inadequate. In recent weeks, there has been applause for the signals of recovery; however, we are simply not seeing a recovery at the local government level.

Currently, my city has a 7.2 percentage unemployment rate as compared with a 4.2 percentage a year ago.

We must caution ourselves as a country against the poisonous complacency afforded by administration economists who take pride in the fact that 7.5 percent is the lowest level of unemployment that we can anticipate between now and 1980.

Unemployment is, and must be viewed as, the most cancerous sickness effecting the American people and we will not have a stable economy until we rid ourselves of this unnecessary ill.

Mr. Chairman, before I go on to offer some specific short- and long-term recommendations, let me just say that after a few short months, as mayor of Nashville, I know what I had suspected earlier—that the chronic shortage of jobs for skilled and semiskilled workers, coupled with concentrations of frustrated minorities, disadvantaged and growing numbers of poor will leave cities, counties, and suburbs in chronic depression, if unchecked.

Widespread unemployment today is extracting an enormous toll of human suffering and lost opportunity and it is sparing no segment of our society. Dependency rates among the Nation's senior citizens, youth, and the poor continue to grow, increasing the levels of welfare dependency.

The efforts of the present administration to shift the burden of welfare expenditures to local governments could conceivably result in revenue shortfalls which will surely be born by the wealthy residents of the State whether they live in the central cities or suburban communities.

As a mayor, the grim reality which confronts all of us daily is the presence of large numbers of unemployed citizens living in areas in need of development, yet we are helpless in our efforts to provide them with a work experience due to one of the following:

1. The absence of a national manpower policy which would take into account emergencies such as the present;
2. The inadequacy of funding for employment and training programs on the whole; and
3. The deemphasis on a full employment economy.

In conclusion, I would like to offer on behalf of all the mayors, several recommendations.

First, it is essential that shortfalls eminent in the public service employment area be met with an immediate response by the Congress. It is prudent that Congress seek to grant a simple extension of title VI under CETA and to amend the Emergency Employment Assistance Act by adopting the following changes to the original legislation:

1. A reauthorization for a 2-year period,
2. Authorization of an additional \$5 billion for fiscal year 1976 and a similar amount for fiscal year 1977 or as long as unemployment remains at current levels,
3. An increase in current salary ceilings with 25 percent to the new jobs created with ceilings at 12,000 per annum, and
4. An increase to 15 percent in the allowable cost underlays of the administration for equipment and supplies.

In the absence of any long-term national policy, public service employment remains an essential element in our arsenal of programs

to respond to the job needs of our citizens. My own city can best illustrate these needs.

The demands of these jobs have been so intense that the city of Nashville has expended over half of the public service employment funds in the first few months of this fiscal year. Effective December 15, 1975, 1 week from today, Nashville will have to lay off 250 public service employees funded under the Comprehensive Employment and Training Act. On January 15, 1976, an additional 269 CETA funded workers will be released. Most will not be able to return to their previous jobs.

If I could just leave my statement at this point to say that in all the years that I have been in public service, and the tough votes that I have cast, often being alone from the region of the country that I represented in Congress; tough votes, that is the 1964 Civil Rights Act, open housing, food stamps for strikers, or just plain food stamps in many cases, the poverty program. OEO, all of those things; the toughest job that I have ever been confronted with was announcing last week that 10 days before Christmas, 250 workers will be laid off. That's tough.

Last night as we decorated our Christmas tree, I had two phone calls. One from a lady 60 years old whose husband is 69, she was a CETA worker, trying to add to their social security benefits, she is being terminated as of December 15, asking me what she was to do.

Another call last night from a father of a 19-year-old boy who had been on narcotics but he is off now but his father is concerned that he will, because of the loss of his job, return to the unfortunate habit of the past.

Commencement of layoffs of public service workers next week signals alarm for the city of Nashville. The issue of indefinite unemployment will begin to cut deeper yet. The prospects for recovery will seem dimmer than ever now. The responsiveness of Government to meet the need of citizens by providing the dignity of work will seem that much more lacking.

Mr. Chairman, we also need jobs which pay realistic salaries. Local officials need the flexibility to employ public service workers in projects involving construction, for example.

We need at least a million public service jobs and we need a formula which allocates those jobs to areas having the most severe unemployment problems. The current program limits salaries to \$10,000, restricts our ability to provide supplies and equipment to CETA workers, and fails to adequately link public service jobs to the needs we see in our community.

Of equal importance to the Nation's mayors are the programs authorized under CETA, titles I and II. Surely, few prime sponsors would quarrel under normal circumstances with the idea of prioritizing programs around the needs of minorities and the disadvantaged.

Unfortunately, an inordinate amount of time and effort during the last year has been devoted to implementing the public service employment portion of the CETA program. Many mayors share the view of Department of Labor Assistant Secretary Colberg, that title I offers the best opportunity to integrate training with job development and placement and it offers the flexibility needed by local officials to do comprehensive manpower planning.

It is the hope of the mayors that a simple extension of title VI can be done expeditiously thereby enabling prime sponsors to return to their longer range employment and training goals.

Finally, the distinguished Senator from Minnesota has been in the forefront of the movement to turn the attention of the Congress and the American people toward the national manpower policy and the full employment economy. We wish to commend you for your efforts here and the Nation's mayors are committed to supporting you in the Congress in this regard.

The only hope for a stable economy is the return to the work ethic around which this country was founded—with every able-bodied American guaranteed the most basic of opportunities: The right of full employment.

I appreciate the opportunity and will be glad to respond to any questions you might have.

Mr. Chairman, I want to thank you and my former colleague in the House, Mrs. Heckler, for coming out and hearing from the people such as the two that appeared on the panel just a few moments ago, just citizens, just part of the 210 million people. I know from experience that the 535 elected officials in Washington, D.C. have a very difficult job and limited funds to do the job that is needed to be done. I also know as an ex-legislator, and now after only 3 months as a mayor, that the answers to our problems are extremely difficult; but they are answers that we must find if we are to continue a viable, economic life for every citizen that is desirous of work. I am one that has confidence enough to think that the majority of our unemployed want a job and they want their pay check with their name on it as was mentioned here a few moments ago.

Thank you, Mr. Chairman.

Chairman HUMPHREY. Mayor Fulton, we thank you very much. You speak from a broad background of valuable experience in the Government. We will come back to you in just a little while.

Mr. Augustus Sterne, president and chairman of the board of the Trust Co. of Georgia, welcome and thank you for coming.

STATEMENT OF AUGUSTUS H. STERNE, PRESIDENT AND CHAIRMAN OF THE BOARD, TRUST CO. OF GEORGIA, AND MEMBER, PANEL ON EMPLOYMENT AND ECONOMIC OUTLOOK IN THE SOUTH AND NATIONALLY

Mr. STERNE. Thank you and Mrs. Heckler for coming to Atlanta and for bringing this hearing here.

I believe Mayor Fulton's description of the plight of the economy of Nashville could well be applied to, in Atlanta's case.

I have submitted a written statement—

Chairman HUMPHREY. We have your prepared statement and it will be made a part of the record.

Mr. STERNE. I hope it was responsive to the suggestions in your letter and my own presentation here will be brief and I intend to limit it to two or three matters only.

First, we were asked to discuss particular problems that the Southeast may be experiencing in restoring full employment and production. I believe the principal way in which we, in the Southeast, may have

been affected differently from the Nation as a whole relates to the situation in which we find ourselves overbuilt. I think this is generally true throughout the Southeast and probably results from our having anticipated a continuation of the growth patterns which we had enjoyed and experienced for the last 15 or 20 years.

Some say that in this community we just about ignored the recent recession, that the momentum of the last 15 or 20 years carried over into the early part of this recession. As a result, we do find ourselves overbuilt now in terms of office buildings, warehouses, apartments, condominiums, and even single-family dwellings.

Obviously, the problems of the real estate construction industry spill over into many other areas, and this situation therefore has broadly affected the economy of this part of the country.

As an example, the financial institutions in this area appear to have had a worse loss experience related to real-estate related loans than institutions in the country as a whole.

I believe one other way in which this area has been affected and may be affected more acutely than others relates to the gas supply situation. The textile industries, in South and North Carolina particularly, are using massive amounts of natural gas in their operations. They are big employers there and their supply of gas is uncertain at best.

In my prepared statement, I indicate that we have emphasized unemployment when the record of the economy in terms of numbers employed was much better and I do think that record should be cited. While we do urgently need to increase employment, I think we should recognize that over the years, we have done well in providing jobs.

The employment rate is the ratio of total employment for the population 16 years and older. The employment rate was a record 57 percent in 1974 and even in October of this year was 56.2 percent. In comparison during the 1961-65, which is often regarded as the period of greatest and most balanced growth, the employment rate never got above 55 percent. The rates in other years of peak business activity was 55.7 percent in 1961 and 55.1 percent in 1965 and 64.8 percent in 1969 and 66.5 percent in 1970.

The primary reason of course for the high employment rate in conjunction with the high unemployment rate is the continuous increase through the postwar era in the number of women who sought jobs.

The number of females either employed or seeking jobs was 32 percent in 1947 and rose to 46 percent of the total females age 16 and over now.

On another subject our energy problem will be with us for years. Other shortages could develop in the next few years in the absence of substantial capital injection. We do not today have production facilities to bring the unemployment rate down to the levels that are being talked about in industry.

I believe therefore that this administration should properly concern itself with measures which would serve to increase corporate profits, encourage industrial expansion, and at the same time encourage the private capital investments which we are going to need in massive doses.

This was done in 1964 and in 1965 with good results. Other measures which might be productive would be an increase in depreciation allowance and an increase in the investment tax credit. All of these sugges-

tions I make here in response to your questions are aimed at an expansion of industry to create jobs. That is the name of this game.

Conforming with environmental and safety regulations places a heavy burden on industry and to take out some of these requirements would be helpful.

Finally, a balanced Federal Government operating budget would help materially by removing the Treasury as a competitor for funds.

Chairman HUMPHREY. Thank you very much, Mr. Sterne. I appreciate that. I notice in your prepared statement you placed emphasis upon the housing industry and consumer spending.

Mr. STERNE. Yes.

Chairman HUMPHREY. As vital to the possibility of recovery?

Mr. STERNE. Essential.

[The prepared statement of Mr. Sterne follows:]

PREPARED STATEMENT OF AUGUSTUS H. STERNE

I am pleased to give my views on the matters suggested in your letter to me of November 21, 1975.

ECONOMIC SITUATION AND OUTLOOK

The consumer appears to have pulled back. Retail sales were flat from July through early November. The consumer is probably concerned over a revival of inflation despite the fact that recent indications do not suggest price acceleration. The unemployment rate is high and rose in October to 8.6%; however, the number of persons employed is 2% above the March low. New York City's problems probably still concern the consumer.

Smaller reductions of inventories stimulated the economy in third quarter, but it would appear that that stimulus is now almost past.

A continuation of the recovery we are experiencing would seem to me dependent on housing and on consumer spending. Thrift institutions are in position to expand mortgage lending for single family residences. We are somewhat overbuilt in apartments, much more so in Atlanta and the South generally than nationwide, and the outlook there is more questionable. As to the consumer, the growth in his income should support increases in his spending. Inflation remains too high, but should not accelerate in 1976, and the consumer is more liquid than he has been. Debt burden and delinquency rates on installment loans are down from their highs so that the outlook for increased consumer spending should be good.

Inflation should not accelerate in 1976. We had bumper crops in 1975, and we are seeing improvement in productivity, but we cannot be confident that this represents more than a short-run snapback. The Senate-House energy bill will hold down prices—although it seems to me to do nothing to increase supplies.

LONG-TERM PROBLEMS

A major long-term problem is how to stimulate productivity which, I believe, is the only way to increase our real standard of living. The record shows that this country has experienced slower productivity growth in recent years and that our productivity growth has been slower than in most industrial countries. Capital investment which had risen 68% in the preceding seven years rose only 27% in the 1966-1973 period and fell in 1974 and thus far in 1975. The rate of increase in expenditures for research and development was about halved in the same period. There are some things we could do which might stimulate productivity. One would be to adopt a general economic policy which paid more attention to avoiding booms and recessions. Obviously, what is required here is that we restrain ourselves with respect to the stimuli used in time of recession as the economy regains equilibrium. We must find ways to encourage capital investment. The best and simplest solution is to reduce corporate income taxes. I believe the record will show that the reduction in 1964 and 1965, which effectively brought the rate from 52 to 48%, produced the desired effect. Provisions to increase depreciation allowances and the investment tax credit rate would also serve a purpose here. Environmental and safety regulations place a heavy burden on the private sector and a stretch-out in implementing these regulations could be help-

ful. Finally, a balanced government operating budget would help materially by removing the Treasury as a competitor for funds.

We do need to increase employment, but I think perhaps too much emphasis is placed on the unemployment rate. The record of the economy in terms of numbers employed is much better. We should ask ourselves whether minimum wage laws are truly effective in this effort. Measures should be taken to eliminate restrictive government regulations and union practices. A good example on the local scene is the major delay in the construction of our rapid transit system brought on by a combination of our U.S. Department of Labor and the unions.

Having adequate sources of energy presents a real challenge. I believe the natural gas shortages we now experience show the effect of price controls, and I can't see how the recent legislation does anything to solve the problem. In fact, it may make us more dependent on imports. The delay in the construction of the Alaskan Pipeline for environmental reasons has been most costly. Had the pipeline been completed on schedule, Arab embargo and ensuing price hikes might not have occurred. At least, the impact of those things would have been lessened and we would now be saving billions of dollars annually in import costs.

The maintenance of a strong military establishment showing international strength and security for our own country is, in my opinion, an important determinant of consumer confidence in this economy. As examples, I cite the reaction to the Cuban Missile Crisis in 1962, and the Mayaguez incident in the spring of this year.

Finally, in response to your request that we include comment on particular problems we may be experiencing here. I believe that the principal way in which we may have been affected differently from the nation as a whole relates to the situation in which we find ourselves "overbuilt". I think this is true generally throughout the Southeast and probably results from our having anticipated a continuation of the growth patterns which we had experienced for the last 15 or 20 years. The momentum of that experience carried over into the early part of the recession and as a result we do find ourselves overbuilt in terms of office buildings, warehouses, apartments, condominiums, and even single-family dwellings. Obviously, the problems of the real-estate construction industry spill over into many other areas, and this situation therefore has broadly affected the economy of this part of the country. As an example, the financial institutions in this area appear to have had worse loss experience related to real-estate lending than that of the country as a whole. Another example would be the effect of the natural gas shortage on the textile industry, the major employer, in the Carolinas.

Chairman HUMPHREY. All right, we will come back to you for some questions. We want to move along. We have Mr. Raymond Marshall of the University of Texas.

Mr. Marshall, we are very happy to have you with us.

STATEMENT OF RAY MARSHALL, UNIVERSITY OF TEXAS, AND MEMBER, PANEL ON EMPLOYMENT AND ECONOMIC OUTLOOK IN THE SOUTH AND NATIONALLY

Mr. MARSHALL. Thank you, Mr. Chairman, we are very glad to be here. I am very vitally concerned with the problem of full employment and balanced growth and I appreciate the opportunity to share some of my views with you about some of these important problems, problems with respect to both the Nation and the South.

You asked me in your letter to be concerned about both of these things and I plan to do that in my remarks, and I think because obviously the economic progress of the South is beginning to get bound up with the economic progress of the Nation.

Many of the previous speakers have already emphasized the importance of full employment and equal opportunity. I won't go back over that except to make two points. One is that unemployment is very serious now for two basic reasons.

One is the great material cost of unemployment. I think it is extremely unfortunate that we have permitted a rising level of what is the acceptable level of employment. I can remember when it was 2½ or 3 percent, and now the rate that is acceptable is 6 percent; that is the figure that is being used more and more among economists, particularly in Washington.

It is extremely unfortunate because it amounts to considerable waste of output. One of the most perishable resources that we have is the labor of human beings. There is no way that people can go back and work yesterday. If we lose that labor and do not embody it in useful things, useful services, it is lost to us forever.

Some indication of the magnitude of this loss is indicated by a recent study that indicated that the difference between 4½ to 5 percent, and what seems to be accepted more and more as the normal rate, 6 percent, would cost the economy \$500 billion between 1975 and 1980. We could do an awful lot for this country with \$500 billion. That is one of the reasons why a full employment policy is very important, but the most important reasons are some that you will hear this afternoon, and that you heard from Mr. Sims and Mrs. Smith. If we magnify their comments to the national level, we find that there is some very disturbing correlations between rising unemployment and some other very important problems in the economy. These include increasing suicide rates among middle-aged men, incarceration in prison, admissions to mental hospitals and even infant mortality, which are directly related to rising levels of unemployment.

Another matter that we are concerned with here is the matter of planning for balanced growth. It is extremely important, for the Nation but to us in the South it is very critical.

One of the most important problems that the South faces in my opinion has been the rapid displacement of people from agriculture who have little or no preparation for nonfarm work or urban living.

We could write the social history of this country since 1945 pretty much in terms of that development.

Between 1950 and 1970 we displaced, from southern agriculture, 2.7 million people, an amount representing about 14 percent of our present workforce.

Most of those people were completely unprepared by education, background, or experience for a nonfarm job. Educational levels were extremely low, and the kind of rural agriculture environment they come from had given inadequate preparation for any kind of urban living.

Now this is obviously not just a problem for the South. It is a problem for urban and rural areas throughout the country. I think one of the most disturbing trends that we have is the tendency for people to concentrate in very large metropolitan areas, particularly in the North, but now we are beginning to experience this in the South as well.

The reason this is so important to us is because this undue concentration creates a number of very serious problems. I have outlined those in some detail in my prepared statement, but I think again it has some very disturbing correlations. There is, for example, a direct correlation between population size and density and violent crimes. I think the reasons for that are fairly clear.

There is also a direct correlation between concentration in large urban places and mental problems. There are very serious political problems created by concentration of people in very large cities.

And today we are experiencing the simultaneous increase in problems those cities have to deal with matched by a decline in resources to underwrite the problems involved.

Now without planning, these trends are likely to continue. One estimate is that by the year 2000, two-thirds of the American people will be concentrated in cities of 1 million or more. Therefore, we need balanced growth. We must do something to make it profitable for more people to remain in rural areas, for it is very much in our national interest to encourage other people to move to those areas. All of the evidence indicates that now most people would prefer to live in rural areas and small towns, but they are unable to do so, and they are unable to do so mainly because of economic necessity.

One of the basic problems we have is unregulated and unplanned market forces have put both rural and urban areas on what seems to be collision courses; it therefore, has become extremely important to pay attention to this imbalance.

The real question is Why haven't we paid attention, if these things are as important as all the speeches here today indicate, and as important as I sincerely believe that they are?

I think there are many reasons for it. I would like to outline some of them because it seems to me that they are the foundation, and the rationale for full employment, for balancing the growth of economic opportunity.

I think one of the most important problems that we have is that we have no clearcut means for rapidly raising employment and no clearcut commitment in the country to achieve it. One of the problems we are likely to have is the upward escalation of the definition of full employment. We are likely to achieve it by definition if we make the definition low enough, if we make it 75 or 80 percent, then it won't be very hard to achieve it.

A second problem that we have is we try too often and too long to deal with specific problems with general measures. I think the evidence is very clear that gross monetary and fiscal policies will not handle the microproblems that we are concerned with here.

One of the reasons that we haven't done more to adopt specific labor market policies rather than general policies today is due to the widespread assumption that manpower policies have failed and that public employment is there. I think this is a serious error and there is no substantial evidence for this assertion at all.

Manpower programs have not failed. I am intimately familiar with the workings of these programs. They are extremely successful. Now they have not solved the problem and they haven't solved the problem partly because they were experimental in nature and partly because we haven't made much commitment to them, to specific labor market policies.

Another problem with the general policy is they ignore productivity and efficiency and I am very glad to see that the word "productivity" is the word heard throughout both of these bills that we are concerned with. Partially because our basic problem now it seems to me is not necessarily to increase aggregate demands. Our basic problem is

not how to sell all the goods and services we can produce. This was the cause of the great depression in the thirties and many of our policies still reflect that underlying assumption.

The basic problem we have now is the scarcity of things and therefore we have to be very concerned about efficiency and productivity in the system. Yet, if we take these aggregate measures, we are likely to ignore those things.

In this connection, it seems to me that public employment is a much better way to address the problem of unemployment than the way we have gone about it. It is much better, I think, than tax cuts. Of course, tax cuts are all right. I think they are necessary and may be necessary but not sufficient conditions for solving the problem.

The problem with tax cuts is that they are awfully costly. The Congressional Budget Office estimated that to create a full-time annual job through tax cuts costs you \$17,000 to \$21,000 a year, whereas in public employment the cost is \$2,600 to \$3,500 a year. It costs much less and if you are concerned about inflation as I think we have to be, then it behooves us to do things to reduce unemployment which are cost effective and efficient.

Public employment is a very cost effective and efficient way to get at the problem of unemployment.

Another reason I think public employment is important is because of specifics. We are not likely to solve the problems of unemployment in rural Georgia by increasing the money supply in New York. If we are going to deal with unemployment problems in rural Georgia, we are going to do it in rural Georgia and public employment programs make it possible to do that.

Another approach and another advantage of public employment relative to other alternatives that we might pursue is that if you are increasing the supply of goods and services at the same time that you are increasing income. Now from an anti-inflation point of view, that's extremely important. I think it is much better than extending unemployment insurance. Unemployment insurance is all right to deal with short-term unemployment, but when you are dealing with long-term unemployment, you end up paying people money and they don't produce anything.

Price levels are the relationship between money and the supply of goods. If you increase the money supply without increasing the goods supply, you generate inflation. But if you can increase both of those at the same time, you do not generate anywhere near as much inflation. That is one of the reasons I think that it is only very short-sighted people who argue that there is a tradeoff between unemployment and inflation. There is no such tradeoff, but it is one of the reasons we don't take more effective policies. Unemployment causes problems because you don't end up with goods and services at the same time as you are generating inflation and trying to reduce the level of unemployment.

Another point I would like to make in answering the question, why haven't we achieved full employment and balanced growth, is because there is an awful lot of opposition to planning in the country; and I think this opposition to planning is based on two assumptions that may be questionable, at least.

The first is that market forces will solve the problem. I don't believe that. I am a great believer in market forces where they operate under

competitive conditions; but market forces will not solve the problem of balanced growth. Market forces couldn't care less about whether people live or die. They are oblivious to human suffering. Those things do not show up in the profit and loss statements or the income statements of individuals immediately. The market forces are displacing people in rural places, causing them to concentrate in large metropolitan places and are doing very little about the problems that accompany these developments.

Another obvious thing is that in order to get effective rural development and balanced growth in the country, we have to do many things the market will not do for us. The market will not create an adequate health system. The market will cause doctors to locate mainly in urban places and it will cause the development of a medical delivery system which is incompatible with the needs of rural people. It will do very little about environmental health problems. It doesn't pay to keep people well in a system governed by the market. It doesn't pay to prevent disease or be concerned about water and sewers. The market is blind to social costs and benefits, therefore, we have to supplement the market in many areas with planning.

I think another assumption is that planning destroys freedom. I don't believe that. I believe that it could. I believe in some countries that it does. But, I don't believe the kind of planning contemplated by these bills will destroy freedom. I think if they are successful, they will increase freedom and what they will do is to make it possible for people to do things, will increase our potential. Those of us concerned about rural development are not interested in keeping people in the rural areas, even though we would like to make it possible for the people to stay there if they wanted to; that increases freedom. If we reduce unemployment and get jobs for those like the people who have testified here this morning, we increase their freedom. We don't destroy it. We don't make them do anything. We make it possible for them to work if they want to and that increases their freedom to live in decent housing, to educate their children, and to do many other things that freedom is all about.

In conclusion, therefore, Mr. Chairman, I appreciate the opportunity to have made this statement on what seems to me to be an extremely important topic and one which I fully support.

Chairman HUMPHREY. I thank you very much, Mr. Marshall. We are grateful to you and I am pleased that your interest is on rural development. I spoke in Georgia here 3 years ago on the subject. I am the author of the National Rural Development Act which has been starved. It is sort of like conceiving a child, bringing it on to Earth and then denying it food and saying why isn't the baby well?

Mr. MARSHALL. I have watched the starvation with some anguish.

Chairman HUMPHREY. I have also watched the starvation of the day care of the urban development program. It is like whacking it over the head about every 5 months and saying, why is it stunted?

[The prepared statement of Mr. Marshall follows:]

PREPARED STATEMENT OF RAY MARSHALL

Achieving Full Employment and Balanced Growth

Thank you, Mr. Chairman, for the opportunity to present some of my views on why we have not achieved the goals of the Employment Act of 1946. Many of the views that I will present to the Committee were developed in connection with

my work as director of the Task Force on Southern Rural Development, but I would like to emphasize that the views I present here are my own and not necessarily those of the Task Force. I would also like to emphasize that while most of my views will relate to problems of the South with special reference to rural employment problems, it also is necessary to address myself to some national issues because the problems of the South are directly related to general economic conditions in the rest of the country.

MEANING OF FULL EMPLOYMENT

A major problem for full employment policy is the fact that we have no clear conception of what an acceptable level of unemployment is, and have no commitment to achieve full employment. The gradual upward escalation of the acceptable level of unemployment is most unfortunate. There was a time when an acceptable level was two or three percent. Then gradually it edged up to four, then five, and now we seem to be headed toward a definition of six or seven percent as an acceptable level of unemployment.

Six or seven percent is bad enough, but the matter is made even worse when we realize that the official unemployment rate greatly underestimates labor market inadequacy in terms of both the quality and quantity of jobs. The trouble with the official unemployment rate is that it only counts people who are actively seeking employment, and does not count people who have stopped looking or who only work part-time (even when they would like to work full-time), and does not count people who are working full-time but earn so little that they are unable to rise above the poverty level. This official unemployment rate was developed during the 1930s for the kinds of problems we had then. At that time, the problem was wide-spread and apparently fairly homogeneous employment. The problem today is that unemployment tends to be concentrated among certain groups and in certain sectors of the economy. We therefore need to develop better measures for today's problems. In addition to the problem of people not working, we are today much more concerned with improving the quality of jobs so that people can earn enough to rise out of poverty. The accompanying tables present one attempt to indicate the inadequacy of the official unemployment rate as a measure of labor market inadequacy. Table 1 is for white males in the rural South and non-South. Table 2 shows the same information for black males. It can be seen that the white male unemployment rate for the rural farm South in 1970 was 2.1 percent but that the subemployment rate was 13.6 percent. The comparable figures for the non-South were 2 percent and 10.3 percent. The rates for black males were even higher. The subemployment rate for black males in the farm sector was 4.7 percent in the South when the subemployment rate was 34.5 percent. In the non-South the comparable unemployment figures were generally higher but the subemployment rates were generally lower. What these figures show is that the subemployment rate, which in my judgment is a much better measure of the inadequacy of labor markets, is much higher than the official unemployment rate. If we therefore use unemployment rates, either to allocate funds among areas or to measure the looseness or tightness of labor markets, we greatly underestimate the nature of the employment problem.

IMPORTANCE OF UNEMPLOYMENT

It is surprising that there has been so little protest over the high levels of unemployment and subemployment experienced in recent years. About the only major national organization that seems to be much concerned about the problem these days is the AFL-CIO. This lack of protest is surprising mainly because it is fairly well known that unemployment creates serious problems for individuals and for the whole economy. For the economy, we have enormous waste in terms of lost output. The labor of a human being is very perishable. There is no way people are going to go back and work yesterday; therefore, the society loses the output that these people could have produced. For example, a recent Conference Board study estimated that the cost of the difference between 4.5-5 percent and 6 percent unemployment between 1975 and 1980 will be about \$500 billion. And this loss is taking place at a time of considerable scarcity of all kinds of public and private goods and services and when it is fairly well-known that we are going to have to produce as much as we possibly can in order to solve some of the problems the country faces.

But the most important problems associated with unemployment are undoubtedly borne by the people who are unemployed. It is well established that as unemployment goes up, so does poverty, so do suicide rates among middle-aged

men, admissions to state mental institutions, incarcerations in prisons, the rate of family breakup and infant mortality rates. None of these human suffering problems are captured in official unemployment rates.

THE UNEMPLOYMENT-INFLATION TRADE-OFF: A MYTH

Probably one reason people do not protest more about high and rising levels of unemployment is the prevailing belief that there is some kind of trade-off between unemployment and inflation. Since people realize that inflation is a very important problem, they might be willing to tolerate higher levels of unemployment because they believe high levels of unemployment are necessary in order to check inflation. There is, however, no convincing empirical evidence to support the conclusion that there is a trade-off between unemployment and inflation in the United States. This idea is based on the assumptions that (1) labor markets are not diverse but are fairly homogeneous, and (2) that unemployment originates in labor market. Actually, inflation can come about because of things unrelated to labor markets, like increases in the money supply or rising food and energy prices, as has been the case in recent years. It also seems clear that rising levels of unemployment have not necessarily checked the rising levels of inflation. It is equally clear that creating more unemployment will not necessarily solve the inflation problem. Inflation and unemployment often originate in different markets. Using monetary-fiscal policies could, therefore, generate inflation in some markets without doing much about unemployment.

EMPLOYMENT PROBLEMS IN THE SOUTH

Let me next say some things about employment problems in the South. Many of our employment problems come about because of the displacement of people from agriculture who are unprepared for nonfarm jobs. Between 1950 and 1970, we displaced 2.7 million from Southern agriculture, and many of these people were totally unprepared for either nonfarm jobs or urban living. As a consequence, some of these people moved out of the South and became the working poor in other parts of the country, while some remained in the South and became the working poor or were unemployed or subemployed.

We have had a fairly rapid growth of manufacturing employment in the South. Indeed, manufacturing employment has grown faster in the rural South than it has in the urban South, and has grown faster in the South than it has in the rest of the country. Even though it has done much to improve the economic conditions of people in our region, economic growth has not solved all of our problems and has even created some. Manufacturing employment has not grown fast enough to absorb population increases plus the displacement of people from agriculture. Moreover, manufacturing employment in the South has been concentrated in particular areas and therefore has left pockets of subemployment and unemployment that tend to be largely untouched by the rapid growth in nonfarm employment. The main areas that have failed to grow very rapidly have been those rural places with heavy black population concentrations. If we took a map of areas with rapid growth in manufacturing employment and superimposed it on another map showing black population concentrations, we would find almost a perfect mismatch.

Not only has manufacturing employment not provided jobs for people in many areas of the South but it frequently fails to provide employment to many people in the areas where it does locate. Manufacturing jobs frequently go to people who have lived outside the region, mainly because local people either do not have the skills necessary for the new jobs, or because prospective employers have very little information about the characteristics of the work forces in rural areas where they might locate.

Manufacturing employment in the South has been concentrated disproportionately in marginal and low-wage jobs. Since the people who have been displaced from farms tend to have inadequate skills for higher-paying jobs, they only get the jobs in low-wage industries. However, it is better to have low-wage industry than none at all, and the industry mix in the South is gradually changing toward higher paying jobs.

Thus, the main problems with the growth of nonfarm employment in the South are: (1) that it has not been fast enough to give jobs to all the people who need them, and (2) that it has been highly selective with respect to people and places. Many places and people in the South have been left out of this general growth in economic welfare.

A major consequence of these economic developments has been the high rate of poverty in the South.¹ The South has about 28 percent of the nation's population, but it has about 43 percent of the nation's poverty. In addition to being more severe, poverty in the South is different from poverty in other parts of the country. The Southern poor are much more likely to be concentrated in rural places. Rural areas of the South have about 10.5 percent of the nation's population, but they have 21.2 percent of the nation's poor people. Outside the South, poverty is about equally divided between metropolitan and nonmetropolitan areas, even though the nonmetropolitan areas have about 30 percent of the population. In the South, about half of the people live in nonmetropolitan areas, but these have two-thirds of the region's poor. So, rural development becomes a very important aspect of any anti-poverty program. The South also tends to have a relatively high proportion of working poor. Forty-seven percent of the region's black male heads of poor households in 1970, for example, worked full-time; 43 percent of the white male heads of poor households worked full-time. Part of the reason for this high proportion of working poor, is that the rural poor are much more likely to be headed by working heads of households than the urban poor. The rural poor are also much more likely to be headed by males than the urban poor. What this means, of course, is that the kinds of things that we need to do to combat poverty in rural areas are different from the kinds of things we need to do to combat poverty in urban places. Income maintenance programs are much more important in urban places, but rural areas need job enrichment programs and the creation of new jobs.

REMEDIES

So much for some of the causes of labor market inadequacy or what might be called "subemployment." Let me turn next to the question of what we can do about some of these problems. The first thing we need to do is to recognize that the old remedies will not fit our new situation. The economic policy of the 1930s, which to some extent we still have, was based on two assumptions which no longer hold true. The first of these was the assumption mentioned earlier that the main economic problem that the country faced was how to sell all the goods we could produce with modern technology (this is what the economists call inadequate aggregate demand).

The second assumption was that the employment problem was fairly uniform and homogeneous throughout the economy, so that general labor market approaches, like monetary-fiscal policies, could deal with the unemployment problem. The present situation is quite different from this. The main problem that we now face is not how to sell all the goods we can produce, but shortages of goods and services, and the prospects for improving this situation are not very bright. We are going to have serious problems just maintaining the present level of living; we will have great difficulty making as much relative progress as we have in the past. One of the reasons for this, of course, is that in the past we have done some things that were costly to the whole society, but which did not enter into our economic calculations. Now we are having to pay off our past debts. An example of this is the amount of our total output that we are going to have to spend in the future to clean up the environment. Another one of these hidden costs that we have ignored results from the serious problems generated by individuals who move to urban areas. These problems are costly to both the individuals involved and to the whole society—especially people in the rural places losing the population and in the urban places gaining it. Moreover, unemployment is not uniform and homogeneous throughout the economy, but is highly concentrated among certain people in certain places. We must therefore develop more specific remedies to deal with these problems and cannot rely exclusively on monetary-fiscal policies. Material shortages will make it difficult to deal with the problem of unemployment.

We also must take a much more comprehensive and systematic view of the problems than the narrow market-oriented analysis of traditional economics. This means that we must count the nonmarket as well as market costs of economic activity. We also must recognize that the so-called free-market forces will not necessarily solve the problems of the system, and in fact, those forces create many problems. People are displaced from rural areas, for example, because it no longer maximizes profits to employ them there, or because they can earn more in urban places.

¹ Defined as the states of the Confederacy plus Kentucky and Oklahoma.

Traditional market forces will not cause firms to locate in areas of the South currently being by-passed by economic progress. Similarly, traditional market forces will not cause firms to clean up the environment nor will market forces produce an adequate health system for rural people. Market forces tend to cause doctors to locate in urban places. Moreover, market forces will cause doctors to pay more attention to the medical problems of those who can pay for them. Those forces will not produce a medical system that will concern itself with the prevention of disease, environmental health care, or even the delivery of health care to the poor.

Serious long-term problems are created by the tendency for people to locate in very large cities. It has been demonstrated, for example, that there is a positive relationship between violent crimes and city size and density. There is also some relationship between population density and mental illness. Considerable personal alienation comes about because of the concentration of people in large metropolitan areas. We must also be concerned about the extent to which population concentration strains the democratic process. This happens because when a society becomes highly urbanized and the issues become very complex, it is very difficult for voters to either understand the issues or to feel that they have much control over the political process. Elected officials in large complex cities also have trouble understanding the issues and have great difficulty doing much about them. While there are some unique things about the present situation in New York City, there are likely to be many more New York Cities because large places throughout the country tend to have some of the same kinds of problems. These cities have increasing problems and declining revenues with which to deal with those problems because the more mobile industries and wealthier people tend to move out. Market forces therefore create serious social, psychological, and political problems for rural and urban areas that must be dealt with, in order to avoid continued deterioration of the quality of life.

MARKET FORCES MUST BE SUPPLEMENTED WITH POLICY AND PLANNING

I do not wish to infer from the foregoing either that I think market forces should be controlled or that urban areas do not have many attractions for people. I believe very strongly in the market system; where competitive conditions prevail, markets perform very useful functions. It is very important, however, for us to realize that market forces will not solve many of our problems; they are particularly not likely to solve the very serious problems created between rural and urban imbalances.

There is a logical division of labor here. Where market forces work effectively, we ought to encourage their development. But we also need to recognize that there are many things markets cannot do and that we have to do some effective planning to prevent these problems from disrupting the whole system.

SYSTEMATIC APPROACHES NEEDED

We must not only take a systematic view of the causes of our problems, but we also have to take a systematic approach to those problems. In this systematic approach, one of the first things that we need to recognize is that there is great diversity in the American economy and no one approach will solve employment problems everywhere. One of the dangers we face today is that we have greatly exaggerated the importance of monetary-fiscal policies in dealing with some of the problems that we face—particularly the problem of unemployment. We tended to believe, for example, that the \$14 billion tax cut during the middle 1960s reduced the unemployment rate from 5.4 percent in 1964 to about 3.5 percent in 1968. What those who reach this conclusion fail to recognize is that during those years other forces also tended to reduce unemployment. Importantly, the definition of unemployment was changed to reduce its magnitude during that time, and there was a considerable increase in the size of the armed forces.

Another thing we have to recognize is that tax cuts are very expensive ways to create jobs. According to studies by the Congressional Budget Office, it costs between \$17,000 and \$21,000 to create one job on a yearly basis through tax cuts. When we contrast this with the cost of public service employment of between \$2,600 and \$3,500 for a job on an annual basis, we can see that public service employment is one of the most cost-effective things that we could do to reduce unemployment. Although public service employment is no panacea for the

problems of unemployment, it certainly can do a great deal to help with the problem.

Tax cuts also are limited, in my opinion, because progressive income taxes cause higher income groups to gain more than lower income groups.

NEED TO STRESS PRODUCTIVITY AND EFFICIENCY

Because inflation is a serious problem and because we do have serious shortages of goods and services, we must be more concerned about productivity and efficiency than we have been in the past. Because we have considered the main problem facing the country to be aggregate demand, we have paid too little attention to the efficiency of the system. Efficiency becomes a minor problem if you consider surpluses of goods and services to be the major problem. Since we are going to have to use our existing resources much more effectively than we have in the past, we need to develop techniques that will place a premium on increases in productivity. In this connection, because of the need to combat inflation, we must adopt those kinds of employment policies that will simultaneously increase productivity and avoid those which tend to inject money into the system with no corresponding increases in output. This is another reason for emphasizing public employment and increasing jobs in the private sector rather than relying too heavily on the extension of unemployment insurance. Unemployment insurance while a very useful policy to give income to people who are temporarily unemployed, is a very defective solution for long-term unemployment. Using this technique is likely to put serious financial strain on state unemployment insurance systems and is an inflationary way to deal with the unemployment problem, mainly because people are paid but they do not work. So it would be much better to create jobs and to pay people to work rather than paying them not to work. Unemployment insurance is a sound way to deal with short-term unemployment, but job creation and manpower programs are more effective in longer-term unemployment.

Job creation is particularly important for rural areas. We could do a great deal more than we have done in recruiting and training rural people for public and private jobs coming into rural areas. It would, for example, be much less inflationary to recruit and train and place local people to work on major public works in rural areas of the United States than for those companies to recruit people in higher urban markets and bring them into rural areas to work. A very promising effort to get local people employed on a major project in the rural South is the demonstration project currently being undertaken on the Tennessee-Tombigbee Waterway Development Project. This project could well serve as a model for other rural areas.

Another approach that might be used to promote economic development of areas by-passed by private industrialization is the encouragement of non-profit maximizing enterprises like Community Development Corporations and consortia of public and private organizations. These organizations could be structured in such a way as to meet costs and maximize employment.

Public employment, like that contemplated by the Hawkins-Humphrey Equal Opportunity and Full-Employment Act, could also do much to provide jobs for people who are not likely to be absorbed in the private sector. However, public service employment problems are not without their limitations. One of the problems with these programs, as they have operated in recent years, is that the programs have been operated almost exclusively by local units of government. The difficulty with this approach is that local units of government do not necessarily hire many more people than they would have hired in the absence of the public service employment program. This is because any organization tends to use additional funds in the same way they are inclined to use funds they previously had. So, if local units of government are inclined to cut taxes or to build monuments to themselves, they will find ways to use the public service employment funds to do that. This will therefore have very limited net effect on the unemployed.

Another problem with local units of government operating these programs is that they do much less for the disadvantaged than program specifically geared to putting the disadvantaged to work. This is because local units of government are likely to employ people who have the same kinds of qualifications as the people already on their payrolls. This is not likely to be very heavily weighted toward the disadvantaged. If we want to put the disadvantaged to work and

have a major net effect on the level of unemployment, it will be necessary to give more attention to programs operated by nongovernmental organizations whose main motive is to put the unemployed or the disadvantaged to work. A good example of this program was Operation Mainstream which did a very good job of putting the disadvantaged to work in rural places in the United States. Public works programs also would be useful because of heavy unemployment in the construction industry. What is needed therefore are public programs operated by local units of government and private organizations whose main objective might be to put the unemployed to work.

MANPOWER PROGRAMS ARE VERY IMPORTANT

Manpower programs to improve the operation of labor markets also are very important to achieve full employment and balanced growth. A common fallacy these days is to assert that the manpower programs of the 1960s failed, even though almost all careful evaluations show that these programs improved the income and employability of the people who participated in them. But a very important point for the purposes of this hearing is that by improving the operation of specific labor markets, manpower programs make it possible for job creation programs to reduce unemployment with considerably less inflationary pressure than would be true otherwise. Manpower programs that have proved particularly useful in the South include:

(1) The start-up training concept to train people for specific jobs opening in new public and private firms in the region.

(2) The Concerted Services in Training and Education (CSTE) program to put development coordinators in rural counties. This is a very cost-effective program because with relatively small budgets the CSTE coordinators have been able to bring existing resources together to promote rural development.

(3) Employment outreach programs to recruit and prepare workers for training or job opportunities. Outreach programs were one of the most significant social innovations of the 1960s. They are based on the assumption that one must do more than merely make formal changes in our rules, laws, and regulations in order to produce desirable employment changes. Programs must be adopted to take affirmative action to recruit, train, and place people in jobs that open up. This technique has been particularly successful in getting minorities into apprenticeship programs. Another very successful project—The Minority Women Employment Program—originated here in Atlanta and now extends to a number of other cities.

(4) Operation Mainstream to provide useful opportunities to older people in rural areas. This concept could be applied effectively to young people and other specific target groups.

(5) Many of the on-the-job and institutional training projects as well as traditional vocational and technical training programs.

The manpower programs are a valuable part of employment policy but much needs to be done to perfect and enlarge them. So far much of our activity in this area has to be viewed as experimental.

OTHER NEEDED POLICIES

We need to do more to make antidiscrimination programs more effective in dealing with institutional rather than specific overt discrimination. We have come a long way in the South in this area, but much remains to be done. Antidiscrimination programs are not likely to be very effective unless we pay attention to unemployment and manpower programs.

Health programs are vital to the development of lagging areas and improving the quality of life, particularly in rural areas, but health programs must be developed to fit the needs of particular groups of people. For example, health programs developed for urban people are not likely to meet the needs of rural people.

Finally, we must do more to develop the organizational forms that will make it possible for local people to have more influence in developing programs to solve their own problems. Without organizations to represent them, the political process is not likely to be very effective in meeting the needs of people. The kinds of organizations that might be encouraged include: labor organizations, cooperatives, public and private consortia to promote development, community develop-

ment corporations, and local voluntary associations. Organizations are needed to make it possible for people to make their interests and priorities known to policy makers and to serve as delivery mechanisms for development programs.

CONCLUSION

In conclusion, many of the problems we face in creating full employment are systematic and therefore will require comprehensive solutions. Free market forces have a major role to play wherever the conditions are right for them to operate, but those forces cannot solve many of the problems we face. Planning is therefore necessary to identify problems and propose those kinds of solutions needed to supplement market forces. There is a special need to be concerned about rural-urban balance because of the seriousness of the personal, social, and political implications of present trends. Moreover, a major necessity for improving the quality of life for rural and urban people is job creation. Public employment is a very effective way to provide jobs for those people who are not likely to be absorbed in private jobs. I therefore support the basic concepts underlying both the Hawkins-Humphrey Equal Opportunity and Full-Employment, and the Humphrey-Javits Balanced Growth and Economic Planning Acts.

TABLE 1.—UNEMPLOYMENT AND SUBEMPLOYMENT¹ RATES FOR THE CIVILIAN WHITE MALE LABOR FORCE IN 1970 FOR THE SOUTH² AND NON-SOUTH BY RURAL NONFARM AND RURAL FARM

	Rural farm		Rural nonfarm	
	South	Non-South	South	Non-South
Male civilian labor force 16 and over.....	647,191	1,523,051	3,298,323	6,645,222
Male unemployment.....	13,861	30,361	107,248	297,679
Male unemployment rate (percent).....	2.1	2.0	3.3	4.5
Proportion of male nonparticipants under 65 who are employable.....	9,564	9,226	41,539	53,687
Working poor family heads.....	65,657	118,260	245,231	235,024
Subemployment rate (percent).....	13.6	10.3	11.8	8.8

$$^1 \text{ SUB} = \frac{U + 0.10\text{NP} + \text{MP}}{\text{EMP} + 0.10\text{NP}}$$

EMP=Male civilian labor force.

U=Official unemployed.

NP=Male nonparticipants/discouraged workers.

MP=Male heads of households in the work force with incomes below the poverty line.

² South: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia.

Source: U.S. Census of Population: 1970, vol. 1, Characteristics of the Population, tables 48, 53, and 58.

TABLE 2.—UNEMPLOYMENT AND SUBEMPLOYMENT¹ RATES FOR THE CIVILIAN BLACK MALE LABOR FORCE IN 1970 FOR THE SOUTH² AND NON-SOUTH BY RURAL NONFARM AND RURAL FARM

	Rural farm		Rural nonfarm	
	South	Non-South	South	Non-South
Male civilian labor force 16 and over.....	79,692	4,683	572,879	76,404
Male unemployment.....	3,762	239	31,296	5,240
Male unemployment rate (percent).....	4.7	5.1	5.5	6.9
Proportion of male nonparticipants under 65 who are employable.....	1,685	78	10,449	1,348
Working poor family heads.....	22,588	372	140,961	5,973
Subemployment rate (percent).....	34.5	14.5	31.3	16.2

$$^1 \text{ SUB} = \frac{U + 0.10\text{NP} + \text{MP}}{\text{EMP} + 0.10\text{NP}}$$

EMP=Male civilian labor force.

U=Official unemployed.

NP=Male nonparticipants/discouraged workers.

MP=Male heads of households in the work force with incomes below the poverty line.

² South: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia.

Source: U.S. Census of Population: 1970, vol. 1, Characteristics of the Population, tables 48, 53, and 58.

Chairman HUMPHREY. Mr. Herb Mabry, president, Georgia AFL-CIO, welcome we are glad to see you.

**STATEMENT OF HERB MABRY, PRESIDENT, GEORGIA AFL-CIO,
AND MEMBER, PANEL ON EMPLOYMENT AND ECONOMIC OUT-
LOOK IN THE SOUTH AND NATIONALLY**

Mr. MABRY. Senator Humphrey, Congresswoman Heckler, I would like to say first that I appreciate very much the opportunity of sharing with you a few of the ideas that I have regarding economic recovery.

We, in this area, have approximately a 9-percent unemployment rate. We feel that this figure is low due to the number of people who have exhausted their unemployment benefits and who are no longer carried on the roll.

We see that we have begun to come out of our recession perhaps only temporarily. We find this true because we feel that the people in business lost total confidence in Government and hopes for an early recovery in 1975; they let their business inventories run down, and are still holding them at low levels.

They are going to try to survive by ordering only that inventory necessary to keep their doors open. Therefore, we are not going to have a spurt in employment in the area. I see a very bleak next year as far as the unemployment figure is concerned. Our people will be exhausting every day all of the unemployment benefits that they have had and they will be on the unemployment roll with no benefits whatsoever.

You know, we in the labor movement, have long advocated the passage of tariff protection legislation. We can ride through rural Georgia. We can see the factories that once were the busiest places in town. These factories are closed today by foreign goods. The unemployment lines being the most active thing in the community.

We say that it has to be stopped, that America cannot become a service nation. We cannot export our unfinished products to Hong Kong, Taiwan, Korea and have them shipped back in here to American people under the pretense that they cannot manufacture them in this country because our wages are too high.

I would like to say briefly, that we heard testimony from one of the ladies here about her home, I think it was about 12 living in a 3-bedroom home. I would like to say in the metropolitan area of Atlanta, it is practically impossible today to buy a new home under the cost of \$50,000. You go out to buy a piece of land, and I am speaking of a building lot, 100 by 200 feet, and in some areas of this city, they are as high as \$15,000 and \$20,000.

You go out to acquire a loan on a home, the first thing you are faced with is people talking about 11 percent here in Atlanta. You go in with 11 percent and they then talk about a discount rate of 3 percent and then on top of that you pay 3 and 4 percent attorney's fee to close the loan, and then you are faced with all of the other costs that are involved in acquiring a home. A home this day and time has simply gone beyond the reach of the average American.

We believe that the Federal Government should step in and put some kind of a ceiling on the amount of money that could be charged in interest rates and closing costs. It should eliminate discount points on low- and moderate-income housing in this country to where, regardless of who they are, where they live, or the color of their skin, they can have an opportunity to enjoy life in a home of their own just as much

as do the very wealthy. But we don't see that this is going to be made possible until such time as the Federal Government steps in and tries to regulate it. We don't say that we have all of the answers and never have thought that we did, but we want to play as much a part in doing our share to get America back on the road to recovery as we possibly can. We feel that the only way to do it is through employment, to put a stop to our exporting of our raw materials and importing finished merchandise to this country and instead put America back to work. I thank you for the opportunity of appearing before you.

Chairman HUMPHREY. Thank you very much, Mr. Mabry. We appreciate your being here representing the AFL-CIO of this great State.

Mr. Gaston, I think you are our final witness and we welcome you. You are the senior vice president of the great cooperative, Gold Kist. I am pleased to be with you today.

STATEMENT OF W. W. GASTON, SENIOR VICE PRESIDENT, GOLD KIST, INC., AND MEMBER, PANEL ON EMPLOYMENT AND ECONOMIC OUTLOOK IN THE SOUTH AND NATIONALLY

Mr. GASTON. We had our annual meeting several days ago and we still get favorable comments on your appearance last year.

Chairman HUMPHREY. Thank you.

Mr. GASTON. So we are glad to see you back in Atlanta.

Senator Humphrey and Congresswoman Heckler, it is a great pleasure to present our views on agricultural production and employment before this distinguished forum.

The economic health of the agricultural and food industry is reflected in the economic health of the total U.S. economy. Agriculture's impact is clearly felt in the equipment, machinery, energy, rubber, chemical, and transportation industries. Even more dramatically, the economic health of agriculture is felt by the American consumer three times daily at mealtime, and to a lesser extent when we buy clothing.

Agriculture operates most efficiently when at full capacity, as do most industries. When this occurs, employment is full and steady, food costs are at their lowest, and usually quality at its best.

For American agriculture to operate at this needed level of efficiency, we must maintain agricultural exports. Presently, the United States exports 60 percent of its wheat crop; 25 percent of its corn crop; 50 percent of the soybeans; and 40 percent of the cotton crop. Last year these exports totaled \$22 billion, a major part of our total exports. Not only were these exports essential for providing funds with which to purchase foreign petroleum, rubber, coffee, and other imports, but these exports provided jobs for millions of our American workers who produce the tractors and fertilizer which produce the grain, process it in elevators, transport it to ports, and load it for foreign shipment. The ripple effect of any downward emphasis on exports would be too tremendous and too numerous to enumerate here. Since we are as a Nation reasonably well fed now and thus have little opportunity to increase overall U.S. food consumption, any reduction in exports would result in farmers and processing workers being forced out of work and having to look to public or other means of economic support.

One very real way of increasing the American workers' economic benefit from our agricultural exports is to insist that more of the processing and conversion of American grains be accomplished in the United States before export. Not only will this benefit the American economy more, but it will usually result in more efficient conversion.

For example, American grains are exported for the production of poultry-broilers. American production efficiency and mechanization can produce a pound of broiler meat with less grain than most operations abroad. In some cases, the U.S. efficiency is more than 50 percent greater. This means that U.S. converted grains will provide a greater quantity of needed and desired animal protein than some foreign converted grains while at the same time providing more American jobs.

Another specific example is that U.S. economic policy should encourage more processing of soybeans and other crops in the United States rather than exporting the unprocessed product for processing abroad. By doing more processing domestically and exporting the processed product, U.S. jobs are preserved and U.S. industry operates at more efficient levels, thus giving the American consumer the benefit of the efficiencies of full production.

Accompanying such a shift in these areas will be a need to reexamine and remove many of the existing trade barriers. Such barriers as the broiler tariffs in Europe and the fruit tariffs in Japan have no real basis for existence, other than domestic political pressures, and should be removed in the interest of their own consumers as well as the world economy.

The economic health of much of American industry, agriculture and food processing very much included, is suffering from too much Government interference in the form of EPA, OSHA, et cetera.

While American industry and the American public is suffering from existing economic pressures, Federal regulations are siphoning off dollars needed for creating new productive facilities—and thus jobs—into such huge investments as massive pollution control devices which not only require huge sums, but provide few jobs and raise the cost of producing goods for an economy already suffering from high costs and prices.

Clearly, a realistic and responsible adjustment of these programs would make more funds available for job producing expenditures in plants and equipment. In doing so we could provide for more jobs in the foreseeable future and, at the same time, not have any adverse effects on the environment. With these "restrictions" on the allocation of new capital lifted, all Americans would benefit through more jobs and less pressure to increase prices.

Likewise, the increases in costs of meeting OSHA and other Federal requirements siphon off potential investment expenditures.

There is one last and most critical point that must be mentioned. It is a sensitive one, and one that must be viewed in proper perspective. While we are all concerned with the economic well being of all our citizens and we make provisions for their welfare through public payments, we must not reduce the economic incentive to seek gainful employment. Today, however, all too often we find situations where there is seemingly an availability of labor, but a reluctance to seek or accept employment because of the loss of public payments.

This type of rationale by our citizens is encouraged by the easy availability of public payments and their relatively high value.

Not only does this activity affect the availability and attitudes of our labor force, but it also has the effects of increasing the tax load of all employed individuals and businesses, thus reducing the net income of the employed and increasing the costs of business. The whole system of public transfer payments needs to be reviewed with the goal of maintaining compassion for those truly in need, but at the same time, maintain fiscal responsibility for the Nation and maintaining fiscal integrity in the world economy.

In summary, Mr. Chairman, the agricultural economy and full employment of the South and the Nation will be best maintained by: (1) maintaining a high volume of U.S. agricultural exports; (2) doing more domestic processing of our export products; (3) a reevaluation of our tariff agreements on agricultural products; (4) extending and otherwise modifying the EPA, OSHA, and other requirements; and (5) reevaluating the goals and impact of certain public assistance programs on labor availability and attitudes.

Thank you for coming to Atlanta and being here to have this meeting today.

Chairman HUMPHREY. Thank you very much, Mr. Gaston. I just want to say in reference to a point you made about the competition of certain income assistance programs and the willingness to seek private employment; we do have underway a study on this because there have been some complaints made about that which seem to have some credibility. I think we want to make sure that that is not a competitive situation.

As was said here earlier, Mayor Fulton made the point that these unemployment compensation programs were essentially designed as a temporary nature. Mr. Marshall I believe raised that point, too. They were hopeful that when the time comes for unemployment compensation to be legislated, that it would be viewed just as a carryover; it would be a fill-in gap between the time of loss of job and a temporary period of looking for another job.

Now, of course, we have had the stickiness of no job availability and, therefore, unemployment compensation has been extended and extended. Maybe we should have moved on to the manpower type of program as we saw the recession becoming sticky, and not ending, in order to get some productivity out of our people who have indicated they want jobs.

I think there is overwhelming evidence that the vast majority of our people want to work, and I think we in the Congress and the Government have been derelict in providing the opportunity for them to work.

I prefer of course that people have employment in the private sector. But rather than standing on that doctrinary attitude of having the jobs in the private sector, if the private sector temporarily cannot provide them, and in some instances it simply cannot provide them at all, then it is much better from my point of view that there be available work programs in the public sector—programs that meet the needs of the people, that give them the chance to participate and get a check with their name on it, and be a participating citizen, a taxpayer, and a buyer.

I think we have just got caught up in what we call extended unemployment compensation when at the same time we should have been moving much more toward emergency job programs, the public service job program, to get people on payrolls.

And, looking at what you said, Mr. Sterne, and others, I agree that there is the need for expansion of our productive capacity. We can't take more water out of the well than is in the well. No matter how deep the well, you have got to have some water in it. In this instance, you have got to have investment in order to make jobs. Also, as Mr. Mabry has been saying here, we have had a tremendous outflow of capital in the United States and a tremendous amount of job loss in a very real sense from some of our people.

One other thing, Mr. Gaston, I noted you commented on the soybeans. We have found for example, just to give you case evidence of what you are saying, the we can export soybean oil, while processing the beans in this country. This would give jobs to our people, also for the people producing equipment that you have to build for these processing plants.

Our trading partners can get the oil at a cheaper price; we get for our cattle feeders and poultry feeders the meal at a cheaper price, and you get jobs here for making the plant equipment to process this material.

Your point is well made. We try to do this by the way. For example, instead of just exporting wheat, we export flour. Where we are exporting raw materials in the food area, I am thinking now of Public Law 94-480, we are trying to place greater emphasis on exporting useable, edible products, processed products.

What is so impressive here to me today is the understanding on the unemployment question. I look upon the unemployment question like a low grade fever that just saps your strength, it doesn't make you low, you are not out of business, but it saps the vitality of the economy in two ways: no production on the one hand and increased social and governmental costs on the other.

Of course, the human factor involved here is you are told you are not needed. That is what unemployment really says. The economy, and here I mean the market forces, are really saying, we don't need you. This, of course, is a terrible blow to people. I have repeated this 101 times, but when I was going to the university, I picked up a saying by a prominent political philosopher who said, "Let a man have nothing to do for his country and he shall have no love for it." I think this is the heart of our unemployment question for large numbers of people, particularly the young people that are late to get into the workforce, and minorities that were never given a chance to get education, training, and so forth, and who are the last to be hired, and under our system, of course, they are the first to be fired. Now this poses a very difficult problem for those who have worked years to gain seniority for the protection of a job.

Let me just say that for every 1 percent of unemployment, in this country, it costs the Treasury from \$16 to \$18 billion in social program costs and lost revenues.

Now if you want to know what is causing the present deficit, its having 8.3 percent instead of 3.3 percent unemployed. And that \$16

to \$18 billion does not include what it is to the State and local government, whose taxes are really shooting up now.

I get letters by the hundreds, complaining about taxes going up. I write to them and say, we just reduced your Federal income tax. We reduced your taxes. I get a letter back that says, well, that is what you think. So they send me their local property tax bill. I say to them, "well, we didn't tax you" and they say, "well the government taxed me."

In my State when we have to increase the sales tax or the property tax, as far as the average citizen is concerned, that is the tax that hurts him more than his income tax, so when I write to him and say "Why look, John, we reduced your tax," he writes back and says "Humphrey, you have been here too long, you are stupid and you don't even know what is going on; here is my tax receipt and here you are trying to tell me you reduced my taxes." I suppose everybody is supposed to be a student of government and economics but they are lucky to stay alive much less to keep up with what their governments are doing. The point is that our cut in Federal taxes has been more than offset by State and local tax increases.

Representative HECKLER. I wish to say this has been a very interesting panel and I want to congratulate all of you for presenting your points of view and also for your brevity. It is really almost too complex an issue to have discussed it in this brief period.

I know the taxpayers have been writing to me too, and while we in Washington write back and say, yes we have cut the taxes, this really doesn't mean very much to them. I think we have to look at the end result. Regarding taxes, I have seen a study done by David Babson in Massachusetts who is a very respected economist. He assessed the programs now on the books, the government welfare outlays for each family of four including Federal, State, and local funds, the whole government is paying out \$9,400 for a family of four. Projecting these kinds of outlays for programs on the books through the year 2000, without allowing for any changes or any new programs, the projected cost to the government for that same family of four rises on all levels of government to \$65,000. I have this study with me. I think the point of this is that there are no free lunches. While I can understand why the mayor is concerned about having the city's programs curtailed, and the Governor is concerned that Washington absorb more costs, ultimately it is the American taxpayer who is going to pay for all of this, and it is going to come right back to us.

So my feeling is we are not able to run away from our responsibilities, but that the politics of the 1970's is going to require much more effective Government, much more efficient Government than we have now. While we have attempted to support programs because their goal was idealistic, we are now going to have to take a very hard look and determine how effective a system is or a proposal is.

Now my old colleague Mayor Fulton, intrigues me by his statement on CETA, and by the comparison of what it is like to be in the Congress and what it is like to be mayor. I must say that I have found the role in Congress to be rather stressful at times, but I don't think I would like to change places with you. I congratulate you, however, on your new position.

In terms of CETA, you have asked for an extension of the CETA program. We know we have to do something to help the unemployed, but CETA has been a drop in the bucket. When you receive your allocation of CETA jobs, Mr. Mayor, how do you apportion these jobs? You have hundreds of thousands of people out there who need jobs; how do you choose who will be the lucky recipient and how do you deal with those who aren't lucky?

Mayor FULTON. Mrs. Heckler, we are trying to straighten up the CETA program I inherited. I was sworn in on September 3. The first 8 months of the year had already lapsed. Immediately thereafter, I asked for everything to come across the mayor's desk. There were so many applications for CETA employment that I knew we could not just open the vault door for the CETA program. So I investigated. I asked and I found out after about 4 weeks in office that the previous administration had just opened the door and hired everyone that came in because they had the CETA funds; they had used up at the end of the first quarter, fully 53 percent of all the funds available for the full 12-month period.

Representative HECKLER. This is on a one by one, first come first served basis, that's fair.

Mayor FULTON. It is fair but it wasn't good for fiscal management and, of course, for the unemployed. We in Nashville have been very fortunate in that we do have a diversified economy, that we were one of the last cities to be hit by the recession.

Representative HECKLER. Which would help the Nashville economy more, an extension or perhaps an increase in the CETA program, or an accelerated public works program to help the construction industry?

Mayor FULTON. I would hope that the Congress would have a combination of all three.

Representative HECKLER. Which one would you pick if you could only pick one?

Mayor FULTON. As of this moment, of course, I would prefer that we have some more CETA funds so I wouldn't have to lay off the 250 people on December 15 and the 269 I believe will be laid off as of January 15; but for the long period of time, I think we need public works projects; we need comprehensive training programs. We need all of these and I know the problems that you have and the problems that we have. I think it is time that we stopped saying it's Congress problem or the cities problem. It is indeed our problem together and as you, Mrs. Heckler, have noted, it is the taxpayer's money regardless of whether it goes to Washington or into the coffers of city government. One of the reasons I left the seat in Congress to run for mayor was to try to get really close to things. I am closer to things than I was in Congress. The rewards of being in Congress was certainly high, but there is a vast difference in being in Washington and being on the firing line.

The Senator knows this from having gone from a mayor's office to the U.S. Senate. I think what we really need to do is to try to create an atmosphere where labor is not saying to business, you don't need an additional tax credit and business is saying to labor, you don't need the food stamps or the people to go out on strike. I think it is time that we try to pull together, to work together and for city and State officials

stop talking about the bureaucrats in Washington or the "Feds," as unfortunately one of my directors said in a recent hearing on revenue sharing, in reference to people in Washington. He wants revenue sharing to continue just as I do. I am more enthusiastic about it now than I was in 1972 when I supported it. This feeling of pointing the finger, of trying to blame the other person for the problems that we have is wrong. We are not going to solve them until we start being more cooperative and understanding with each other.

You know, I had a speech last week where I used this phrase, "the world is indeed too dangerous for anything less than truth, and it is much too small for anything less than understanding." I think it is time, really past due, that we make a better effort to learn the truth, to recognize the truth and indeed to understand it once we have found it.

Representative HECKLER. We respect your philosophy and you express it very well. I do agree with you and I am seeking the truth, the answer. I am searching for the real solutions which will go to the heart of the problems people face. At the same time, I take into account the fact that we have made an awful lot of mistakes; there are an awful lot of laws on the books which are expensive, costly errors. We just can't afford this waste.

I would just like to ask Mrs. King a question. This is my second visit to Georgia. The first one was on the very sad occasion of your husband's tragic death. I was there spiritually and psychologically for you and your family and I am very proud to have finally been able to meet you.

I am interested in the terms of the Full Employment Action Council that you cochair. Do you have any specific additional insights on the problems of reducing unemployment as it relates to women and as it relates to black women you would like to share with us?

Mrs. KING. As far as the Council is concerned, unfortunately we have not yet examined many specific proposals. We have been generally concerned, about the total problems of unemployment, recognizing that the unemployment rate among blacks is very high. I see this committee as the one that will begin to work on those kinds of things. We have great tasks to do I think in helping to educate the vast majority of the public, the masses of people to raise this understanding of just what is happening to people who are unemployed.

I think what this committee is doing is very important but I will concede that there ought to be this kind of thing happening in many communities throughout the country.

As I say, we are only a little more than a year old, much of which has been devoted to our formation; we are just beginning our Action program.

One of my great concerns has been that we need more women on the Council's Board of Directors. We will be getting more women, and as I think women have a particular role to play inasmuch as women do suffer from unemployment, and particularly a black women, for she may be both mother and father.

Representative HECKLER. Please feel free to send us any information you do have, because we would like more data upon which to evaluate programs and it would be very, very helpful to us.

Mr. Chairman, I could go on, I have more questions for other members of the panel but I am afraid that time is of the essence and we are out of time, so I would prefer to turn it over to you.

Chairman HUMPHREY. Yes, thank you very much.

[Discussion off the record.]

Chairman HUMPHREY. I just want to make these comments. Recovery, we read about recovery. There is no doubt that there has been some modest recovery; our gross national product has risen although at a rapidly weakening pace. I would like to have you think about a point that both Mrs. Smith and Mr. Sims spoke to us about. You read about recovery; but unemployment hasn't fallen. You feel there is some recovery underway, but in a sense that dilutes our efforts to really get at this problem of unemployment.

The recovery is coming in terms of the statistics on gross national product, on national income and savings, et cetera, but the bite into the unemployment rate is very limited. It has gone down only 1 percent since its peak, and those are official figures. It doesn't take account of the people that have dropped out of the labor market as they did in November, or those working part time who would like to be full time. I have a feeling that we have got to be very careful that we don't just satisfy ourselves by what we read and by what we hear in official statements.

All parts of the country have different levels of so-called recovery, different levels of recession and different levels of unemployment.

For example, in my part of the country, our so-called unemployment level is appreciably lower than Phoenix or Miami or even in Atlanta. Well, for a city that is not bad number wise at this time as compared to what it is in New York or Boston or Miami or even Atlanta, and I can tell you that there are cities that have 14 and 15 percent unemployment, things are nevertheless bad in the Twin Cities. This is why I feel that we must be very careful that we don't just breeze in and give you the feeling that somehow or other all is jolly and all is well, when in fact in certain segments of the country, it is very difficult. This is why I think unemployment and job programs need to be centralized as much as possible, taking into consideration the need or effort in those places.

One other thing, I take one little difference possibly from my colleague here, Congresswoman Heckler. I believe the taxpayer pays the bill. Actually, of course, when you look at the most recent data on taxes at all levels of government, people in income brackets under \$10,000 have had a heavy tax increase simply because they are the people that pay sales tax on everything they use. I am talking here of Federal, State, local and all kinds of taxes.

One of the things I worry about when we talk about these programs not working, is that while we revise them to eliminate bugs, Congress does so only very slowly. I might just as well express my bias that every program has limitations. Most are experimental, and are revised. The REA covering rural electrification isn't the same as it was; we changed Federal aid to education from what it initially was. We do change programs, some times not well enough, but the problem in Congress is it is so late getting anything done.

I would hate to be a school superintendent and wait for Federal education aid during a school year. We have got a phobia that we have to have an annual budget to satisfy our little jurisdictional egos. That is a fact. We want to be everywhere to look over that budget each year.

There is no way in the world a man who is building himself even

a popcorn stand can function on an annual budget. I take time out of my life to go out and sit around at night talking to people in the business community and other areas, academic, labor, just visiting, and I have yet to find a single businessman that would make any investment on the basis of a 1-year projection. None.

The only people who do that are the Congress of the United States and the executive branches of government; it is no wonder that we have got ourselves in a fix. We know just as surely as your names are Gaston, Fulton, Sterne, King, Marshall and Mabry, that the unemployment problem according to every projection will be with us for another year at a rate of not less than 7 percent under current policies; or, even under expanded policies, 6 percent. Now we know that, and you would think we would talk about CETA for more than 1 year. I am in Congress, but the Congress—we try to lay it on the President all of the time and here I am going to defend him a little bit—but the Congress is not about ready to do anything for more than a year. I think that is one of the great mistakes in our Government, the kind of budgeting that we do, and I feel there ought to be a kind of uprising. An uprising to demand that we take a look at what the projections are so that we have some idea of what the Government's outflow is going to be and what the so-called income is going to be beyond next year.

Finally, I just want to say that I think we have got ourselves into a frame of mind where we are willing to pay for unemployment compensation so we won't be bothered by trying to place the unemployed in real jobs; in some ways, it is just like a payoff. It is sort of like foreign aid. Somebody gets mad, we write them out a check.

Of course, it is our view in this country now that we just write out a check if the kids get in trouble; give them a check; don't get involved in taking up time with them. It is much easier just to give them a check and just say, son, just move over now, don't bother me; or a daughter, here you want to take a trip, here is some money; go take a trip. We have been doing this rather than getting right down to what needs to be done. That is the way I see it. I state my prejudices very vocally. I know that. I may be dead wrong. I may, but you know I am at a point in my life when I am just going to do it anyhow, I am going to talk and say whatever I want to. I don't want anything from anybody and this just happens to be the moment of my existence.

Margaret, you have laid it on the taxpayer. Well I'll tell you why I am concerned about the taxpayer. I want to know who is going to pay the taxes. This is why Federal programs are sometimes looked upon with a little more favor than State programs, because my State is a very progressive State but we cannot tax Mobil; we can't even tax Xerox; we can't tax Exxon. We cannot tax national organizations to meet the national, rather than local, needs.

The only fair way in the world that you can pay for national needs is to have a tax system where the Federal Government can get revenue nationally, put it back, hopefully, to do the job to help the people that need it in a mobile society.

When I was a young chap, I didn't get beyond Redfield, S. Dak. and Sioux Falls by the age of 17. You know, that is what it was. I mean we didn't move around very much. You were lucky if you got to the county seat. My kids travel all over the United States whether I want them to or not and most others do too. They either put a pack on their

back or their folks send them or they work their way across. This is true of rich and poor today. People are more mobile and we have got to have the kind of tax systems where the Federal Government, the national central government, can tax to pay for national programs, programs which cannot equitably be handled at the State or local level.

Representative HECKLER. Mr. Chairman, I want you to know we don't disagree on this so let's clarify the record.

Chairman HUMPHREY. Thank you. Mrs. King, we in this committee have worked out what we call a misery index, the sum of the unemployment and inflation rates. We worked this up for the past several years; the misery index is up to about 15 percent, from a base line of about 5 up to 15 percent. This technically is statistically accurate. What would be your reflections, Mrs. King, of the moods of people you deal with, and you hear from, I know you hear from people in top departments of government, and you also hear from others?

Mrs. KING. Yes, I guess from those people who cannot speak for themselves, who feel a great deal of despair. Much of my mail is from people who don't have an income, who many times have large families; they want clothing for their children. They want some money to pay rent, and many times they give a long story about experiences they have had in losing jobs and people they have gone to in their communities trying to get help. Finally, they say, I'm writing to you because I believe you understand, you'll help me; in other words, they think if I don't have it, I know someone who does have it.

It is very frustrating because I, too, don't have resources for all of these people that I can turn to. Many times I do as one human being to another, as one mother to another, help in any way I can. I had a mother write recently, she had about 10 kids and she gave me a list of their ages and their sizes and of course I began to look through my closets and my children's trying to get up some sizes, and as many things together as I could and I mailed them to her. She was simply asking for some coats because her children needed coats to go to school.

I have always felt that somehow, there is just no way for a person who doesn't have an adequate income to make it—I do wonder how people do make it many times, you know. I just don't know how they make it. It is a very, very sad kind of thing.

You give what you can, you encourage a few but that's just not the way it should be done. I think the Government will have to take the responsibility of providing money too so people can live. I think people have a right to live and they have a right to earn an income, to have some means to provide for themselves and their family.

It seems to me the time has come when this should not be argued any longer. They have a right to live. They have a right to live decently. I just hope that somehow we will honor that right, either by the Government and a combination of the Government and the private sector. But I think the Government has to take the lead responsibility, because we are all citizens of this country and I believe we should all contribute. You know, we can all contribute in some way to the building of this country. We are talking about all of the people of this nation; each one can contribute in one way or another, even those people who don't have very much. If they have not been able to give in the sense of someone who has given materially, they have given in other ways because we are all tied together as human beings and we, as we get

to know and understand each other, we reach each other's lives in one way or another. Those people who are less fortunate, who are very poor, and those who have a chance to get to know them sometimes are enriched because even in a state of being poor and lacking in material resources, many times they are very rich in spirit. We can learn so much from those people.

They keep hoping for a better future. I think this is certainly a great country potentially and there is still hope left to those people who have lost faith. I am encouraged by the fact that there is still enough concern in the Nation that we can continue to work for the kind of leadership the Nation should have. I believe the leadership can be there but certainly it is not in the right place now, and we must see that it is put in the right place.

Chairman HUMPHREY. Thank you very much, Mrs. King.

We thank you, each and everyone. We will recess now until 2 o'clock.

[Whereupon, at 1:15 p.m., the committee recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

Chairman HUMPHREY. We will proceed with the continuation of this hearing. I must say to our witnesses how much I appreciate your patience. We concluded our morning session about 45 minutes behind schedule.

As I said to Congresswoman Heckler, I got some good news from Washington. I was worried all morning we were going to miss a very critical vote. Thank heavens it has been postponed, so we have been fortunate today.

Our witnesses this afternoon, first, are on the subject of the social impact of unemployment, which by the way we had some reference to in the earlier morning session. The witnesses are Mr. M. Harvey Brenner, Johns Hopkins University. Mr. Brenner, it's good to see you here. We appreciated the chance of our short visit at lunch. Mr. Allen Ault, Commissioner, Georgia Department of Offender Rehabilitation, and the Most Reverend Thomas Donnellan, of Atlanta.

Your Excellency, we are very happy to see you, and we appreciate your taking the time to visit with us.

We will start with you, Mr. Brenner, and we will hopefully go through the same routine as we did this morning.

STATEMENT OF M. HARVEY BRENNER, JOHNS HOPKINS UNIVERSITY, AND MEMBER, PANEL ON SOCIAL IMPACT OF UNEMPLOYMENT

Mr. BRENNER. Thank you, Senator Humphrey. I appreciate the opportunity to present some of the research findings that have been assembled over the last 3½ years at Johns Hopkins, and over the previous 6 years at Yale University. On the relationship between changes in the national and regional economies and indicators of physical health, mental health, and aggression.

This has been somewhat local work, in a sense, in that this kind of measurement of social cost of economic change has not received much attention, particularly in the United States. In fact, it is only in the last few years that we were able to derive measures that one can call

hard statistical measures of human costs, as related to changes in the national economy. By this I mean fluctuations in the rate of unemployment, changes in per capita personal income, and fluctuations in the rate of inflation.

Indeed it appears so thoroughgoing and profound a relationship between a variety of health measures, aggression measures, mental health measures, and the state of the economy, that many of our hardest measures, including those relating to mortality, are nearly predictable. With further work, it appears as though some of the major sources of mortality in the United States, including cardiovascular renal disease, which are responsible for some 70 or 80 percent of the mortality of all persons in industrialized countries, can be predicted based on fluctuations in the economy.

I would like to refer to an article, "Economic Changes and Heart Diseases Mortality," published in the American Journal of Public Health, March 1971. From this article, one notices the very, very fine inverse relationship between heart disease mortality and economic fluctuations. It appears quite clear that at least the fluctuation in the range of 1 to 3 years is very much a function of the state of the national economy.

Much of the entire variance in heart disease and general cardiovascular disease mortality depends on fluctuations in the rate of unemployment; fluctuations in annual per capita income, as well as fluctuations in the annual variations in the Consumer Price Index. We are coming to the point of being nearly able to forecast that variation. Within 2 to 3 years following an economic recession we observe the peak of mortality in the case of heart disease mortality.

Another example of this is infants fetal and maternal mortality. In the International Journal of Health Service article published in November 1973, on page 154, there are two charts. From them, one can observe that within 1 year to 2 years of economic recession there are very dramatic increases in the infant mortality rate. These are simply the charts based on a mathematical construction of these relationships and we find they extend to mortality of fetuses; they extend to mortality within the first day of life; they extend to mortality through the first year of life, month by month, and indeed in our work over the last 4 or 5 months, we are observing that at virtually every age of life, in the 10 years we've been in business, we can observe very similar relationships.

In a word, then, even the hardest data available to us; namely, the tip of the iceberg of health; mortality, specifically; we are finding a high level of predictability as a function of adverse change in the national economy.

To take this further, much mention this morning was given either anecdotally or journalistically, or inferentially of family disturbance; disturbances to mental health; family disorganization; crime; et cetera, and indeed here, too, the available statistical evidence is now such that it looks very much like the mortality data I was referring to earlier.

In the case of mental hospitalization, my book published in 1973, "Mental Illness and the Economy," by the Harvard University Press, indicates a most intimate relationship between downturns of employment and mental hospitalization in the State of New York. Since 1941

there is almost an unchanged and unbroken relationship, up to through the present time.

Similarly the relationships for suicide are such that we almost say that the national rate of suicide in the United States can be viewed as an economic indicator.

If we were now to calculate the rate of variation in suicide, that is a function of fluctuations in employment, it is quite clear that we would be explaining the entire variance of the suicide rate, and this has been accomplished mathematically.

There has been some question for a long time—this is answer, perhaps, to a question that might have been raised by Congresswoman Heckler earlier this morning, as to how women react to these phenomena as distinguished from men. The relationships for women for a long time were a bit more difficult to calculate, simply because of the lag effects, which our researchers have now been able to master. It appears that, at the very least, women are as sensitive as men to fluctuations in the economy in terms of depression episodes, such as result in suicide, mental hospitalization, cardio-vascular renal disease. This was indeed something of a surprise. And indeed they appear to be more sensitive than males to fluctuations in the economy, according to our latest estimates. So something of a myth will have to be dislodged.

Representative HECKLER. More sensitive. In what way? Would you explain that?

Mr. BRENNER. More sensitive in the sense that a relationship, say for manic depressive psychosis, one of the more serious mental disorders, includes a lag effect for females that is not present for males.

Representative HECKLER. How long is the lag effect?

Mr. BRENNER. The lag has been 1 to 2 years for females. This is very interesting, because for the first time we are beginning to understand why there is such a great discrepancy between male actual suicides, which is a very high rate, as compared to female actual suicides, which is comparatively lower, but a much higher rate of female suicide attempts. Apparently the lag is sufficiently great in the case of women that we list the effects all together, and we will now be able to include in our calculations, that was formerly a dispersed lag effect.

There are other terms used for that, but in any case, at this point we are now able to include mathematically the effects, not only of lags in unemployment, but to add to that the complicating effects of measures of inflation and losses of income that occur to individuals who have not necessarily lost their jobs. Where men have lost their jobs and gotten other jobs not quite suitable to their skills under which they were previously operating, but they have lost income, so that we are now able to include at least three measures of economic fluctuation. Given this group of three, we go very far to explaining very great proportions of the entire variation; the entire series of trends in the total mortality rate.

Senator Humphrey, you have before you on both graphs—

Chairman HUMPHREY. The solid line in your chart that we have here, that relates to the unemployment rate?

Mr. BRENNER. Yes; that is what I have written there as the inverted unemployment rate. The reason is that prior to 1946, I believe, we did not have an actual estimate of unemployment for the United States

as a whole. So one of the senior statisticians at the Department of Labor had to construct an unemployment index based on the civilian labor force employed, and he in turn inverted it and linked it to the actual unemployment rate as calculated since then. What I have done is really invert the whole affair to pose it as a measure of positive fluctuation in national economy.

The top graph, as you can see, shows that the very peak of the suicide rate occurred during the years 1932-33, when the economy came to its lowest point during that period.

Chairman HUMPHREY. Right.

Mr. BRENNER. The following recession showed very similar reaction to the down trend.

On the lower graph, however, one can now look at the very tiny, cyclical fluctuations. These are moving averages of annual changes in the suicide rate, so one can see the prediction function is quite precise indeed, even for very, very minor fluctuations.

Chairman HUMPHREY. This collaborates with what we call our "Misery Index."

Mr. BRENNER. Very much so.

Chairman HUMPHREY. Really amazing. The same sort of reactions.

Mr. BRENNER. Indeed. I heard you concluding the earlier session this morning, and speaking about a feeling for developing projections given current unemployment policies of the "economic misery," through 1980. One can, as you will observe, do virtually the same thing for a great many social indicators. You happen to have before you suicide, and some measure there of the interfetal mortality rate, and for heart disease mortality. I have with me additional material for consumption of distilled spirits which in due time results in mental hospitalization; with alcoholic psychoses; about 50 to 60 percent higher in automobile accident mortality rates; and, of course, the cirrhosis of liver mortality rate. It fluctuates in almost identical proportion to what you have before you as the suicide rate, with about a 2-year lag. In a word, a great many sources of the hardest of our types of data indicating psycho-social responses to stress in the form of the most serious sorts of illness do respond much as the journalistic frame of behavior.

Chairman HUMPHREY. Let me give an example of that same point. I'm a registered pharmacist, first of all, and during the depression—this is interesting—during the depression we sold in the drugstore vast quantities of antacid powders. Also may I say, in biological and physical terms, there was a great deal of constipation, and therefore we were selling large amounts of laxatives and anti-acids. They were big items in the drug business.

Comes the prosperity period, when things are better, you hardly sell any. Also you may have noticed that even in the ads on television, you very seldom see, until just of late, laxative advertising.

And I've often said I could tell more about the economy out home on the basis of two industries: No. 1, the number of checks that we had that came back from the bank—you know, I told Herb Stein one time, "I really don't need you. I can just look at our own business, and all I need to do is see how many checks we have that bounced." That's a good one.

Second, you just take a look at the medications that are being prescribed, and the over-the-counter medications being sold. When there was stress you will find people buying what we call bromides, or you will find them buying antacid compounds, or laxatives. When there are good times, that just vanishes.

They used to sell these bromides and laxatives and all that stuff by the ton; it was just incredible.

You are saying the same thing in a much more sophisticated, scientific way.

Mr. BRENNER. Yes. Allow me to confirm that with even further data on the use of medical services, or short-term general hospital admissions in the United States, for which I presented a paper 2 weeks ago at the Public Health Association meeting. In fact, they too, respond very sharply to adverse changes in the economy, as do mental hospital admissions for an unbroken period of about 127 years in the United States. In a word, just to summarize the kind of things we have been finding over the last dozen years, there seem to be three major types of pathological effects that are highly measurable, and extremely dangerous. One of these lies in the mental health area, generally, and includes the general response character of mental hospitalization for different types of mental disorders.

The second group includes the area of physical health, for which general mortality, cardiovascular, interfetal infant mortality, mortality due to cirrhosis of the liver; are only examples.

And finally, there is the area of aggression, which is most easily measured perhaps in the United States by violent crimes added to the rate of homicides. Again with extremely hard data, with mortality rates the picture is quite similar to what you have before you in terms of suicide.

In the case of homicide this appears quite logical. Those individuals capable of this extreme type of violence against men of their own age, women, and children, respond rather quickly to downturns in the economy, and seem to be among the very first persons who lose employment and income during an economic downturn. These are persons of lower socioeconomic status, and with a high rate of unemployment, to begin with.

To come to, generally, the policy issues—and I will try not to take too much longer—we are beginning to observe, for the first time, that the costs of economic recession and inflation go well beyond our economic indicators. There are indeed social costs—and these are not ephemeral, phenomena; they are mortality statistics in hospitalization, in imprisonment rates, in the hardest of our stress-related and institutional data.

And they are not only socially costly in terms of the human misery, that is obvious; they are also costly in real dollars, which means that ultimately the members of our Nation pay for this kind of thing out of their own pocketbooks. Even if we talk about—for instance, such things as national health insurance—we are going to find that the money is going to derive from the economy itself, we're going to find that the illnesses of the Nation are going to be paid one way or another. We're going to find that security in our country, in terms of safety in the streets, is going to be paid for in real dollars.

The judiciary system and the system of criminal justice in the United States is very much at the mercy of the same phenomena. So social costs are indeed going to be measureable, not only in these kinds of indicators, but in real dollars. When one ultimately calculates the effect of economic recession and inflation, it will probably appear that remedial measures taken in a reasonable period of time to avert the most drastic effects of these recessionary-inflationary activities actually save very much in monetary terms—in the hardest monetary terms.

Two other points, please. One of them is the issue of the time lags involved here. In the case of the suicide picture, there was very little lag. The mortality rise occurs within the first month or two of economic recession.

In the case of heart disease mortality, the peak or lag may be as much as 3 to 5 years beyond the economic recession, which means that the National Government has in its power the ability to act on behalf of the people, who otherwise, perhaps, would experience mortality, or at the very least, severe morbidity.

We have this in our hands to do, at this moment. That we are able to neglect it in favor of other considerations means that—now that the knowledge is before us—we purposely and deliberately put aside these highly concrete materials.

Secondly, we observe that the longer the situation continues the high rates of inflation and unemployment, the greater is the probability of the continuing wavelike effect that springs from the kind of material you now have before you.

So that the maintenance of, say, an unemployment rate at 7 or so percent; anywhere from 6.5 to 7.5; has very clear implications in a prognostic sense for the behavior of our people.

I think that it is no longer possible, given data of this kind, for our national leadership to close its eyes to the very hard, factual account of the impact of economic instability. It seems to me that there is a responsibility of Government, both in the nature of its public health system, and in the fact it has established a series of agencies: of Health, Education, and Welfare; and of criminal justice; in the United States, that the security and well-being and health of the Nation is, in fact, demonstrably at stake under these kinds of conditions.

Incidentally, there has been something of a surprise where we observe factually to be very little communication among the major agencies of the Government concerned with this phenomena. It is unusual for those components, those political units of Health, Education, and Welfare, for example, to be intimately involved with problems concerned with major, national economic decisionmaking where, now clearly the accounting is no longer separate and cannot be conceptualized as separate.

Senator, you called earlier in the day for projections on the impact simply within the national economy on such matters as inflation, unemployment, productivity, etc. over the next few years, given our current policies: I would like to suggest, in addition—in supplement, rather—to your own suggestion, that these kinds of forecasts also include projections of the very hard social costs that we can now begin to attribute to the effects of economic adversity, not only terms of the human suffering, the calculable mortality, mental morbidity, and aggression, but also in the dollar costs that results from these things; be-

cause it is only then that our national body of decisionmakers would be able to fully appreciate the total cost of our problem.

Thank you very much.

[The prepared statement, with an attachment, of Mr. Brenner, follows:]

PREPARED STATEMENT OF M. HARVEY BRENNER

SOCIAL STRESS AND THE ECONOMY: RECENT FINDINGS ON MENTAL DISORDER, AGGRESSION, AND PSYCHOSOMATIC ILLNESS

ABSTRACT

There is now substantial evidence that trends in national economic indicators have a profound influence on the state of mental and physical health of the general population, as well as on aggression and other criminal behaviors. These basic relationships were discovered during the past three years at The Johns Hopkins University, and earlier at Yale University, by Brenner and his associates. In general, the national rate of unemployment, adverse changes in per capita personal income, and the annual rate of inflation (in that order) have the most serious effects on national levels of health and well-being.

In this testimony, some of the effects of adverse changes in the economy were presented. Examples of these effects related to mental disorders, suicide, homicide, heart and other vascular diseases, alcoholism, and infant and maternal disorders.

In November of 1973 the book *Mental Illness and the Economy*, by M. Harvey Brenner, was published by Harvard University Press. This work offered the first findings that a major indicator of change in the incidence of mental disorders in the population is related to instabilities in the national economy. In fact, it was found that national economic trends were the single most important factors in trends of admissions to mental hospitals in New York State annually from 1841 to 1967. The strategy of research in this work was meant to deal with two outstanding issues in the causation of mental disorder. One was the strong assumption, traditional in the mental health professions, that social environmental stress is an important precipitant of mental disorder; yet an equally strong tradition assumed that a "defective" personality structure, associated with aberrant child rearing practices or biogenetic influence, is most responsible for the development of mental disorder.

The second major issue was based on the consistent finding in over 40 studies in as many years that the prevalence of mental disorder was found in inverse proportion to the socioeconomic structure of the population. This finding, that the lower the socioeconomic status of a population sub-group the higher was its rate of mental disorder, was perhaps the most consistent finding in the field of psychiatric epidemiology. The question was raised as to whether social environmental stresses, presumably greater at lower socioeconomic levels of the population, were in fact responsible for this relationship. A major alternative hypothesis was that the casual connection in the major relationship may be opposite from the initial assumption; that is, mental disorder may bring about lowered socioeconomic status rather than decreased socioeconomic status increasing the level of mental disorder. In this alternative hypothesis the mentally ill population was thought to be less competent in a competitive labor market, and the relative incompetence of this population allegedly pushed it into lower socioeconomic positions.

Mental Illness and the Economy was an attempt to grapple with both of these major questions. It began with the position that *both* the biogenetic and aberrant child rearing schools of thought, as well as the environmental stress school were correct in their formulation of the causation of mental disorder. The problem was that they had earlier been thought to be *competitive* rather than interactive formulations. In the new formulation, each group of factors was seen to be necessary in the causation of mental disorder, but only in interaction with other factors was a sufficient explanation possible. The theoretical position of *Mental Illness and the Economy* was therefore that biogenetic and aberrant socialization factors were largely responsible for an individual's being predisposed toward a pathological (or mentally disordered) reaction to environmental stress. However, the environmental stress was necessary in order to stimulate pathological reactions.

The second major issue was, in this conception, linked to the first. That environmental stress is a *necessary* factor in the causation of pathological reactions (especially depressive, schizophrenic, involuntional, psychoneurotic, and transitional situational reactions) is crucial in the problem of whether or not lowered socioeconomic status precipitates mental disorder. An answer to this question would depend on whether downward changes in the socioeconomic status of individuals would lead to increases in the incidence of mental disorder among those individuals. Fortunately, much of the history of economic research over the previous fifty years has demonstrated that the socioeconomic status of populations depends heavily on the progress of economic development and the stability of the national economy.

The hypothesis was then offered that downward changes in the level of employment and income for a population would be followed by increases in the rate of pathological reactions. The measure of change in the incidence of mental disorder used in *Mental Illness and the Economy* was the traditional indicator, and indeed the only extant indicator for lengthy historical periods. It was first admissions to state and private mental hospitals for specific categories of mental disorders. The data were obtained for New York State because that state has had one of the best data collection systems in the country, is one of the few states to have such data continuously back to the mid-nineteenth century, and until recently has had the largest mental health system of any state in the United States.

The hypothesized inverse relationship between economic changes and a principal indicator of the incidence of mentally disordered reactions was found for New York State, annually, for over a century and a quarter. Subsequent to publication of *Mental Illness and the Economy*, the question was raised as to whether the relation between economic downturns and mental hospital admissions was in some way peculiar to New York State or could be found for the United States as a whole. This question was investigated using the data for the United States as a whole and separately for each state for 1928–1968. The findings of the United States study were nearly an exact replica of those for the state of New York, particularly when age-specific mental hospital admissions were considered. The total United States study (awaiting publication) was again followed by an analysis that brought the findings as nearly up-to-date as is possible given the availability of data for the United States as a whole or any state (1970–1973, depending on the availability of data from each specific state).

This work on the relation of changes in the economy to mental hospital admissions in turn raised two issues. The first is whether among many types of environmental stress, adverse changes in the economic situation was among the most important, or encompassed many other types of stress. The second question was whether adverse changes in the economy were actually producing an increased rate of psychopathological reactions or only increases in the rate of mental hospitalization. The empirical evidence from a careful examination of the detailed findings on mental hospitalization (by age, sex, ethnicity and prior history of mental disorder) tended to support the view that increased psychopathology followed downturns in the economy no matter how small. Nevertheless, the mental hospitalization studies did not provide *prima facie* evidence of the link between the economy and symptoms of mental disorder.

In an effort to find "obvious" measures of the incidence of psychopathology in the population, mortality data were examined by Brenner et al. Specifically, mortality associated with psychopathology itself or psychosomatic illness became the object of intense analysis. These sources of mortality included suicide, homicide, cardiovascular-renal disease and cirrhosis of the liver. Suicide has long been associated with clinical depression and represents one of the greatest concerns of the mental health professional for his patient. Homicide is an extreme manifestation of aggressive behavior and occurs with greatest frequency within families or among individuals known to one another. The cardiovascular-renal diseases (heart disease, cerebrovascular disease, and kidney disease) have long been associated with the influence of mental stress through the mechanisms of hypertension and elevated serum cholesterol levels. Most important, however, is that mortality from the cardiovascular-renal diseases account for 70–80 percent of mortality in modern industrialized societies. Cirrhosis of liver mortality has been associated with bouts of extraordinarily heavy use of alcohol—a phenomenon which has been found related to periods of severe mental stress.

Overall, then, three general areas were investigated in terms of the impact of national economic changes on mortality: direct indicators of psychopathology, indicators of severe aggression, and indicators of psychophysiological disturbance. The findings for suicide and for homicide were similar to those for mental hospital admissions in the United States. The suicide rate in fact shows very little lag (within a year) after a given economic downturn, although the female suicide rate shows a significantly greater lag than the male. The homicide rate shows a distributed lag pattern, reaching a peak of 1-2 years following economic downturns.

The first findings indicated a 2-3 year lag of heart disease (especially coronary artery disease) mortality to national and regional economic trends. Since publication of the heart disease findings, research has continued and expanded the area to include all cardiovascular-renal diseases. The findings (awaiting publication) are that total cardiovascular-renal disease mortality shows a peak of substantial increase 3-5 years following economic downturns (regardless of the size of the downturn). More specifically, following economic downturns renal disease mortality shows a 1-2 year lag of increase, and cerebrovascular disease shows an average 7-9 year peak lag of increase.

Finally, cirrhosis of liver mortality shows increases approximately 2 years following economic recessions. This 2 year lag in cirrhosis mortality is also related to markedly increased consumption of distilled spirits (as distinguished from wine and beer) within less than a year following economic recessions. The logic in the relationships linking economic adversity to increased consumption of distilled spirits and subsequently to increased cirrhosis mortality may be as follows. There is a very long-term increase in the level of consumption of distilled spirits (and wine and beer) related to long-term prosperity in the United States population. Within the long-term growth rates of the economy which correspond to prosperity, there are episodic economic downturns during which there is an especially great increase in the consumption of distilled spirits. This increased consumption of distilled spirits specifically during economic downturns may indicate the use of alcohol among a large minority of the population as a depressant drug used frequently in an effort to alleviate economic stress.

The development of cirrhosis of the liver however requires a considerably long period of time, perhaps 20-35 years. The theory would therefore be that cirrhosis was originally produced through major waves of heavy drinking over a period of 20-35 years. It would then be after such a period of long-term heavy drinking—but in response to the episodic character of economic adversity—that the liver would be so damaged that a final major bout of heavy drinking, during a fresh period of economic adversity, would ultimately bring about rapid degeneration of the liver and mortality within the relatively short period of 2 years. Clearly, the problem of alcohol abuse and alcoholism has important implications for the criminal justice system. It is reported that alcohol abuse is approximately 50 percent of arrests, associated with approximately 50 percent of automobile accidents, and up to 30 percent of mental hospital admissions.

Since publication of *Mental Illness and the Economy*, the sources of funding of these studies have included the United States Public Health Service's National Center for Health Services Research, the United States Department of Labor, National Institute of Mental Health and the United Nations. Two of the articles on this later work have been published—one representing the first findings on heart disease and one on the relation of economic change to fetal, infant, and maternal mortality. Several papers presented at national scientific meetings are awaiting publication and include the areas of cardiovascular-renal diseases and alcohol-abuse related illnesses. The findings on suicide, homicide and related acts of aggression as identified through criminal justice system sources will be presented at future scientific meetings and subsequently published in book form under contract with the Harvard University.

The issues surrounding this work have become particularly timely since the United States and other Western countries are in the most severe economic recession since the depression of the 1930's. From the standpoint of health planning and economic policy planning, it has become especially important to attempt to estimate the probable impact of the recession on mental and physical health. Indeed, from a purely economic standpoint it may be less costly in the long run to alleviate some of the harsher impacts of economic stress rather than pay the costs through the mental and physical health care systems and the criminal justice system. This

estimate does not even speak to the issues of emotional stress and decreased productivity for which the indicators of hospitalization and mortality represent only the tip of the iceberg.

The findings in the above discussion are based on the most recently available government figures (although these are occasionally 2-3 years behind the current date, due to the lags in national data gathering and publication). These findings have most recently been used by the United Nations, the National Institute of Mental Health, the National Institute of Alcohol Abuse and Alcoholism, and the United States Department of Justice to estimate the effects of the current recession on problems of mental health and criminal justice. These findings have represented the major source of data on effects of economic recession on health by the United States Department of Health, Education, and Welfare in Senate and Congressional testimony on the issue of national health insurance coverage for individuals experiencing extended economic adversity during the current recession.

The charts in the enclosed article represent examples of recently discovered relationships between national economic indicators and physical and mental health.

Attachment.

FETAL, INFANT, AND MATERNAL MORTALITY DURING PERIODS OF ECONOMIC INSTABILITY

M. H. Brenner

One of the most sensitive indicators of the general socioeconomic level of a nation is the infant mortality rate. For industrialized societies, however, the problem of adapting to economic growth concerns less the level of economic growth than whether that growth is relatively smooth or chaotic. Thus, if there is in fact a continuing inverse relationship between economic growth rates and trends in infant mortality, such a relationship should be most accurately observed in comparisons between short and intermediate fluctuations in trends in infant mortality and in the economy. The results of this analysis indicate that significant changes in the trends in perinatal, neonatal, and postneonatal and maternal mortality occur regularly in the United States as a result of environmental change associated with economic fluctuations. The evidence indicates that economic recessions and upswings have played a significant role in fetal, infant, and maternal mortality in the last 45 years. In fact, economic instability has probably been responsible for the apparent lack of continuity in the decline in infant mortality rates since 1950.

BACKGROUND AND CENTRAL ISSUES

The infant mortality rate has long been regarded as one of the most sensitive indicators of the general socioeconomic level of a nation (1-4). This generalization continues to be accepted despite substantial controversy in recent years (1-10). The most important evidence linking rates of infant mortality with low socioeconomic level has been derived from observations of long-term trends. Indeed, in all industrialized countries for which data are available, the secular trend of industrial growth has seemed to be inversely related to the long-term trend in infant mortality rates (3, 11-15). This phenomenon is most striking when one compares the long-term decline in infant mortality in industrialized countries with the relatively slow decline—and in some cases absence of decline—in age-specific mortality rates over age 25.¹ This is to say that, in general, the lower the age category, the stronger the secular inverse relationship between economic development and mortality rates. Furthermore, since the Second World War, corroboration of the strong inverse relationship between economic development and mortality rates has been found in countries recently emerging from nonindustrial status; as these countries progress to a mechanized agricultural economy, there are remarkable

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¹ Annual and usually long-term data are available in *The Statistical Yearbooks* of nearly all European countries and the United States, Canada, Japan, Australia, and New Zealand since at least 1921. For the United States, these data are summarized in reference 16.

decreases in the infant mortality rate (3, 13-17). Finally, despite a few contradictory findings (3, 7, 18-20), it is generally accepted that even within industrialized countries, at any point in time, there is an inverse relationship between individual socioeconomic status and infant mortality (6, 21-26).

A fresh source of statistical data has, however, cast some doubt on the importance of the inverse relationship between socioeconomic status and infant mortality for the years following 1950.

The outstanding characteristic of the trend in the infant mortality rate in the United States since 1950 has been the lack of large-scale reductions in the rate for any segment of the population. This is true whether one considers geography, race, or such parameters of infant mortality as prior pregnancy history, and birth weight (27).

The vital statisticians conclude that even if all socioeconomic groups had experienced similar reductions in their death rates, the decrease in the total infant mortality rate would still have lagged far behind the improvement in the 1940s. These results raise a serious issue: Why is it that during the 1950s, a period of great economic advancement and expanding allocation of economic resources to medical care, the infant mortality rate showed only minor reductions? On the basis of these findings, some researchers drew the conclusion that, given the present advanced status of medical knowledge and practice, the irreducible minimum in infant mortality was being approached (3, 6, 9, 21).

Moreover, a number of studies of infant mortality in specific geographic areas, and at single points in time, had found that since the 1950s the expected inverse relationship between socioeconomic status and infant mortality was weaker than at earlier times, and occasionally not to be found at all. Again the question was raised whether infant mortality was actually as sensitive an indicator of socioeconomic level as had been supposed. The question became particularly pertinent in light of the fact that those causes of infant mortality which are most susceptible to environmental influence (i.e. accidents, infectious, and digestive and respiratory diseases) had undergone very sharp reductions since the 1930s. Thus the only means of further influencing the overall infant mortality rate appeared to lie in efforts to deal with physiologically- and genetically-based causes of perinatal mortality in which premature birth was implicated particularly (27, 28).

Yet additional data were brought to bear on the controversy over the question of the inverse relationship between socioeconomic status and infant mortality over time. The new evidence consisted of international comparisons of perinatal and postperinatal mortality by cause (11-15, 21). Comparison of the United States with Western European countries indicated relatively high mortality rates in the United States for causes which are associated with the environment and which are therefore theoretically preventable. Also, the mortality trends for postnatal asphyxia and atelectasis, and for the cause group which includes respiratory distress syndrome and hyaline membrane diseases sharply distinguished the experience of the United States from that of other countries. Together, these cause groups represented a substantial proportion of neonatal mortality in the United States and they appeared to be increasing in sharp contrast to the historical experience prior to 1950 (21). These international comparisons revealing the relatively poor showing of the United States since 1950 would seem to indicate at least that environmental factors, which distinguish Western European countries from the United States, have a bearing on the trend of infant mortality.

In all this general controversy, however, no question appears to have been raised as to the precise rate and stability of economic growth in the United States since 1950, especially as compared with Western European countries. It was taken for granted that economic growth since 1950 had generally continued the pace of long-term development since the depression of the 1930s. Furthermore, the model of economic growth assumed in these studies is that type of rapidly growing economy characteristic of newly industrializing nations. This model of economic growth contrasts sharply with the experience of modern industrialized nations, a model generally characterized by economic movements in the overall direction of growth but subject to "instabilities" or cycles of upswing and recession. These upswings and recessions have not as yet been subject to investigation in terms of relationships with infant mortality although they are highly appropriate independent variables in the experience of economically developed nations.

For industrialized societies the problem of adapting to economic change concerns less the level of economic growth than whether that growth is relatively smooth or chaotic. Thus, if there is in fact a continuing inverse relationship between economic growth rates and trends in infant mortality, such a relationship should be most accurately observed in comparisons between short and intermediate fluctuations in trends in infant mortality and in the economy. In investigating the suggested relationship between economic instability and mortality under one year of age, the following hypotheses are raised:

- There is a short-to-intermediate range relationship of approximately 3-11 years between economic trends or fluctuations and trends in infant mortality rates. This relationship has historically been an important component of the inverse relationship between socioeconomic status and infant mortality.
- This 3-11 year relationship has become more important in influencing infant mortality trends since 1950. This may have occurred as a result of the relative decline in the beneficial impact of secular economic growth in an economy that is already highly developed.

METHODS

For the purposes of this study, the economic indicator must describe the short and intermediate trends representing not economic growth alone but "economic instability" (29). For the aggregate of the population, the implications of economic instability include fluctuation in average income, level of employment, and distribution of economic resources (including purchasable medical services). For the United States, fluctuations in employment and unemployment indices are closely related to and are highly indicative of fluctuations in several major national economic indicators, including gross national product, industrial production, personal income, and annual wages earned and hours worked (30, 31). Thus, the indicator of economic change used in this study is based on an estimate of unemployment for the United States since 1902 (32).² In order

² Primary sources for historical statistics unemployment series: 1900-1928, reference 33; 1929-1939, reference 34; 1940-1957, reference 35; 1958-1968, reference 36. For all of the above series, estimates are first made of the civilian labor force, then of employment; the difference between the two provides the estimates of unemployment. The figures for decennial census years are used as benchmarks with interpolations made for intercensal years from a variety of available sources.

to make the United States unemployment index consistent with other major but positive economic indicators (a technique traditionally used in studies of economic cycles (30, 31)), the inverted unemployment rate was used; namely, 100.00 minus the percentage of persons unemployed. Inverted unemployment indices were examined from at least 1920 to 1968 (37) (the latest year for which data are available). To test the applicability of the hypotheses to the full age-range of infant and fetal mortality, the following categories were examined:

- infant mortality under 1 day, by race;
- infant mortality under 28 days, by race;
- infant mortality over 28 days through 11 months, by race;
- fetal mortality, by race.

Method of Trend Comparisons

The results of three different methods of time series analysis were compared.

Long-term Trends. First, long-term linear or nonlinear trends in the mortality and economic data were estimated (by least-squares methods). The secular trends were then algebraically subtracted from the raw data (Fig. 1), and the residuals (or short- and intermediate-range trends) were investigated graphically and with regression analysis. For fetal and infant mortality, the trends were estimated by a procedure which determines the best-fitting mathematical equation, among several types. These equations describe the following models: (1) linear ($Y = a \pm bx$), (2) logarithmic ($Y = a \pm b \log X$, $\log Y = a \pm bx$, $\log Y = a \pm b \log X$), (3) reciprocal ($Y = 1/a \pm bx$), and (4) logistic ($Y = a/1 \pm bx^{-ct}$). The curves representing each of these equations are fitted, by least-squares techniques,³ to the mortality data. The mathematical model of the long-term trend which best fits the raw mortality rates, as judged by the product-moment correlation coefficient, is used to describe the long-term trends (Table 1). So estimated, the long-term trends are then algebraically subtracted from the raw mortality rates, and what remains are the intermediate-sized and short trends in these data.

By the use of multiple regression procedures, the effect on mortality under 1 year of age of economic fluctuations lagged from 0-5 years was estimated. (Multiple regression treats the economic indicators as six independent variables in a distributed-time-lag analysis (39-41).) In addition, regression (zero-order) was performed at the lag at which the relationship between economic change and mortality was most stable (transforming the data, when necessary, to control for effects of autocorrelated residuals).⁴

3-11 Year Trends. The second type of analysis compared 3-11 year trends in mortality and the economy, in fluctuations of different sizes, categorized in percentage changes occurring at intervals of 3, 5, 7, 9, and 11 years. This is a "moving difference" method which allows observation, over time, of annual, 3-year, 5-year, and greater percentage

³ Detailed descriptions, with mathematical derivations, of the curve-fitting procedures are given in reference 38.

⁴ The effects of autocorrelated residuals were estimated by the Durbin-Watson test described in reference 42. Transformations used to reduce the effects of autocorrelation are described in reference 43.

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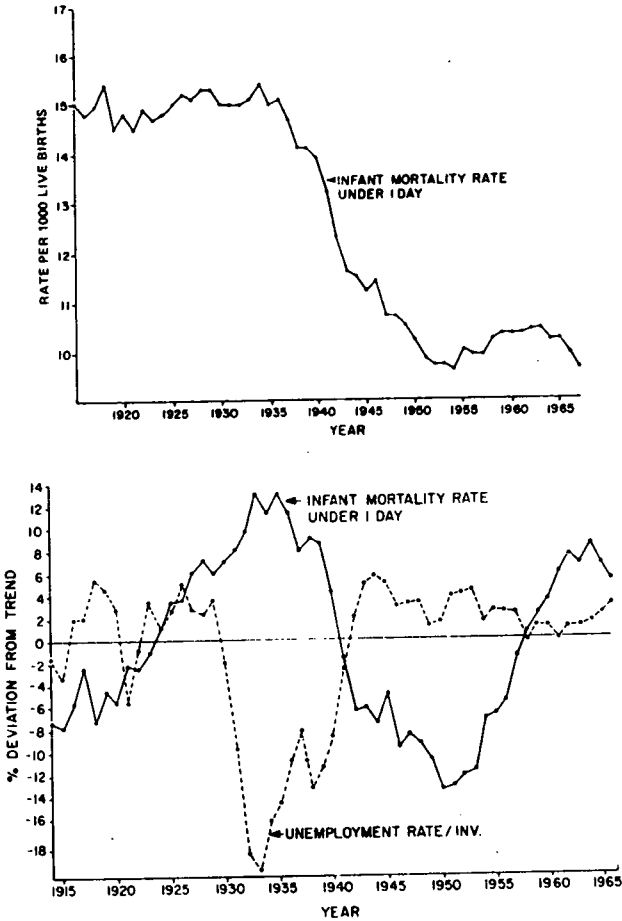


Figure 1. Fluctuations in infant mortality rate per 1000 live births under 1 day matched with those in rate of unemployment index/inverted for the United States, 1915-1967. *Top*, Data with trend included. *Bottom*, Detrended data. Infant mortality rate moved forward 1 year to show relationship at 1-year lag.

changes (Figs. 2-4). Thus, to obtain moving annual percentage changes, the change from each year to the next is estimated as the absolute difference between the two, divided by the value for the first year (expressed in percentages) (44). Similarly, 3-year moving changes are calculated as the percentage difference between the rate (of mortality or

Table 1
 Estimates of stability and range of inverse relationships between fluctuations in unemployment index/inverted and those in fetal, infant and maternal mortality rates, United States, 1915-1967^a
 (estimated secular trend subtracted from mortality series)

Mortality Rates	Equations Used To Detrend Mortality Rates	R^{2b}	Range of Lag Relationships	Optimum Lag of Mortality	No. of Years $r < c - 0.65$
Maternal					
Total	$\Delta Y = Y_{t-1} + 0.11871 Y_{t-1} - 0.00015 Y_{t-1}^2$	0.506	0-5	1	46
White	$\Delta Y = Y_{t-1} + 0.12807 Y_{t-1} - 0.00016 Y_{t-1}^2$	0.498	0-5	1	46
Nonwhite	$\Delta Y = Y_{t-1} + 0.11099 Y_{t-1} - 0.00008 Y_{t-1}^2$	0.305	0-5	3	37
Fetal					
Total	$Y = 40.50398 - 0.56008 X$	0.189	0	0	39
White	$Y = 38.95745 - 0.67776 X$	0.082	0	0	26
Nonwhite	$\Delta Y = Y_{t-1} + 0.04885 Y_{t-1} - 0.00044 Y_{t-1}^2$ ^d	0.561	0	0	39
Infant < 1 day					
Total	$Y = 16.30377 - 0.13536 X$	0.615	0-2	1	47
White	$Y = 16.35591 - 0.15537 X$	0.584	0-2	1	41
Nonwhite	$Y = 16.68441 - 0.06530 X$	0.424	0-2	1	40
Infant < 28 days					
Total	$\text{Log } Y = 3.85845 - 0.02062 X$	0.502	0-2	1	40
White	$\text{Log } Y = 3.82637 - 0.02217 X$	0.416	0-2	1	40
Nonwhite	$\text{Log } Y = 4.09548 - 0.01866 X$	0.384	0-2	1	39
28 days-11 months					
Total	$\text{Log } Y = 4.03501 - 0.04556 X$	0.499	3-5	4	33
White	$\text{Log } Y = 4.02297 - 0.05391 X$	0.482	3-5	4	29
Nonwhite	$Y = 117.21743 - 26.34443 X$	0.522	0-5	2	31
0-1 years					
Total	$\text{Log } Y = 4.61284 - 0.03025 X$	0.297	0-2	1	35
White	$\text{Log } Y = 4.58276 - 0.03221 X$	0.231	0-2	1	35
Nonwhite	$Y = 201.83781 - 40.91139 X$	0.593	0-2	1	37

^aData on fetal mortality rates are for 1922-1967.

^bAll relationships are inverse, as judged by (negative) sign of regression coefficients.

^c r between -0.65 and -1.00. Only correlations not significantly affected by autocorrelation of residuals, as measured by Durbin-Watson statistic, are included.

^dThe full equation is $Y_t = Y_{t-1} + \Delta Y$. This is a computational form of the general logistic equation $Y_t = a/1 \pm bx^{-ct}$. For derivation see H.T. Davis, *Analysis of Economic Time Series*. Cowles Commission Monograph Series No. 6, pp. 17 ff., pp. 247 ff. Trinity University Press, 1941

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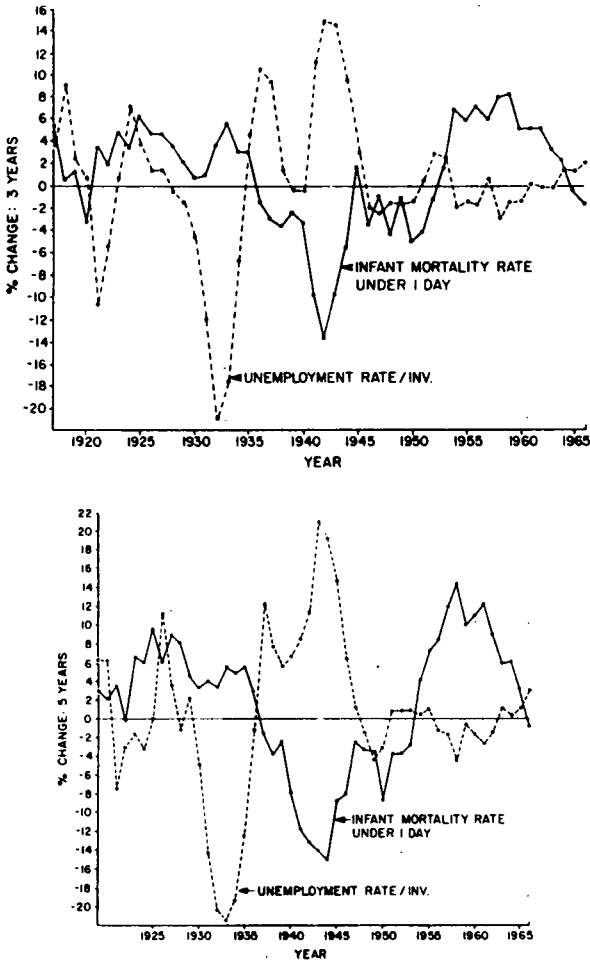


Figure 2. Fluctuations in infant mortality rate per 1000 live births under 1 day matched with those in rate of unemployment index/inverted for the United States. Secular trend subtracted from mortality and economic data. *Top*, 3 year percentage changes, 1917-1967. *Bottom*, 5 year percentage changes, 1919-1967. Infant mortality rate moved forward 1 year to show relationship at 1-year lag.

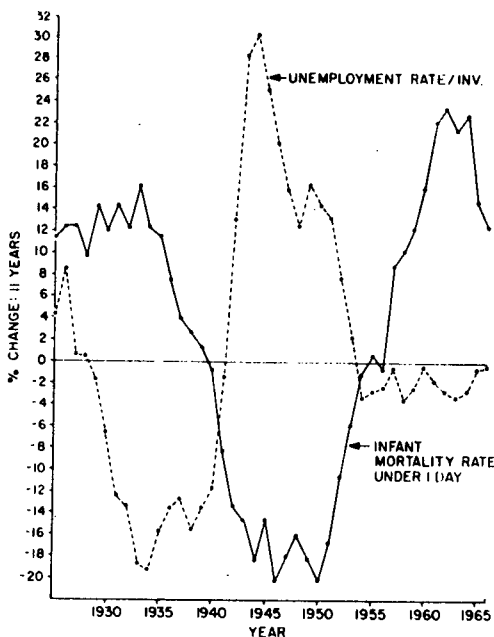


Figure 3. Fluctuations in infant mortality rate per 1000 live births under 1 day matched with those in rate of unemployment index/inverted for the United States, 1925-1967. 11 year percentage changes. Secular trend subtracted from mortality and economic data. Infant mortality rate moved forward 1 year to show relationship at 1-year lag.

employment) at *each* year and that of 3 years later, on a continuous basis for the entire series. In this way, the values representing every set of 4 years are expressed as the differences between the first and fourth years in 3-year percentage changes.

These estimates of moving percentage changes include some important features of moving averages including the aggregation of several years of data (3 to 11 in this study) in order to control for the effects of "random" fluctuation within any year or very short period. Such estimates also enable assessment of the trends encompassed in intervals of different sizes. In general, the larger the time-interval involved, the greater is the absolute level, or percentage, of change that tends to occur. Most importantly, for this study, this type of data transformation allows more precise inquiry into temporal effects of the expected relationships. Are the relationships of short duration—where only minimal variation in the data can take place—or do they also involve the larger fluctuations of as much as 11 years?

Cyclical Trends. Finally, a third technique, borrowed from the field of geophysics and employed increasingly in econometrics, was used for fitting and detrending of large-scale

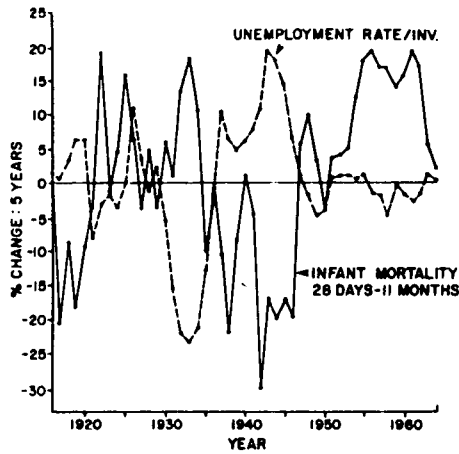


Figure 4. Fluctuations in infant mortality rate per 1000 live births from 28 days to 11 months matched with those in rate of unemployment index/inverted for the United States, 1916-1967. 5 year changes. Secular trend subtracted from mortality and economic data. Infant mortality rate moved forward 4 years to show relationship at 4-year lag.

and intermediate sized trends in the economic and mortality data. This technique makes use of Fourier analysis to describe a variable number of "cyclical" movements (trends which encompass a period of growth *and* a period of decline) of variable duration.⁵ In this procedure, conventional methods of spectral analysis are used to describe (fit) nonlinear trends of large scale or short-term duration after the data have been detrended for the secular movement by transformation to annual changes (i.e. first differences calculated without first subtracting the estimate of secular trend). This technique was used to determine the spans of time for which the relationship, based on annual changes, was optimally predictable (Fig. 5).

FINDINGS

Results of the three techniques are in agreement that:

- There is an inverse relationship between national economic changes and infant mortality under 1 year in each of the major age categories.
- This relationship occurs at even the smallest interval calculated (i.e. annually); however, the larger the change in the economic indicator, the stronger is the relationship.

⁵ Fourier analysis is a technique frequently used in electrical engineering and geophysics to determine the components of a complex trend. It is the first time, to this writer's knowledge, that these procedures have been used in the analysis of mortality data. For general references the reader is directed to references 45 and 46. General treatments of the application of techniques of spectral analysis to economic data are found in references 38, 47, and 48. Examples of the use of several of the detrending procedures referred to are found in references 49 and 50.

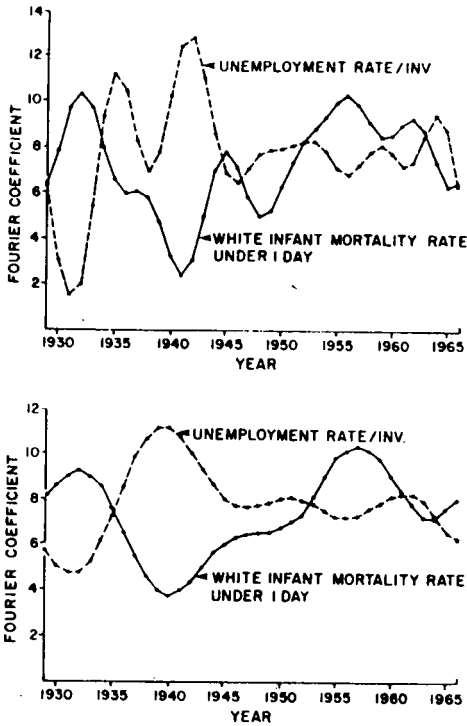


Figure 5. Fourier representations of fluctuations in white infant mortality rate per 1000 live births under 1 day matched with those in rate of unemployment index/inverted for the United States, 1929-1967. Infant mortality rate moved forward 1 year to show relationship at 1-year lag. *Top*, 2-4 year percentage changes represented by ninth order Fourier curve. *Bottom*, 5-7 year percentage changes represented by sixth order Fourier curve.

- There are differential lags of fetal and infant mortality behind economic fluctuations which are age-specific. Increases in fetal mortality rates generally occur within the same year in which the national economic indicator declines. Increases in infant mortality rates under 1 day tend to lag approximately 1 year behind any given year of an economic downturn. Increases in postneonatal mortality rates tend to lag from 3 to 5 years behind any given year of an economic downturn. (The lag-relationship for late neonatal mortality and economic changes has not as yet been ascertained.)
- The short- and intermediate-range relationship between economic changes and perinatal mortality has become increasingly stronger since the Second World War. In fact, prior to 1929 the relationships for fetal and infant mortality generally have not

been sufficiently stable for precise measurement by linear correlation procedures. Postneonatal mortality has shown a strong inverse relationship with economic changes since the 1920s. This relationship has not shown substantial increase in strength since the 1940s. Also, some differences in sensitivity of mortality to economic changes by race were observed. Nonwhites appear to carry a greater risk of fetal mortality than whites during economic downturns. However, in all major age categories of infant mortality, the races show overall similarity in sensitivity to economic changes, with the whites at somewhat greater risk (Table 1).

DISCUSSION

The increasing lag of fetal and infant mortality behind economic fluctuations with increases in age suggests that the causal mechanisms linking mortality to economic change are different at least for perinatal as distinguished from postneonatal mortality. For perinatal mortality, the lag is at a maximum of 1 year following the economic downturn, while for postneonatal mortality there is a minimum lag of 3 years, and a maximum of 5 years.

These data suggest that the causes of mortality under 1 day of age are affected differently by economic changes than are the more typically "environment-related" causes of postneonatal mortality including infections, respiratory and digestive diseases, and accidents. The data are furthermore consistent with the assumption that, in an industrialized society in which some prenatal and postnatal care is typical, substantial change in an individual's or family's socioeconomic circumstances or family structure would be required in order to greatly increase the risk of environment-related infant mortality. Such change might not occur within a year of an economic downturn. However, if the effects of unemployment or income loss were so severe as to continue into a second or third year, the damage to socioeconomic status might be such as to make routine infant care financially or otherwise infeasible.

Mortality under 1 day of life, on the other hand, allows comparatively little time for the effects of environmental changes to operate directly on the condition of the infant. It would seem, therefore, that the environmental effects of economic change on mortality under 1 day largely influence the mother's condition. Factors which may eventually be implicated in perinatal mortality related to economic change would probably affect the rate of congenital malformations and prematurity and would include lack of prenatal care (51-57), physical or emotional health of the mother (53, 58) and a number of responses on the part of the mother to the psychologic stress of economic loss. Such possible stress responses might include alterations in diet (59), smoking (60, 61), hypertension (58, 62-64), and use of depressants such as alcohol or tranquilizing drugs (65-67).

The possibility that the effects of economic instability influence perinatal mortality or morbidity through first disturbing the mother's health also receives support from the present study. Maternal mortality rates from 1920 to 1967 were examined in relation to economic changes with the same statistical procedures used for the investigation of fetal and infant mortality rates (Table 1). The relationship for maternal mortality is very complex with a range of 0-5 years of lag of mortality behind economic changes.

Further conjectures as to possible causal mechanisms in the case of mortality under 1 year of age are at this point premature and must await thorough study in relation to economic changes by detailed causes cross-classified by age. Apart from the present project's work in this area, however, only the research of MacMahon and Yen (65) has considered this area. These researchers found increased rates of certain congenital malformations during the depression of the 1930s, a finding consistent with the results of this study.

A second problem in need of study concerns the increasing strength of the inverse relationship between economic changes and perinatal mortality. One possibility follows the opinion of those who argue that the secular benefits of economic development toward reducing infant mortality are approaching a point of termination, and that the long-term effects of improved nutrition, sanitation, and medical care have been used to nearly maximum benefit for the population as a whole. If this is true, and yet we continue to observe relatively high rates of infant mortality by comparison with Western European countries of generally similar socioeconomic level, then it may be that the major remaining sources of fluctuations in fetal and infant mortality are largely related to the effects of economic instability.

The fact that the relationship between economic changes and postneonatal mortality has not increased dramatically introduces consideration of other factors which, since the 1950s, may have strongly affected perinatal mortality. It is possible, for example, that the use of medications (perhaps to relieve mental stress) may have become more common since 1950. Similarly, cigarette smoking or the eating of certain foods may have heightened the effects of other consequences of economic instability.

IMPLICATIONS

The results of this analysis indicate that significant changes in the trends in perinatal, neonatal, and postneonatal mortality occur regularly as a result of environmental change associated with economic fluctuations. Although the benefits of secular trends in economic development for reduction of mortality within the first year of life may have gradually decreased, economic recessions and upswings have played a significant role in infant mortality in the last 45 years. In fact, economic instability has probably been responsible for the apparent lack of continuity in the decline in infant mortality rates since 1950.

This lack of continuity is particularly important by comparison with the striking decline in infant mortality during the 1940s. The period of the 1940s included the single strongest economic upswing in the United States in the 20th century, based to a large extent on the acceleration of production in the service of the world war economy. Following the extraordinary economic upswing of the Second World War period, however, a major recession ensued, involving the dislocation and redirection of massive human and material resources. The low point in this economic downturn occurred in the late 1940s and early 1950s (depending upon the specific industry and region of the United States).

The economic instabilities of the late 1950s and 1960s, while not as extensive as those of the 1940s and early 1950s, nevertheless had a measurable influence on the course of infant mortality. In fact, it is apparent that the recessions following the Second World War have had a greater influence on mortality under 1 year of age than those recessions preceding the war—at least since 1920.

The types of nationwide economic trends that helped to generate and maintain the prewar secular decline in infant mortality are of a different sort from those which have predominated since the Second World War. While long-term economic growth underlies the overall level of goods, services, purchasing power, and trained health manpower in the society, the shorter economic fluctuations have influenced the allocation and distribution of societal resources among the various industrial, occupational, and ethnic segments of society. Thus, when a significant number of persons are losing income and employment, as in economic recession, there is a contraction of the societal distribution of financial, social, and medical resources that brought the society as a whole to its current level of health.

The United States is not yet at a point in the trend of infant mortality that the only significant future influences will result from advances in basic medical knowledge. The data of this study focus on a population at increased risk of fetal, infant, and maternal mortality during economic downturns. The demographic identity of the population at risk is to a large extent ascertainable through routinely gathered statistics on trends in employment and earnings.⁶ Efforts at prevention of infant mortality, including prenatal and postnatal care, might therefore be directed particularly at individuals or families who have recently sustained major economic loss. However, trends in fetal, infant, and maternal mortality are tied sufficiently closely to instability in the national economy that they are also affected by national economic policy. It may be possible to influence the trend in infant mortality by dealing with some of the more direct economic effects of loss of income and employment resulting from economic recession, e.g. through manpower and unemployment-benefit programs. It is also possible that, through government influence on the level of economic activity, via monetary and fiscal policy for example, the related trend in infant mortality rates in the United States might compare more favorably with rates observed since 1950 in several Western European countries.

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Chairman HUMPHREY. Well, we thank you for a very perceptive bit of testimony. We will be talking to you in more detail, Mr. Brenner, about some of your observations.

Our next witness is Mr. Ault. I notice the subject of your presentation is "Manpower and Crime: A State Perspective."

STATEMENT OF ALLEN AULT, COMMISSIONER, GEORGIA DEPARTMENT OF OFFENDER REHABILITATION, AND MEMBER, PANEL ON SOCIAL IMPACT OF UNEMPLOYMENT

Mr. AULT. Thank you, sir. I represent the fastest growing industry in Georgia, that's crime! I guess the only good I could say about it is that it's keeping me fully employed.

MANPOWER AND CRIME: A STATE PERSPECTIVE

The same unemployment rate which restricts State tax revenues contributes to the dramatic increase in the demand for State services. Departments of Corrections face one of the most dramatic examples of this low resource, high demand phenomenon. Just when State governments can least afford increased budget allocations, the number of public offenders has skyrocketed. Throughout the country, Governors, legislators, judges, and appointed officials are facing ever more acute social problems, such as the increase in property crimes, with inelastic or even decreasing public resources. A nation with many citizens out of work is an anxious and frustrated audience for an increasing public dialog which may best be termed "The Survival of State and Local Government in America."

In 1967, Georgia had a prison population of only 8,500. Today, we are approaching a 12,000 inmate figure. In 1967, there were about 72,000 unemployed Georgians. During this recessionary period, the figures have swollen to 200,000. Unfortunately, these figures display a steady and continuous relationship to each other, the fact that each set of numbers represents the tip of an iceberg notwithstanding. The majority of crimes go undetected or fail to result in conviction. Unemployment data grossly underestimates the actual manpower needs of the State because it relies upon active job-seeking as a major indicator, and many low-income citizens have long since given up looking for a job.

The results of our steady economic relapse is a rapidly expanding "shadow economy" of burglars, thieves, and drug merchants. Preying on the disadvantaged and the discouraged, these underworld entrepreneurs are eagerly recruiting from the crowded masses of idle and under-employable young men and women who have immigrated to our cities in search of expanded opportunities. To the extent that we fail to provide legitimate economic opportunities for these young people, we are forfeiting our right to expect a stable and productive society. The economic survival of our new "urban immigrants" and the financial survival of our State government institutions are twin issues which together demand a serious national policy of full employment.

Men and women in prison are seriously disadvantaged and, in economic terms, the least competitive members of society. In Georgia, for

example, there are three offenders who were either unemployed or only minimally employed at the time of arrest for every one offender who had a legitimate, full-time job. The average age for incarcerated adult public offenders is 28 years of age. Most of these men and women were convicted for property offenses and, with an average education of only the ninth grade level, the decision to steal for a living cannot be said to be a completely irrational personal choice.

Half of the men and women who leave Georgia prisons will be back within 3 years. Studies of this totally unacceptable rate of recidivism reveal that simply having a lengthy criminal record plus the individual's average earnings upon release are reliable predictors of post-release success or failure. If the ex-offender can overcome the stigma of his or her criminal record and if the ex-offender can find and hold a job, the chances of being returned to the prison system are considerably decreased. A young, black, and unskilled ex-con does not present a winning combination of employment credentials in today's increasingly technical job market.

One mission of State departments of corrections is to maximize any potential for successful reintegration into the social and economic system. The public statements of Georgia prisoners consistently convey the message that "If I come out of prison with no more skills than I had when I came in, how can anyone expect that I won't be back?" How indeed?

One response to this need for skills development is to provide vocational and academic education programs for incarcerated offenders. State revenues to date have limited this effort, and, today, only one inmate in five is actively involved in either of these essential skills attainment programs. The specifics are even more distressing. With a State prison population approaching 12,000, Georgia has only 272 CETA training slots for incarcerated inmates. With an alarming increase in the number of women offenders, our State has been able to draw only two vocational training programs for incarcerated adult women, and these two programs are included in the CETA totals cited above.

Of course, not all skills development training must take place within the prison walls. CETA does fund 210 part-time and full-time referral slots to area vocational training schools. Many private agencies, such as OIC, have accepted ex-offenders into their training programs. The Department of Corrections/Offender Rehabilitation itself sponsors work and educational release programs for offenders who are about to leave the prison system. But here, once again, the demand for services or for work itself so far outstrips the supply of resources for training or jobs, that the high quality of our programs is almost totally eclipsed by the meager quantity of what we can afford to offer.

The diseconomies of this decision to withhold public training and employment moneys are staggering. In terms of the State economy as a whole, even the \$3,000 which employed ex-offenders earn in this State produces beneficial public and private spinoffs. Sales tax, beverage taxes, and income tax revenues are at least somewhat enhanced if the ex-offender or potential offender is working. As the income is spent, private enterprise is stimulated, often in an inner-city environment which most needs a high capital flow.

Demands for services are desirably affected by employment as well. In stark contrast to the incarcerated offender whose family must go on welfare, the employed urban immigrant or ex-offender can often support his or her dependents. The same employment which increases the supply and turnover of capital in the urban setting reduces the demand for public assistance moneys which increasingly simply aren't available.

The incarcerated public offender is, of course, a double investment liability because he fails to produce usable income and generates a vast expenditure of public revenue for his maintenance. Even excluding capital outlay expenditures, it costs more than \$4,000 a year to imprison a public offender in this State. This cost, plus the welfare spin-off of a perhaps newly indigent family, must be added to the loss of \$3,000 income and its multiplier effects in computing the costs of the failure to develop a comprehensive manpower program.

The costs of not making the hard-nosed, practical decisions which will put America back to work are far too great for anyone to continue with a business-as-usual outlook. A large proportion of our new urban immigrants are caught up in a revolving door of unemployment and crime. Every dollar which we save in depriving individuals and State governments of the resources which they need to survive costs us many more dollars down the road.

We need to act on two well-known fronts: more jobs and more training. Until and unless we open up the system to the undereducated and the disillusioned, we are going to have to incarcerate a growing proportion of our citizenry. I have a personal and professional interest in stopping this fruitless waste of our human capital.

As far as the prison system in this State is concerned, I will continue to insist that our public officials and the people who they represent wake up to the fact that the crime problem is no less their responsibility than it is mine. We can no longer afford to take the attitude of locking men and women up and forgetting about them in this or any other State. We have neither the conscience nor the money to take that attitude, and the warehousing of public offenders must stop.

If we do not pay for the job creation and training of offenders and the less competitive members of society more generally today, we will most certainly pay for the consequences later. In pursuit of the goals of full employment and safer, more productive communities, we need a revitalized partnership of State, local, and Federal Government in planning for the future. Otherwise, we will gain by default the kind of society which none of us wants, a society which imprisons the have-nots and taxes the productively employed citizenry into bankruptcy.

The criminal justice system has been the only one asked by Congress to write a plan to curb crime. We probably are the least qualified to write such a plan, or should be writing a plan, unless, of course, we want to live in a police state. We still have—I notice in the national speeches, we still have the lock-them-up philosophy, and forget them, without really looking at the root causes of the crime. We have expended a lot of money on more billy clubs and increasing our law enforcement, and yet all we are doing is getting the aftereffects. We catch everybody else's failures in society; especially the economic failures.

I don't believe in a giveaway program. We tried that in the prison. We tried to give rehabilitation away to the inmates, and that doesn't work. There used to be a vocational rehabilitation counselor, and I worked as one in a rural area here in Georgia, and I went out and said: "Don't worry about a thing. All of us here are going to take care of you." And believe me, I wasn't very successful there.

We have tried to develop a program in our prison system where people have to earn the right to leave the prison system into productive work.

I would like to see the same thing in the community. There are too many caught up in the welfare cycle, and we have too many in the prison system who have been caught up in that cycle, who really do not know how to work, and have not been expected to work; do not have good work habits or attitudes. I would like to see a system where we had the right to work; not the right to an income.

Chairman HUMPHREY. That's a very powerful statement. I was just sitting here overwhelmed with the quality of the testimony we are receiving in this hearing. It's really remarkable.

We had all these big experts down to Washington, and I haven't heard one of them say what has been said here today.

Bishop, we're looking forward to hearing from you.

**STATEMENT OF THE MOST REVEREND THOMAS A. DONNELLAN,
ARCHBISHOP OF ATLANTA, AND MEMBER, PANEL ON SOCIAL
IMPACT OF UNEMPLOYMENT**

Bishop DONNELLAN. Thank you, Mr. Chairman and members of the committee. I appear here on my own behalf and as a representative of the U.S. Catholic Conference, which is the national action agency of the Roman Catholic Bishops of the United States.

I wish to welcome you to Atlanta and to compliment you for your initiative in holding these regional hearings on national economic policy. I am grateful for this opportunity to participate in these historic hearings and to offer my reflections on the social and human costs of unemployment and other aspects of economic policy.

The current economic distress of our country is of great concern to the American Catholic Bishops. Less than 1 month ago at our annual meeting in Washington, we unanimously adopted a major statement on economic issues. I have made copies of this statement available to the committee. Entitled, "The Economy: Human Dimensions," it focuses on the human toll of our current problems and the fundamental moral issues involved in economic policy. It is a strong statement on unemployment, inflation and income distribution based on traditional Catholic social teaching on human rights. The statement calls current levels of unemployment "unacceptable" and rejects attempts to reduce inflation through reliance on high levels of unemployment as "not grounded in justice."

The statement outlines seven principles that should guide the formulation of economic policy and declares the Bishops' support for:

An effective national commitment to full employment as the "foundation of a just economic policy."

Sound and creative programs of public service employment to relieve joblessness and to meet vital social needs.

A decent income policy for those who cannot work through reform of our present welfare system.

The statement declares that the burden and hardship of these difficult times cannot be allowed to fall most heavily on the most vulnerable: the poor, the elderly, the unemployed, young people and workers of modest income. Since this statement lays the basis for my testimony, I ask that it be placed in the record of these hearings. This statement represents, I believe, a major commitment on the part of the Bishops of the United States to participate in the national dialog on economic policy and to work for greater economic justice.

I do not bring to these hearings specific competence on the technical functioning of the economic order. It is not my function to endorse or condemn specific economic policies or political platforms. You have already heard today from skilled economists and experienced representatives of business and labor as well as distinguished and concerned political leaders. As a pastor and religious leader, my concern is the human and social impact of our economic problems and what current economic forces mean for poor and working families.

As the rise in unemployment to 8.6 percent in October and the recent decline in the index of leading economic indicators point out, we are still suffering serious economic difficulties, both nationally and here in Atlanta. This recent data casts serious doubt on whether the recovery will have sufficient strength to reduce the very high levels of unemployment or put our underutilized productive capacity back to work. While economists continue to predict a substantial recovery from the depths of the recession, nearly every observer projects that under current policies massive levels of unemployment will continue for the rest of this decade. As our recent statement makes clear, the Bishops view these levels of joblessness as unacceptable and their social and human costs as intolerable. In our view, neither the Congress nor the administration has responded with programs or policies adequate to this crisis. We fear our leaders may be substituting forecasts of a discouraging future for effective action to meet our economic and social responsibilities.

Official Government unemployment figures are the most obvious manifestation of our economic crisis. In Atlanta the unemployment rate is 12.5 percent. In Georgia 9 percent of the workforce is jobless. However, these official figures seriously underestimate the actual level of unemployment in our country and region. The 8 million persons counted as unemployed in October do not include the estimated million workers who have given up looking for jobs that are not there and the additional millions working part-time although they desire full-time employment. In reality, unemployment approaches 12 percent and touches one out of three Americans through joblessness within their own family.

It is important to note that these unemployment rates do not adequately reflect the depth of our work-related economic difficulties here in the South. The level of poverty in the South is much higher than in the rest of the Nation, although the level of unemployment has in the past been relatively low. In 1970, the South was the home of 45 percent of the Nation's poverty families, yet the unemployment rate was only 3.7 percent, the lowest in the United States. A better measure is the rate of subemployment which includes hidden un-

employment and persons working for extremely low wages. The sub-employment rate in 1970 was 25.1 percent, the highest for any region in the country. A full consideration of our economic problems must reflect these particularly southern aspects of our situation.

In addition, these national averages do not reflect the inequitable distribution of joblessness in our society. They do not tell us that while there is prosperity for some groups, others experience recession and still others depression.

Significantly, at all times, most of those out of work are white. At present, nearly four out of five of the jobless are white. So, unemployment is not only a minority problem. Nor is it simply a problem of youth. Three-fourths of the jobless are adults 20 years of age and over.

But it is unavoidably true that unemployment is selective and does not strike at random. While no one is absolutely immune, the weakest in economic terms and those subject to discrimination are hardest hit: Minorities, young people, women, the poor, and the unskilled.

For two decades, now, the black unemployment rate has been double the rate for whites. In October 1975, the figures were 14.2 and 7.9 percent, respectively. Between 1954 and 1974, the annual unemployment rate for blacks has never dropped below 6 percent. For blacks, this has meant a continuous recession interspersed with long periods of major depression and double-digit unemployment. Some perceive these decades as ones of uninterrupted black progress but this chronic unemployment tells another story. As the last hired and first fired, blacks have been especially victimized by the six recessions since World War II.

As for youth unemployment, in October one out of five teenagers in the labor force were jobless. That figure has been over 10 percent for 20 years. Youths of all races suffer. The figure for whites is discouraging enough—17.8 percent. But what term can describe the 37 percent jobless rate of black teenagers? Their desperate plight, though intensified by the present economic crisis, is not born of it. Since 1958, at least one out of four black youths in the labor force has been unemployed.

An overall unemployment rate also obscures sex differentials. Women are more likely to be jobless than men. In October, the rates for adult men and women were 7.1 and 7.8 percent, respectively. During the recent recession, joblessness rose faster for men than for women. A year earlier the rates were 3.8 percent for men and 5.3 percent for women.

Female unemployment cannot be treated lightly. Millions of women work because they have to. Many provide essential support for themselves and their families. In 1973, for example, 7.7 million women had only their own work as a source of income. In addition, many working class families would be unable to make ends meet without the assistance of working wives. Most importantly, 4.3 million children under 18 were living in families headed by working women. Unemployment would force these women and their children onto welfare rolls.

There is almost no measure that does not confirm the inequitable distribution of unemployment. Hispanic-Americans are only slightly less prone to joblessness than blacks. In the third quarter of 1975,

official unemployment for persons of Spanish origin averaged over 12 percent.

Blue collar workers are much more prone to joblessness than white collar workers. The respective unemployment figures for October are 11.2 percent compared to 4.8 percent. Nonfarm laborers are five times more likely to be jobless than professional, technical, and managerial workers.

The human and social consequences of unemployment can be devastating. No observer of our current economic situation can fail to notice a chain of human suffering and deprivation forged by unemployment, recession, and inflation. The financial costs of lost industrial production and uncollected revenues for all levels of government run into billions of dollars, but these do not concern me as much as the impact on families and individuals.

The social and human impact of these forces often cannot be measured scientifically. But we do know that recession and inflation have resulted in a lower quality of life for many of our citizens.

Unemployment and economic insecurity undermine confidence, destroys hopes, erodes self-respect and ambition and increases alienation. It places great strain on family relationships and can lead to family disorganization and broken homes with a sometimes devastating impact on children.

We know that crime has increased in this period of recession. Property crimes alone rose 17.4 percent in 1974 according to FBI data. Indexes of drug and alcohol abuse are also on the rise.

High joblessness also contributes to rising social and racial tensions. The struggle to obtain and keep scarce jobs often pits one group against another. Workers threatened by loss of livelihood, often look for scapegoats and may blame minorities, women, aliens, and young people competing in the same job market. An example of such tension is the current controversy over the seniority rules within the trade union movement. "Last hired and first fired" is no longer the subject of abstract debate, but often a very real mechanism of economic survival or loss for different groups with serious implications for equal employment opportunity.

The present economic distress threatens to wipe out the moderate economic gains for minorities over the last decade. Recent studies predict that chronic subemployment of minorities will wipe out the gains of the 1960's and lead to a wider gap between the incomes of blacks and whites in the decade ahead. This could result in the perpetuation of a permanent American underclass victimized by serious levels of unemployment with truly disastrous consequences for our society.

The interrelation of economic trouble and mental illness has recently been demonstrated by Dr. M. Harvey Brenner of Johns Hopkins University. His study shows that economic instability is the single most important indicator of fluctuations in mental hospital admissions. Recessions and unemployment have led to periods of increased mental illness over the past 127 years, according to Dr. Brenner. His studies indicate the relation between economic distress and mental illness has become more pronounced in the last two decades.

Another significant measure of the human impact of economic difficulties is the increasing figures for suicide during the recent recession.

Between 1973 and 1975, the proportion of deaths resulting from suicides has grown by 18 percent.

While these figures do not reflect the exclusive impact of the economy, they do, I believe, point to some of the social and personal dimensions of national economic forces. These considerations cannot be ignored. The impact of long-term joblessness on a person's perception of himself and his future cannot fail to influence his actions and relations with family and society. It is these consequences of our faltering economy and what they mean for our future that most concern me.

Another issue intimately related to the economy is housing. Recovery from the recession must be accompanied by a substantial rebound in the housing industry. If we are ever to meet the national housing goal set by the Congress in 1949 of "a decent home in a suitable living environment for every American family," we need a renewed commitment and new policies to meet the massive housing needs of our people. Here in the city of Atlanta over 33,000 units—16 percent—are classified as substandard. Housing costs have increased by 20 percent in the last 2 years. Five thousand persons are on waiting lists for public housing in this city. Foreclosures are on the rise. And there is little indication that current housing policy will be able to reverse these trends. I have been involved in housing issues for several years with the Atlanta Regional Open Housing Coalition and other organizations and I sincerely hope that this committee will include a revitalized national housing commitment in your work in the coming months. It is important for the economy, for our communities and for our people.

Without commenting in detail on the important proposals before this committee, let me briefly offer some observations on the direction of public policy in this area.

In our recent statement the bishops laid down seven principles that should guide economic policy. One of these principles is:

Opportunities to work must be provided for those who are able and willing to work. Every person has the right to useful employment, to just wages, and to adequate assistance in case of real need.

In view of this, we are committed to supporting comprehensive legislation aimed at guaranteeing full employment. We urge that effective measures be taken to insure that no one seeking work is denied an opportunity to earn a livelihood. In general, we are supportive of the principles and intent of the Equal Opportunity and Full Employment Act of 1975.

We also call for adequate assistance to the victims of economic distress through improved unemployment compensation, a decent income policy for those who cannot work and other forms of help such as food stamps, health insurance and other sound programs. We believe now is not the time to reduce our commitment to aid those in genuine need.

Let me close these reflections with a brief general observation on the function and impact of national economic policy. The economic interaction of industry, labor and government has implications far beyond the workings of the marketplace. Behind the jumble of statistics and the rise and fall of economic indicators lie human lives and individual tragedies. These numbers symbolize the struggles of families to survive unemployment, inflation and other forms of economic distress.

It is our view that the formulation of economic policy involves basic moral and social dimensions with enormous human consequences for our Nation and for its people. The economy is presently the most critical setting for the achievement of basic human rights and greater social justice. Our economic life must reflect these broader values of social justice and human rights.

These issues cannot be left only to technicians, interest groups and market forces. That is why the national debate which these hearings are stimulating is so critical. We applaud your initiative and we wish to cooperate in the remaining hearings and to participate in your national conference this spring.

The economy of the Nation must fundamentally serve the needs of its people. Our economy is considered the strongest and richest in the world. The task before us is to harness that strength and relative affluence to more effectively serve all our people.

Thank you very much.

Chairman HUMPHREY. Thank you, Bishop Donnellan. Congresswomen Heckler has to catch a plane, and I know that she has a word that she wants to say.

Representative HECKLER. I want to thank you, Senator, for initiating these hearings. I suffer in my district where we have a 14-percent unemployment rate; nonetheless, after today's hearings, the depth of the problem is so much clearer, and has so many more dimensions than it did before. As I listened to the testimony we have heard, you have really provided us with an excellent record. I am more aware of the social stress than before—sadly so. The correlation to crime; the correlation to other areas. And Archbishop, I am particularly grateful to you for your statement.

I do wish that I could stay on, but I have to say, as a member, this is the first time I have seen a statement by anyone in your position, which took into account the problems of women, and this is a breakthrough, and I congratulate you.

Bishop DONNELLAN. You are not looking for ordination, are you?

Representative HECKLER. No, no, never. Equal treatment in everything else, however.

Chairman HUMPHREY. Now you see what I have to put up with at home and in committee.

Representative HECKLER. And in the Senate I'm known as a heckler!

Chairman HUMPHREY. And you're a good one, too.

Representative HECKLER. Thank you, very much.

Chairman HUMPHREY. We are very fortunate to have a woman of the competence and dedication of Margaret Heckler. I say that most respectfully. She is tremendously sensitive to the needs of her constituents, and a powerful force in the work we are trying to do.

Now gentlemen, I want to ask just a few quick questions.

First, may I start with you, Mr. Ault. Have other States made the same kind of survey on manpower and crime that you have, for example?

Mr. AULT. Yes, sir. I am chairman of the Southeastern Council for Correctional Administrators, and every Southeastern State is having exactly the same type of problem. Florida is now using tents to house inmates. Louisiana was looking for a battleship, to put them in a harbor. All of them have the same economic background for incarcerants,

about the same educational level, and all of them are experiencing a tremendous increase almost overnight, along with a decrease in State funding.

Chairman HUMPHREY. You have a national organization of correctional officers.

Mr. AULT. Yes. The American Correctional Association.

Chairman HUMPHREY. I want to note for the staff, here, that I believe we should write to the association and see if we can't get a similar observation from each State as what you have given us for Georgia. I have made a note to get ahold of the people in my State, and so forth.

Mr. AULT. I know that Norman Carlson, who is a Federal Director, has experienced the very same problem.

Chairman HUMPHREY. I want to have this committee publish a report on the subject of recession, unemployment, and crime. I think it needs to be done. We discussed these matters, economic policy within the framework of the following: fiscal policy, budget policy, and monetary policy. That's all we have been talking about. This is why we go out here to these hearings, so that we can get out into the field; so that we can hear from people of your competence that are here working day in and day out with these difficult problems, so we can broaden our understanding of what we are talking about.

We keep calculating the cost of unemployment on the basis of just the jobs that are lost; the revenue that's lost; or the man-hours—or woman-hours—of labor that are lost, when in fact, as you have all indicated here, costs also exist in terms of spirit and psychological costs, the human costs of anguish and pain. Those things are very difficult to measure, in a real hard sense.

I believe it was in your statement, Mr. Ault, that you said it was almost a life-and-death struggle for the State and local government. When we make budget projections, we never take into consideration these things. As Mr. Brenner pointed out, sometimes there is a lag in the associated costs for mental institutions, or the cost of treatment and care of those who are mentally impacted as a result of economic pressures. That is never put into the calculation. Nor do we even plan it budgetwise.

I venture to say there are not 10 States out of the 50, if any, or the Federal Government, taking a look, Mr. Brenner and Mr. Ault, as to the cost of the recession in terms of what it's going to mean to the hospital facilities; what it's going to mean to correctional facilities; what it's going to mean in terms of all the costs that you gentlemen have listed here.

I talked to the mayor of Detroit, and attorney general in Michigan. They tell me exactly the same thing. The prison population is just swollen with high rates of unemployment.

Now getting down to this question: What is the impact of this on our young people? Eighty percent of the crime, as I recollect, is committed by youngsters, or young people, between the ages of 15 and 25. Once you get in the 35 to 40 range, the incidence of crime is much less.

Big crime is in the young people. For many reasons. They are emotionally unstable, to be sure, and so on. But we are permitting a pattern to develop, here, where because of unemployment, we are literally putting them in prisons and jails, where they are prone to be ad-

dicted to crime. With all due deference to our prison system, and the many good efforts that have been made to improve it. It is an outrage, what happens to people in prison, in most places. Overcrowding, lack of proper treatment. And I think we are groping yet, are we not, Mr. Ault, for a way, a means to find out how we can do constructive work in the prison system?

Mr. AULT. Yes. The women's population in the prison system has about doubled in the last few years. That even makes for a much more difficult problem. We have a lot of escapes from the women's prison. Most of them go back home to see about their children. Of course most of them come from homes without a father. And those children are then left as wards of the State.

Chairman HUMPHREY. Again, you see, when I go up to sit down, as I did 2½ weeks ago, with 25 corporate executives—very good men; don't misunderstand me—I was there for 4 hours. Not one single reference was made to these things that we are talking about. We were arguing about the number of people that are on welfare that were cheating. They were arguing about what you put in that Federal budget. There were different points of view. Some of the business people are much more, what you call liberal-minded, and willing to use the fiscal policy of government to manage the economy. There are different points of view. But not once—I am thinking back, now—I had a number of the top executives of this country sitting with me. I do this regularly, just to get out of Congress; to get out to see what people are saying in different areas of our life. And as I listened to you gentlemen here, I just thought to myself: Well, you know, we just missed the boat at that meeting.

Mr. AULT. Private enterprise should be as interested as anybody in full employment, because they're the one getting ripped off more than anybody else. Yet they have done very little about the problem, or even discussed the problem.

I used to supervise State programs for retarded. You could sell business on employing them. But talk about criminals, and you don't receive sympathy and empathy, but you sure can on economics. Private enterprise ought to be interested in the economics, because they are the ones suffering the most.

Chairman HUMPHREY. But the thing that sells—I'm a politician—the thing that sells is the economy. That's where you are supposed to do it. I went through a Presidential campaign where I tried to be reasonable, and I lost. That wasn't the only reason I lost, but I saw audiences just look at me, when I started saying: "Look there are problems deeper than we are seeing on the surface; there are difficulties here."

As a matter of fact, I was mayor of our city. I ran the police department. I was rather tough, to be honest about it. I believe in law enforcement. My staff knows how much I believe in law enforcement, because I tell them, in these off-the-record sessions how much I believe in it. But I also recognize the problems that are inherent in the crimes that are back behind it. I saw it. I established the first alcoholic treatment center in any municipality in the United States. I established the first vocational rehabilitation program to take people off welfare of any city in the United States. And I established the first human relations training program for police departments, so they started treating people

like they are human beings, instead of certain characters. So I have a long, deep feeling about these things.

But how in the world am I going to get the top people of this country—I'm going to get them somehow or another—to understand what you said? That's why I need your help. I've got a whole series of meetings—I'm thinking about my calendar ahead, and I just said to John Stark here, our very able staff director: "I'm going to get this material, because I'm going to talk to some of the top business leaders in this country, and I'm going to let them have it in terms of what has been said here today by your three distinguished gentlemen. Because if you can't appeal to people through their hearts, you can through their pocketbook.

Mr. AULT. That's the most frustrating part of my job. I can recall, not too many years ago, we had the same philosophy about the retarded and emotionally disturbed. Some said to send them off to some institution and get our problems out of the community. Nobody had the responsibility except the people who were running the insane asylum.

The same philosophy now is with many boards of corrections. It's nobody's problem except the director of corrections, and he ought to handle it. The sad truth is that this problem of unemployment is touching everybody, and it's everybody's responsibility. But we haven't gotten that across, yet.

Chairman HUMPHREY. To conclude with this: I got only \$6,000 a year, as mayor of our city. That was 1945 to 1949. And I was assigned to clean up our town. We had problems in the police, and I set myself to the task. I was very young, and I was going to do it, and I did it.

But I went—I might say, Bishop—that I went before all the clergy in my town and I said: "Look, if you are not going to join me in this fight, it isn't going to be won, and I'm not going to do it." I believe in the power of prayer, but I also believe in people putting their shoulder to the wheel and be willing to stand up and be counted. So we had to organize the people to get the job done in our own community. Not just law enforcement, but law-observance.

You are saying the same thing. This isn't just a correctional officer's job. I'm sure in our State it must cost us \$25,000, \$30,000 for every person incarcerated.

Mr. AULT. You lead the country in inmate expenses.

Chairman HUMPHREY. We are constantly confronted with, "we don't do enough." You know, you have read our papers. It's incredible. The Governor is under constant pressure, because we're not doing enough. All the time we're having problems up at Stillwater at the State prison or at Saint Cloud at the State prison. Inmates are rebelling, saying they don't get enough—I don't know what the facts are to all that. All I know is what we are doing is not working.

Mr. AULT. We had a Federal mediator here who mediated between myself and the inmates. He left here and he went to Minnesota in his mediation and called me, saying, "The inmates and you were lying to me." He said, "In Minnesota they have everything they wanted in Georgia—but they were more hostile than they were in Georgia."

Chairman HUMPHREY. Exactly. That's what we found. The threshold has been up and up, and it is never crossed. And again I think

there's a reason for that. They know that when they get out, very frankly, very little is going to happen to them except more trouble.

Now Mr. Brenner, your studies are essentially in the medical field, aren't they?

Mr. BRENNER. That is correct. To further support Mr. Ault, in a study for the United Nations, based on aggression data in the United States, Canada, England, Wales, and Scotland, findings were made nearly identical to the material you have been seeing relating unemployment to suicide, cardiovascular disease, mortality, and the general picture for aggression, health, and mental disorder; so this kind of pattern Mr. Ault has been talking about is internationally observable. It's further observable as you have seen in the suicide picture over a long period of years, and occurs with recession; it is influenced by inflation; and the general factors of economic problems we have been discussing. It is furthermore nearly predictable as a function over time.

This report will be given to the appropriate United Nations agency within the next few months.

Chairman HUMPHREY. Will you see that it gets to the appropriate Senator, too?

Mr. BRENNER. Yes, sir.

Chairman HUMPHREY. The statement of the Catholic bishop is a very courageous statement. It means so much. But you know, Bishop, the statement that you reviewed for us—the salient portions—are very important statements. So little attention is given to it by the media. It is incredible. Do you have any solution to the problem of no attention by the media?

Bishop DONNELLAN. Solution to how we get attention to major things—things we think are of major importance?

Chairman HUMPHREY. Yes.

Bishop DONNELLAN. I'm not so sure. We are just not very good on public relations. The media pick the things that they think are more controversial. Maybe we ought to make this more controversial.

Chairman HUMPHREY. Insult somebody!

Bishop DONNELLAN. That may well be.

Chairman HUMPHREY. I hate to be a cynic. I'm not. It's against my nature. But I tell you, if you could prove that the person who tried to shoot the President, Mr. Brenner, was unemployed—

Mr. BRENNER. We can show at this point that the homicide rate for at least four countries is very largely a function of the state of the economy, since at least 1900. The three central economic indicators are the rate of unemployment, the rate of change in the consumer price index, and per capita personal income.

Chairman HUMPHREY. I know the factor—just the plain rate of change. of what is happening to us.

Mr. BRENNER. There is an important point there that perhaps we are coming to. When we look at—and this refers to the youth issue, as well—when we look at the differential of the leading income of the population as a whole, and that of youth, as it changes through time, that differential itself is very important, a very important additional factor in the equation. This is particularly true for the homicide rate in the Anglo-Saxon countries over the last few years.

The rate of urbanization, as mentioned this morning, is also a factor, but it, too—that is, the urbanization problem itself—is a problem. It's a function of the character of the city, where we have the core of the city which is increasingly isolating from the remainder of the community by virtue simply of its socioeconomic status. This increasing isolation of the city, as a socioeconomically deprived area, appears to be what is largely responsible for the enormous increases in a variety of pathological indicators, ranging from alcoholism to suicides, to crime rates, the cardiovascular mortality, to infant mortality.

You are getting two or three different types of reactions, depending on how you would classify it. One, of the kind Mr. Ault was referring to, and I referred to somewhat differently. These are institutional calculations; easily calculable; generally institutionalized population in the United States.

And another is morbidity, raw indicators of the sort one picks up from noninstitutional measures with direct reports from the citizenry, or mortality data themselves. And here we have three general types of reaction. One is mental health as a broad field. Another is aggressive behaviors, ranging from homicidal behavior all the way to robbery and injury to persons.

Chairman HUMPHREY. Child abuse is tied into this.

Mr. BRENNER. Child abuse, infanticides in terms of deaths of children. And finally, third, the very broad area of health, either measurable in mortality or morbidity terms, on the one hand. Whether we are considering life expectancy, the health of mothers, infants and children, the health of the elderly and middle-aged, alcoholics, whatever; the broad range of health phenomena. In fact, you have a three-pronged assault on the general population.

Chairman HUMPHREY. We're going to be in touch with both of you, Mr. Ault and Mr. Brenner, to do some added studies on this. I want to bring this to the attention of Congress. We're going to have, as you mentioned, Bishop, this 30th anniversary of the Employment Act. We want to make that more than just a recitation of statistical evidence about the number of skilled workers unemployed, the number of semi-skilled who are unemployed, and the lack of housing starts. I know that stuff. I could repeat that standing on my head in a barrel of water, in the middle of the night, in a snowstorm!

But the material that we are getting here is really the heart and the guts of the problem. I mean, what's it doing to people? What's it doing to our social political structures? What's it doing to our basic economy? What's it doing to the basic family structure? These are things that are hard to calculate at times, unless you go into a very careful, scientific study, which you have done.

I commend you, Mr. Ault, in mentioning what you called a "shadow economy." I have felt this, and I have said it, not nearly as well. But there is a whole group in our country which is being forced to live a different lifestyle to survive. They did so, may I say, in the 15th and 16th centuries in the cities of old. There were roving bands, in those days, of just the poor people, and that's why walls were built up around the mansions. That's all. The walls were not built because they thought they were decorative. They were protective.

And we now have, unhappily, in our big cities guerrilla warfare and terrorism, as part of the same pattern. Sometimes it's ideological; sometimes it's idiotic! But whatever it is, it's there. But more significantly, we're getting a lifestyle where people are capable of adjusting themselves out of the mainstream of life into a side street in which they learn how to live by conniving and by cheating, by conspiracy, and by gang activities. They are much more adroit than anybody who tries to stop them from doing it. Just to try to apprehend them is an impossibility. You have to get at it before the flood hits you. It's like upstream flood control. You can't control the flood down at the delta. You control it upstream. And this is exactly what I see happening, particularly with hundreds of thousands of our young people today.

We have young people today that are 25 years of age—24 years of age—who have never had a job. Never learned the discipline, the therapy, the rewards, whatever your phraseology is, of working. And by the time they are that age, they are never going to know it. Never going to know it. And even if they are given a chance, they are totally unequipped in life psychologically, physically, to do the job.

I don't know what we are going to do about it. I see the inside with frustration to think that our Government doesn't move—and when I say "our Government," I'm not just talking about the President, again.

I must tell you that I go to these congressional caucuses of my own party—we're supposed to be the great charging liberals, you know—and we are more afraid of doing something about this than—well, let me just put it this way: Just too afraid. We are contemplating, now, a job program of 300,000 jobs. That's like putting a pint of water on the Sahara Desert, and saying: "Now the desert shall blossom!"

I think with the majority we have there, we ought to be able to sell what is being said here. At least 50 percent of what is being said. I don't expect the Government is going to do as good as it ought to. My expectations for the Government in the long run there—well, let me put it this way, the longer I live, the less I expect.

But I know that you are writing to your Congressmen and Senators. I really do want you to do it. I know that members—the Bishops are doing this, because I heard from our own people out home—but we just desperately need this kind of prodding, because the urgency is not there, gentlemen. I'm here to tell you it is not there. We are just having a discussion of whether it should be 300,000 or 440,000. Just like saying: "Brother, now you've got a room full of flies that are about to infect you, should we kill six or should it be nine? Let's fight that out!" It's ridiculous.

I think I'd better let you go. Thank you very, very much.

All right, our next group—we're just getting warmed up here—is Mr. Vivian Henderson, president of Clark College and president of the Southern Regional Council; Luther H. Hodges, Jr., chairman of the North Carolina Manpower Development Corporation and chairman of the board of the North Carolina National Bank; and Randolph Blackwell, executive director of Southern Rural Action—a group that provides managerial and financial assistance to small minority enterprises in the rural South. We're looking forward to what you have to say.

Mr. Hodges, I just want to say hello.

Mr. HODGES. How are you?

Chairman HUMPHREY. Your beloved father and mother are two of my dearest friends.

Mr. HODGES. Thank you, sir.

Chairman HUMPHREY. Two of the nicest people I've ever known in my life.

Mr. HODGES. You're very kind.

Chairman HUMPHREY. We'll lead off just as I read the names, if you don't mind. Mr. Vivian Henderson—Mr. Henderson, how are you?

Mr. HENDERSON. Fine, thank you.

Chairman HUMPHREY. Nice to see you again. This is like old home week around here. We'll lead with you, Mr. Hodges next and then Mr. Blackwell.

Mr. HENDERSON. Thank you very much, Senator Humphrey. It's good to be here and to share in these deliberations.

STATEMENT OF VIVIAN HENDERSON, PRESIDENT, CLARK COLLEGE, AND MEMBER, PANEL ON JOB CREATION PROGRAMS

Mr. HENDERSON. I, too, want to offer my thanks for your taking the initiative to bring this kind of hearing to the people. I was asked to come here and to share in this hearing in terms of some of the problems involved in the rural areas.

Chairman HUMPHREY. That's correct.

Mr. HENDERSON. I simply remind you, as you know, that I am an economist by profession.

Chairman HUMPHREY. I'll be careful what I say about economists.

Mr. HENDERSON. As you remember I am president of Clark College. I'm also president of the Southern Regional Council, a nonprofit organization of black and white southerners which has been an outspoken advocate of racial and economic justice in the South for the past 30 years.

It is in this capacity that I come here and share in this meeting. It is also in the capacity that I have as cochairman of the Task Force on Southern Rural Development which was formed with private funds. This task force is under the sponsorship of the Southern Regional Council. The task force is a special, high priority project of the council and established because we are convinced that the severe problems facing rural southerners are among the greatest challenges confronting the region. Some of the problems of the entire South are in the areas of crime and health. These occur in the urban areas because of our failure to correct the problems in many instances in rural areas.

Two-thirds of the region's poor people live in rural areas. The rural South contains only 10 percent of the Nation's population, but more than 20 percent of the Nation's poor people. Moreover, as compared with other Americans, rural southerners are far more likely to die at birth, to contract a preventable disease, and lack the 5 years of schooling required to function as literate people.

The basic objectives of the task force—and my cochairman is Chancellor Alexander Heard, president of Vanderbilt University in Nashville—the basic objectives of the task force are to identify creative solutions to these kinds of problems and recommend comprehensive public and private policies to accelerate rural development in the

South. The membership of the task force consists of 26 men and women from 11 States, including 2 former Southern Governors.

To date, the task force staff has prepared more than 40 policy papers on a wide variety of problems in the rural South; our final report is scheduled for release in February.

Because of the time constraint, I shall concentrate my brief remarks on the major findings and recommendations of the task force concerning full employment and job creation strategies and problems in the rural South with emphasis on the nature and impact of private sector industrialization, public service employment programs, and public works projects.

I would like to emphasize at the outset that we of the task force give high priority to the adoption of an effective national policy to maintain full employment because we are convinced that the South has more to gain from sustained national full employment than any other major region of the Nation. Throughout the post-World War II period, the rate of economic growth in the South has consistently exceeded that for all other regions when the Nation was at or near full employment. Moreover, it was during these periods that the greatest progress was made in expanding employment opportunities for racial minorities and rural southerners.

In our opinion, the major failures of the past have been inadequate commitment to the goal of full employment and there really is not and there never has been, even with the Employment Act of 1946, a real commitment on the part of our national leaders. You are one of the persons to the contrary and the exception. And we have had excessive reliance upon macroeconomic remedies—macroremedies for unemployment. The experience of the past 30 years has demonstrated that it is virtually impossible to eliminate large pockets of unemployment and subemployment in areas like the rural South through the use of monetary and fiscal policies without generating an intolerable level of inflation.

I was impressed with the previous speakers and your own comments, Mr. Chairman, where you introduced the idea or you comment on the idea that we should be giving more attention to individuals, to some of the social problems that generate the kinds of problems we have in crime and other kinds of areas. Macroeconomic approaches may not solve those kinds of problems.

Our studies of job creation problems have convinced us that full employment without inflation is achievable only if fiscal and monetary strategies are augmented with effective measures to overcome the structural impediments to the elimination of unemployment and subemployment among the unskilled and the working poor.

Let me outline briefly some of the structural problems in the rural South which necessitate a more effective national full employment policy.

I'll begin with private sector industrialization. Nonagricultural industrialization is occurring at a surprisingly high rate in the rural South. Over the past decade and a half, manufacturing employment increased faster in rural areas than in urban areas in the South.

But, although the rate of industrialization in the rural South has been rapid, the number of new jobs it has created have been inadequate to absorb all of the people who have been displaced from agriculture.

Our studies have found that the rural poor are not benefiting as much as they should from the nonagricultural job creation that is occurring because many of them lack the education and skills that are required for the jobs that are being created. And there are very few programs to prepare the rural poor for these jobs. It is also a fact that some of these jobs are located in areas so they can avoid blacks in the employment stream. They are located so they can take advantage of what in many cases would be virtually an all-white labor market area.

Some indication of the magnitude of this problem is suggested by the fact that 80 percent of the black males displaced from agricultural jobs between 1950-70, had less than 7 years of education and more than half of them were functionally illiterate. The educational levels of whites displaced were only slightly higher. My point here is that we have been creating jobs through the private sector in the rural South but I'm afraid that they're not going to the people who would benefit greatly from some of the opportunities that should be there.

A number of Southern States have experimented with programs to upgrade the employability of rural workers and thereby enable more indigenous people to obtain a larger share of the new manufacturing jobs in the rural South. One such effort is the "start-up" training approach which links the industrial recruitment activities of the State governments with State-funded training programs in order to guarantee employers a supply of workers who meet their requirements. This is done by training workers for the jobs which will be created well in advance of the opening of a new plant.

Our evaluations of these programs show that although the start-up training concept is a useful one, it has not been effective in upgrading the skills of very low income workers, primarily because the States have not given the priority to training these workers.

Our studies also revealed that racial attitudes have been serious impediments to the expansion of employment opportunities for blacks in the rural South. For example, our analysis of the geographic distribution of manufacturing employment growth in the rural South revealed that virtually all of this growth is occurring outside of the counties with black population majorities. We also found that blacks are not obtaining a proportionate share of the new employment opportunities in the counties where they are in the minority. Our investigation of racial employment patterns in 244 rural counties which contained 5,000 or more blacks in 1960 show that although blacks comprised 29 percent of the work forces in these counties, they obtained only 16 percent of the new nonagricultural jobs created, an even lower proportion than the 21 percent they held during the 1950's. Because they were displaced from agricultural jobs at a faster rate than they obtained nonagricultural employment, blacks in these counties experienced a net loss of 97,000 jobs while whites experienced a net gain of 287,000 new jobs. This explains to a large extent why white out-migration from these counties has dropped from 13 percent in 1950 to less than 1 percent during the 1960's while the rate of black out-migration from these counties remained virtually unchanged, declining only from 25 percent to 23 percent during this period.

This may seem like a bit of a contradiction to what many people think, that there are just floods of blacks coming from the counties to the urban areas. Sure, they're moving there but they are also being

born in rural areas, they're being raised and they are also looking for opportunities. The point I'm trying to make here is that we do not have the opportunities in the area. This has a great deal to do with the behavioral changes in these areas and what few jobs are being created there in the nonagricultural sectors, there is a tendency for these to go to the white counties and to the white majorities.

Let me just move quickly to the public employment programs. In addition to our studies of the private sector rural industrialization, the task force also evaluated the job creation impacts of federally funded efforts such as the public service careers program and the Emergency Employment Act. Programs which were designed to open Government jobs to the unemployed and the disadvantaged. Our main conclusion is that although public service employment offers considerable promise as a means of providing jobs for rural workers who cannot obtain employment in the private sector, this potential has not been realized for a variety of inter-related reasons. Many counties and towns in the rural South were unable to participate in these programs because they did not have merit systems which were a requirement for participation. Rural participation in these programs also was limited because the formula and procedures used to allocate the Federal funding for these programs was biased against rural areas. The main criterion used to determine the need for these programs was the official unemployment rate. The South in general and rural areas in particular, receive smaller outlays when the official unemployment rate is used to allocate funds because unemployment rates in the South are generally lower than those in other regions.

However, the unemployment rate is an inadequate and misleading measure of the need for manpower services because it does not count those who are working part time involuntarily, those who are not actively seeking jobs because they are discouraged and convinced that none are available, and those who are working full time but at poverty wages, underemployed. A recent report published by the Southern Regional Council explains the problem in greater detail and recommends that a more accurate measure of employment hardship (such as the subemployment index) be used to allocate funds instead of the unemployment rate.

Another factor which has restricted rural participation in emergency employment programs is the absence of expertise in the planning or administration of these programs.

An expansion of public service employment programs could be especially beneficial to the rural South if they are restructured to enable more rural governments to participate in them. The main advantage of public service employment is that it could simultaneously create desperately needed jobs for people who otherwise would not be employed while supplying desperately needed services such as improved health and sanitation, housing and recreation and other kinds of care involving those for the aged and also involving environmental reclamation.

Investment in public works construction projects is another form of job creation in rural areas which was studied by the task force. More specifically, we have done extensive research on the job creation impacts of the Tennessee-Tombigbee Waterway Development project, which is the largest public works project presently underway in the

Nation. Work on this project was commenced in 1972 and it is scheduled for completion in 1982. I might say, Mr. Chairman, that we went down there and held one of our hearings in that particular area. A major justification for this \$1 billion federally financed project was that it would greatly reduce the chronic poverty in the 10 rural counties in northeast Mississippi and southwest Alabama which form the corridor for this waterway because it would create more than 4,000 new construction jobs in these counties.

However, our investigations and our hearings revealed that blacks and low-income whites have not been involved in the planning for this project and that the U.S. Army Corps of Engineers, which has overall responsibility for the construction of the waterway, has done very little to insure that local people are hired in the jobs created for this project. With assistance from the task force and the Federation of Southern Cooperatives, a coalition of local community organizations—called the Minority Peoples Council on the Tennessee-Tombigbee Waterway—was formed to monitor this project and a federally funded outreach program has been established in cooperation with the International Union of Operating Engineers and other labor organizations to recruit, train, and place local people in jobs in this project. During the past 18 months, this outreach program has placed more than 100 local blacks in construction jobs on the waterway, and a special affirmative action agreement has been negotiated with the assistance of the U.S. Department of Labor, Office of Federal Contracts Compliance, which requires all firms submitting bids for contracts to specify goals and timetables for the training and employment of persons indigenous to the waterways corridor. We hope that this agreement will serve as a model for all rural public works projects in the South.

The point is, there was no evidence that the Corps of Engineers or anybody else associated with that program would have done one blasted thing had it not been for the pressures brought by the citizens group, and I think that's a great thing on the part of the citizens.

In conclusion, our studies convinced us that the problems we face in creating jobs for rural people in the South require comprehensive remedies. We, therefore, favor a new national growth policy which integrates full employment policies with rural development and equal opportunity policies for all races, minorities, and sexes.

The toothless national employment policy we adopted in 1946 is clearly inadequate and this is a most appropriate time to fashion some teeth for that policy. I'm sure the Conference will have something to say about that in the spring of 1976. More specifically, we need to improve and expand strategies to upgrade the education, health, and skills of rural southerners and other seriously disadvantaged groups. We also need to improve and expand public employment programs for those who are unable to find jobs in the private sector, and certainly we need to continue to strengthen measures and exert all diligence to eliminate racial and sexual discrimination. Therefore, I personally support the basic concepts underlying the Humphrey-Javits Balanced Growth and Economic Planning Act and the Humphrey-Hawkins Equal Opportunity and Full Employment Act.

Thank you very much.

Chairman HUMPHREY. We thank you, and we are hopeful that you will prepare yourself for participation in that spring conference with

many of the proposals and suggestions just as you have had here. We want to make that a forum where we can come forth with amendments and revisions of the Employment Act of 1946.

Mr. HENDERSON. Thank you very much.

Chairman HUMPHREY. Mr. Hodges, we welcome you.

STATEMENT OF LUTHER H. HODGES, JR., CHAIRMAN OF THE BOARD, NORTH CAROLINA NATIONAL BANK, AND MEMBER, PANEL ON JOB CREATION PROGRAMS

Mr. HODGES. Thank you very much, I appreciate your kind comments earlier.

As you indicated, I am chairman of the Board of North Carolina National Bank and chairman of the North Carolina Manpower Development Corp.

My comments today will reflect my service in both of these roles, and I would like to assure you that both organizations welcome enthusiastically the attention of the Joint Economic Committee to the South's peculiar employment problems.

North Carolina National Bank is one of the two largest banks in the South. It is the major subsidiary of NNCB Corp., which also has subsidiaries in mortgage banking, consumer finance, commercial finance, and trust. We have 293 offices in 7 States and 4 countries. Incidentally, I may just be one of those business executives to which you were referring earlier but I assure you that I do understand the problems and am sensitive to the problems.

The North Carolina MDC is a private, nonprofit organization headquartered in Chapel Hill, N.C. It has become a regional research organization providing assistance to agencies, institution, and industry to improve per capita incomes, increase productivity, and to find more effective ways to train and place the poor and unskilled. In many of its programs, MDC is working with North Carolina industry in promoting increased worker productivity because we hope, at the regional level, to promote the twin problems challenging your committee, jobs and inflation. In this regard, I believe that reduction of unemployment without excessive inflation is an attainable goal, but one that will require strong national commitment and sacrifice.

Achievement of the twin goals is complicated by the fact that increased productivity, the key in my mind to combating inflation, often works at cross purposes to the goal of full employment. I would cite the example of changes now going on in the southern textile industry, which has come out of the recent recession with increased emphasis on internal efficiency and productivity and a decreased need for its full prerecession labor force.

For example, Burlington Industries, the world's largest textile firm, made a total capital investment of \$105 million in fiscal year 1975, much of which went for new looms, new finishing equipment, and new knitting machines. Burlington plans to spend another \$175 million in fiscal year 1976, 80 percent of which will go for the modernization of equipment and plants.

The results are already becoming apparent. Burlington has fewer workers today than it had when the recession began; some less-efficient

plants remain closed, yet production capacity and productivity have been improved.

Other companies are following the same pattern and it could be a long, long time before the southern textile industry employs the number of people it did before the recession. This basic change in our industrial pattern will leave available a pool of workers for retraining, upgrading, and absorption into a very new labor force.

Therefore, while the fight against inflation must be carried with increased productivity as our weapon, this struggle will necessarily be accompanied by temporary job displacement.

In the last few months I have made a number of speeches in North Carolina in which I have said that the greatest danger we face in the next few years is not recession but inflation. In essence, our problem will not be a shrinking economy but a further erosion of purchasing power.

This does not mean, however, that we should allow the poor and the unemployed to bear the brunt of inflation for the rest of us. That would be morally and socially irresponsible.

But neither is it tolerable to fuel inflation by artificially stimulating private sector nonproductive employment or by absorbing the unemployed into nonproductive public sector jobs. We need to rely on the free market as the principal source of labor demand, but neither the private nor the public sector should be crowded with workers who do not produce needed goods and services.

We do need to recognize that public work which produces needed services can be less inflationary than unemployment insurance and other transfer payments which constitute an added demand with no increase in supply.

I would especially like to compliment this committee for seeking out the views of regional spokesmen on solutions to the Nation's economic and employment problems. As you heard from several speakers today, for far too many years, Congress has ignored the South in developing legislation to meet the Nation's manpower needs and the needs of the underemployed and unemployed. Instead, national legislation has consistently been designed to meet the employment problems of urban centers, often drawing most of the rural poor to inner cities, thereby exacerbating the problems that the programs were designed to eliminate.

May I quickly say, I did not mean to imply that there has been conscious discrimination by Congress; rather, that inequities in program substance and funding are the natural outgrowth of the South's underrepresentation on the House Labor Subcommittee and the Senate Subcommittee on Employment, Manpower, and Poverty. And it is the outgrowth as well of too few of us in the South speaking up often enough or forcefully enough. In essence, our wheels have not squeaked effectively.

Chairman HUMPHREY. I also add that it's a result of the southern delegation not asking to get on these committees. I think most of the representation on these committees is by request. I come from Minnesota. I didn't think it was particularly thrilling to get on the Committee on Agriculture and Forestry, which, by the way, was the committee that they had to draft people to come on when I came back to

the Senate, but I represented Minnesota, a big agriculture State and I felt this is where I belonged if I was going to represent my State. When about 60 percent of our wealth comes from the farms, they ought to have a Senator on that committee.

Mr. HODGES. We need to follow in your footsteps.

Chairman HUMPHREY. I think it's important to note that I agree with you, there is underrepresentation on those committees from the Southern States.

Mr. HODGES. I have today a number of points to suggest to you for this committee's consideration in reference to the economy in general and unemployment in particular.

First. We need to seek effective management of the expansion of Federal spending. In this regard, the Joint Budget Committee can make a substantial contribution. It is clear that Federal spending cannot expand faster than the potential expansion of the economy without setting off inflationary pressures.

In addition, I believe the role of the Federal Reserve Board has been highly beneficial. An independent monetary authority has often resulted in the tempering of inflationary booms before overspeculation reaches the critical point. It is not clear that this timely discipline would have been administered during the last several years if monetary authorities had not been free to exercise an independent policy. I strongly support the continued independence of the Federal Reserve Board.

I also support the concept that other bodies, such as the National Manpower Commission and the Council of Economic Advisers, should be as persuasive as they can with the Federal Reserve in their areas of concern. The budget process Congress is now following provides the means of resolving conflicting priorities while managing the Federal budget effectively.

Second. Whatever short-term legislation is passed should be adopted within the framework of the Comprehensive Employment and Training Act. There has admittedly been considerable trauma and some waste in the sudden transfer of authority from Washington to State and local governments, but there has also been considerable success. I would suggest CETA be allowed another 18 months before major reform is considered. In the meantime, Congress might look to the Regional Department of Labor headquarters in Atlanta as an excellent example of how Federal stewardship of CETA should operate.

Third. I suggest that Congress give all possible moral and material support to increasing public and private sector productivity in order to combat inflation. Increasing productivity in the South is doubly important in increasing per capita income. At the national level, I do not think we can or should return to the limited government of Calvin Coolidge. I do believe, however, that the haphazard mushrooming of permanent bureaucratic employment has been highly inflationary and the only antidote is to get greatly increased productivity from Government employees.

Fourth. I would agree with what I understand to be the National Manpower Commission's view that 400,000 is approximately the maximum number of public service employees that State and local governments can put to productive work under titles II and VI of CETA. MDC monitoring has shown that in the Southeast, many State and local governments are already at the saturation point. At the same

time, I support congressional authorization for a continuation of the present level. MDC's monitoring has also shown that other cities and States have labor-intensive public works projects which can be implemented as soon as funds are available for a minimum of capital expenditure.

Despite Congressional Budget Office views to the contrary, I therefore suggest that Congress look to public works as the new frontier of our attack on protracted unemployment. For the long term, I would suggest we establish a carefully researched list of economically important, major public works which can be started and stopped in response to the rate at which the private sector absorbs the work force.

Fifth. I would suggest internal CETA reforms that would enforce coordination in the delivery of vocational training with other manpower activities. To this point, the country has not achieved the maximum benefit from its skills training programs, which I consider the key to increased labor force productivity.

Sixth. Worker migration is a fact of economic life in any dynamic society. State employment services should be given the expertise and authority to assist relocated workers in making the best possible transition.

Seventh. MDC's monitoring of CETA has shown the need for developing tools by which we can evaluate the relative efficiency of programs. Congress and the administration should not only recognize the need for data, but the need to develop tools by which that data can be extracted.

Eighth. The private sector's investment in research and development is a reliable measure of economic growth potential. In Government as well, R. & D. investments are necessary to progress; and I submit that the present resources devoted to pure and applied research on employment policies are insufficient.

Lastly, as the South begins to wrestle with its first protracted unemployment experience since World War II, we face the danger that we may ignore our historic problem of underemployment—the poorly trained farmworkers and day laborers. Our national policy must allow the funds to train and place the uneducated, unskilled, perhaps unmotivated, to bring them into the economic mainstream. We must provide the mechanisms by which the rural poor can be efficiently served.

Now, if I may very briefly, I'd like to speak to the economy of the South as I see the outlook for the future.

The past 2 years have been educational for the leaders of the South. Uncharacteristically, we were hit harder by this recession than was the rest of the country.

However, now let me state, as firmly as possible, that I see no reason to make fundamental changes in our assessment of future economic prospects for the South. We are about to enter another era of economic growth in our region. It will be a different kind of growth from what we have enjoyed in the past; it will involve a different industrial/business mix. It will not sustain itself at the high levels of the years prior to 1974 and there will be peaks and valleys instead of a rapid, steady, upward spiral. We will experience very satisfactory economic growth in the coming years if we use our resources carefully and wisely.

Our people, plus the industrial systems put in place during our period of rapid growth, remain tremendous assets. Half the national population growth is now occurring in the South. More people are now living in the South than in the Northeast, the North Central area, or the West.

The South's population growth clearly does not represent people who are running away from something, as was the case when an impoverished South was experiencing significant outmigration a decade ago. Today we see people running toward new and more rewarding job opportunities, a better climate, and more pleasant living conditions.

Add to this the changes in the work force already in place. From 1960 through today, for example, the number of persons engaged in agricultural pursuits in the South has dwindled from more than 20 percent to less than 8 percent of the total work force.

Many of these people, of course, moved directly from the farmlands into low-paying, labor-intensive industries with little or no prior skill training.

But many, many more passed through the excellent system of technical and industrial education centers that have proliferated in our part of the country and from there into new industries that have migrated into the rural and small town south in search of better working environments and an adequate labor supply.

These industries and these people and these technical educational centers are still in place and still ready to operate at capacity once demand for goods and services begins to increase. We must, however, do an even better job of coordinating these training efforts if the South is to reach its full economic potential.

Another reason for a potentially healthy future for the South involves our industrial mix. The principal industries of most of our States, the nondurable manufacturing of textiles, apparel and furniture, are heavily dependent upon consumer spending. Unfortunately, when the consumer stopped spending in 1974, these areas were the hardest hit. They were hit first by the recession and clearly hit the hardest.

The consumer has begun to spend again, fortunately, and the same consumer-based industries that led the country into the recession can lead us out.

The challenge, of course, is complicated by the fact that housing will not be an expansionary factor, particularly in the South where we overextended in anticipation of continued, rapid growth. I confess, sir, that as a banker I see more of the real estate problem than I would like, but I also see some real estate slowly beginning to improve and I see 1976 as a year of good solid improvement. Tax revenues may not show immediate gains but in general there will be a more rapid recovery in the South than in the Nation as a whole.

Finally, I believe that our State and local governments weathered the recessionary crisis in better shape than have States in other parts of the Nation, because of the innate fiscal conservatism that remains part of our southern heritage.

Despite our problems, which are difficult and considerable, the South is the land of opportunity and we can foresee renewed economic vigor.

I would like to emphasize that although Government initiatives are quite in order in times like these, our American economic history warns that long-term economic health would be best promoted by a free market system with a minimum of Government intervention.

Let me thank you for the privilege of being a small part of a very important work of this committee and for your attention.

[The prepared statement of Mr. Hodges follows:]

PREPARED STATEMENT OF LUTHER H. HODGES, JR.

Good afternoon. I am Luther H. Hodges Jr., chairman of the board of North Carolina National Bank and chairman of the North Carolina Manpower Development Corporation.

My comments today will reflect my service in both of those roles, and I would like to assure you that both organizations welcome enthusiastically the attention of the Joint Manpower Committee to the South's peculiar employment problems.

North Carolina National Bank is one of the two largest banks in the South. It is the major subsidiary of NCNB Corporation, which also has subsidiaries in mortgage banking, consumer finance, commercial finance and trust. We have 293 offices in 7 states and 4 countries.

The North Carolina Manpower Development Corporation (MDC) is a private, nonprofit organization headquartered in Chapel Hill, North Carolina. It has become a regional research organization providing assistance to agencies, institutions and industry in improving per capita income, increasing productivity, and finding more effective ways to train and place the poor and unskilled.

MDC was created in 1967 by the National Association of Manufacturers and the Office of Economic Opportunity with the assistance of The North Carolina Fund. Over the years, we have been funded by three private foundations, grants and contracts from four federal departments, with support from the states of North Carolina and South Carolina and business and industry in the Southeast.

The board is composed of 27 members, nine of whom represent business and industry, nine of whom are academic experts and representatives of state and federal agencies, and nine of whom represent the poor.

MDC was founded with three major goals. I will discuss two of these goals briefly to introduce our organization and give you some idea of the scope of our work. Our third corporate goal relates more closely to my appearance before you today.

Our first goal was to involve industry directly in developing solutions to the manpower process. We have gone about this task by involving our board and technical advisory panel, headed by Dr. Juanita Kreps, in the identification of manpower problems and the development of solutions to those problems.

Our second goal was to act as an experimental and demonstration agency which would attempt to devise new solutions to manpower problems which existing agencies have neither the time nor money to tackle. In other words, our job is to serve as a laboratory for those agencies, spinning off to them any successful programs we devise.

One example of this function is MDC's creation of a pre-vocational training package geared to the needs of displaced farm workers, school dropouts, blacks and Indians, and others who had no history of, or orientation to, employment with industry. As this program was refined in prototype training centers, it was tested in one of North Carolina's 57 community colleges. In 1971, the North Carolina General Assembly appropriated funds to begin expansion of the program throughout the State's community college system to reach, train, and develop jobs for the people who most need its services.

Other examples include an intra-state Mobility Project whose purpose is to change traditional migration patterns which have sent North Carolina's rural poor to the ghettos of the North by assisting them in relocating instead to cities in North Carolina. We have also served as prime sponsor for an experimental six-county rural Concentrated Employment Program. We have developed a computerized job bank and job-matching system that has contributed to a larger national effort.

Our third corporate objective was to create a state manpower model. That is, construct for one state an ideal system for the comprehensive delivery of

manpower services which might be copied in other states. If the committee finds this goal inordinately presumptuous for an organization which was originally intended to be temporary, I believe the committee will also recognize that all of us in the "manpower field" were a little presumptuous in 1967.

During the past year, MDC has concentrated its efforts on analysis of the new Comprehensive Employment and Training Act and how the act is working in the Southeast, especially in public service employment. Currently, we hope to demonstrate how to involve employers and members of the client population more fully in the manpower process, and how to evaluate local program processes and outcomes. Even more than in the past, MDC has placed emphasis on means of disseminating its learnings in forms that make them readily available to prime sponsors all over the country. In the future, we hope to go beyond CETA's emphasis on "manpower," and will explore possibilities such as a demonstration of ways to use programs funded under the act as a basis for a coordinated development project in a multi-county rural area, a demonstration of work-substitution techniques for welfare support, and continued experiments in methods to improve private and public sector worker productivity.

MDC is expanding the scope of its operations and its geographic base as a natural extension of its work and experience in the middle South. The break with the past will require a name change that is expected to be made shortly.

We hope at a modest regional level to approach the twin problems this committee is after: jobs and inflation. In that regard, I believe that reduction of unemployment without excessive inflation is an attainable goal, but one that will require strong national commitment and sacrifice.

Achieving the twin goals of reduced inflation and full employment is complicated by the fact that increased productivity the key to combating inflation—often works at cross purposes with the goal of full employment.

I would cite the example of changes now going on in the southern textile industry, which has come out of the recent recession with increased emphasis on internal efficiency and productivity and a decreased need for its full pre-recession labor force.

Burlington Industries, the world's largest textile concern, for example, made a total capital investment of \$105 million in fiscal 1975—much of which went for new looms, new finishing equipment, and new knitting machines. Burlington plans to spend another \$175 million in fiscal '76—80 percent of which will go for the modernization of equipment and plants.

The results already are becoming apparent. Burlington has fewer workers today than it had when the recession began; some less-efficient plants remain closed—yet production capacity and productivity have been improved.

Other companies are following the same pattern—and it could be a long, long time before the Southern textile industry employs the number of people it did before the recession. And this basic change in our industrial pattern will leave available a pool of workers for retraining, upgrading, and absorption into a new labor force.

Therefore, while the fight against inflation must be carried with increased productivity as our weapon, this struggle will necessarily often bring temporary job displacement.

In the last few months, I have made a number of speeches in North Carolina in which I have said that the greatest danger we face in the next few years is not recession, but inflation. I firmly believe that. Our problem will not be a shriveling economy, but a further erosion in purchasing power.

This does not mean, however, that we should allow the poor and the unemployed to bear the brunt of inflation for the rest of us. That would be morally and socially irresponsible.

But neither is it tolerable to fuel inflation by artificially stimulating private sector nonproductive employment or absorbing the unemployed into nonproductive public sector jobs. That is, we need to rely on the free market as the principal source of labor demand, but neither the private nor the public sector should be crowded with workers who do not produce needed goods and services.

We need to recognize that public work which produces needed services can be less inflationary than unemployment insurance and other transfer payments which constitute an added demand with no increase in supply.

I would especially like to compliment this committee for seeking out the views of regional spokesmen on solutions to the nation's economic and employment problems.

For far too many years Congress has ignored the South in developing legislation to meet the nation's manpower needs and the needs of the underemployed and

unemployed. Instead, national legislation has consistently been designed to meet the employment problems of urban centers, often drawing most of the rural poor to inner cities, thereby exacerbating the problems that the programs were designed to alleviate.

I do not mean to imply that there has been conscious discrimination by Congress; rather, the inequities in program substance and funding are the natural outgrowth of the South's under-representation on the House Labor Subcommittee and the Senate Subcommittee on Employment, Manpower and Poverty, and it is the outgrowth as well of too few of us in the South speaking up often enough or forcefully enough. Our wheels have not squeaked effectively.

Underemployment remains a problem to which national programs—and indeed most state programs—have never adequately addressed themselves. But to this is now added the problem of unemployment . . . a new experience for most of us, and we have to develop the answers to both problems concurrently. I have noticed in the past couple of years that the seeds of answers to these problems exist in the South. For example, in South Carolina, there has been an integration of the efforts of the tech centers, the employment service, industrial development and federal manpower dollars which might well be a model for all of us. In North Carolina I have been impressed with an experiment in retraining unemployed textile workers in Alamance and Gaston counties in new high-wage skills. As has been said, if we cannot attract industry to locate where the newly skilled workers live, then we can help the workers relocate where their skills are in demand.

In Mississippi, there is a modest hog production program which has added to the income of the rural poor while longer-term solutions are being sought.

But I do not want to mislead you as to ready solutions, for I think the long-term answers will be hard to come by. As we develop each small piece of each manpower program, it must be integrated into a larger policy or system. We have to make our already excellent technical institutes respond as well as the adult unemployed and underemployed, as they have to the vocationally inclined high school graduate. We must involve vocational education and manpower more intimately in our industrial development efforts.

We have to find a system whereby services can be delivered to our rural people so they will not be forced to leave and choke our cities. We must find ways of assisting relocation so that job moves will be successful and the migration stream not mindless. These things can be done, and I say that these are things that *must* be done and we are going to be in for a long period of economic and political turmoil. Our national policy must allow the funds to train and place the uneducated, unskilled, perhaps unmotivated, to bring them into the economic mainstream. And we must provide the mechanisms by which the rural poor can be efficiently served.

Think for a minute if you will that there are 20,000 people in North Carolina who have now been unemployed 39 weeks and who are still collecting benefits. I am sure this situation is not unique to this region. This country, this region, this state must find an alternative to such subsidized unemployment. The only alternative I see is job creation: productive jobs in both the public and private sectors. We need a permanent means of identifying the most economically useful long-term projects and saving them for implementation for those times when, as now, the private sector does not absorb the work force.

I have today a number of points to suggest for this committee's consideration in reference to the economy generally and to unemployment in particular:

1. We need to seek effective management of the expansion of federal spending. In this regard the Joint Budget Committee has made substantial efforts. It is clear that federal spending cannot expand faster than the potential expansion of the economy without setting off inflationary pressures.

In addition, I believe the role of the Federal Reserve Board in the economy has been highly beneficial. An independent monetary authority has often resulted in the tempering of inflationary booms before overspeculation reached the critical point. It is not clear that this timely discipline would have been administered during the past several years if monetary authorities had not been free to exercise an independent policy. I strongly support continued independence of the Federal Reserve Board.

I also support the concept that other bodies, such as the National Manpower Commission and the Council of Economic Advisors, should be as persuasive as they can with the Federal Reserve in their areas of concern. The budget process Congress is now following provides the means of resolving conflicting priorities while managing the federal budget effectively.

2. Whatever short-term legislation is passed should be adopted within the framework of the Comprehensive Employment and Training Act. There has admittedly been considerable trauma and some waste in the sudden transfer of authority from Washington to state and local government, but there has also been considerable success. I would suggest CETA be allowed another eighteen months before major reform is considered. In the meantime, Congress might look at the Regional Department of Labor headquarters in Atlanta as an excellent example of how federal stewardship of CETA should operate.

3. I suggest that Congress give all possible moral and material support to increasing public and private sector productivity in order to combat inflation. Increasing productivity in the South is doubly important in increasing per capita income. At the national level, I do not think we can or should return to the limited government of Calvin Coolidge. I do believe, however, that the haphazard mushrooming of permanent bureaucratic employment has been highly inflationary, and the only antidote is to get greatly increased productivity from government employees.

4. I would agree with what I understand to be the National Manpower Commission's view that 400,000 is approximately the maximum number of public service employees that state and local government can put to productive work under Titles II and VI of CETA. MDC monitoring has shown that in the Southeast many state and local governments are already at the saturation point. At the same time, I support Congressional authorization for a continuation of the present level. MDC's monitoring has also shown that other cities and states have labor-intensive public works projects which can be implemented as soon as funds are available for a minimum of capital expenditure.

Despite Congressional Budget Office views to the contrary, I therefore suggest that Congress look to public works as the new frontier of our attack on protracted unemployment. For the long term, I would suggest we establish a carefully researched list of economically important, major public works which can be started and stopped in response to the rate at which the private sector absorbs the work force.

Allow me to quote here from a speech last summer by Dr. Juanita Kreps, a member of the National Manpower Commission and chairman of the MDC technical advisory panel:

"We have a number of social and economic successes emerge from our experience with PWA, WRA, the Civilian Conservation Corps, and the Civilian Works Administration. Of course, we also had boondoggles, and the myth remains that this was all leaf-raking. But building schools, libraries, and dams—or even driving the rattlesnakes from the mountains of Virginia—were not income maintenance, but productive labor. That is the key to successful programs, whether the placements are made in the private sector or in subsidized public employment.

"Those who argue against public works raise the issue of a long lag or start time as eliminating their utility in combating countercyclical unemployment. It is true that wise planning is necessary if we are to achieve the maximum societal benefit from public works. But it is also true that any state or city can provide a laundry list of relatively modest projects—school repair and parks construction, for example—that are ready to go at any time money becomes available."

5. I would suggest internal CETA reforms that would enforce coordination in the delivery of vocational training with other manpower activities. To this point, the country has not achieved the maximum benefit from its skills training programs, the key to increased labor force productivity.

6. Worker migration is a fact of economic life in any dynamic society. State employment services should be given the expertise and authority to assist relocated workers in making the best possible transition.

7. MDC's monitoring of CETA has shown the need for developing tools by which we can evaluate the relative efficiency of programs. Congress and the Administration should not only recognize the need for data, but the need to develop tools by which that data can be extracted.

8. The private sector's investment in research and development is a reliable measure of economic growth potential. In government as well, R&D investments are necessary to progress; and I submit that the present resources devoted to **pure and applied research on employment policies** are insufficient.

9. As the South begins to wrestle with its first protracted experience with unemployment since World War Two, we face the danger that we may ignore our historic problem of underemployment—the poor farm workers and day

laborers. Our national policy must allow the funds to train and place the uneducated, unskilled, perhaps unmotivated, to bring them into the economic mainstream. And we must provide the mechanisms by which the rural poor can be efficiently served.

Now, if I may, I would like to speak briefly to the economy of the South and the outlook for the future.

The past two years have been educational for the leaders of the South. Uncharacteristically, we were hit harder by this recession than was the rest of the country.

However, let me state as firmly as possible that I see no reason to make fundamental changes in our assessment of future economic prospects for the South. We are about to enter another era of economic growth in our region. It will be a different kind of growth from that which we have enjoyed in the past; it will involve a different industrial/business mix. It will not sustain itself at the not sustain itself at the high levels of the years just prior to 1974—and there will be peaks and valleys instead of a rapid, steady, upward spiral—but we will experience very satisfactory economic growth in coming years if we use our resources carefully and wisely.

Let me explain my reasons for this positive position.

First, our people—plus the industrial systems put in place during our period of rapid growth—remain tremendous assets. Half the national population growth is now occurring in the South. More people are now living in the South than in the Northeast, the North Central area or the West.

The South's population growth clearly does not represent people who are running away from something, as was the case when an impoverished South was experiencing significant outmigration a decade ago. Today we see people running toward new and more rewarding job opportunities, a better climate, and more pleasant living conditions.

Add to this the changes in the workforce already in place. From 1960 through today, for example, the number of persons engaged in agricultural pursuits in the South has dwindled from more than 20 percent of the total workforce to less than 8 percent.

Many of these people, of course, moved directly from the farmlands into low-paying, labor-intensive industries with little or no prior skill training.

But many, many more passed through the excellent system of technical and industrial education centers that have proliferated in our part of the country and from there into new industries that have migrated into the rural and small-town South in search of a better working environment and an adequate labor supply.

These people, these industries and these technical educational centers are still in place and still ready to work or operate at capacity once demand for goods and service begins to increase. We must, however, do an even better job of coordinating these training efforts if the South is to reach its full economic potential.

Another reason for a potentially healthy future for the South involves our industrial mix. The principal industries of most of our state—the nondurable manufacturing of textiles, apparel, and furniture—are heavily dependent upon consumer spending. Unfortunately, when the consumer stopped spending in 1974, these areas were hit first by the recession and they were clearly hit the hardest.

But the consumer has begun to spend again, and the same consumer-based industries that led the country into the recession will lead us out again.

The challenge, of course, is complicated by the fact that housing will not be an expansionary factor—*particularly in the South* where we overexpanded in anticipation of continued, rapid growth. I confess that as a banker I see more of the real estate problem than I would like, but I also see real estate slowly beginning to improve and I see 1976 as a year of good, solid improvement. Tax revenues may not show immediate gains but, in general, there will be a more rapid recovery in the South than in the nation as a whole.

Finally, I believe that our state governments have weathered the recessionary crisis in better shape than have states in other parts of the nation—perhaps because of the innate fiscal conservatism that remains a part of our Southern heritage.

Despite our problems, which are difficult and considerable, the South is the land of opportunity and we can foresee renewed economic vigor.

In closing, I would like to emphasize that, although government initiatives are quite in order in times like these, our American economic history warns that long-

term economic health would be best promoted by a free market system with a minimum of government intervention.

Let me thank you for the privilege of being a small part of the very important work of this committee and for your kind attention.

Chairman HUMPHREY. I thank you very much, Mr. Hodges. We'll come back to you on a couple of items a little later. We thank you so much for your testimony.

Mr. Blackwell, we welcome you and would like to hear your comments.

STATEMENT OF RANDOLPH T. BLACKWELL, EXECUTIVE DIRECTOR, SOUTHERN RURAL ACTION, INC., AND MEMBER, PANEL ON JOB CREATION PROGRAMS

Mr. BLACKWELL. Mr. Chairman, Members of the committee, you have come to Atlanta, Ga., the capstone of the Southeastern region of this great Nation, like minutemen in an hour of impending crisis. We are grateful to you for having done so.

I am Randolph Blackwell, executive director of Southern Rural Action, Inc. Please, may I say to you that I feel that you are demonstrating by your presence here today your concern about the unmet goals of the Employment Act of 1946. Your manifested interest in the welfare of the suffering citizenry is heartwarming and uplifting. And while I use the words "heartwarming" and "uplifting", I am made indignant by the facts that I must accept when I compare the potentials of this great society with its accomplishments.

We are bringing to this hour so little of the imagination and creativity that characterized the early 1930's and that was so much a part of the legislative intent of the Employment Act of the 1940's.

It now appears clear that we in the community and in the Halls of Congress who fought for the Employment Act and similar legislation have sat back and allowed the positions in the various administering agencies to be filled by petty power brokers, intellectual midgets, irresponsible bureaucrats and in many instances outright charlatans trafficking in public authority on the basis of who I drink with, who can deliver over a new set of automobile tires or who can get my son a college scholarship. Well, we know by now, that it is not enough just to pass good laws. It is imperative that we set up workable structures and mechanisms that inquire into the stewardship of those who administer the public trust.

The forgotten people of the American dream require no less and deserve at least as much.

Now to address your concerns more specifically as they relate to public policy. It will perhaps be of some help if I explain that the organization of which I am the executive director is committed in the first instance to rural economic development.

You will be pleased, I am sure, to hear me say that we are making significant progress in this part of the country in reducing discrimination related to sex, relating to race, age, and sex. However, as it relates to discrimination against rural communities, the discriminations are mounting daily, creating cesspools of unemployment and human suffering.

America's concern must be with those families who are being driven from the land—from their land, homes, and communities by the machines and forces of modern times and simply asked to go away, get lost. They eventually arrive of course in the festering center of some of our large cities, economically and educationally naked, homesick, culturally crippled, ready to rake leaves where there are no trees, ready to attend lawns where there are no lawns.

Their dreams, no longer deferred, suddenly become dirty, rat-infested streets as playgrounds and homes for the youth and children of families once filled with hope.

When the young people of these families decide to burn down and blow up the seething slums, their reaction is called "civil disorder" and many large commissions are established to study why such events occur.

If we are ready to accept the responsibility of seeking a more desirable social arrangement, then we must be prepared to say we don't need any more commissions with their high priced researchers. The suffering segment of the population is already identified. The races of the people being hurt are known. Their increased suffering has been cataloged and the rising levels of their despair are already measured. The consequences to be anticipated are as bold as the print on the wall of the famous Babylonian King. We need sound national policies and action programs.

When the Office of Management and Budget announced the Farm Home Administration appropriation, it was difficult to adjust our thinking to an appropriation of \$105 million for the State of Maine and only \$27 million for the State of Georgia. And as if this was not bad enough, we are informed just this week that all of Georgia's Farm Home Administration money is frozen—bringing to a halt the few jobs these limited funds did create.

No money for home loans.

No money for small town sewage and water programs.

No money to help farmers plan and develop crops.

From a policy standpoint, this kind of thing is not an entirely new experience. It is just an even more bitter dose of the same old medicine of discrimination against rural citizens and triple-plated discrimination against southern rural citizens.

In the early 1960's the popular index for describing poverty was the 100 counties where the average per capita income was under \$600 per year. And I remind you that 89 of these 100 counties are in the Southeastern region. I am here to tell you, Members of the Congress, that that picture has not substantially changed in 1975—15 years later.

We in Southern Rural Action have found, while working in communities in the Southeastern States, that agricultural workers continue to be excluded from such things as unemployment insurance coverage, although the 1974 Unemployment Emergency Compensation Act does include some workers in agriculture. However, that coverage is limited to certain categories in the four States of Kentucky, Louisiana, Florida, and Virginia.

About 19 percent of the Nation's population lived on farms at the close of World War II. The rural population, counting those in rural communities who do not live on farms, has remained remarkably sta-

tionary for the past 65 years. It seems that "Mother South" has the ability to send a constant stream of deprived citizens into the major cities without ever challenging her population base.

The problems that are occurring in New York City today are only example of what the "followup report of the Kerner Commission" predicted for 1980. We must come to realize that the old-fashioned cities cannot accommodate the needs of the mounting number of people migrating to the cities, and neither can the Atlantas, caught between the twin forces of northern exodus and rural migration. Americans must pay attention to the development of the rural communities. We have said time and time again in the Southern Rural that if housing, educational facilities, health and medical care in the Southeastern region were brought up to modern standards, this alone would create more jobs than we could fill.

Now, for those members of the joint committee who know little or nothing about Southern Rural Action, Inc., I would like to state some of our objectives and some of our accomplishments. You will see how the use of innovative approaches can create jobs with little financial investment. Southern Rural Action is a private, nonprofit corporation chartered in 1966 by the State of Georgia for the purpose of conducting developmental projects and programs in the rural Southeastern United States. Although we are headquartered in Atlanta, the major work is done in the rural.

We build factories. Included in our record of performance are factories that produce home construction components, garments, and wood and plastic products. As a complement to these job and income producing units, SRA has established credit unions, day care centers, youth programs and other community service programs designed to involve the entire community.

Southern Rural Action has demonstrated that the economic, social, health, and other problems in the South can be solved.

I would like to bring to your attention the May 23, 1973, Congressional Record which reflects the fact that during Southern Rural Action's first 6 years of operation, we trained more than 600 people, developed 19 factories, constructed or caused to be constructed 421 homes, developed and built 2 community water systems, creating a money flow of \$61 million, all on a budget of less than \$2 million for the 6-year period. You Members of the Congress know—

Chairman HUMPHREY. I want to compliment you; that's a great record.

MR. BLACKWELL. Thank you. You know that it is not uncommon for a city like Atlanta to spend upward of \$10 million per year on OEO community development projects that are nothing like as practical or concrete—almost mystical.

We at Southern Rural Action understand the declaration of policy as stated in the Employment Act of 1946 as amended. We feel that the act is yet to be taken from Washington, D.C., as paper and activated into jobs and security for the people—particularly rural people.

The policies, programs and laws pertaining to American agriculture and rural life need drastically overhauling.

The U.S. Department of Agriculture should be specifically charged with assisting small farmers in developing sound, small farm technology, including suitable machinery, superior small farm practices,

and improved marketing arrangements. Analysis shows that when small farmers are so assisted, their disadvantage tends to disappear.

It might be well for us to look at the laws and policies of countries such as Sweden, Norway, Finland, and Denmark, concerning assistance to families that migrate.

May I say to the members of the committee, respectfully, that it is our considered judgment that the Humphery-Javits balance growth bill is good legislation and long overdue.

We feel that some consideration should be given to regional planning boards like the one project at the national level.

I have studied the Hawkins-Humphery Equal Opportunity and Full Employment Act. I am assuming that you have concluded from my previous remarks that I favor this legislation. The Standby Job Corps is imaginative and will afford some much needed relief. The written-in specific actions, responsibilities and areas of judicial recourse are necessary and vital.

I began this statement by saying you have come at a time of impending crisis. Thousands of citizens stand in this region at the point of despair. Despair has no place in this society. We cannot afford it. The road back is too difficult.

Please, may I remind you, the historians tell us that at the time of the collapse of the Roman Empire, grass grew in the streets of Rome while the people starved to death because they had so completely lost confidence in their ability to reverse the trends of the time.

I appeal to you, Members of the Congress, we need immediate concrete help.

I want to thank you for the opportunity to appear before you.

Chairman HUMPHREY. I thank you very much. Mr. Blackwell, for your testimony. May I say just first to you, Mr. Hodges, that I noticed your commentary on the Federal Reserve. As you know I have been somewhat critical of the Federal Reserve, primarily because I thought it was not giving sufficient attention to the Congress in the performance of its duties. I respect the independence of the Federal Reserve. I don't want the Federal Reserve to be dominated by the Congress or by the President. I think its problem basically is representation.

I notice that the vacancy on the Federal Reserve Board was just filled. Who are they going to put on it? They've taken somebody out of the system who has been a research man in the system, when they ought to be taking somebody from industry, finance, banking, agriculture, or labor.

Mr. HODGES. I won't quarrel with that, and I did want to bring up the point and I appreciate your position. They did make the appointment from within the staff just yesterday.

Chairman HUMPHREY. Yes, and I'm sure the man is capable. The Federal Reserve Board has extraordinarily capable people, but again, the Board sets general policy and I just don't want my staff in my office to pretend that they have become the Senator. I'm perfectly willing to have their advice and counsel, but occasionally I'd like to have a little freedom of action on my own part. I always feel that this Board, the Federal Reserve Board is only made up of seven members and it ought to be more representative of the basic cross section of the American economy.

Mr. HENDERSON. Who was it?

Mr. HODGES. Mr. Partee, who is an economist in the Federal Reserve. It's the same problem we face in many areas of the Government, it's an economic problem of attracting people who are successful in the private sector to come to Washington under the ground rules, as you know, it is a very definite economic problem. It's hard to attract people to our level of government so we inbreed ourselves thoroughly.

Chairman HUMPHREY. I come for example in examination of the Federal Reserve activities recently, when we inquired about whether they had any offices—any expertise in what happens to small business when it comes to their monetary policy. They said no. No—can you imagine? Fifty percent of all the production in America is by small business, not by General Motors and United States Steel. They just don't think about that. The monetary policy that's set by the Federal Reserve has no relationship at all to my small business neighbor across the township road out there in Wright County, he's a farmer with 400 acres of land and all he knows about the Federal Reserve is it raises his interest rates. He has no representation there and that's my argument with them. I'm going to argue with them not on the basis that we in Congress should dominate them, but I don't want them running Humphrey's Drug Store; they don't know a damn thing about it. I want somebody on there representing independent business and I want somebody on there representing these rural people that we're talking about here. That's what we've got to have.

There's nothing sacred about seven members, not at all. I think Arthur Burns is a very able man. I'd be the last person to downgrade him at all. I think he's extraordinarily able but a man is no better than his advice and his information. We've got people in Government today that don't believe in profits. No. 1, I believe in profits, I want you to know what my position is. I believe in free enterprise. I believe there are some things free enterprise can't do because you can't make a profit doing it, and you need an interest structure to make it all possible. For example, the automobile industry in this country would be dead without the highway system. The airline industry would not exist without airports and without the FAA having its vast system of electronics that makes possible safe aviation. Our barges, privately owned barges; it would be impossible without the Army Corps of Engineers taking care of the river system; Tombigbee and others are examples of it.

Government has a unique role to play and I want the Government to play it in any economy. I don't want the Government to come in here trying to run every little shop and do all the nonsense that some want to do. But I get on my speaking stand on Federal Reserve because I grew up at a time when I saw the Federal Reserve restrict credit. I have never forgotten it. My father drilled it into me, they precipitated the depression and the bank failures of the 1920's by their restrictive monetary policies of 1929-32. No doubt about it at all. I even dug up, by way of writing a little book—I dug up for the record some of the Fed interoffice memos, what they said, "It's time to restrict and restrain the economy; the inefficient producers had to be liquidated." Ha. You know, who decides who is inefficient? One of those was my father. He's a damn sight more efficient than anybody I know, but he was on the list. So I get on my soapbox.

I have, as the committee staff knows, I've had serious doubts as to how far we can go with public service employment. I think if you add the funds, as somebody pointed out today—about 15 to 20 percent—the funds in there for equipment, you can start to do a whole lot of productive public employment instead of just office work. There are curbs, gutters, sidewalks, and parks to be built. You can't get into, for example, Yellowstone Park unless you have a reservation. I think that is utterly ridiculous. I think the American people ought to have enough parks and playgrounds and trailways, so if they want to go parking and picnicking, they can go and not have to register like it's the Hilton Hotel or the Hyatt House. They should be able to go. And here is where public service serves partly as a hydrant. It also has constructive work.

Mr. HODGES. I like your proposal that you had, the one that you made here. I think it was proposal 8 that you listed here. It was very, very good.

You said:

For the long term, I suggest we establish a carefully researched list of economically important, major public works which can be started and stopped in response to the rate at which the private sector absorbs the work force.

Excellent, absolutely right. Boy, if we can do that it will be of immense value. I know what you're getting at, you and I agree that what the people need is something constructive to do that lends to productivity and to the improvement of the economy.

Mr. HENDERSON. Mr. Chairman, could I comment on the public service?

Chairman HUMPHREY. Please.

Mr. HENDERSON. It won't take me but a minute. I think we also have to recognize the fact of the changes that are taking place in the structure of opportunity in this country, particularly employment. It is a fact that services are increasingly the source of employment and income. Also with organization and everything else that takes place, it is services—people to people. You cannot ignore that. You're trying to project job opportunities and job generation and creation programs. I think that while you have to be careful about how far one can go, it is a fact that hospitals need manpower, schools need manpower, and a lot of things that we're talking about, there's no other way to do it. You can't have a public works program to get human rehabilitation so far as counseling is concerned. In other words, while I agree with the caution and the concern expressed by Mr. Hodges, in many ways, I do believe that we certainly can't fix just a quantity and say, that's it; it's more than just a quantitative-type measurement. I also believe, and I have said this to some of my so-called liberal friends who are surprised when I say it, I also find that in generating public jobs by way of the private sector, I think we can get a much better national health insurance program if we would do more of what the private sector insurance companies do. They're afraid of it in many ways but I just happen to believe that there are certain efficiencies that go when you have to measure the bottom line.

Chairman HUMPHREY. Couldn't agree with you more.

Mr. HENDERSON. There are dangers when you go overboard and ignore that. So I have some feeling here and I get a little concerned that

we want to close it off too hard and not leave that flexibility, but we need a great deal more work in this area.

Chairman HUMPHREY. I guess my concern is that, as I said earlier when some of you were here, unemployment compensation was never intended for a 2-year program. It was to fill a gap, to fill a time between the loss of the job and the attainment of a new one within a reasonable period of time. Now we're using unemployment compensation as a crutch to lean on, rather than getting down to the constructive things that ought to be done. It costs a great deal.

The lady who was here this morning, Mrs. Smith, said she got \$70 a week, unemployment compensation. Who can live on \$300 a month?

Mr. BLACKWELL. Senator, I believe you've got three different points of view before you here. Much has been said about public services as an avenue for employment. We take the position in Southern Rural that—well you heard me say earlier we build factories in rural, forgotten communities. Some of them are selling to the most prestigious labels, the London Fog label for example. I don't want you to get the impression that these are people tucked away—they sell to the most prestigious labels in the country. My point—we say it this way at Southern, we believe poor people have not only the right to eat but the right to participate in the profits that are made from producing the food. We say, Mr. Kellogg, you may keep all the customers you presently have but the population is going to increase and we want to participate in the profits that are made from supplying that increase in population. So as we talk about creating jobs, we're talking about the opportunity of profits that are made in the traditional American way. Now the answer to that traditionally is, "But we can't subsidize private enterprise." Yet, out of the same mouth we build highway systems which subsidize the trucking industry; we build airports to subsidize the airline industry and then you talk about subsidizing people in rural America and owning a factory that would get them off the welfare rolls permanently. The answer is, "Oh, we couldn't afford to subsidize private industry."

Chairman HUMPHREY. Yes, that is a big hang up. I couldn't agree with you more.

We know there are a certain number of people, as was said here, that simply have to be cared for: Families, children, indigent, disabled, handicapped, some elderly; there is a group in our society that deserves to be cared for. But there is a large group that is today being cared for that doesn't want to be cared for that way. They really want to go to work and if we keep them on the dole long enough, they are going to forget to want to go to work. That's the big problem.

Andrew Young has told me, Mr. Blackwell, about your work. It is wonderful what you have been able to do. You said you had \$2 million worth of capital, is that what you said?

Mr. BLACKWELL. \$2 million over a 7-year period.

Chairman HUMPHREY. For a 7-year period and you have built and constructed all of the things that you've mentioned here today, that's a mighty, mighty fine record, in a very short period of time.

I think we will let you all go.

We thank you, we want to thank each and every one of you for taking the time to be here. Thank you very much.

Now we have a few people who have said they wanted to get up and be heard. I always run these meetings that way.

Mr. Jule Sugarman, chief administrative officer, city of Atlanta. I suppose you want to supplement what the mayor has had to say here. I am very happy to see you again.

STATEMENT OF JULE M. SUGARMAN, CHIEF ADMINISTRATIVE OFFICER, CITY OF ATLANTA

Mr. SUGARMAN. Senator, I am going to testify as a private citizen today.

Chairman HUMPHREY. You were with a number of Federal agencies?

Mr. SUGARMAN. I was Director of the Head Start Program, and I was head of the Welfare Department for the city of New York before I came here.

Chairman HUMPHREY. How have you survived?

Mr. SUGARMAN. Fairly well.

Mr. Chairman and members of the committee, I appear today in the role of a devil's advocate. I am going to suggest to you today that full employment may not be an achievable goal; that it is time for the Congress to begin looking seriously at how available work could be shared. As one approach to that objective, I will propose a decennial-sabbatical plan. Under the decennial-sabbatical plan, it would become national policy that most American workers put aside about 6 percent of their salaries so that they could withdraw from the labor force for 1 year out of every 10.

You have heard and will be hearing a great deal of testimony about action which might and should be taken to achieve full employment. I no doubt would agree with many of the specific suggestions which are being made to you. I would stress that there is no way in which the basic social problems of this Nation can be successfully addressed until such time as full employment is a reality. On the other hand, I feel compelled to observe that there are grave doubts about whether full employment is an achievable goal. It is in that context that I want to raise some questions about the basic issue of, if not full employment, what then?

Let me suggest that there are three other major factors in modern society which relate to employment and cry for new solutions.

First is the growing dissatisfaction with their jobs felt by many workers in this country and throughout the world. Boredom, low productivity, alienation, a feeling of being trapped and bitterness about the job are affecting too many people. Despite the relative mobility of labor in the United States, a great many people find it impossible to change careers even when they despise what they are doing.

Second, we are, as a nation, increasingly unable to meet our critical needs for human services. There is scarcely a school system, youth program, child development center, hospital or mental health clinic, senior citizen nutrition program or workshop for the retarded that is not crying out for additional people. Yet, the pattern today and in the foreseeable future is one of reductions of personnel and funding for these critical human services. In my judgment, there are millions of Americans who want to be helpful, but are so engrossed in the routine of earning a living that they cannot give the time needed.

Third, our welfare, criminal justice, alcohol and drug abuse systems are collapsing under the weight of a core of individuals for whom there is no real hope. The major reason there is no hope is that there are no jobs for them. The public lashes out at the symptoms: welfare fraud, crime in the streets, recidivism, and death by overdose, but our public agencies are incapable of overcoming these symptoms so long as the root cause of unemployment persists.

I believe that the decennial-sabbatical plan or other work-sharing approaches may be the last, best hope for Americans. Let me turn now to a more detailed discussion of the problem.

My doubts about the possibility of full employment stem from the fact that we presently have in actuality close to 16 million people who are unemployed. During the next 15 years, the Labor Department estimates that we will bring into the labor force in excess of 22 million persons. Thus, the achievement of full employment would require the creation of approximately 38 million jobs. Even allowing for 3 to 4 percent frictional unemployment, there is still a need to create more than 34 million jobs. This over one-third of our current labor force. Nothing in past history and nothing in the current or prospective economic climate gives me any real confidence that that number of jobs can be created. In fact, there are certain contraindicators which say that the creation of new jobs may become even more difficult in the future. Such factors as advancing technology, shortages of energy and resources, unwillingness to levy additional taxes and inflation may force this country into a much more restricted growth pattern.

These facts seem to me to dictate the necessity of at least beginning to examine the question of what should we do if we find, in fact, that we are unable to create the number of jobs that are necessary to the general welfare of the Nation. We all know that there are parts of our population that are victims of unemployment on a more or less permanent basis.

We all know that whatever growth does occur will go primarily to people in other groups; and we know that despite some degree of progress in the last few years, we still remain with a residual population that is largely excluded from employment. As an administrator experienced in working with welfare, manpower and other social problems. I have to say to you that in my judgment, virtually all of those problems are addressable only in terms of developing adequate employment opportunities. Improved education, improved health, improved housing, improved social relationships are all dependent on the status of the employment market and the size of the unemployed population.

I suggest that because there is grave doubt about the possibility of full employment, that we need to begin seriously examining the possibility and the potential of shared employment. We may not need a national policy of shared employment immediately. It is essential, however, to begin the research and the experimentation which could lead to the creation of a national policy on shared employment.

The Nation, of course, is not totally inexperienced in attempting to foster shared employment or perhaps more accurately in terms of prior experience, limitations on employment. During the depression years, it was the practice through private actions and sometimes with public sanction to restrict the employment of women where the hus-

band was employed, or to limit the number of hours which employees could work in order to make more jobs available. Even today, it is suggested by some economists that one of the major ways of dealing with the employment problem is to shorten the workweek to provide 35, 32 or even 30 hours of work.

The basic problem for most of the methods for sharing employment, that have been considered up to now, lies in the fact that they rely on individual choices by private organizations and/or government agencies. Therefore, very uneven patterns and impacts develop. Furthermore, they tend in many cases, such as the shorter workweek, to substantially inflate costs. When an organization wins the shorter workweek, it generally does not result in any reduction in compensation. In fact, the average compensation per hour of input actually goes up. That is one of the reasons why the U.S. rate of productivity increase has not shown the improvement that it has in other years.

Finally, the major limitations of this approach is that it is so dependent on the initiative of individual companies and unions. There is no assurance, and no public policy, which guides either the amount or coverage of the concept of shared work. Therefore, we cannot really say that we can influence the number of available jobs, or the number of people who can be accommodated in available jobs, through present approaches to shared work.

Today, I want to suggest consideration of another approach to the sharing of work. The basic principle of this approach, or the basic objective of this approach, is to systematically remove individuals from the labor market for certain portions of their working life. This is possible only if we can provide a system of compensation which will make it possible for people to be outside the labor market during those periods. I call this approach the decennial-sabbatical plan. Let me outline for you what that plan is. Before I do so; however; I would like to say that while the simple objective of the decennial-sabbatical plan is an effort to provide employment to a broader group of people, there are other, and I think, quite important objectives which might also be accomplished. These include the provisions of opportunity to individuals to order their lives in a new way. Much of the literature about manpower programs in the United States in recent years makes it clear that many employees are alienated from their jobs; that they find little satisfaction at work; find it extremely difficult to change the type of their employment; and having relatively low productivity because they are so dissatisfied with what they are doing. I think the decennial-sabbatical plan represents an opportunity to deal with some of these basic issues. It can provide a staging point at which people might change their career interest and prepare themselves for a change in employment.

Second, there are many people in the United States who have basic commitments toward voluntary service that they would like to honor. But they find themselves unable to give the large amount of time required to function efficiently and productively. The decennial-sabbatical plan makes possible periods of 6 months to a year of totally available time with the individual's financial needs met at the same level as if they were employed. It seems to me that this creates some really excellent opportunities to improve the meaningfulness of life through voluntary service.

Third, there are a great many people today who appreciate the need for continuing education, who recognize that their own education, no matter how fine it may have been, has become obsolete because of the rapid development of knowledge. The decennial-sabbatical plan again offers an extended period of time to complete college or graduate work, vocational training or many other kinds of education which would be enriching to people's lives. In a similar vein, many people feel the need for getting to know our Nation or other countries, and would like to have a real opportunity to travel throughout the United States and in foreign lands. Again, the decennial-sabbatical offers a way in which that is feasible from a financial point of view and from a practical point of view.

In short, I think that the decennial-sabbatical plan, although aimed primarily at the creation of more opportunity for participation in the labor market, offers many features which could contribute very fundamentally to the quality of life in the United States.

Let me turn now to a detailed description of the decennial-sabbatical plan. In brief, the decennial-sabbatical plan is a plan whereby a portion of an individual's earnings is set aside so that over a period of 9 years sufficient funds are accumulated to finance a 10th year without being actually employed. Now, because of the effects of interest earned on the fund concerned, the actual reduction in earnings would be on the order of 6 percent a year. Thus, in 9 years out of the 10 in which an individual is working, he would set aside 6 percent per year of his gross earnings. If those funds were invested at a rate of return of approximately 5 percent, then in the 10th year, it would be entirely possible for the individual to be out of the labor market altogether and to do whatever he or she chose to do.

The plan envisions that this 6 percent would be deposited in an individual account, either under the auspices of the Government or if the individual so elected under private auspices and could be withdrawn at the end of the 9th year. The exception is that individuals would be required to take off at least 1 year out of the 10 years. If they were not willing to do so, their accumulated dollars or at least some 50 percent of the funds would be sacrificed. If they agreed to withdraw from the labor market for a year's period (or two 6-month periods), they would receive all of the funds, including the interest that had been earned.

The attached charts illustrate the principles involved. They are designed to show what might happen to an individual over a 40-year timespan. As you can see, this individual has a rather modest income starting at \$7,000 a year, progressing steadily but slowly over the years in terms of his total income, but sets aside that 6 percent portion each year. At the end of each 9-year period, he has in effect saved enough money that, together with interest, he is able to finance an entire year at approximately the same salary level that he was receiving in the 9th or 19th, or 29th or 39th year.

Let me make it clear that there are two modifications to this plan that are important. No. 1, it is clearly not a plan that can be applied to very low income persons. Perhaps 20 percent of the population simply do not earn enough to be able to afford the 6 percent deduction in income which is envisioned even though it would be nice for them to have the advantage of the 10th year. The second is that the plan need not necessarily require that the entire year be taken at one time. It should be required, in my judgment, that the sabbatical be no less than 6 months, because the fundamental objective here is to create opportunities for employment of other individuals. It is my expectation that in a period of any less than 6 months, most private and public organizations would probably not replace the employee. It is my estimate that even with a full 1 year that there is going to be some fallout in terms of replacement of vacant jobs with new individuals. For purposes of today's presentation, I have estimated that no more than 75 percent of the individuals who are on the decennial-sabbatical will be replaced. In addition, there are other individuals, who for a variety of reasons, will not be reached by this system. I have allowed a 10 percent fallout for these persons.

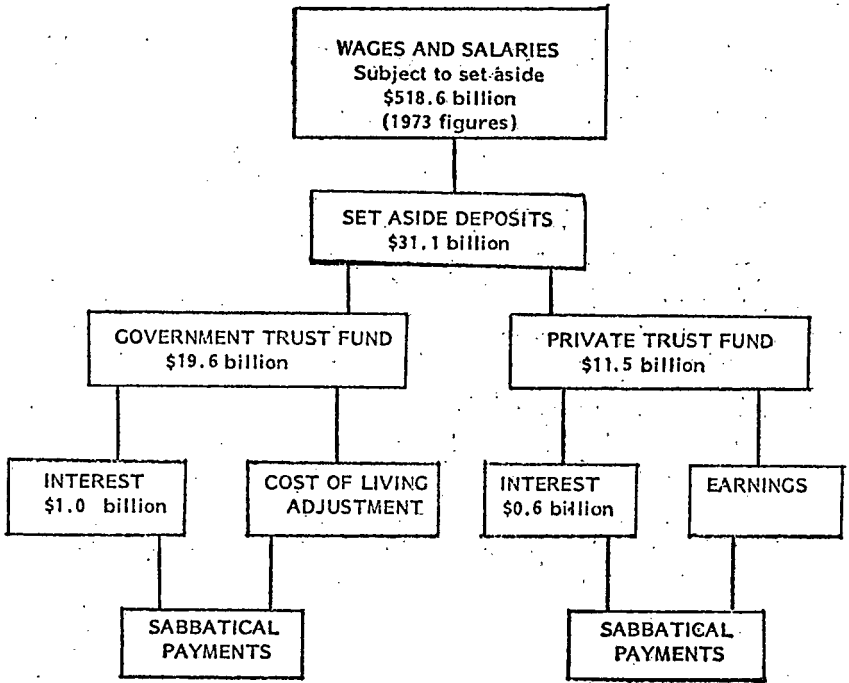
The net effect of this is that about 70 percent of all persons receiving wages and salaries in the United States would probably be included in a decennial-sabbatical plan. I estimate that the annual earnings of this group, based on 1973 figures, would be about \$460 billion a year. If the set-aside were set at 6 percent and deposited into the fund as shown on the chart, it would be approximately \$31 billion a year. This raises another interesting advantage to the decennial-sabbatical plan in that it creates a large capital resource which would be available to the Government or private investment firms to meet capital needs. In the case of the Federal Government, the effect of this might well be to diminish the need to compete in the market for capital funds. If we look at the charts, we see that the accumulation of funds in the decennial-sabbatical program will reach a level of some \$175 billion after 10 years.

That which I have suggested to you today is far from a perfected plan. There are many potential consequences and effects of this plan which I may not have anticipated. It may not be the best kind of plan, but I would suggest very strongly to the committee that the time has come when some serious effort must be made to address the question of job sharing. We must find a way of dividing available employment more equitably and broadly among all those who desire to participate in the labor force. I suggest that this plan is not a substitute in any way for job creation efforts. It should not in any way abate the enthusiasm of this committee or those who support the goal of full employment. But I also suggest that it would be unfortunate if we did not use the time we have now to do some research and to do some experimentation.

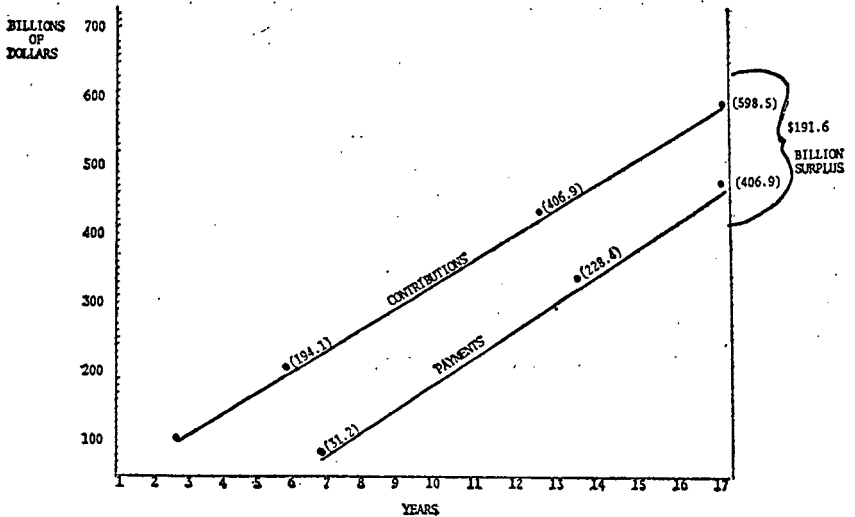
[The material referred to follows:]

DECENNIAL-SABBATICAL PLAN

FLOW OF FUNDS



DECENNIAL-SABBATICAL PLAN
ESTIMATED FLOW OF FUNDS (17 YEARS)
(EXCLUSIVE OF INTEREST)



DECENNIAL-SABBATICAL PLAN

PATTERN OF LIFE EARNINGS

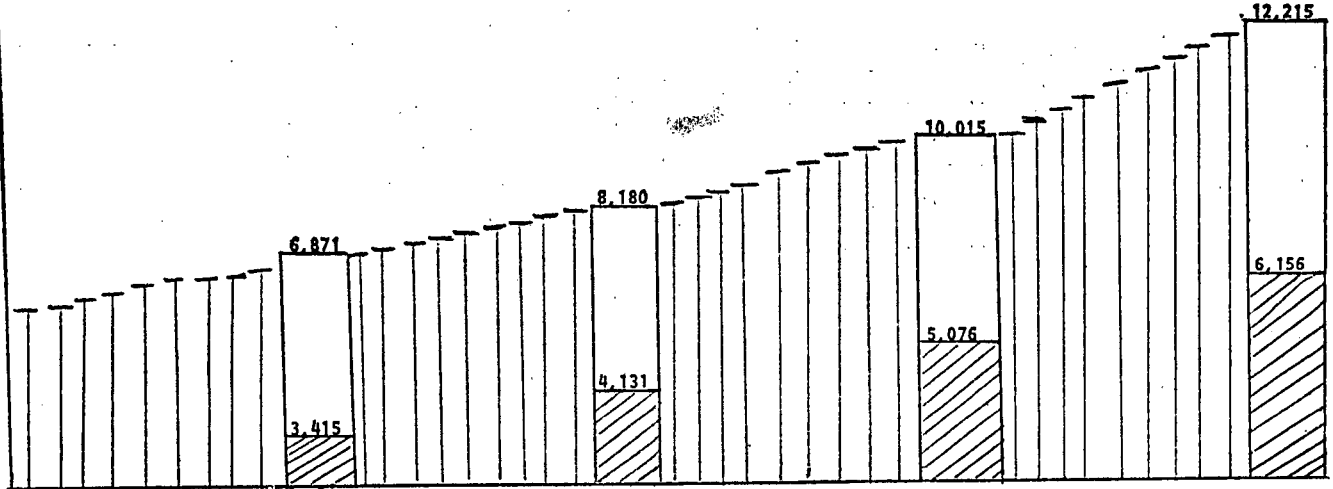
ANNUAL EARNINGS

\$12,000

9,000

6,000

3,000



Years 0 - 9

Years 10-19

Years 20-29

Years 30-39

40



INTEREST



CONTRIBUTION

DECENNIAL-SABBATICAL PLAN

	1973 1980 1985 1990																
Years	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Labor force (in millions).....																	
(-) 20 percent low income.....																	
(-) 10 percent nonreachable.....																	
Net contributing members.....																	
	63.7	71.2	75.4	78.6													
Contributing members.....	63.7	64.7	65.8	66.8	67.9	68.9	69.9	71.1	72.3	73.1	73.9	74.9	75.8	76.6	77.3	78.0	78.6
Percent increase.....		1.6	1.6	1.6	1.6	1.5	1.5	1.7	1.2	1.1	1.1	1.3	1.3	1.1	1.0	0.9	0.8
Contributions (in billions).....	31.1	31.6	32.1	32.6	33.1	33.6	34.1	34.7	35.1	35.5	35.9	36.9	37.7	38.1	38.5	38.8	39.7
Payouts (exclusive of interest).....						31.2	31.7	32.2	32.7	33.2	33.7	34.2	34.7	35.2	35.7	36.2	36.9
Net cash position.....	31.1	62.7	94.8	127.4	160.5	162.9	165.3	167.8	170.0	173.3	175.5	178.2	181.2	184.1	185.9	189.5	191.1
Interest income (5 percent).....	1.6	3.2	4.9	6.6	8.4	8.5	8.7	8.8	8.9	9.1	9.2	9.4	9.5	9.7	9.8	10.0	10.0
Fund total.....	32.7	65.9	99.7	134.0	168.9	171.4	174.0	176.6	178.9	182.4	184.7	187.6	190.7	193.8	196.7	199.5	202.6
New-entry members.....	63.7	1.0	1.1	1.0	1.1	1.0	1.0	1.2	1.2	1.2	1.2	1.0	1.0	1.0	1.0	1.0	1.0
Carryover.....		63.7	64.7	65.8	66.8	67.9	68.9	69.9	71.1	72.3	73.1	73.9	74.9	75.8	76.6	77.3	78.0
Total (in millions).....		64.7	65.8	66.8	67.9	68.9	69.9	71.1	72.3	73.1	73.9	74.9	75.8	76.6	77.3	78.0	78.6
On sabbatical.....						6.4	6.5	6.6	6.7	6.8	6.9	7.0	7.1	7.2	7.3	7.4	7.5
Replacement personnel (75 percent).....						4.8	4.9	5.0	5.0	5.1	5.2	5.2	5.3	5.4	5.5	5.6	5.6
Fund payouts (\$4,880 per person) (in billions exclusive of interest).....						31.2	31.7	32.2	32.7	33.2	33.7	34.2	34.7	35.2	35.7	36.2	36.7

Chairman HUMPHREY. Very good. This is exactly the sort of innovative thinking we are looking for. We have come to what we would call a dead end street in this business of listening in hearings. For months and months, I have been listening pretty much to the same kind of talk. That is why we have started to get out of Washington, and that's a fact. Even though we bring good witnesses into Washington, outstanding economists, I find that many times our economists feel that the discipline which of course they have in their profession dictates the use of only monetary and fiscal policies. Then we get the manpower people over, and they deal just in microeconomics. The real problem is to get cross-fertilization where you come up with new alternatives—economic and social hybrids—that may bring you new production.

You do this even in agriculture; you never rely on just one seed—we cross them after awhile and we get a greater production.

Mr. SUGARMAN. I think that was part of the much criticized social programs we've seen started. Cross-fertilization can be very successful in many ways and bring a lot of new things into play.

Head Start, there never would have been any Head Start had it not have been for the psychologists, and the nutritionists and the educators.

Chairman HUMPHREY. Of course we had a whole batch of people telling us it was all a great big failure. I just wanted to say here what I have said before. I think the problem with the war on poverty was the Commander in Chief surrendering; he not only surrendered, he stopped the flow of ammunition and put up the white flag; he put the enemies in charge of the battalions and the divisions. This would be like putting a marshall of the Soviet Union in charge of the Defense Department while we had unilateral disarmament and then shut down our factories that were supposed to supply ammunition. The President of the United States stands up and says, here is the white flag, and somebody says, I wonder why we haven't got security. It's incredible.

Mr. SUGARMAN. We have Head Start, we have our neighborhood legal services.

Chairman HUMPHREY. We had to dig in and fight back.

Mr. SUGARMAN. That's right. We have a long way to go but despite all of that, because our problem is so massive, it does seem to me that innovative, different kinds of approaches to draw on our total resources will have to be found.

In New York while I was welfare commissioner, I succeeded in convincing the legislature to let us use welfare money to create jobs. We put some 12,000 on relief welfare assistance into part-time jobs at not much more money than they would have received on welfare. But it's all wiped out now; the financial crisis in the city of New York hurt. But basically it's wiped out because people aren't really committed to jobs for the other person. They are committed to their job and their friends, not the other person. This committee has to give some leadership to the needs of that other person.

Chairman HUMPHREY. This is why it is more difficult to deal with the problem of unemployment than it is inflation. Inflation affects everybody. Unemployment seems to be a much more categorized, de-

partmentalized problem that doesn't seem to affect you except it is almost like death. If you don't watch out, it will get you.

Thank you very much.

Chairman HUMPHREY. Mr. Herb Green of United Auto Workers is next.

STATEMENT OF HERB GREEN, MEMBER, LOCAL NO. 10, UNITED AUTO WORKERS

Mr. GREEN. I am with the international union, from local 10 in Georgia.

Chairman HUMPHREY. We are glad to have you as a representative of that fine organization, the UAW.

Mr. GREEN. Thank you, Senator; and it is good to have you in Atlanta. I say to you I think you have got more knowledge about what's happening in this country than any other man that I know. I have said that to others and I feel I should say it to you.

Chairman HUMPHREY. I am just trying to find out more.

Mr. GREEN. First let me say that I am here to represent approximately 2,700 to 3,000 UAW members that have been laid off in this area. I am not only here concerned about these people, I am concerned about the unemployed as a whole.

We believe that the majority of people want jobs, not unemployment aid or welfare.

Now we hear a lot about people willing to accept unemployment; they are riding on the unemployment rolls and satisfied. I just don't believe that's true for most people. Let me give you some figures. I didn't know for sure I was going to testify here today so I don't have a prepared statement.

Chairman HUMPHREY. That is all right.

Mr. GREEN. The number of persons drawing unemployment in this State as of last week was 65,668; extended benefits, 20,930. Federal supplement benefits, 27,040. Special unemployment assistance, 5,308; giving a total of 118,964.

Now the average weekly benefit being paid is \$60.29. The maximum in this State is \$90.00, it just went to that in July. The number receiving maximum benefits is 8,918; out of 118,000, only 8,000, a little over 8,000 are receiving the maximum. We have 225 receiving \$12.00 which is the minimum, so when talking about people willing to ride unemployment who are available to get a job, I can't see it. The benefits are just too low.

Now in the unemployment trust fund in this State, we have \$284,432, 688. The average employee pays .96 percent, point 96. It is a little disturbing when you hear people talk about tightening up; about making the restrictions harder for people who really need the money the worst.

Chairman HUMPHREY. You know the people who talk about that, don't you? It's the people that can afford it.

Mr. GREEN. That's right.

Chairman HUMPHREY. Folks up my way are always talking about people getting too much vacation and they call me from the Caribbean and say, "I am on my yacht, Hubert, and those folks are getting a week's

vacation in a small rowboat up north there, and that's too much." I believe that everybody in my State is entitled to at least 2 weeks in a rowboat on those beautiful Minnesota lakes.

Mr. GREEN. Let me point out to you the reason I feel and we in the UAW feel that we must have, Federal unemployment standards. Here in Doraville, Ga., for example, where the plant is today, if I get laid off the same day a UAW man does in Pennsylvania, he would get \$130 maximum, I would get \$90. We don't feel that this is right. We feel that there must be some regulations governing the amount of money people get for unemployment.

Now, when you go to buy a General Motors car, it is a law that they must have a window price. This window price in Georgia is the same as it is in Pennsylvania. Now why should we here get \$40.00 less a week than our brothers or sisters in Pennsylvania?

Chairman HUMPHREY. Working for the same company.

Mr. GREEN. Same company.

Chairman HUMPHREY. Producing the same item.

Mr. GREEN. The same automobile, working on the same job. It don't make sense. So, I would urge you and I think you can have a bearing on us having standardized workmen's unemployment compensation.

Now, our legislature will be meeting very shortly, the first week in January and there are going to be several amendments proposed to the Unemployment Act. Most of these amendments are to restrict the employees, not to expand his benefits; to make it harder for a person to get unemployment when the need is the greatest.

I would hope that someone in Congress, including my own representative, would recognize the fact that people mean more than balancing the budget and until that fact is recognized, we are never going to come out of this recession, or depression, that we are in.

I appreciate you coming here and giving us the opportunity to voice our feelings. As I said before, it is only going to be through the efforts of people like you and people who are concerned about people to get this country through it; I thank you.

Chairman HUMPHREY. I thank you very much, Mr. Green. Please convey my greetings to your fellow workers.

Ms. Selina Burch, Communications Workers of America.

STATEMENT OF SELINA BURCH, AREA DIRECTOR, DISTRICT NO. 3, COMMUNICATIONS WORKERS OF AMERICA

Chairman HUMPHREY. We are very pleased to see you. I have always considered it a rare honor to be an honorary member of your great organization.

Ms. BURCH. And it is nice to have one of my fellow members here. I know it has been a long day since we had breakfast this morning at 7:30, I will try to be brief.

My name is Selina Burch. I am area director for the Communications Workers of America, district 3. District 3 covers the States of Florida, Georgia, North and South Carolina. We represent 79,000 working people in collective bargaining in this district. Of these, 68,000 members work for the Bell System or subsidiaries of it.

First, I would like to commend you and the committee for holding these hearings and choosing the greatest city in America as one of the hearing sites.

Mr. Chairman, my emphasis today will be in the area of unemployment. When we speak of unemployment, we are not citing cold statistics, we are speaking of a human problem. It has been said that when my neighbor is unemployed, we are in recession but when I am unemployed, there is a depression.

In district 3, we have over 7,000 community-minded human beings that have been laid off. This is a cancer of our industrialized society and getting it cured is as difficult as obtaining a prescription for a cure of cancer of the flesh.

Over a period of years, experts have spoken with two pet phrases: overproduction and underconsumption. When these two forces meet head on and keep butting each other for any length of time, the pulse of the economy begins to weaken.

Today, we seem to have only one cure for depression and it has been war in this country. In this process, nations spend millions of dollars to kill millions of human beings in order to put a nation back in the black. When this insanity has burned itself out and a new surge of new products takes over and once more billions are spent by human survivors on trivia and necessities that they have been denied themselves, but they have been denied them by an economy who has concentrated on the production of war.

Why our cure demands destruction instead of production still remains a mystery. The Communications Workers of America supported a tax cut of at least \$30 billion in 1975. We also feel that Congress must take steps to close the gap and loopholes that have opened in the past in favor of companies at the expense of the average worker.

Last year, 10 of the Nation's largest corporations earned more than a million dollars in profits but not paying 1 penny into this government. We feel that it is inequitable for a worker with a spouse and two children to have to pay taxes, more taxes on his or his salary than—and by their sweat, than great corporations pay.

Unlike the average worker who does not shirk his responsibility in this country, many great companies pay their share of taxes by screening them through a sieve of special loopholes created by Congress every April 15.

In this country when the rich are put on welfare, we have a nice name for it, we call it subsidies but when some poor worker or some poor person is put on welfare, we then scream about the welfare rolls.

Let us look closer at the cancerous disease of unemployment that can transform a person into a shell of their former self. Think for a moment of a telephone operator in Cartersville, Ga., in her middle forties, Virginia White was employed about 18 months ago because of the Civil Rights Act and the company not being able to discriminate against her anymore because of age. She has been left by her husband with one stepdaughter, one daughter of her own, plus two children conceived in this marriage. This woman today is unemployed and has no money to buy bread for her children.

Yesterday, the union called her and told her that there was a job for a telephone operator in Corpus Christi, Tex. Because of this woman's desperate plight, she is willing to leave her children in Carters-

ville, Ga., and go to work as an operator in Texas. No cold government statistics can compare to the broken dreams and bitter disappointments that remain with Virginia White and her family.

Consider for a moment a young man in Jacksonville, Fla., who is a victim of Vietnam. He is an installer-repairman. He became addicted to drugs while in Vietnam. He returned able to work for the telephone company. He was laid off. While he was employed, he could enjoy the programs that the company and union agreed on. Once he became unemployed, he could no longer enjoy this program. Is he to be left at the hands of the long unemployment lines? The Communications Workers of America say no.

Mr. Chairman, in our opinion, we must look at the population data of the 1930 census which listed the Nation's population at 123 million compared to 1975 which is about 212 million, an increase of 89 million over the past 45 years, or an average of about 2 million per year.

The citizens of 1975 are better educated than their fathers or grandfathers. They are far more cynical, militant and unified in agony. They have a lot less faith in what we refer to as "the system". They won't be pushed around, nor will they sit long in apathy and wait for the miracle of what we now call recovery.

Given the current state or our economy, it now appears that next year we will celebrate our 200th Anniversary and at that time, millions of our citizens will be standing in the unemployment line. It is shocking that at this point in our Nation's history such a tragic waste of human resources continues to occur. It is up to Congress at this juncture in the life of the United States to supply public service jobs, tax equity, energy independence and social justice.

CWA believes that Congress is not chained to the old myths of yesterday's economic thinking, but today is capable of breaking new ground. Thank you very much, Mr. Chairman.

Chairman HUMPHREY. I thank you very much, Ms. Burch. We are very grateful to you.

Ms. Barbara Payne, Georgia State University. Ms. Payne, we welcome you, it is a late hour and we are sorry to keep you waiting so long.

STATEMENT OF BARBARA PAYNE, ASSOCIATE PROFESSOR OF SOCIOLOGY, GEORGIA STATE UNIVERSITY

Ms. PAYNE. That is all right Senator. I will be brief and am going to enter an area that I think has been omitted throughout this entire day and I haven't missed much of it.

I'm Associate Professor of Sociology and Director of Graduate Studies at Georgia State here in Atlanta.

I would like to speak in behalf of the older Americans who are not receiving their fair share of available assistance under the Federal manpower training program and public service employment program.

Their unemployment is obscured by official statistics that exclude them from the employable by categorizing them all as retired. Despite this, some 2.9 million of persons over 65, about 14 percent of the older people in the country are either seeking or are in positions of employment in 1974.

Since 1940, the number of persons over 65 in the work force have declined dramatically and more so for men than for women.

In 1940, 42 percent of the men over 65 worked. In 1974, 22 percent continued to work. Slightly more women over 65 worked in 1970 than in 1940, a reversal. Their employment is up from 10 percent to 12 percent. Only half as much as the men employed over 65.

This is significant because most women, half of them over 65, are widows. The increases in numbers of older persons in our population has increased seven fold since 1900. Since 1940, due to research in aging and affluence in our society for health, and for education, the social mobility of our older people has increased, consequently, we now have a significant population between the ages of 65 and 75 who are termed "young-old." These persons are no longer welcome to the segregated social stereotype as physically decrepit, psychologically senile and socially useless.

We must not at this point forget those persons in middle life, 55 to 65, who lose their jobs. For them this is a very serious experience, more so than at 20, because they are 10 years from retirement, the securing of another job that will help them continue in their plans are interrupted. This means that many people begin the downward decline into poverty before they reach 65 when more Americans become poor for the first time in their lives.

In a recent conference held at Georgia State, the issue of preretirement counselling was brought up. Some preretired persons and retired persons raised significant objections to being excluded from a right to work. They, along with Mr. Irving Palmour from Duke University, went so far as to describe their exclusion as immoral.

Aside from the desire of older people in our society to continue in some kind of meaningful and economically rewarding work, the economic consequences of appropriate employment opportunities has not been considered. It is possible that some 68 million older people could continue to work at significant social service jobs and utilize their skills and delay drawing Social Security until age 72.

This could have a very favorable economic impact on our society. No other society so underutilizes resources of the older population that does ours.

I might summarize my statement with a little sociological poetic license.

In savage tribes where skulls are thick and primal passions rage, they have a system sure and quick to cure the blot of age: When a native's youth has fled and years have sapped his vim, they simply knock him in the head and put an end to him. We, in this enlightened age are built of nobler stuff, so as to look with righteous rage on these so taut and rough. For when a man grows old and weak and short of breath, we simply take his job away and let him starve to death.

Chairman HUMPHREY. That poetic license was well stated. We thank you very much. Thank you, Ms. Payne. We appreciate this particular emphasis being brought to our hearings.

Mrs. Dorothy Bolden. Mrs. Bolden is president, National Domestic Household Workers. We are very pleased to have you here.

**STATEMENT OF DOROTHY BOLDEN, PRESIDENT, NATIONAL
DOMESTIC HOUSEHOLD WORKERS**

Mrs. BOLDEN. Thank you, Senator Humphrey. I want to say it is an honor indeed to appear before you. I have admired you for many years for the courage that you have in Congress to stand up and speak for those who do not have. I do want to make this presentation to you today because some of the top ranking people, some of the elected officials, when they come here don't have any of the poor people here to tell you how they are suffering from the unemployment.

I operate an employment service for household workers. I myself have been a maid for 41 years and I don't know if you have a maid—

Chairman HUMPHREY. I have a lady that comes in 1 day a week, she is a dear friend.

Mrs. BOLDEN. She is your children, she is everything that you need. She has built society. If you look back many, many years, if it wasn't for a maid, I don't think anybody could have survived. We have been the psychiatrist; we have been the doctor; we have been the nurse; we have been the cook; we have been a little of everything.

She takes care of your children, she loves them. She has to give up a great deal. She has to switch her whole entire attitude day by day when she is doing daywork because each family is not on the same level and she has to adjust to each one; it takes a great woman to do that. It takes a woman with understanding and most of all love for the job she is doing. It disturbed me when the CETA program was activated here and they told us that we weren't included in this program. And you know, I think sometimes the Congress never has the opportunity to hear the truth when it comes down to talking about the poor. These women have been underpaid and I know you know it, for many, many years. I started back in early 1930 making 50 cents a week. It hasn't been easy. I raised nine children and it hasn't been easy, but I still have time to give counseling to my maids when they come to me. They want to know what it is all about, and I say that we have got to stand up for what the rest have done.

These are not the peoples you hear from. You didn't hear from these peoples today, and I am sorry. It really aches my heart to see so many top professional people come in and talk about the poor when they haven't lived the life the poor have lived. You have got to think about this. You need to hear from these people so they can tell you what they go through when they go to apply for unemployment compensation. When they apply for these benefits, others get \$90, get \$70, some are getting \$45, yet maids can't even get anything when they are laid off their jobs. This is hard and it's unfair.

Now you have welfare being cut off the first of this month; my office is full, it was full this morning. It never did go this way; 21 or 22 have to go out and look for jobs which aren't there; it is the same as putting them back into slavery when it comes time for them in this situation to have to be out of work. This is bad, very bad. The women I had this morning in my office, about 30 women, have been cut off welfare. Some

of them have five or six children; some of them—I have got the records to show you and when I come to Washington next week, I am going to bring this to you—have 10 children and are only making \$12 per day. How can you survive? They are not asking for welfare. These are the kind of women you should hear from.

Chairman HUMPHREY. We had a couple here.

Mrs. BOLDEN. You had one or two but not enough, and I think that the type of man that you are, the type of Senator you are, and the knowledge and the wisdom that you have and most of all, your understanding. I think you should have heard some more.

I want to leave this one paper, this tells some things. I go to meetings at night, poor people talking about how they are trying to do things for themselves. We should have had some of those people here today.

I don't want to prolong your time because I know you have had a busy day here. I met you this morning at 7 o'clock, and had breakfast at 7:30 with you.

We have over 30,000 here and that is a good number, but I will see you in Washington in your office, because I am bringing some more to let you hear from us.

Thank you so much.

Chairman HUMPHREY. Thank you very much, you are right. You did a good job.

Do we have Mr. Angel Ortiz? Mr. Ortiz, thank you.

STATEMENT OF ANGEL ORTIZ, LATIN AMERICAN ASSOCIATION

Mr. ORTIZ. I'd like to welcome you to Atlanta—

Chairman HUMPHREY. We thank you, sir.

Mr. ORTIZ. [continuing]. In behalf of the Latin American Association and I hope all of the citizens of Atlanta, too.

Three years ago, the Latin American Association was formed to help the Spanish-speaking community get jobs and solve special problems. Since 1972, we have placed over 1,000 people in work. This is a nonprofit, all-volunteer agency, nobody gets paid. This year we have run into problems because, as you know, the unemployment rolls are way up.

Chairman HUMPHREY. Yes.

Mr. ORTIZ. There are many people coming to us requesting assistance, not only Latin and Spanish-speaking people but also other folks who are not working. We have—the Spanish-speaking community—one major problem in the United States. That is being Spanish. When many come over here, they do not speak English, even though they are educated persons. For instance, the average education level of a Latin in the Atlanta area right now is the 12th grade.

Chairman HUMPHREY. That's remarkable.

Mr. ORTIZ. Many of them are underemployed. We have three doctors, two working in a restaurant and one working in a factory. The reason is that they cannot pass language barriers. They've got to go back to school in English; they've got to fill so many requirements plus they have to take the test in English.

Our question is, why is it that the United States cannot help people that are going to help their own community. A doctor in the Atlanta

area will nurse between 25,000 and 35,000 Latin Americans. He would be of great benefit to the community and to the State itself if allowed to take the medical exam either in Spanish or make it easier for him to take it in English.

Doctors who have had, 6, 10, 15 years experience in their country cannot come over here and practice. Many of them go ahead and go on down to Florida or up to New York where they can take the test in Spanish but then they leave the Latin American community in the South, in Georgia, in Alabama not taken care of, because a doctor is going to go where he can work best. We urge you to help us get the State of Georgia to allow doctors, nurses, lawyers coming from another country to come here and be allowed to take the test. We feel this is necessary to the community and it's a necessity to the State of Georgia.

Many of the Latin-speaking people in Georgia right now do not want to live on the government. They will go to great extremes before they go on welfare or apply for unemployment benefits for the simple reason they feel that if they can not fulfill their position in the community, they do not want to have the community supply them with their needs.

For that reason, the Latin American Association is attempting to contact local governments to allow us to work out these problems of education we're having. There are other social problems, too, that the Latin American community cannot and will not be able to solve without the aid of the government.

Thank you, sir.

Chairman HUMPHREY. Well, those State constraints are something you ought to take up with your State legislators here. I suppose your Georgia Medical Association may have an interest in this, too.

Mr. ORTIZ. We have talked to them and they say this is a patriotic type thing.

Chairman HUMPHREY. Well, anyway, some of your legislators I'm sure can be of help to you. I hope they will take note of what you've had to say. We can bring your testimony to the attention of the appropriate officials here and we'll be glad to do that.

Mr. ORTIZ. Thanks.

Chairman HUMPHREY. It surely is a very important matter for your people here. Quite frankly, there are several States—I believe in Florida and New York where they have bilingual examinations.

Mr. ORTIZ. Right, but they're leaving Georgia for those areas and not coming back.

Chairman HUMPHREY. Thank you very much.

Mr. ORTIZ. Thank you, sir.

Chairman HUMPHREY. I believe we have one other witness here with us. Mr. Leon Hollinshed.

STATEMENT OF LEON HOLLINSHED, GEORGIA DEPARTMENT OF HUMAN RESOURCES, OFFICE OF AGING

Mr. HOLLINSHED. Thank you. My name is Leon Hollinshed and I am with the Georgia State Office of the Aged.

I'm sorry that Ms. Payne left. I really appreciated her comments. This is one area where we have been overlooked. I really didn't come

prepared to make a speech. I'll be very brief. I came only to express concern on behalf of our own elderly citizens in the State of Georgia.

There are 602,500 elderly citizens who are 60 years of age and over in the State of Georgia. Those who are 65 and over make up 3.2 percent of the total Georgia labor force.

Nearly 35 percent live in inadequate or dilapidated housing. Many of those homes do not have outdoor or indoor baths. Twenty-five percent—most of them are female—live alone on social security and supplemental security income benefits.

You might ask the question: What are we doing to help resolve these problems? I can only respond like the elderly lady told her male companion when he proposed marriage, she said, "Romance is a nuisance without finance."

We are doing what we can with the amount of money we have in the State from title III and title VIII of the Elderly Americans Act of 1965, as amended. We received \$1.5 million in title III funds for administration, transportation and other similar-type services of this nature. Of this amount, area agencies for the aged have been established in 7 of the 18 areas of the States to assist elderly citizens. Three other areas have received smaller amounts of funds; too often this is not enough to give them financial assistance such as money for bus fare to seek employment, where they are usually told that no jobs are available. Title VI, another title of the Elderly Americans Act, is basically a meals program where elderly persons get hot, nutritious meals and enjoy companionship with their counterparts on a daily basis. Due to a limited amount of funds, this service is only available in 12 of the 18 areas of the State. Too frequently, elderly people are being neglected due to "shortage of funds."

The vast majority of elderly people live on limited or fixed incomes. Almost 40 percent of them have incomes below the poverty scale, and this means a person making \$1,852 a year; 40 percent of them don't make more than this. Those elderly people who are employed tend to be concentrated in low-earning jobs. Interestingly the unemployment rate for those individuals who are 45 and over is a lot lower than for other age groups. Basically this is because they have dropped out of the labor market entirely because they have become disillusioned as a result of not being able to find employment.

Senator Humphrey and committee, although I have already mentioned several areas of concern, I come before you today with two major ones.

No. 1, funds must be made available through some Federal source designated specifically to employ elderly people. Title IX is not enough. No. 2, sufficient funds must be made available for legal counsel to add in discrimination cases on the basis of age. I can go on and on, but in respect to the time constraints, let me just thank you for the opportunity to express our concerns. We trust that as your committee begins to effectively deal with the unemployment situation in this Nation, that you will make the needs of the elderly citizens an integral part of that package.

[The prepared statement of Mr. Hollinshed follows:]

PREPARED STATEMENT OF LEON HOLLINSHED

Senator Humphrey, other distinguished members of the Joint Economic Committee on Employment, visitors and friends—

I will be very brief as I did not come to make a speech, I am here only to vocalize concern on behalf of our elderly citizens in this State. Aging crosses all racial lines and all cultural barriers. There is a total of 602,500 elderly citizens in Georgia who are 60 years of age and older. These individuals comprise 12.3% of the State's total population. Those who are 65 and over make up 3.2% of the total Georgia labor force. Nearly 35% of the 60 plus population live in inadequate or dilapidated housing, some of which do not have in-door nor out-door toilets. Twenty-five percent of this same age group, most of whom are female, live alone—basically on Social Security and Supplemental Security Income (SIS) benefits. You might ask the question, what are we doing to help resolve these concerns, but I can only respond like the elderly lady told her male companion when he proposed to her for marriage—and that is "Romance is a nuisance without finance." We are doing what we can with what we have, but we do need more money.

The Office of Aging of the Department of Human Resources is funded from Title III and Title VII of the Older Americans Act of 1965, as Amended.

We receive \$1,572,000 in Title III funds for administration, transportation, chore services and other similar services for the entire State. Of this amount Area Agencies on Aging have been established in seven of the 18 Area Planning and Development areas of the State to assist elderly citizens. Three other areas receive small assistance. Too often this is not enough to give them financial assistance, i.e., money for bus fare to seek employment where they are usually told—we have no vacancies. Title VII is a Nutrition program for the elderly whereby elderly persons can get nutritious meals and a full range of supportive services for those in need of them. Due to a limited amount of funds this service is only available in 12 of the 18 areas of the State.

Too frequently elderly people have been neglected due to the shortage of funds. The vast majority of elderly people live on limited or fixed incomes. Almost 40% of them have incomes below the poverty scale which is \$1,852 or less per year for an elderly single person, and \$2,328 or less per year for an elderly couple.

Those elderly people who are employed tend to be concentrated in low-earning jobs. Although the unemployment range for individuals 45 and over is basically low, it is somewhat misleading, as many of them have become disillusioned and stopped looking for jobs. This subsequently, drops them from the labor force statistics.

Senator Humphrey and committee, although I have already mentioned several concerns, I come before you today with only two major ones:

- (1) That funds be made available through some federal source precisely designated to employ elderly people, Title IX is not enough.
- (2) That sufficient funds be made available for legal counsel to aid in prohibiting discrimination on the basis of age.

I can go on and on but due to time constraints I want to thank you for the opportunity to express our concerns, and we trust that as your committee begins to effectively deal with the unemployment situation in this nation, that you will make the needs of elderly citizens an integral part of that package.

Chairman HUMPHREY. We will make your testimony available to the Committee on Aging in the Senate so that we'll have that as a matter of record for that committee as well because those are very practical suggestions. You're right out here in the field where you can give us actual testimony about what's happening. We'll see that that gets to the proper place. It's a very good committee in the Congress, and I think you'll get some action.

Mr. HOLLINSHED. Thank you, sir.

Chairman HUMPHREY. I believe we have completed our list of witnesses. Unless someone else would like to speak, we will adjourn this session.

I'd like to express for the record our thanks to the city of Atlanta, the mayor, the Governor, local officials, and to the Federal officials who have been so cooperative with us, and especially to all of the witnesses. They will all get a little letter of thanks from us. We will keep the record open for any additional material that may be submitted.

[Whereupon, at 5:45 p.m., the committee adjourned, subject to the call of the Chair.]

[The following statement was subsequently supplied for the record:]

STATEMENT OF WILLIAM W. ALLISON, EXECUTIVE ADMINISTRATOR, ECONOMIC OPPORTUNITY ATLANTA, INC.

One of the nation's most crucial problems facing Americans today is that of unemployment. The number of employable persons out of work has taken a phenomenal climb over the past few years and currently threatens the livelihood of millions of men, women, and families. Today's critical unemployment situation has many far-reaching implications to this nation's overall citizenry, and impacts severely on the economic survival of the poor. In view of extensive federal and state cutbacks in such areas as health/medical and welfare assistance, low-income residents across the nation are desperately finding ways to cope with the mere necessities of life such as food and shelter, not to mention other obligations that plague middle-class America.

Given the already high level of unemployment throughout the nation, and specifically with regards to Georgia, the situation promises to become even more critical as thousands of young graduates enter the labor market in upcoming months. The majority of these graduates will be unsuccessful in finding employment, and will join the ranks of those who have become disillusioned, depressed, desperate and willing to try other means of earning a living. Conditions of unemployment are generally experienced more frequently and more intensely by residents in poor and inner-city neighborhoods. In Atlanta alone, some sources indicate that unemployment in the inner city is as high as 30%. However, the victims of unemployment are not limited to the inner city. Its effects can be felt across socio-economic lines, because when the poor suffer—we all suffer.

Such effects can be seen in the increasing incidence of crime, overcrowded and inadequate housing, malnutrition, family desertion by male heads of households, community deterioration, and even alcohol and other drug abuse. In Atlanta, for example, recent statistics released by the Police Department seem to suggest a high correlation between the increasing unemployment rate over the past year, and an increase in such crimes as robbery, assault, and child abuse—the last of which has increased by 100%. The implication here is that given the already burdensome pressures of poverty, to be out of work without any foreseeable means of financial resources decreases an individual's tolerance level. Consequently they resort to such types of criminal behavior. Being unemployed does not lessen the need for such things as food, housing, clothing, medical care and other necessities. It does, however, put certain restraints on an individual's productivity and limits his viable means of resources. As a result, many of the unemployed seek alternate means of survival, which often times may be destructive for the individual as well as the community.

For the good of our country, for the good of all Americans, and for the good and betterment of the economically deprived, we must afford that which the Constitution guarantees—the right of every citizen to make a decent living and be a productive member of this democratic society.