

# JOBS AND PRICES IN FALL RIVER, MASS.

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HEARING  
BEFORE THE  
JOINT ECONOMIC COMMITTEE  
CONGRESS OF THE UNITED STATES  
NINETY-FOURTH CONGRESS  
SECOND SESSION

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# CONTENTS

## WITNESSES AND STATEMENTS

SUNDAY, FEBRUARY 15, 1976

	Page
Humphrey, Hon. Hubert H., chairman of the Joint Economic Committee: Opening statement .....	1
Heckler, Hon. Margaret M., member of the Joint Economic Committee: Opening statement .....	2
Kennedy, Hon. Edward M., member of the Joint Economic Committee: Opening statement .....	4
Driscoll, Hon. Wilfred C., mayor, city of Fall River, Mass .....	6
Friedman, Hon. Benjamin A., mayor, city of Taunton, Mass .....	10
Macomber, Hon. Raymond L., mayor, city of Attleboro, Mass.....	13
Raposa, Anita, president, Local 178, International Ladies' Garment Workers' Union.....	21
Pineault, Ernest, representative, Fall River Building Trades Council .....	23
Ward, Richard J., dean, College of Business and Industry, Southeastern Massachusetts University, North Dartmouth, Mass.....	25
O'Malley, Hugh B., representative, Small Business Service Bureau of Massachusetts, and the Northeast Business Group of New Hampshire and Vermont .....	33
Mittleman, Aaron N., president, Northeast Apparel Manufacturers Association ....	36

## SUBMISSIONS FOR THE RECORD

SUNDAY, FEBRUARY 15, 1976

Heckler, Hon. Margaret M.:	
Prepared statement of Douglas N. Perry, international representative, United Electrical, Radio & Machine Workers of America (UE) .....	43
Ward, Richard J.:	
Prepared statement.....	27

# JOBS AND PRICES IN FALL RIVER, MASS.

SUNDAY, FEBRUARY 15, 1976

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

The committee met, pursuant to notice, at 8 p.m., at Bristol Community College, Fall River, Mass., Hon. Hubert H. Humphrey (chairman of the committee) presiding.

Present: Senators Humphrey and Kennedy; and Representative Heckler.

Also present: Jerry J. Jasinowski, Larry Yuspeh, and John G. Stewart professional staff members; and George D. Krumbhaar, Jr., minority professional staff member.

## OPENING STATEMENT OF CHAIRMAN HUMPHREY

Chairman HUMPHREY. Ladies and gentlemen, this is one of the continuing meetings of the Joint Economic Committee of the Congress. It is bipartisan.

Its purpose and function is to act in the role of the economic consultant and advisor to the committees of Congress and, of course, to the Members of Congress.

This committee is not legislative in function in the sense that we do not process legislation. However, we do work with the legislative committees, including the Budget Committees of the two Houses of Congress, in outlining the overall economic situation as the committee sees it and in making proposals for corrective action.

The committee presents its reports and its proposals and suggestions as a result of hearings and studies to the committees on the budget of the House and the Senate, to the House Ways and Means Committee and the Senate Finance Committee and likewise, to other legislative bodies and other legislative committees.

I think I should tell you that a number of studies are under way of a very professional nature. We try to the best of our ability to employ professional, talented people in the field of economics, urban problems, matters relating to economic growth, balanced national growth, consumer difficulties, consumer problems and so forth. We have a special Subcommittee on Energy that is chaired by Senator Kennedy. We have the Consumer Economics Subcommittee, and an Urban Affairs Subcommittee. We try to cover the spectrum of social and economic problems that face our people and our country.

One of our most active members and one who has been of tremendous help to me as chairman of this committee is the Congresswoman from the 10th Congressional District here in Massachusetts, Margaret Heckler. [Applause.]

Our Congresswoman is a very dedicated and well-informed Member of the House of Representatives. She has traveled with our committee as we have conducted hearings in other parts of the Nation.

Might I add that this hearing, along with the one in Boston tomorrow, is a part of what we call a series of regional hearings. It has always been my feeling that we should take the committees of Congress to the people rather than always asking people to come to the committees of Congress. In this way we get a much broader participation from people who would never have had a chance to give us their counsel, their advise, their suggestions, or even to state their problems.

So we have entered upon this past year a series of meetings. One was in Atlanta, one in Chicago, one in New York City, one in Los Angeles, this one here in Fall River, tomorrow in Boston, and possibly more; and we would seek to find out what people are thinking, what they are suggesting, what errors in judgment they feel that we have made, as well as what correctons they might want to offer.

So I want to express to you on behalf of the entire membership of our committee our thanks for your participation. I have to be frank with you, the turnout this evening is simply marvelous. And Congresswoman Heckler told me it would be this good, but since I served in Congress so long I thought there might be a little touch of exaggeration in her appraisal. [Laughter.] But I should have known that she's a very factual woman and one who would not in any way either deceive her constituents or her friend, Hubert Humphrey. [Applause.]

As you can see, there are two Members on the committee from Massachusetts, and I'm very honored to have as one of our Members from the Senate, Senator Kennedy. [Applause.] This is Senator Kennedy's first year on this committee and I felt particularly honored that he would want to serve because it takes a lot of time. And I want to express to him now on behalf of the committee and the Senate our thanks for his extraordinary leadership in the field of energy, which is so important, as you know, to your part of the country and from where I come also; because we face a very serious energy problem in our part of America, in the upper midwest.

So we are very grateful to him and I consider him one of my close friends and a tremendous force for progress and social good in our country and, of course, in our Congress.

Now, I'm going to ask Congresswoman Heckler to make an opening statement and after that I will turn to Senator Kennedy and then we will go to our witnesses, and we thank them for being here.

#### OPENING STATEMENT OF REPRESENTATIVE HECKLER

Representative HECKLER. Thank you very much, Mr. Chairman. I have to say that on behalf of the 10th Congressional District I am so pleased that you had faith in us because this district has shown you tonight, and will throughout the testimony which will be a valuable addition to our formal record which will be published in Washington, that it does care about essential economic problems.

I particularly thank you because it is obvious to all of us that we are in the middle of a holiday weekend and what my constituents

may not know is that while this committee has traveled to major industrial centers and to large cities in the country, this is the first visit of an official nature to one of the smaller cities. And I think that the presence of the committee, for Senator Kennedy and myself we are home and we are seeing our constituents, nonetheless, for the official presence of the committee in the city of Fall River, this marks a very historic occasion. It is truly bringing Washington to the grass roots.

And in Washington, Senator, I try very hard to bring Main Street from all of the communities in my district. We have 3 mayors from different communities here, and we have representatives from other communities in this audience. My job as I see it is to listen constructively to my district, to my constituents, and to bring Main Street, the point of view of the people on Main Street in all these communities, to Washington.

Tonight, in the middle of a holiday weekend, we have brought Washington to Main Street in Fall River. And I welcome you and I thank you, both personally and in a representative capacity, for your generosity of time for leaving Minnesota this morning and making this special trip to Fall River, Mass.

We feel, of course, that our community and our district, that is Bristol County, southeastern Massachusetts, the 10th Congressional District, warrants this focus. We feel that the impact of economic problems has hit the country severely, but we have felt our distress most keenly. When Washington and the rest of the country gets a cold, Massachusetts gets pneumonia. [Laughter.] And we have been suffering from that and similar economic ailments in this particular region for many, many years.

However, we do not dwell merely upon our problems tonight. We look for answers, we seek solutions. But in order to present to you a balanced picture of this region, let me say there's a lot of dynamism going in Massachusetts and in Fall River. The chamber of commerce is innovative, aggressive, activist. It is not isolated. It works with the labor groups. It works with the leaders of government on the State and local levels as well as with me in Washington. We have a dynamic partnership among all levels of government, and I think it's a very, very successful one.

Massachusetts, of course, includes Fall River; and although we are a small city here, this was one of the 10 cities noted as award winners and named All America Cities among 500 competing candidates. So Fall River has been revitalized as a result of the dynamic partnership which exists.

However, much more remains to be done when the unemployment rate of the country decreases, it unfortunately remains very, very high. Nationally, when unemployment was at 8.3 percent last December, it was 11.6 percent in Fall River. The city of Taunton has a somewhat better picture, but is plagued with serious problems. And Attleboro, doing well, nonetheless, has also serious pockets of unemployment.

What I am pleased about tonight, Mr. Chairman, is that you have exhibited to me your responsibility and your commitment that your word is indeed your bond, and I know that you had attractive competing invitations from the impressive city of Boston and some of the

political leaders there wishing to snare you away from our hearing. [Laughter.] But you would not be beguiled by their lures.

Chairman HUMPHREY. But by you, my dear. [Laughter and applause.]

Representative HECKLER. And we will assure you that your evening was well spent.

Chairman HUMPHREY. Thank you.

Representative HECKLER. And you will hear tonight from some of the bright and articulate individuals in our society, both our leaders in government, as well as our citizens who speak from the eloquence of their experiences. So rather than taking more time, let me just say, Senator, that we welcome you and that we look to you for leadership in the economic sphere in this committee, that Washington has to hear more about the people's problems at the grass-roots level.

And I think it is most important that we proceed with the hearing and that we hear from the people, bearing in mind that this is a unique occasion and that everyone present wishes to express to you our deepest gratitude. [Applause.]

Chairman HUMPHREY. Thank you. This Congresswoman surely reflects in her personality the dynamism of this district all right, and this community. We are very honored, as I told you earlier, to have as a member of our committee and a subcommittee chairman, Senator Ted Kennedy, Edward Kennedy. Senator Kennedy. [Applause.]

#### OPENING STATEMENT OF SENATOR KENNEDY

Senator KENNEDY. Thank you very much. This committee is here this evening to hear from the people of southeastern Massachusetts. We shouldn't really impede on their time. But I couldn't let the opportunity go by without first of all expressing a very warm sense of appreciation to the chairman of the Joint Economic Committee, former Vice President of the United States, and really one of the great deans of the of the U.S. Senate, a person in my own mind who probably has a keener, better awareness and understanding about economic policy than any other Member of the U.S. Senate, Chairman Humphrey. And so we are very appreciative of his being with us here this evening.

And I also want to pay tribute to my colleague in Government, Congresswoman Heckler, because as the chairman has pointed out, it was really through her very active intervention that the hearing was held here this evening. And so I think that all the people in southeastern Massachusetts are in her debt for giving an opportunity for the people to speak.

I just want to say a very brief word, and it is the following: Mr. Chairman, the No. 1 problem that we are facing in southeastern Massachusetts, in the Tauntons and the Attleboros and Fall Rivers and the New Bedfords, are jobs.

How are we going to get jobs for the people who have the skill, who have the willingness, who have the determination and the desire to go out and provide for their families as they have for years?

What is it going to take to impress our national political leadership of the importance of developing the kinds of national economic policies to stimulate jobs in southeastern Massachusetts? That is of prime

importance and you will hear eloquent testimony of this from spokesmen of the trade union movement and from industry and from mayors.

Second, is the problem of how we are going to get a handle on prices. How is the housewife or the husband, whoever does the marketing, who goes to those supermarkets and spends anywhere from \$30, \$40 to \$45 a week to feed their families, how are they going to make that money stretch over the enormous increase in the cost of living for food and for energy and for other essentials?

People in southeastern Massachusetts are making intolerable choices. They are making intolerable choices about whether they are going to be able to feed their families properly, whether they are going to have heat in their homes at a level to provide for their safety and the health of their loved ones in their particular homes, other kinds of critical decisions that any citizen, whether it is in southeastern Massachusetts or in Massachusetts or in any part of our country, shouldn't have to make in the richest and most powerful Nation in the world.

And you are going to hear eloquent statements, I am sure, from mayors who are going to talk about the enormous problems that they are facing in trying to meet human service needs and how, with the continued problems that we are facing in our economy, the enormous kinds of demands that are placed upon them, they are caught in this particular crunch.

So what is really needed, Mr. Chairman, is that we bring the story of Fall River, of Taunton, of Attleboro, of all the other communities that have similar problems and whose voices will not be expressed here this evening, back to the Congress of the United States because this is the No. 1 issue.

You, Mr. Chairman, and I remember other times when we had creative and positive leadership that focused on the economic problems that our country faced and how we were able to bring the restoration to our economy, how we were able to get people back to work, and how we were able to get price stability in our Nation.

And in spite of the fact that you and I and Congresswoman Heckler sat in the well of the Congress of the United States and even listened to our President saying that things are good, we have recovery in our economy, the fact of the matter is, we are facing critical, harsh, difficult choices in southeastern Massachusetts despite this marvelous growth that may, that may, take place in other parts of the country. There is still a harsh and difficult reality here in southeastern Massachusetts.

And that is why we thank you for coming here to bring the focus, the attention, the concern of the critical problems that we are facing here to the U.S. Congress and Senate. And no voice will be clearer or more eloquent on that floor of the U.S. Senate than your own, Mr. Chairman; and that is why all of us appreciate the fact that you are here, to give this opportunity to our witnesses here this evening.

And I want to thank you and Congresswoman Heckler for bringing the Joint Economic Committee here and pledge to you my continuing commitment toward the kinds of national economic policies that can



bring the restoration to our economy to which every citizen in southeastern Massachusetts and every citizen of the Commonwealth is entitled.

I want to say thank you. [Applause.]

Chairman HUMPHREY. Thank you, Senator. Now we get down to the business of this meeting and we are truly looking forward to your counsel and your advice. Might I just say to the 3 mayors that are here at the witness stand that we will be commemorating the 30th anniversary of the Employment Act of 1946 in the month of March; and that anniversary will be directed toward a reevaluation of the Employment Act of 1946 to see whether its charter, its directives are appropriate for the times in which we live now, because things surely have changed.

Your testimony will be a very basic part of the study that we are making. We will start out with Mayor Wilfred Driscoll of Fall River. And if it is agreeable, we will just follow in alphabetical order and that way we won't have problems of protocol.

So, Mr. Mayor, please proceed. [Applause.]

**STATEMENT OF HON. WILFRED C. DRISCOLL, MAYOR, CITY OF FALL RIVER, MASS.**

Mayor DRISCOLL. Thank you very much, Mr. Chairman, Senator Kennedy, of course our own Congresswoman Heckler, and my two colleagues in the mayorship, Mayor Friedman and Mayor Macomber.

I welcome this opportunity to testify before this distinguished committee and to discuss with you the far-reaching and critical unemployment and economic picture that is coming more and more into focus with each passing day.

And, quite frankly, that picture coming into focus scares me.

As the chief executive officer of a city of 100,000-plus persons, I am understandably concerned with the welfare of these people.

If there is any single area that touches the lives of everyone on a daily basis, it is the economy. And the manner in which it touches these lives has a direct and mushrooming effect on the lives of others.

The net effect is that we're all in this ballgame together. Our responsibility is to win the game. And, in order to do so, we've got to develop a game plan that's going to work for all of us.

It is appropriate that this hearing and others being held by your committee are part of the 30th review of the Employment Act of 1946, that ambitious legislative undertaking that envisioned maximum employment.

The 1946 act may not have achieved full realization of that lofty goal, but it did signal the Federal Government's commitment to avoid any reoccurrence of mass depression.

It has been 30 years since that legislation was enacted. It has been 30 years since that act was implemented to pull this Nation from the depths of the greatest economic crisis in its history.

But, where does it stand today?

How does The Employment Act of 1946 stand up in the face of our current woes?

Not very well, I'm afraid.

How well does the principle of maximum employment stand up against the massive unemployment and underemployment confronting

us today? Just about as well as the principle of maximum production has fared in this recession and maximum purchasing power being diluted in the face of ever-escalating inflation.

And, as our picture comes more and more into focus, we see climbing interest rates cutting even more deeply into the purchasing power of those who must purchase and stymieing the investment that is so essential to pull us through.

In light of the seriousness of today's needs, I seriously question the appropriateness of The Employment Act of 1946. I seriously question if we don't need more far-reaching legislation that also commits the Federal Government to overseeing the needs of the Nation's cities.

We're most fortunate, Chairman Humphrey, to have you and Congresswoman Heckler here today to listen to our problems. But, we're far more fortunate to have you and others that hold the interests of the people at heart battling in our behalf in Congress.

We're grateful that you came to Fall River and, believe me, it is very reassuring to us when you can take the time from your very busy and very demanding schedules to come to our city and to feel and study the real situation first hand.

Congresswoman Heckler has a real grasp of the Fall River situation and we are indebted to her efforts over the years in all matters of concern to Fall River.

In living the problems of Fall River on a daily basis and studying Federal positions, I feel that we are faced with the task of getting the economy moving again, just as we were faced with that task in the mid-1940's.

And if I may offer, Mr. Chairman, that the best single answer to our problem is jobs, jobs, jobs.

Fall River suffered the real pains of the depression. Fall River suffered the real pains of bankruptcy and the State-appointed finance board that ruled our city for 10 years.

We overcame those troubled times only to be caught up now in troubled times again.

In Fall River, we have 9,400 more people working today than 4 years ago, and our unemployment rate of 10.8 percent is the lowest of the major cities in the Commonwealth.

This is little solace, however, to the 8,400 residents without a job to report to tomorrow. This number of unemployed also is up when compared with 4 years ago.

Mr. Chairman, as a former mayor you can fully appreciate my saying that the power to provide the necessary jobs for these deserving residents is beyond the control of my office.

Add to this unemployment picture the burdens placed upon us through Federal and State tax structures, high shipping fees, and monumental energy costs that disproportionately climb daily in New England. Each of these burdens seriously limits the private sector growth needed to provide economic gains and needed employment opportunities.

Failing to achieve employment through the private sector, the unemployed turn to the mayor's office for relief. The problem is that the mayor's office doesn't have the power of relief.

President Ford has said that inflation, not unemployment, is the number one problem facing the Nation today and that he is willing to accept a 7.7 percent unemployment figure for the year.

I'm not willing to accept that philosophical approach, nor am I willing to accept 7.7 percent figure for Fall River. Something along the lines of 3.3 percent—and a stable 3.3 percent at that—would be bad enough. But, never 7.7 percent.

I need 10,000 jobs.

And, I need them yesterday.

And, I'm appealing to the only source of those jobs.

I agree with you, Chairman Humphrey, that at a minimum the country needs more public service jobs.

I'm appealing to you, Mr. Chairman, and to you, Congresswoman Heckler, to make these 10,000 jobs available, principally through public service employment.

I'm appealing to you to continue to provide the leadership in your respective branches and to influence the concerns necessary to effect relief for us from Washington.

I'm appealing to you to exert your considerable influences in your review of The Employment Act of 1946 to determine it's applicability today. And, I'm appealing to you for favorable action on the Equal Opportunity and Full Employment Act of 1976 as the means of realistically approaching a serious problem to the cities of this Nation.

The cities are in bad shape, and the situation is worsening.

At a time when we're looking more and more to the Federal Government for relief, the President's budget proposes 12 percent more money for defense and 2 percent less for domestic needs, a course that will cripple further the local economic picture, will force tax increases and cutbacks of needed services, and delay badly needed capital improvements.

The State and local governments represent 16 percent of the gross national product. We are a considerable segment and our problems must be addressed.

Acceptance of high unemployment as something we must live with and as a way of life and the withdrawal of necessary assistance are not my idea of addressing a problem.

President Ford said to me and a group of other mayors in the White House that revenue sharing is in trouble.

It can't be allowed to be in trouble. It's too important to us. We've got to do everything necessary to assure continuance of revenue sharing. And we've got to do everything to assure the continuance of revenue sharing at properly-funded levels to make it meaningful.

Locally, we cannot accept the holding of the line on deficits, continued talk of new legislation that will fall far short of the mark, maintaining high unemployment as a means of combatting inflation and party-line politics to pull us through.

What we need quite simply is jobs. Jobs today. Jobs may not be the answer to all of our problems, but it sure is the most expeditious and effective way of handling the most immediate problem.

The provision of needed jobs must be step No. 1 in a long line of steps needed to right our very involved and very complex economy.

I call upon you, Mr. Chairman, and you, Congresswoman Heckler, and the other Democratic and Republican leaders of Congress to

run roughshod over any administration department that would not be in the best interest of the cities.

And, I call further upon you to support to the limit those administration efforts that will be in the best interest of the cities.

I appeal for enactment of means to provide tax incentives, equipment amortization relief, and employment inducements in the private sector. We must stimulate private investment as a means of stimulating higher employment.

Two-thirds of the rank and file members of our building and trades are unemployed, and the picture isn't getting any brighter for these tradesmen.

In Fall River, we've had \$70 million of public improvements on the line in recent years. But, we can't continue to be the sole employer if the city is to survive and meet its other commitments.

At the moment I'm wrestling with a budget that could add \$30 to \$50 to our tax rate, a budget that reflects increases that are not the result of increased spending but of meeting public service needs and complying with under funded mandates.

When we look at the President's budget we see areas that reflect tremendous shifts at the expense of all cities and perhaps even the virtual sacrifice of some.

The Federal Government wishes to hold the line of support to cities while asking these same cities to maintain the high level of services. This approach comes at a time when just the reverse should be true because the demands get greater as the economy worsens.

You and the State are our only source of relief if we're ever to survive.

And, you have the means of effecting survival, or at least of taking the first steps necessary for survival.

The public service approach is one means, and perhaps it is the most important.

The far-sighted countercyclical approach of providing aid based upon a city's economic condition, an approach authorized and spear-headed by Chairman Humphrey as long as 2 years ago, is another important forward step.

Combatting unemployment, stimulating activity in the construction and material industries, and assisting local government to provide adequate public facilities through the public works bill must be made possible.

The announced presidential veto of the public works bill must be overridden. Enactment of this anti-recessional countercyclical legislation is essential, but enactment cannot replace revenue sharing.

We have come to realize the importance of revenue sharing, prudent administration of those funds, in accordance with a finely-tuned planning process here in Fall River, has shown us the tremendous advantage of revenue sharing.

To pull this economic rug out from under us at this time would be a cruel blow indeed. I urge that you thwart any administration efforts to do so.

In closing, Mr. Chairman, let me suggest to you that we are running out of thumbs and the sieve-like dikes are cascading us with the drowning waters of poor economic policies and leadership that are not our own doing.

Much of the credit for the greatness of this Nation must go to the cities that built this Nation and built that greatness. We cannot be forsaken in this, our hour of need.

I thank you again for the opportunity afforded me to testify before you, and in behalf of the residents of this "All America City", I thank you for your keen interest in our people and in your concern that brought you to our city.

Chairman HUMPHREY. After you have completed your prepared statements we will turn for a brief period of questioning and statements by our colleagues here. Thank you very much.

Mayor Friedman of Taunton, Mass.

**STATEMENT OF HON. BENJAMIN A. FRIEDMAN, MAYOR, CITY OF TAUNTON, MASS.**

Mayor FRIEDMAN. Thank you, Chairman Humphrey, Senator Kennedy, and Congresswoman Heckler. Like Mayor Driscoll, I, too, want to express my sincere thanks and tell you how grateful I am to you for this opportunity to meet with you this evening to focus on some of the problems which are generated from unemployment.

I have the honor of representing the city of Taunton. The city of Taunton, which is located in the hub of southeastern Massachusetts, is an old industrial community which traces its beginning to the year 1639. It comprises 49.9 square miles of land—larger than Boston, as a matter of fact, it is the largest city in area in the Commonwealth of Massachusetts and has more roads to take care of than any city or community in Massachusetts—and a population of approximately 45,000 people. It is classified by the Department of Commerce as one of the most industrialized cities in the United States.

In its confines it carries manufacturers of silver, plastics, shoes, stoves, wire cables, a great many industries; small industries, but significant employers. Unemployment is high, and for a long time has exceeded the national average. Presently it is 11.3 percent.

The great majority of the labor pool is made up of skilled and semiskilled workers. Taunton's labor pool provides many workers for the industrial companies located in the Attleboros. In turn, workers from New Bedford, Fall River, Brockton, Providence, and the surrounding towns are employed by Taunton companies. Taunton lacks a significant wealthy strata of inhabitants. It is not now and never has been a bedroom community.

In these years of inflation and depressed economy, Taunton people have been hurt substantially. The city itself has suffered increased and burdensome tax increases just to carry on the basic activities of repair and reconstruction which go on simultaneously, day after day.

The great majority of the citizens of Taunton own their own modest homes. The aforementioned factors contribute to their very deep concern to hold on to their homes. Unless more substantial help is offered in the way of employment, many of these present homeowners will be unable to keep their homes.

It seems to me that the Federal Government could alleviate the economic hardships of communities such as Taunton by devising a more sensitive policy of distribution of Federal contracts of Federally initiated contracts to local industries in particularly hard-pressed areas to absorb our long unemployment lines.

Transportation facilities for both individual and freight handling components must be updated. In the southeastern Massachusetts area we have to fight the eternal battle to get a better road system. We have witnessed the debacle of promises for a better road system made by one State administration, only to be broken by a successor administration. All the time we are left hanging hopelessly with an utterly chaotic highway system, or more precisely, with an utter lack of any coherent highway system. And in this area, too, the Federal Government can bring some impetus and can make itself felt.

Another suggestion I would make is the necessity for linking New Bedford, Fall River, Taunton, and the communities in between with Boston by rail, by some rail system. This is needed and we are crying out for it.

Another necessity is for the Federal Government to provide financial help for water treatment facilities. Water resources in southeastern Massachusetts have deteriorated and the communities are unable to provide the funds to clean up these critical resources.

The cost of energy in the southeastern Massachusetts area is the highest in the Nation. And believe me, because I come from a city, one among few, which not only distributes electricity to its inhabitants, but generates the electricity and distributes it to surrounding communities as well, and we have been hit, and hit hard.

At one time we were able to take care of our employment situation by attracting industry because we had something to offer. We offered industry cheap utility and energy rates, cheaper in comparison to any other place or community in southeastern Massachusetts. And we helped the employment situation in Fall River, Brockton, and all the surrounding communities.

But with the advent of higher prices, the cost of energy, the lack of refineries in this area, we are now among the highest. And so we have lost our handle on one of the great resources for attracting industry.

While this fact is recognized on the Federal level, all we get from the Federal bureaucracy is rhetoric and more rhetoric, with no real assistance. Because of these deficiencies we can offer little attraction for new industry to locate here. Our tax base stagnates.

Not only are we in southeastern Massachusetts economically disadvantaged, we are also impoverished from the point of view of the Federal structure which has, for all practical purposes, abandoned and orphaned us.

In sum, anything, no matter how little, you can do to stimulate the economy, correct abuses, and take people off the unemployment rolls will be a significant gesture and a turn for the better here in southeastern Massachusetts.

For the first time in the past 25 years we are experiencing a zero level in new construction. Thus, the impact upon our tax rate is substantial because of inflation and a cutback in employment. And without any significant expansion of the tax base, Taunton, in common with New Bedford, Fall River, and the Attleboros, and the communities which surround us, cannot expect any absorption of unemployed.

Raw materials, the cost of importing them and the cost of shipping them to the markets are high compared with the rest of the Nation. There is a great imbalance in the rates charged by transportation

facilities here in southeastern Massachusetts when compared even with the Providence market. And this ought to be investigated and leveled out by the Federal Government.

Southeastern Massachusetts lacks fossil fuels and mineral resources, and we depend upon transportation to deliver these materials to us and to transport the finished products to the market. We need also an alternate source of energy. We have the brains, the technological institutions, the trained workers, and the professionals to develop new sources of energy, not only for Massachusetts, but for the entire United States.

But we need some measure of Federal assistance to support the research and development in order to bring this new era of new energy sources to come into being. And given the financial assistance from the Federal level, Massachusetts could harness these abundant resources of brains, skills, and determination and accomplish much more in this regard than I believe any other section of the country; because we suffer in a special way, we would be determined to overcome our problems.

Damn it all, you can't afford to overlook us in this regard. Now, crime is the product of idle minds, and we have too many idle minds and too many idle hands in southeastern Massachusetts, and we are experiencing ascendancy in the crime rate. And the only answer to that, of course, is employment.

I remember, Chairman Humphrey, in the 1960's when you were Vice President, I had the honor to serve 6 years as, or three terms as mayor of the city of Taunton, and you established at that time a liaison in your office, in the office of the Vice President, between Washington and the mayors of the United States of America.

And I can remember when our one power line or our gravity line, water gravity line, gave out in servicing the water resources in Taunton and I went to Senator Kennedy's office in Washington and he made it possible for me to meet with you not once, but several times. And all the red tape was put aside and we got that waterline in a very short time.

I say we need a reestablishment of that liaison between Washington and the cities such as you instituted when you were Vice President of the United States. [Applause.]

Budgets are up between 15 and 20 percent in southeastern Massachusetts. State and Federal assistance has been cut back another 15 percent. And the tax base lags at a zero level.

So you can see we are in trouble and we are suffering, we are worrying, and we are concerned. We wish you well because we need you.

Thank you. [Applause.]

Chairman HUMPHREY. Mayor Friedman, I thank you. I think you know Mr. Loring, the liaison officer who served with me in the Vice President's office, and is here tonight. He is a consultant with our Joint Economic Committee. And Mr. Neil Peterson. So we did have, we had over 2,500 such cases as you are bringing to our attention.

Vice presidents don't have any authority, they don't have too much to do. It's kind of good to keep them busy. And that's what they were trying to do with me.

Our next witness is Mayor Raymond Macomber. And, Mayor, we look forward to your testimony. Mayor Macomber is from Attleboro. Mayor please.

**STATEMENT OF HON. RAYMOND L. MACOMBER, MAYOR, CITY OF ATTLEBORO, MASS.**

Mayor MACOMBER. Thank you, Mr. Chairman. I appreciate the opportunity to present this statement to the Joint Economic Committee relative to the unemployment situation and the economy.

My statement contains several factors I believe affect the Nation's future to a major degree.

**FEDERAL MANPOWER PROGRAMS**

These programs have not met the needs that they were intended for. Participants have been trained in public service positions only to find these jobs dead-ended after a year of service and are faced with total unemployment again.

I would recommend the establishment of public works projects that are labor intensified similar to the old WPA projects, but in directions that solve crucial local, regional, and even national problems.

I would also suggest programs similar to the National Alliance of Businessmen where Federal dollars are funneled directly to the business sector where a need exists. A revitalizing of private industry is highly critical to our economy.

I feel these types of programs will put people back to work and at the same time take care of the many needs of the cities and towns that cannot provide these services because of financial constraints.

**UNEMPLOYMENT**

A major contributor to the already bulging unemployment rolls is the unemployment checks doled out by the Department of Employment Security. Employers offering gainful employment find themselves in competition with the Department. This problem is most acute in the area of unskilled labor. These people find themselves in the position where many times it is more profitable to stay home rather than accept a job.

With the advent of worker militancy, food stamps, social security, unemployment security, low income housing, rent supplements and low cost medical care and education we have removed the economic motivation for working hard from our lives. The traditional relationship between effort and compensation has deteriorated. Millions of workers are compensated more for showing up than for producing quality or quantity.

In summary I recommend: First, closer monitoring of all unemployment compensation recipients. Second, a shorter time period to collect benefits. Third, change benefits to maximum of \$60 per week with \$6.50 per dependent. Fourth, possibly tie payments to some sort of public service employment.



## ENERGY

A concerted major effort to solve the energy crisis must be made and a public grass root awareness and involvement is necessary to insure successful results. We must be realistic concerning the fact that America should be selfsufficient with regard to energy. The oil line from Alaska and off-shore drilling will help but we are fooling ourselves if we think these will be the answers to our problems. The effect on the environment in both cases will be considerable compared to the low resultant returns. We should not perpetuate a degrading situation that Americans cannot solve their own problems and that we as a Nation are subjected to the pressures of powerful interests both at home and abroad. I, for one, refuse to admit that we cannot solve our energy problems. Let us not delay further toward creating an energy situation where oil is a secondary fuel and not the primary one 10 to 20 years from now.

At the present rate of consumption our Nation has only enough coal to last 125 years, enough oil and natural gas for 5 years and fuel for nuclear fission for 23 years.

Massachusetts shows evidence of substantial deposits of coal available for our needs. A significant research and development program should be initiated to use these resources and possibly develop an economical liquid fuel from coal.

The Sun is the primary source of all energy. Solar energy can be converted more directly to provide electricity to heat buildings and water. It could even power automobiles by using the Sun to produce hydrogen which could be transmitted through existing natural gas pipelines.

## LOCAL NEEDS

Federal revenue sharing reenactment is a must if we are to continue programs that have been made possible through this much needed Federal program.

I ask you to help our area's fishing industry by expanding the fishing limits to 200 miles.

Our shoe industries should be subsidized to bring back this once thriving industry that has been virtually destroyed by cheap foreign competition.

In closing I would like to stress that the attack on these problems can only succeed if there is sufficient public awareness and support. A certain dynamism or charisma must be there to generate enthusiasm.

At this anniversary date of the Employment Act of 1946, we must look to the future and plan properly for 30 years from now. I believe that many aware Americans are sensing the effect of the influence of foreign interests and the gradual loss of America's economic and social status. Let's face it, we are no longer capable of selfsubsistence. A true renewal of our dedication to the ideals that made our country great 200 years ago may be the only solution and let us hope it is not too late.

Thank you.

Chairman HUMPHREY. Thank you very much, mayor. I'm going to suggest that each of us here at the table, Members of Congress, have a maximum of 5 minutes each because we have other witnesses, and either ask a question or make a comment. I'll open.

I'd like to just point out for the witnesses and for the audience the cost that is in each 1 percent of unemployment. We hear a great deal of comment about Federal deficits. They are large and they are very disturbing. And over a long period of time they are threatening to the economic solvency of our economy and our country.

But each 1 percent of unemployment costs the Federal Government in loss of revenues, in costs of unemployment compensation, and other social costs a minimum of \$16 billion: It is possibly closer to \$18 billion, but a minimum of \$16 billion. So if you could reduce unemployment, let's say, down to a 4-percent level, you would have in the coming year more than a balanced budget.

Now, those are the costs at the Federal level. That doesn't say anything about what it costs you at the municipal or State level, nor does it say anything about what it costs the private sector of the economy. So we have to look at alternatives as to whether or not the costs that were paid today for having very little except unemployment compensations and food stamps and welfare, et cetera, whether it is better to continue that kind of a cost or do what's been said here in the testimony of all three of you: jobs, jobs.

Now, I recognize, and I want it clear that I recognize, that public service jobs are not a long-term answer. What I have to face as a Congressman or a Senator is the gap between the time that the private sector can pick up the jobs, no matter what you do to it, the kind of stimulus that you give the private sector with tax relief incentives and all, there is a lag, and a very serious lag.

The question is do we just keep people on unemployment compensation, on food stamps, and welfare, or do we, as has been suggested here, find a way to give them something to do that is productive and needed, recognizing that it isn't a permanent program, but that it's a way to fill in, in a constructive and, I think, healthy manner?

For example, if a person has a public works job or even a public service job, working in a park or office or wherever it might be, that person at least has income. They feel self-respecting because they are required to do something to earn it. Also, that income is taxable, and it has a way of moving through the economy and generating new economic growth in the private sector.

Yet we had, and Congresswoman Heckler will bear me out, we had the representatives of the President's Council of Economic Advisers spending an hour, better than an hour with us one day telling us that these things wouldn't work. I frankly told them if they couldn't figure out something better than to tell us it wouldn't work, they ought to quit. Because really what we need is somebody to tell us what will work. [Applause.]

I want to say to you, Mayor Macomber, I notice the recommendations you made. I agree on closer monitoring of unemployment compensation. I think it's necessary, I really do, and we ought to have it. [Applause.]

I think we need closer monitoring of all our programs. What we want is Government that works well.

The second thing, I think is it is important to tie these benefit payments in with some kind of work job. Unemployment compensation was never designed to be a program that went 18 months or 12

months or 16 months. It was a short term aid to help people in between a job loss and a job gain. It was designed for that. [Applause.]

And that is why I feel that we have to get away from what I call the computer attitude of just putting out the check and, frankly, to get to people and say, "Look, yes, there is a check, but we want you to do something for it." And they will do it. They will do it if you give them a chance. [Applause.]

This committee was in Los Angeles and there was one job open at the courthouse as an elevator maintenance operator. Didn't pay a lot of money. And 350 people had lined up by 4:30 in the morning to get that job. In fact, I think you were there, Margaret, they had a riot on who was going to be at the head of the line.

They had 2,000 public service jobs open up and 22,000 people came in to take them even though some of those people might have done better if they had stayed on welfare. People have a sense of pride. They really want to work. And I think it is outrageous that we have a Government policy that denies people a chance to work when they really want to work. They ought to be getting them jobs. [Applause.]

Now, the other thing that this meeting tells me, and there are many things that you and I know can be done, you mentioned transportation, Mayor Friedman. The railroads of this country need work. We have got thousands, hundreds of thousands of young men who are healthy, strong, and getting in trouble because the rate of unemployment parallels the rate of crime.

I can assure you that the official studies made by this committee showed that as youth unemployment goes up, youth crime goes up. And you're not only paying for unemployment and loss of production and the loss of income and the costs of unemployment, but you are also paying for crime and once they get into that pattern of crime, the possibility of continuing in that pattern, as everyone knows, is very likely.

We have got water projects, sewer projects, park projects. We are 15 years behind in reforestation in this country, 15 years. And we ought to be out doing something about it.

Well, what's most important to me in this meeting and my time here is that we hear more than just about national averages, which mean little or nothing—that is what we get down in Washington—we hear about national averages. I want to hear about the problem, not the national average about the energy crisis. In my State we have to depend on Canadian oil. It isn't a national average. When the Canadians cut off the oil, we are out of business, national average or no national average.

And what do you hear about the 8 percent unemployment national average? What do you find over in your sister State of Rhode Island? It's over 11 percent. Way up there in New York City, over 14 percent. What do you hear in Detroit? Eighteen percent. What did I hear in Los Angeles? Twelve percent. What do I hear? Eleven percent or more.

National averages, this kind of language about statistics, are a deception. What is needed is to look at the localities, at the industries, and at the people, and that's why we came out here. I wish to God I could have Alan Greenspan here tonight. I wish I could have

the Director of the Budget here. I wish I could have the President here.

I want people to hear what is going on in town after town. [Applause.]

By the way, I want you to know that I watched your Congresswoman and the Senator here at these hearings, without regard to partisanship, we don't worry—listen, when people come up here our Congressmen and Senators go to work to do their job.

I have heard Congresswoman Margaret Heckler say just what I said. I am not interested in the national average. I am interested in what's going on in the 10th District, and that's what counts. [Applause.]

Congresswoman Heckler, not it's your turn. [Laughter.]

Representative HECKLER. Well, I'd like to commend the mayors. I think they have made very thoughtful statements. Obviously they have prepared with great care assembling their own statistics and information. And I think they have prepared valuable documents for our record.

Mayor Friedman, I have listed a number of areas in which change can be made and I have to say you have pinpointed many. When you talk about the monitoring of Federal programs, Mayor Macomber also spoke about monitoring of unemployment, but other programs, I certainly agree, and you spoke about the distribution of Federal contracts, that's a very important area in which we perhaps could find a new approach to develop our business climate.

I feel very strongly that we have to give people who want to work the opportunity to work. Certainly our unemployment rate is high, but it's tragic for those who are unemployed, and I meet them in my office in Fall River, in Taunton, and in my mobile office wherever I go, and their stories are really tragic in terms of the individual factors.

I feel that revenue sharing is very important, but personally I'd like to see a change, Mr. Chairman, and I hope that you and Senator Kennedy will help me on this, because I feel that the unemployment rate in a community should be one of the factors determining its eligibility and its piece of the pie; and that revenue sharing should go to those communities with high unemployment rates. And that's one way to address the problem. [Applause.]

I'd like to see that kind of change brought about and I certainly would like to see the public works program supported in the Congress. And I will say that that is a job program that not only provides opportunity for the unemployed, but it does something for the communities.

And I'm really a little tired of the make work projects. I think merely to have a program—manpower training, we spent billions of dollars on manpower training. The only problem was at the end of the training program very few people got jobs. And I'm tired of that. I'm tired of funding these programs that are really dead-end. They are "Band-aids". And I, in fact, think they are a fraud. They make people believe they are going to have an opportunity at the end of the course, and at the end of the course they are unemployed.

So I think the public works programs are essential and that they will build the capital improvements in the communities, hopefully

the water filtration plant in Taunton that we need so badly, the repair of the water mains, the whole improvement of the water situation, and a very central need in the city of Taunton. So that revenue sharing has my strong support and I intend to override the veto on public works. [Applause.]

But, my friends, the mayors, I want to be perfectly honest with you at the same time, that I really don't think we are going to find a Washington answer for everything. There aren't enough Washington dollars to pay for everything we'd like to do and none of us has suggested the Federal answer and I know you worked very strongly in your own communities to provide individual initiative to help industry come in.

And I think this is very important because I think in the long run the private sector's jobs are going to give the country the best hope of a healthy economy and provide the tax relief through revenue that is essential to fund important programs and the real answer to unemployment. So that I would like to see a mix.

I want to see the public works funding now. I want to see certainly revenue sharing, which should be used for capital improvements and not for operating costs of a city, such as we saw in New York, which brought New York to the brink of bankruptcy. We just cannot have this and I know you have not done this, you individually.

I think it is very important and this is why the revenue-sharing program is in trouble in Congress, because some mayors have used it in such a way as to subsidize the operating expenses of the city and as a result of this the subsidy has not gone on major improvements of a lasting value and it perpetuates the fundamental economic problem of a city rather than providing an answer.

But I feel very strongly that we have to at the same time stimulate the private sector and we have to in this State, we are searching for the Federal answer, but we need a Massachusetts answer. And we are going to have to bring all of the pieces together in Massachusetts. We are going to have to work with industry and labor the way that the chamber and labor worked together in this city with labor and government.

So I want you mayors to know that I will ponder carefully your suggestions and continue to work with you to bring in every single Federal dollar we can find. But I think we also have to work in Massachusetts to resolve some of our problems at home; and basically, above all things, we have to start to respect work. One of the reasons people don't work is that they have lost—that the society has lost—respect for the skills that really keep our society going.

Not everyone has to be a college graduate. In fact, many college graduates are totally frustrated in their roles and I think it is time to come back to the respect for labor. [Applause.]

I respect anybody. I think the maintenance man who maintains this building and does so as beautifully as we can see it tonight deserves our respect and I would accord him the same courtesy and dignity and appreciation to the head of the company or to the president of a college.

And I think that's one of the things that we have to return to in America. But frankly speaking, you have all presented excellent statements and I thank you very much. [Applause.]

Chairman HUMPHREY. Senator Kennedy.

Senator KENNEDY. Just a brief word, Mr. Chairman. I have been very much impressed with what our mayors said and I think they have given us good testimony which deserves the kind of thoughtful consideration which the Members of this committee will give it; and they have covered a variety of different areas which I think are of great importance to this part of our State and perhaps to other parts of the State as well.

I think I'd want to just raise for their own thought, though, some of the additional problems that they are going to face unless we are going to be able to take some preventive action which they haven't testified to. And that is with the President's program of the block grant program to the States, particularly in the areas of health, where there is going to be a very significant cutback in the total moneys that will be available, and also the changing of the formula as it is related to our own State of Massachusetts, which is in the President's program, and also relieving the States from requirements that they match some of these Federal programs that are going to reach out into the communities.

And so in spite of the fact that you talk about the needs in human services which you are being heavily pressed with at the present time because of the increased number of unemployed, unless we are going to be able to take some corrective and preventive action in the Congress, then there is going to be even a much greater additional burden placed upon every one of your communities.

And that is why we are going to need the support of you and the people that you represent and your League of Cities and the Association of Municipalities when we face these particular issues in the Congress. Because it can mean a great deal of difference to the various communities.

And so in spite of the fact that you talk about the needs in human services which you are going to be able to take some corrective and preventive action in the Congress, then there is going to be even a much more greater additional burden placed upon every one of your communities.

Second, I couldn't let an opportunity like this go by in meeting here at Bristol College and talking with people who put such a high priority on education as those that are in this room place upon it and have been the tradition of those in southeastern Massachusetts, and not view with enormous alarm what has been recommended to the Congress about the kind of support that we are going to provide—recommended by the President in his education budget, the kind of support that the administration is going to recommend to the Congress for those that are going to continue in education.

Significant cuts in work study programs, significant cuts in educational opportunity grant programs, the abolition of the loan programs for those who go on to higher education, and dramatic cuts in the loan guarantee programs, that is sending a message to every student who is going to this college this evening. And to all the parents who are facing the problems of joblessness which some are facing in southeastern Massachusetts. And one additional problem to worry about: The closing of child and maternal care centers, closing of neighborhood health centers, closing of community mental health centers, closing of drug and alcoholism centers, and then cutting back

on the kinds of support programs which many young people in southeastern Massachusetts have been able to get for their children to go to a school like Bristol College.

And so although we haven't talked about that this evening, I thought particularly, listening to the eloquent statements of three mayors who are dealing with human problems, and I think this is the message which you gave us very eloquently this evening, the human dimension, the human dimension of jobs and the human dimensions of unemployment, and the human dimensions, of increased prices, we have these other dimensions, too, which are going to impact in a significant way which are a result, and I think a significant result, of mismanaged economic policy.

And I wanted to just mention that, Mr. Chairman, before we released our people here this evening. Thank you. [Applause.]

Chairman HUMPHREY. Thank you, Senator. This is very helpful, mayors, and again I want to have you know that your testimony will be looked upon with considerable interest and helpfulness by the committee. I also want to assure you of my sincere interest and support of the revenue sharing. I was privileged to be a co-sponsor of it in the Senate. I think it has some limitations, but like many things that have limitations, doing nothing is hardly a substitute for something that has limitations.

And in the meantime I think it's clear and I think the citizens ought to know here that if the revenue sharing is not made available, that either you will have to close down valuable services or projects in your communities or you will have to raise the local property tax, which, by the way, is one of the most inequitable taxes levied upon anybody.

I think it also should be made clear at this time we hear so much about Government, and I hope the people will contemplate this for a moment, there are abuses in every program, there is no doubt about that, and we ought to do everything within our power to correct those abuses, as has been stated here tonight.

There are people that rip off, there is no doubt about that. We witnessed something of that not only in Government, and amongst the poor, but there's been a little rip-off in higher places as well, if you know what I mean. [Applause.]

I want to say for the private sector that without the programs of social security, for example, inadequate as they are at times, of unemployment compensation, even the food stamps that are being spent in the local supermarket, that this country would not have been in a recession, it would have been in a depression, and make no mistake about it. That's exactly what it would have been.

And while these remedies and these matters were not as good as I would have liked, again the alternative at the time was either those or do nothing. Now we have to look at new alternatives and that's what we are looking at now, getting at what Senator Kennedy just said, some of the basic problems that are down the road over beyond the immediate problem of a job.

We have to look at programs that we now have on the books and see whether or not they are really designed for the 1970's and the 1980's, and some of them may very well not be. I think we all want to make it clear we are not wedded, we are not married

to any particular program. There are none of us who feel that these are our children, flesh and blood.

These are there. If they work, we ought to keep them. If they don't, we ought to get rid of them. But one thing I have learned, and it was said here by Mayor Friedman, I know how the bureaucracy can give you all kinds of red tape. I also know that if somebody in a position of power wants to cut through the red tape, it can be cut. It takes a little guts and a little work, but it can be done. [Applause.]

Thank you very much.

Representative HECKLER. Before the mayors leave, I'd just like the audience and the mayors particularly to know that Chairman Humphrey joined us, the New Englanders who fought so hard for the 200-mile limit bill, that wasn't exactly an easy vote for him to cast, and you mentioned this, Mayor Macomber, in your oral statement, but that bill, as you know, has been successful and it is one that I think the administration is going to support and we certainly appreciate the support we got from that Minnesota gentleman. [Applause.]

Chairman HUMPHREY. Well, you had both arms broken. [Laughter and Applause.]

All right, our next panel consists of Mrs. Anita Raposa, Mr. Ernest Pineault, Mr. Richard Ward, and Mr. Hugh O'Malley. Mrs. Raposa is of the Amalgamated Clothing Workers—

Mrs. RAPOSA. No, International Ladies' Garment Workers' Union.

Chairman HUMPHREY. I'm glad they have it fixed up here. I'm an honorary member of the ILGWU.

Representative HECKLER. An honorary member?

Chairman HUMPHREY. Absolutely right, nondues paying. Mr. Ernest Pineault of the Building Trades. Mr. Richard Ward, dean of the College of Business and Industry, Southeastern Massachusetts University. Mr. Hugh O'Malley, a small business representative. And we have another witness, Mr. Mittleman of the Northeast Apparel Manufacturers Association. Thank you very much. The notes I have here are not always as clear as they should be. I thank you.

Well, I believe we will just start out with, according to the way I read the names, Mrs. Raposa. Why don't you start.

**STATEMENT OF ANITA RAPOSA, PRESIDENT, LOCAL 178,  
INTERNATIONAL LADIES' GARMENT WORKERS' UNION**

Mrs. RAPOSA. Thank you, Mr. Chairman. We, in the International Ladies' Garment Workers' Union, must seek Government action to stem the unprecedented flow of imports from low-wage nations that undermine U.S. jobs in the apparel industry. Imports that impair our production must be regulated. We seek help from Congress in establishing higher tariffs on imports from South Korea, Taiwan, Japan, the Caribbean, and everywhere overseas where workers in underdeveloped nations toil for as little as 10 cents to 40 cents. We seek your help in repealing section 807 of the U.S. Tax Code, which allows American apparel makers to pay only marginal tariffs on goods they ship back to this country from their plants overseas where wages are 10 percent of the level of those received by U.S. garment workers at home.



There have been tens of thousands of jobs lost in the U.S. textile, ladies' garments, and men's clothing industries in the past several years. The industries could collapse like the American shoe and watch industry if the Government doesn't move swiftly to protect the rest of the jobs in our industry.

We don't want to stop imports altogether, but we must have them stabilized. We must restore balance to the system and imports that impair our production must be regulated.

Formerly what has been a small cloud developing in the past has now hit our industry like a torrential downpour.

We've known for some time that developing countries are striving to provide work for their people and are attempting to attract labor intensive industries, but they are dipping into our jobs here at a tremendous rate. These underdeveloped nations should not be allowed to supply so many goods that it results in taking away the jobs of decent, hard working people in our industry.

Many of the clothing plants built overseas by U.S. apparel firms are more modern than their counterparts in this country. Some are jointly owned by Americans with Koreans, Japanese, and others. These factories are producing exports for America, using American capital, American designs and American patterns, and cheap foreign labor at the expense of American workers at home.

Many companies assemble part of a garment in this country and then ship it to their plants overseas where the low priced labor complete the job and the goods are then shipped home under low tariffs and often appear on the market as American made.

There are literally hundreds of factories just over the Mexican border. They have all moved across the border to take advantage of item 807 of the Tariff Schedules of the United States. Here is what happens:

Piece goods are cut in a stateside operation in the United States and are sent to be sewn in a low-wage country such as Mexico, Haiti, Dominican Republic, and the Philippines. Those are just a few of the possibilities. Then, under item 807, when the garments are shipped back to the United States, they are charged with a duty that is based only on the value added—overhead and the cost of wages—not on the value of the finished product. Duties hardly change the cost of these item 807 imports. This is why shipments of 807 items have increased at incredible rates. In 9 years there has been a jump of almost 140 times from 1.7 million of men's, women's, and children's apparel brought in under item 807 in 1965, to 238.3 million in 1974. Ten percent of all apparel imports now come under item 807.

Retailers, not consumers get the greatest benefit from imports. That's because they can take higher markups on imported garments than on domestic garments. For example, a retailer buys a \$10.75 U.S. made dress, and retails it for \$20. His markup is the difference between what he pays for the garment and the price he sells it for in the store. But, a retailer can buy a similar imported dress for much less. Once in the store, though, the imported dress can hang on the rack with dresses that are made in the United States and sell virtually for the same price. These big markups mean two things. For the retailer the big markups bring big profits, but for the American

consumer the markups mean that an import is really a ripoff being sold at vastly inflated prices.

What is the real cost of an import? You can't tell just by looking at a price tag. There is an extra hidden cost that comes with each import. When an import throws an American garment worker out of a job, that's a real cost to this worker and her family. When families are pushed onto relief because the bread winner has lost a job, that's a hidden cost to the taxpayer. And, when mounting unemployment and poverty cause the crime rate to rise, that is yet another hidden cost. So, even when the consumer saves a few pennies from one pocket by buying an imported dress or blouse, she pays from the other pocket for the hidden costs that go with a lost job, longer welfare rolls, and rising crime.

The union definitely favors improved trade relations between the United States and the rest of the world. We cannot ignore the fact that an unrestrained scramble for American markets by countries which utilize home workers and pay starvation wages seriously threaten American labor standards. We must protect our garment industry, which is the largest employing unit in the city of Fall River. We cannot allow imports to further jeopardize any more of our American jobs. Therefore we ask you, the Members of Congress, to introduce and support appropriate legislation to expunge the pernicious provisions from our law books and thus safeguard the badly needed jobs in our State and country.

Thank you.

Chairman HUMPHREY. I thank you very much. I'm sure that you know that your recent visit by representatives of the ILGWU across the country in Washington had a very beneficial effect on this matter.

Mrs. RAPOSA. Yes, I was over in Washington with you folks at the time and it was very beneficial.

Chairman HUMPHREY. We learned a great deal from you and I'm sure you made your point. Thank you very kindly.

Our next witness will be Mr. Pineault.

#### **STATEMENT OF ERNEST PINEAULT, REPRESENTATIVE, FALL RIVER BUILDING TRADES COUNCIL**

Mr. PINEAULT. Thank you, Mr. Chairman.

The Fall River Building Trades Council wishes to thank the Joint Economic Committee and, in particular, Congresswoman Heckler for this opportunity to address this prestigious committee.

The construction workers of Greater Fall River are now experiencing a shameful 20 to 70 percent rate of unemployment and their only hope is that it will not get worse.

Several capital outlay projects in the city are nearing completion such as the Fall River Municipal Center and the water filtration plant. New projects have been proposed but usually end up as just plain talk as did the new bridge which the State offered us to replace the wornout Brightman Street Bridge. Someone always manages a pretext to postpone this much needed project for yet another year. Unfortunately, talk will not pay the mortgage nor the grocery bill. Instead of helping to build a new and better Fall River, these skilled tradesmen are forced to join the unemployment line and even apply for welfare.

This deplorable situation can be traced to the lack of Federal money for the major projects such as waste water treatment, new schools, road reconstruction and many others. Legislation such as the Public Works/Counter Cyclical Fiscal Assistance bill (H.R. 5247) would put many tradesmen to work and make this city a better place in which to live.

Postponement of phase II construction of Bristol Community College is another way the State creates unemployment by holding back its funds.

Major public works projects would help States with high unemployment to alleviate this problem. This type of legislation should contain provisions forcing State administrations to give small cities such as Fall River a fair share of these building moneys instead of favoring major urban areas at the expense of smaller out of the way cities.

Lack of low cost financing also hampers our growth. Industrial and commercial interests desiring to expand are stalled by high interest rates. Government low-cost loans would spur economic development in high unemployment areas and help people back to work.

Fall River needs new heavy industry, exploration for oil on the Georges Banks, oil refining facilities, on-shore support facilities and the many petro-chemical industries associated with oil. These would produce many jobs and contribute to energy independence for this Nation.

Tax incentives and low-cost financing to large utility companies located in this area might make the use of coal to generate electricity economically possible and the resulting expenditure of large sums of money on the required precipitators, scrubbers et cetera, would provide employment to many construction workers while lessening the region's dependence on foreign oil and reducing electric rates.

Environmental considerations and economic development must be weighed carefully and equally. Today's technology can allow heavy industry, whether generating facilities or oil refineries, to coexist with a healthy environment. The working man and his family can enjoy a clean environment and economic stability if environmentalists and industrialists would only work together. Clean air on an empty stomach is not acceptable and not necessary. Therefore, we urge that legislation be introduced and passed that would speed up environmental studies, break environmental log jams and spur economic development within reasonable environmental guidelines.

Very few dollars of the \$112 billion dollar defense budget trickle into this city because Fall River has no missile plants, no airplane factory, no large shipyard nor assembly plant working for the Government. To remedy this situation, I recommend the passage of legislation that would encourage and even compel defense contractors to build and operate manufacturing facilities in depressed areas such as Fall River.

Out of town developers and contractors have contributed to the unemployment problem by importing illegal aliens who are willing to work for substandard wages and undercut local tradesmen and the money they make here is spent elsewhere. Legislation to prevent the employment of illegal aliens is currently in Congress and we urge its passage.

This statement has pointed out the serious unemployment problems of the construction trades in Fall River and the reasons behind the problem. It has suggested some of the ways the Joint Economic Committee of Congress can help. Our message can be summed up in just five words:

Give us work, not welfare.

Thank you very much.

Chairman HUMPHREY. Good luck. Mr. Richard Ward, we welcome your testimony, sir.

**STATEMENT OF RICHARD J. WARD, DEAN, COLLEGE OF BUSINESS AND INDUSTRY, SOUTHEASTERN MASSACHUSETTS UNIVERSITY, NORTH DARTMOUTH, MASS.**

Mr. WARD. Thank you, Senator. I am very pleased to have this opportunity to speak to the committee on the 30th anniversary of the Employment Act of 1946. I need hardly remind the committee of the purpose of that act, "that it shall be the continuing policy and responsibility of the Federal Government to use all practicable means to promote not only useful employment opportunities, but maximum employment, production, and purchasing power."

The act also calls for a review of employment conditions in the United States or any considerable portion thereof. And as you know, Senators and Congresswoman Heckler, the act also created the Joint Economic Committee and also created the Council of Economic Advisers.

And when the Senator was speaking of Alan Greenspan, I was about to accuse him of having read my prepared statement, but I know he doesn't have it. My prepared statement includes some remarks along the same lines about Alan Greenspan. The Employment Act, with those stipulations of the Employment Act, the people in this area have to wonder whether we are not celebrating the 30th anniversary of a dead stump, because it has not worked effectively as applied to New England.

In reading those words, it is obvious that it has not applied effectively to New England. In fact, it would almost appear that the Federal Government had applied a massive reverse policy, had laid off close to 15,000 people, income earners, from military installations prematurely, uncompensated for with alternative Federal programs. I estimate that must have cost the area of New England \$200 million.

That is close to the cost in unemployment checks, as the Senator has pointed out, of close to a billion dollars. Employment checks and workmen's compensation, this is lost production of goods and service, tremendous cost to the State, several billions of dollars.

In sum, the application of the act from the Federal point of view and the impact on this area in cutbacks and lack of effective action in the State has cost \$4 to \$5 billion annually and it has cost this area alone, New Bedford, Fall River, Southeastern Massachusetts, I would estimate, \$300 to \$400 million at a minimum annually.

It has cost the Federal, State, and local government tens of millions and more annually in lost taxes. Now, the actions that the Federal Government have taken are taken certainly in good faith and they have tried, they have applied some grants, as my prepared statement points out at length. There has been a lack of effective implementation

of those grants. A goodly portion of the money was not even spent because there was a lack of effective implementation.

It is part of the purpose of the act to provide the assistance to implement those funds. The current Chairman of the Council of Economic Advisers does not believe in the act. It is his philosophy not to believe in using the Employment Act. And yet the act created his position. And he has stated categorically in the current issue of the "Economic Report of the President" that unemployment is really not such a critical issue because he didn't talk about it.

The "Economic Report of the President" made by Mr. Greenspan, whose job was created by this act, does not even talk about unemployment. Now, the people of this area have to wonder what is the function of the Employment Act of 1946. What is the function of the Joint Economic Committee? What is the function of the Council of Economic Advisers? Its function is the deal with unemployment and employment in the Nation.

Now, we realize that inflation is serious. We shouldn't be confounded by it. Inflation of the people who have no income, have no purchasing power, and that's a form of reverse inflation. The "Report of the President" avoids pertinent discussion of either employment or unemployment. The chairman, as reported in the current issue of "Business Week," said he forgot to make a specific forecast of employment.

The report mentions that a small unemployment reduction will take place this year, but doesn't describe how. And looking ahead to 1977, the report does not even discuss what unemployment might become. All of this goes down very hard around here, as you can well imagine. It's a good time to review the 30th anniversary of the Employment Act because it has not been working effectively, particularly in this area.

The unemployment in the area is well over 50,000 in Bristol, Plymouth, and Barnstable counties alone. And in terms of value added, you are talking, as I say, in terms of hundreds of millions of dollars. Now, I have made some suggestions. I will just mention them briefly, in my more lengthy prepared statement as to what the Federal Government might do.

The Employment Act, one would think, would create a task force, that as soon as a regional average got far above the national average, it would move out into those areas with a program, with a task force, and do something effective. Special short-term tax breaks, a variety of investment/cost incentives. They should be very sharp, they should be very liberal, and they should be short run and they should be phased down once unemployment begins to decline.

There should be special marketing incentives to this area. We need to sell outside of the area. We have a cash drain out of New England. We need liberal marketing incentives, survey support, and direct marketing assistance from Federal specialists to provide an aggressive State program for selling our goods outside of the area.

We need special short-term area energy relief phased-in by production levels. We need transportation assistance, as the mayors have pointed out. And we need special funding for projects linked to training information systems and assisting the fishing industry with a more effective processing and distribution system.

There are long-range types of assistance that we can also provide, such as helping State and local governments and communities with their master plans and their long-term priority goal setting. We need longer term investment incentives for those plans for the port development, for transport linkages, for terminals, for cooperative processing centers.

We need assistance in export promotion in setting up DISCs and in more inclusive foreign trade zone activity. We need assistance in meeting foreign product demands. And we would like to get Federal help through this act in attracting more investment to this area from the Germans, the Japanese, the French firms that have entered other States. And we need special assistance in reducing energy costs by setting up, say, port facilities for handling giant tankers to bring down the unit price of petroleum and a share of Federal tax gains from any offshore oil that may be produced in the future.

I hope the committee can promote a more systematic task force approach under the stipulations of this act and try to revise this act and put it back into practice particularly here in the New England area. Thank you.

Chairman HUMPHREY. Thank you, Mr. Ward. Your entire prepared statement will be incorporated in the record along with your review of your statement, and I want to thank you for many of your constructive suggestions, which we will come back to.

[The prepared statement of Mr. Ward follows:]

#### PREPARED STATEMENT OF RICHARD J. WARD

My name is Richard J. Ward. I have been dean of the College of Business and Industry at Southeastern Massachusetts University since January, 1975. For ten years prior, I worked in Washington, D.C. as a private consultant for Peat, Marwick, Mitchell & Co., and for four years as Chief of Planning for the Bureau for Near East and South Asia in the Agency for International Development. I have also served in the Middle East for that agency, and have taught Economics at several Universities, including the University of Maryland, Long Island University and Fordham.

I appreciate this opportunity to appear before the Joint Economic Committee in connection with the thirtieth anniversary review of The Employment Act of 1946.

My statement summarizes key stipulations of the Act and what I perceive to be reasons for its relative success or failure. There is a brief description of the employment situation in this area, a brief review of the impact of federal actions on the employment of the region, and, finally, recommendations as to how the Act might be more effectively implemented.

#### THE EMPLOYMENT ACT OF 1946: IS IT ALIVE?

The Act states that it shall be "the continuing policy and responsibility of the Federal Government to use all practicable means . . . to promote (not only) useful employment opportunities (but) maximum employment, production and purchasing power."

The act also calls for review of employment conditions in the United States "or any considerable portion thereof," and shall set forth a program for carrying out the policy of maximizing employment, production and purchasing power.

The act created the Council of Economic Advisers to propose to the President ways and means of carrying out the stipulation and presumably the intentions of this act.

The act also created the Joint Economic Committee, made up of Senate and House members, to review the Annual Economic Report prepared and submitted by the Council of Economic Advisers to the President and the people, and to make recommendations thereon.

The obvious question to ask on this 30th anniversary of this path-breaking, constructive legislation is, to what extent has it succeeded.

The answer to that could be long and steeped in statistical description of the 30 year experience, of the swings in the business cycle and the variety of policies and measures that the Federal Government has taken to cope with these fluctuations. I would rather summarize my own view of the act as follows:

(a) During the first twenty years following World War II, the growth of the economy in the aggregate was very impressive—that is, employment, production and purchasing power grew apace for a variety of national and international reasons, giving the appearance, at least, that the act was being implemented successfully. The chance factors were so favorable to growth that with the exception of periods of decline or stress, when unemployment would increase, it would be difficult to ascribe credit or discredit for the long, sustained growth experience of the post World War II decades.

(b) The act probably worked better for those who believed in it than for those who did not. That is, those who believed in a strong directive thrust from Washington could use the act and produce actions to promote economic progress. Those who felt that the government's role should be minimized would be inclined to use the public mechanisms less, and, therefore get less effect from the use of the act. As a general rule, Democrats tend to favor more government direction over the economy than do Republicans. One would expect the use of federal fiscal and monetary measures as well as authority under the Employment Act to be more prevalent under Democratic Presidents than under Republican, though the distinction does not seem to have left its mark in this area; unemployment has been excessive irrespective of party control.

(c) During the long period of unprecedented economic growth following World War II, the act might have focused more on how the growth pie was being distributed (i.e., on matters of equity) than on promoting employment, since natural forces of population growth, world wide expansion of markets based on world GNP and population growth, as well as markets provided by our own or other nations' localized wars kept employment at high levels. Moreover, during the first twenty years of the act, inflationary pressures in the United States were relatively modest, except during the Korean War when price controls were applied.

(d) In the last ten years, with both serious inflation and unemployment plaguing the economy (as well as economists), the act has been sorely tested. The dilemma has been over how to develop a consistent set of policies and programs that can both stimulate the economy to full employment and production while also maintaining purchasing power. The two political parties seemed to have made their choices on how to resolve the dilemma by proposing to work on the job-output-prices sequence from opposite ends: the Democrats by promoting jobs and arguing that this would spur production, which in turn would help check inflation; the Republicans by insisting that prices must at all cost be kept down first, so that incomes will buy more at home, foreigners will buy more, and producers can plan on sufficient return over costs to be able to invest in expansion out of profits, thereby keeping up employment. Like any troika, the triple sequence in the Employment Act works when all is well—when the economy is producing balanced growth. When growth produces stagflation, political philosophies can use the act as they see fit—or not at all.

The Democrats have opted for policies which will cure employment in the shortest possible time, with federal measures to prime the pump if necessary, such as the \$6.1 billion Jobs Bill just vetoed by President Ford.

The Republicans are concerned about unemployment but cannot see how public subsidies or work and income-making jobs can do else but send the inflation rate through the roof. They seem, therefore, to focus their concern more on the "purchasing power" of those who have an income already. But what of the purchasing power of those who are unemployed and whose incomes are sharply reduced?

Neither the Democrats nor the Republicans have successfully implemented proven or experienced actions which resolve the troika dilemma plugged into the act of jobs, output and protected purchasing power. Thus, the front end of the sequence agitates the Democrats, while the tether end confounds the Republicans, and despite the genius—and I would say the disappointing genius—of the economists in the nation (who have spent too much time and effort writing esoterically to one another, rather than speaking clearly to the politicians and the public), they have not produced what we might well have expected of them, namely a well coordinated, fully integrated, multifaceted but appropriately selective sectoral plan for producing the symbiotic synergisms that might have resolved this relatively simple—by the standards of the trade—paradox apparent.

Finally, the act has not been vigorously utilized in all of its authority—in consultation with industry, consumers, state and local governments and others (Section 4,e), simply because the current Chairman of the Council of Economic Advisors does not believe in it. One reads that Mr. Greenspan is a disciple of Ayn Rand and, if true, that

economic philosophy holds that Government has no right to do anything but incarcerate criminals.<sup>1</sup>

This position is even to the right of the Chicago School of Economics, to which Milton Friedman belongs! Yet, it is the philosophy to which the Chairman of the Council of Economic Advisors—the chief economic consultant to the President and to this Committee—is purported to subscribe. Little wonder, then, that the Chairman has failed in the implementation of this act nation wide, and blatantly in this New England region of the United States.

With this background I would like to describe briefly certain actions and inactions of the Federal Government with respect to employment in this area and then propose what I believe might constitute a vigorous and meaningful application of this act.

#### THE EMPLOYMENT SITUATION IN SOUTHEASTERN MASSACHUSETTS

The unemployment rate in this area is among the highest in the nation. Southeastern Massachusetts (consisting of Bristol, Plymouth, Barnstable Counties and the "islands") had approximately 50,000 unemployed persons at mid-November, 1975, compared to 35,000 one year earlier, or an increase of over 40 percent.<sup>2</sup>

The checks currently paid out to unemployment claimants are beginning to ease (January, 1976) according to the various local offices, but this is partly due to exhaustion of benefits and the inability of many persons under 22 years of age to qualify for benefits because they have had insufficient earnings during the "base period" or 52 previous weeks.<sup>3</sup> A number of nonEnglish-speaking newcomers to the area are in the same predicament.

The unemployment rates for the Taunton, Fall River, Brockton, Cape Cod, Plymouth, and New Bedford areas ranged 11.0 percent to 15.5 percent during November, 1975 (without seasonal adjustment) at a time of the year when unemployment is normally at its lowest.<sup>4</sup>

The unemployment rates for nonwhites and other minorities is estimated at 25 percent for the CETA Consortiums, about the same for all 18- and 19-year-olds, and 35 percent for minority youths, and 50-plus percent for those minority youths living in the urban centers.<sup>5</sup>

The Fall River, New Bedford, and Brockton SMSA's (Standard Metropolitan Statistical Areas) had 30,000 unemployed persons at mid-November 1975, with the highest proportion of unemployment claimants—in descending order—in the manufacturing, trade, construction, and service industries.<sup>6</sup>

Unemployment is high in nearly all of the major manufacturing industries, including apparel, which continues to be plagued by sharp fluctuations in seasonal demand. There are over 20,000 apparel workers in Southeastern Massachusetts, most at or near minimum wage levels but with modest incentives (up to 25 percent additional) if maximum production schedules are reached.

The occupations with the largest representation among unemployment claimants, again in descending order, are the bench workers, the material handlers and other miscellaneous workers, structural workers, clerical and salespersons, and those in service occupations.

#### THE FEDERAL GOVERNMENT IMPACT

I am not in possession of all of the facts regarding Federal programs which may have been promoted under the Employment Act, but I can state firmly, even on the basis of the year I have been in this area, that the act has not been effectively implemented. This is not totally due to lack of Federal allocations, but partly due to a failure to provide technical assistance, training, programming and follow-up advisory systems to assure success of proposed programs.

For example, according to a report issued by the U.S. Comptroller General, at the request of Senator Edward W. Brooke, entitled, "Impact of Federal Programs on Economic Development, Employment, and Housing in New Bedford, Massachusetts," released January 11, 1971, it was pointed out that \$134,879,000 in Federal grants had been authorized for the seven-year period, 1964-1971, but only \$67,321,000 had been utilized within the seven years.<sup>7</sup>

The urban centers fared much better under categorical grants than under the current revenue sharing policies, and this has been true for the SMSAs to the extent they participated in the urban programs.

Citing the city of New Bedford as an example, between fiscal year 1971 and fiscal year 1976, when the unemployment rate doubled, the total number of persons served under government-financed manpower training programs has been reduced from 4,500 to 3,500, or a decrease of 22 percent. The limited 3,500 training opportunities have to be shared throughout the CETA Consortium to a population considerably larger than the former New Bedford SMSA.<sup>8</sup>

See footnotes beginning on p. 32.



At least a few municipal planning officials are raising a serious question as to whether the area is sending more money to the outside through State and Federal taxes than it receives in all forms of revenue-sharing and related aid. The answer to this question has not yet been determined.

The failure to spend funds allocated was due partly to a lack of this necessary expertise in priority planning of the use of the funds, in the difficulty of mobilizing matching funds from local resources, and in the lack of ability to coordinate and facilitate the use of these funds. The act provides for assistance of this kind, but there has been a lack of innovative guidance provided on how best to implement programs, and such guidance has been sorely needed in this area.

All of this Federal grant activity seems picayune, however, beside the impact on the area of the phase out of New England military installations. In this respect, it may be that area sentiment ran well ahead of common sense. Yet, the fact is that The Employment Act was totally disregarded, if not grossly and wantonly violated. Estimates provided indicate that 15,000 Federal slots have been eliminated with the phase-down of Otis Air Force Base (2,000), Westover Base (1,600), Newport Naval Base (over 6,000), Charlestown Shipyard (1,000), Quonset Point, Squantum and Hanscomb Field (at least 1,000), and a number of Armory installations.<sup>9</sup> Now, Fort Devens is on the block, which would involve another 2,400. Defense contract withdrawals at General Electric and many other plants throughout New England in the past added to this crass neglect of the stipulations of the Employment Act. G.E.'s new contracts may be the beginning of a turn around.

That these military installations were vestiges of World War II and should have been phased down or out on that basis may be a valid position, but this is not the point. The point is that the timing has been bad and programs of this magnitude should not be phased down or out anywhere under any circumstances without activating provisions of the Employment Act to maintain job levels and production. A plan should first have been in place that would draw those Federally induced unemployed into new opportunities, before the installations were phased down or out. All of New England has felt the negative effects of this perverse Federal action, especially in an area already chronically depressed from the loss of traditional industries.

#### THE COST OF INACTION

The cost of these military base closings in terms of first, second, and third round wage and business income must reach close to \$200 million annually.<sup>10</sup> The loss in wages, in value added to industry, in profits, rents, and interest on savings or loans for banks and in multiplier effects is staggering.

Part of the consequence is that the Massachusetts Division of Employment Security has been paying out hundreds of millions annually in unemployment benefits, while employers have been paying close to \$500 million annually in workmen's compensation, for which the State and the people receive nothing in return in the form of goods, products or services.

The tragedy lies in the fact that 362,900 persons were actually fully unemployed in Massachusetts at mid-August, 1975, according to the revised statistics issued by the Division of Employment Security, and this figure went higher before it began to ease.

No one knows for sure how the 242,900 persons—totally unemployed but receiving no unemployment checks—actually got along. How many went on welfare? How many drained the strained budgets of low-income families? How many were forced into deep economic deprivation? We do not know.

Neither do we know the numbers of persons who have been jobless many months, who have exhausted all benefits, and who have given up all hope of ever finding a job.

In terms of the loss in normal wages and in terms of goods and services, it is legitimate to argue that the failure to implement the provisions of the Employment Act in Massachusetts alone has cost the State four to five billions of dollars annually for the last several years. It has cost this region of the State in lost production of goods and services conservatively from \$300 million to \$400 million a year in the last several years. The failure to move in with dynamic guidance and proposed development plans to meet the chronic aspects of unemployment here due to industry departures borders, in my view, on gross negligence. These are people here, not cattle. Not even cattle should be treated with neglect. To have tolerated 10 to 15 percent unemployment in this area for so long is a travesty of this act.

Let me reiterate: these estimates of lost income, which also cause a commensurate loss in tax revenues to the State are the result of failure to implement effectively, innovatively, dynamically, aggressively, wisely—in consonance and cooperation with State and local government—the provisions of The Employment Act of 1946.

## MEASURES CONSISTENT WITH THE ACT

My proposal for implementation of the act includes a Phasing Formula which calls for a basic program of economic stimulation when the national and/or regional economy is suffering unemployment above 3.5 percent, and more extensive programs of stimulation when the unemployment rate nationally or regionally goes above that rate. A national unemployment rate of 8 percent, for example, would call for a vigorous basic national program under the act to promote investment, growth, jobs, training and the like.

Where a regional rate is 14 or 15 percent, as in the case of Fall River-New Bedford, an extensive, aggressive program should be available to infuse new life into such a drastic situation.

As the programs take effect and unemployment declines, the assistance would gradually be phased down. When the regional level reaches the national level, the region has access to the basic national program of assistance under the Act to get the rate down to no more than the frictional rate of 3.5 percent. At that point, the Act is simply utilized to monitor the economy's fluctuations above the acceptable level, shifting into gear to meet new unemployment trends as they evolve in various regions of the country.

The Act may well imply such a phased approach, but if it does the word should be passed around to the public, since the evidence of such phasing, in this area at least, is difficult to determine.

In fact, the evidence in New England seems to reflect the opposite: the formula seems to have been slammed into reverse with massive Federal cutbacks just at the wrong time, and left uncompensated by adequate positive growth programs or policies to be implemented under the Act.

Such positive steps in this Phasing Formula approach to unemployment levels would include the following:

## SHORT LAG FEDERAL POLICIES FOR INCOME/JOBS

These policies would take effect with minimum delay; would be drastic and liberal where unemployment is as high as 10, 12 or 15 percent, and would be reviewed each year against the impact on the unemployment rate. As the rate declines, these benefits would be annually reduced until the national unemployment rate is reached, at which time the area would have access to the normal programs in train under the Act to reduce the rate to the frictional level of 3.5 percent.

1. Special short-term tax breaks sharply reduced business and personal income taxes in the 1st year, phased down in the 2d and 3d years as unemployment declines.

2. A variety of investment/cost incentives, short-term investment write-offs, more rapid depreciation allowances, liberal grants and write-offs for product innovations, matching venture capital for new products.

3. Special marketing incentives, liberal grants or write-offs for marketing, advertising costs, surveys and programs for promoting distant markets for product lines in this area, direct marketing assistance from Federal specialists in setting up more aggressive state and local marketing programs.

4. Special area energy, utility rate relief, phased by production levels.

5. Transportation infrastructure assistance.

6. Funding of special projects linked to area problems and new options.

## LONG-TERM FEDERAL ASSISTANCE

1. Assist state and local governments and communities with developing long term economic priorities and master plans, based on area resource strengths.

2. Tax and investment incentives for long-term plans, programs (i.e., for shifting industry base; port development; transport linkages; terminals and cooperative processing centers, etc.).

3. Assistance in export promotion, setting up DISCs, more inclusive foreign trade zone, assistance in meeting foreign product demands, more Federal support initially to New England agent in Europe.

4. Assistance in attracting foreign investment to area. Many States have attracted German, Japanese, French firms. This area should do the same, but needs Federal guidance, which should be provided under the Act.

5. Special assistance on reducing energy costs in New England (i.e., port facilities for handling giant tankers to reduce unit price; or share of Federal tax gains from off shore oil by reducing oil price; solar project support, etc.).

It should be recognized that Massachusetts has a typical "balance of payments" problem vis-a-vis the rest of the country and the world, in that it does not "export" sufficiently from the region, while it "imports" more than it needs to. We need to "export" more to increase the cash flow into the state, and we need to produce some of the items we "import," so as to check the outflow of cash to the rest of the country and the world. We lost value-added production, with all of the wages and other factor payments associated with it, by not examining product lines we might well produce economically within the state. This calls for more innovative design in consumer and producer goods and more aggressive salesmanship.

This adverse cash flow from the state and region also contributes to the state and local budget cash flow gap, since we lose new taxable income by not selling beyond the state and by not producing manufactured inputs which we now "import" within the state and area.

Aggressive programs and attitudes are needed to generate innovative products and marketing so as to overcome these "twin gaps" in this region's and the state's economy.

The rationale for support through the Act of these approaches to the very high unemployment in this area is not to involve the government more in our lives, but to use the government to keep the economy, and especially free enterprise in regional segments of it, on a healthy growth track. It is unemployment that is costly, not government assistance per se. And it is the unemployed worker and his family who are tied to governmental purse strings. The unemployed stand in line for their checks and food stamps at government agency windows. The Act should function to create productive opportunities for these people who want to work.

The Federal Government need not reject these programs on the ground that they would be too costly to the taxpayer. Federal, State and Local governments would be repaid in time from the higher level of income taxes paid from billions of dollars of new income generated from business activity and jobs. Both businessmen and individuals receive temporary assistance, but they will be utilizing productive capacity, and will be encouraged and assisted to innovate, change and grow, rather than withdraw conservatively toward their traditions, given assets and limited market aspirations. Certain companies in this area are dynamic and courageously take risks with an optimistic and determined view of the future. For example, Mr. Charles DeMailly, President of a newly structured combine headquartered at the Industrial Park in New Bedford, is one of these. He recently made a decision to buy the company for which he was the General Manager for many, many years. He organized a complex arrangement, incorporated other national branches located in other states and in Canada. Had he decided to retire, which he could have done, the company may well have left the area. Mr. DeMailly has been written up in the Wall Street Journal, Industry Magazine and other publications for his entrepreneurial efforts. The owners of Berkshire Hathaway in New Bedford, under the presidency of Kenneth Chace, have taken bold steps to expand. There are many other local businessmen who are not afraid to reach out and to promote new products and new business ventures, despite the generally poor performance of the state's economy in recent years. The area needs more dynamic business skill of this kind, men who will take calculated risks and move into new fields.

The basic problems here are the chronic and recessionary features of the high unemployment level. It is in this that the Employment Act has failed to provide the guidance, the catalysts and the remedies.

I sincerely hope that this committee will seek to reeducate the Congress and the Council on the stipulations of this important law—it is a law is it not?—and will Act to implement it. For, in no other region of the country has it been so blatantly abrogated as in New England, in Massachusetts and in the Fall River, New Bedford area.

#### FOOTNOTES

<sup>1</sup>Born of a childhood in Petrograd which was daily terrified by the vicious and lawless acts of the young, tyrannical Communist regime, Ayn Rand came to this country and through her books, notably *Atlas Shrugged* and *The Fountainhead*, inflicted her anti-government paranoia upon the naive and impressionable, including, most unfortunately, the current Chairman of the Council. The Committee has undoubtedly noted that the Economic Report just submitted by the Council does not deal with unemployment at all, not even to make a forecast.

Members of the Committee who are unfamiliar with this philosophy may wish to educate themselves on this matter, given its direct current relevance to the vigor or lack of it with which The Act has been applied in recent years. Briefly, the economic philosophy of Ayn Rand and reportedly that of the Chairman of the Council would hold that: \* there must be "complete separation of state and Economics"; it is "constitutionally forbidden to interfere in production and trade on anyone's behalf"; "the only proper and justifiable purpose of a government is to protect man's rights; to protect man from physical violence"; "a proper government is only a policeman"; its function: "to provide a system of courts for the protection of property and contracts against breach or fraud."

\* Brandon, Nathaniel, Barbara, *Who Is Ayn Rand?* Paperback Library, 54-748.

<sup>2</sup> Unofficial estimate obtained by prorating the revised jobless figures for Massachusetts according to the proportion of continued claims for total unemployment which had been filed at the Brockton, Fall River, Attleboro, Taunton, New Bedford, Plymouth, and Hyannis offices of the Division of Employment Security.

<sup>3</sup> Based upon comments obtained from the local and district Division of Employment Security offices.

<sup>4</sup> Revised data published in Massachusetts Trends, Division of Employment Security, Volume 2, No. 12. (Plymouth area had the highest rate.)

<sup>5</sup> From statistical data on file in the New Bedford CETA Planning Office, from various sources.

<sup>6</sup> Jobless statistics from Massachusetts Trends. Characteristics of claimants based upon Data on the Insured Unemployed, September 1975, published by the Massachusetts Division of Employment Security for each of the CETA areas, derived from a 10 percent sample of unemployment claim records.

<sup>7</sup> Impact of Federal Programs on Economic Development, Employment, and Housing by the Comptroller General of the United States (Washington, D.C.: General Accounting Office, 1972), p. 10, pp. 34-36.

<sup>8</sup> From statistical data on file in the New Bedford CETA Planning Office.

<sup>9</sup> Estimates obtained, upon request, from the respective Employment Security Offices of both states.

<sup>10</sup> The first round is the loss of jobs at the bases, the second the loss to retail outlets selling to them, the third the loss to the producers of goods for the retail outlets, etc.

Chairman HUMPHREY. Our next witness is Mr. O'Malley. Please proceed.

**STATEMENT OF HUGH B. O'MALLEY, REPRESENTATIVE, SMALL BUSINESS SERVICE BUREAU OF MASSACHUSETTS, AND THE NORTHEAST BUSINESS GROUP OF NEW HAMPSHIRE AND VERMONT**

Mr. O'MALLEY. Thank you, Mr. Chairman, Congresswoman Heckler, and Senator Kennedy. It is a privilege for me to be given the opportunity to appear before this regional hearing of the Joint Economic Committee. I am representing the Small Business Service Bureau of Massachusetts and the Northeast Business Group of New Hampshire and Vermont, two organizations with a membership of more than 20,000 small businessmen.

I'd like to preface my formal remarks by saying, Senator Humphrey, I couldn't agree with you more about something you said tonight. I agree and I think the members of our organization agree public service jobs are an absolute immediate necessity. They are of vital importance. But they should not be looked upon as a long-range solution to the economic problems this Nation faces. They should be looked upon as part of a major effort to revive a free and vital economy because, Senator Humphrey, as far as I am concerned in this country, with respect to the small businessman, we do not have a free economy. [Applause.]

The small businessman has become one of the most long suffering persons in American society. Not only has he been ignored by Government, both Federal and State, he has been figuratively pushed, shoved, and kicked by governmental policies of taxation, regulation, and permissiveness toward monopolistic practices of large corporations. [Applause.]

In spite of the unfair burdens which political policies have placed upon the small businessman, his contributions to the welfare of the Nation have been monumental. The 13 million American companies which make up the small business community account for 97 percent of all U.S. firms, 43 percent of all American business output, one-third of the gross national product, 52 percent of all private employment, and more than one-half of all major inventions.

Yet, from the communications which I have had with the small business community in Massachusetts, New Hampshire, and Vermont, I am forced to conclude that unless governmental policies become more responsive to the needs of the small businessman, his contributions to our society will greatly diminish in the next few years.

Tax reform which will reward, rather than penalize, the initiative and industry of the independent businessman is long overdue. The recent decision of the House Ways and Means Committee to continue a lower tax rate on the first \$50,000 of corporate income, after which the full 48 percent applies, was dismaying to say the least. The corporate income tax should be on a far more graduated scale, so that the full 48-percent rate would not apply until corporate income exceeded the \$2 or \$3 million level.

The revenues lost to the Government because of such a reform would be alleviated by the closing of the tax loopholes which give unfair advantage to large corporations. The U.S. Senate Select Committee on Small Business estimates that the largest corporations pay only about 25 percent of their income in Federal taxes because of these loopholes, while small- and medium-sized firms pay at the 48-percent level. That's a national disgrace, Senator. [Applause.]

Tax reform should not be limited to the income tax. Small businessmen need relief in the area of estate taxes. Under a law passed in 1942, the first \$60,000 of an estate's assets are exempt from Federal estate taxation. Since 1942, however, inflation has increased the value of business assets by 224 percent. The result is that the heirs of a businessman are forced to sell or merge their companies because they otherwise lack the liquidity to pay estate taxes.

The recent proposal of Senator Gaylord Nelson, which I indicated you are a cosponsor of, Senator Humphrey, which we are deeply appreciative of, to double the estate tax exemption from \$60,000 to \$120,000, to double the marital deduction, and to permit individuals to give away \$60,000 tax free in a lifetime as opposed to the current \$30,000, impress me as being sensible methods of assisting the small businessman.

Another great difficulty of small businessmen is the massive Federal regulations which have been imposed upon them. One of the more common complaints I hear concerns the new Employee Retirement Income Security Act. This legislation which was designed to protect employees is in many situations proving harmful to employees because small employers are unable to bear the cost of the additional paperwork required by this act and are thereby terminating pension and employee welfare benefit programs. Now an act which is designed to help employees is actually turning out to hurt them. I think this should be looked into.

A simplified Pension Reform Act is needed so that employees will receive the protection which they need and small businessmen will not be overburdened with paperwork. The U.S. Senate Select Committee on Small Business has pointed out that Federal laws and regulations are imposing a \$40 billion annual burden on the economy, more than half of which is borne by small business. And these are the people who can least afford to bear that burden.

Another major problem for small business is the inertia displayed by Federal and State Governments in cracking down on the

monopolistic and predatory practices of large corporations. Of the 14,000 mergers between 1953 and 1968, the top 100 firms accounted for only about 2 percent, but acquired 35 percent of all merged assets.

My organization hears complaints from druggists who suffer from predatory pricing practices of pharmaceutical chain stores. We hear complaints from gasoline station dealers whose leases are arbitrarily and unilaterally terminated by major oil companies which are edging out the small dealer in the name of corporate greed. We know our legislators hear these very same complaints, and yet nothing is done.

It is time that firm governmental action is taken to stop the unlawful and unfair practices of major corporations. I am sure that you are familiar with the Law Enforcement Assistance Administration, commonly known as LEAA. Under this program the Federal Government has provided cities with millions of dollars to combat street crime.

A similar effort should be made by authorizing the grant of Federal funds to the States to combat the business crimes perpetrated at the State level by large corporations. If we are going to fight crime in the streets, I say we should also fight crime in the suites. [Applause.]

I had the good fortune of being an Assistant Attorney General for the Commonwealth of Massachusetts for a period of 5 years. It is my firsthand observation that the automobile manufacturers and oil companies regularly engage in unfair practices against small dealers. However, it is also my firsthand observation that these practices will continue unchecked unless the State attorneys general are given Federal funds to eliminate these abuses. Such an effort should be immediately instituted.

Furthermore, let me point out, in my conversations with small businessmen it's come to my attention that very few of them are aware of the existence that within the U.S. Justice Department there is an antitrust section. And I can understand why they are unaware of this, and this is because of the inertia of that section. I say that we need a President who will make that section work for the American people instead of for large American corporations.

An additional major concern of our members is jobs. As I drove into work on Friday morning and heard a radio announcer indicate that President Ford intended to veto the \$6 billion jobs program, I remembered a story I heard Senator Humphrey relate when he addressed our annual meeting 2 years ago.

The Senator stated that the best economist he ever met was his father, who was a small businessman. Senator Humphrey said that one day, after having graduated from college, he was assisting his father in the family store when he heard his father state an economic truism which was better stated than any economic theory he had been taught in college.

His father said, "If the customer coming in the front door doesn't have money in his pocket, we won't be able to make this a profitable business."

Chairman HUMPHREY. Dad said, "If they don't have it, we can't get it." He was trying to tell me it didn't make any difference how much education I had, because I had come back from college and was already telling him how to run the business and telling him how

to sharpen up things around there. And he looked right at me. He said, "I want to tell you a couple of things, son." He said, "If they don't have it, we can't get it, and we are no more prosperous than the customer who walks through that door." I have never forgotten that's the best advice I ever had.

Mr. O'MALLEY. Senator, I'd like to say this truth is even more self-evident in this time of high unemployment. If the customers of our small businessmen do not have jobs, our small businesses will fail. It is my contention that the high unemployment rates of the past few years are largely responsible for the high rate of business bankruptcies which in 1975 was double the rate in the period between 1966-70. A major Federal jobs program is essential for the health of the small business community.

The small businessman is an individual who is a major asset of American society. He is a self-sustaining and taxpaying person who is willing to bear his fair share of society's burdens. He is independent, industrious, and intelligent. But above all he is small. And because he is small, he is all too often ignored and forgotten.

As we look at modern society and see the power and corruption of large corporations, let us dedicate ourselves to a decentralization of the business community. Let us have policies which encourage rather than discourage the small businessman. But above all, let us remember his virtues which can restore American life to its true ideals.

Thank you very much. [Applause.]

Chairman HUMPHREY. Thank you very much, Mr. O'Malley. Mr. Mittleman, we ask for your testimony now and I believe you are with the Northeast Apparel Manufacturers Association, the president of that organization.

**STATEMENT OF AARON N. MITTLEMAN, PRESIDENT, NORTHEAST APPAREL MANUFACTURERS ASSOCIATION**

Mr. MITTLEMAN. Yes, sir, that's right, representing about 40 contract manufacturers of apparel in southeastern New England, Fall River, Taunton, New Bedford, and Rhode Island.

Ladies and gentlemen, the largest employer with the greatest number of workers in southeastern Massachusetts is the needle trades industry. Although the area and the industry prospered for 40 years, it no longer makes that claim. On the contrary, the industry has suffered as a result of many circumstances, including, but not limited to, the generally poor economy of the country, lower earnings than geographic areas in other parts of the country, and the influx of imports and garments produced under tariff 807.

Fall River doesn't have General Motors ready to step in and open a plant, nor, any other company of any size or consequence. We must, therefore, help the existing industry to prosper. We cannot and must not be written off.

How can we do this?

It is a paradox that even when work is available, this area suffers from high unemployment, 11.6 percent in December 1975. Many jobs in our industry go begging while available, but untrained people go without jobs. The industry is retiring about 700 workers per year. The Manpower and Development Training Act of 1962, specifically

excluded sewing-machine operators from receiving training money. For whatever reason, this sorry discrimination against an honest trade was put into the law, it seems to have backfired on its supporters. Public Law 93-203, The Comprehensive Employment Training Act of 1973, succeeds MDTA. Under CETA, sewing-machine operators so basic and so necessary to our industry, as well as other crafts, are only prevented from Federal training money by interpretation by the regional director for manpower in the Federal Department of Labor. Their interpretation is that "no participant may be enrolled in any activity or service under this act in any lower wage industry in jobs where prior skill or training is typically not a prerequisite to hiring and where labor turnover is high." I object to this interpretation. Many of us in this area have just started a new working agreement under which sewing-machine operators of average skill and ability will earn about \$4 per hour, pressers, \$5.50 per hour, and cutters even more. In addition, our people enjoy 3 weeks paid vacation, 10 holidays per year, retirement pay, severance pay, health centers and so on equating 22 percent in fringe benefits, good working conditions and except for the past 2 years, fairly stable employment. However, prior training is a prerequisite, and, I feel that this is one solution, not only to the high unemployment in this area, but to the perpetuation of this important industry.

If you think about it, it should appear strange that in this high concentration of apparel factories, not one is working for the U.S. Government, one of the countries largest consumers.

Several years ago, Congresswoman Heckler sponsored a seminar here in Fall River, which included Government procurement officers from Boston, Washington, and Philadelphia. They spelled out their proposals to us, and I suppose that as a taxpayer, I should be pleased that the Government attempts to purchase their needs by the bidding procedures. It is impossible, however, for factories in this area which produce higher earnings for the people, are highly unionized, and have shorter working hours and greater fringe benefits to compete with areas of the South and Southwest which have lower earnings factories, nonunion, and are subsidized by the U.S. Government for certain minority groups. I feel that our share of Government procurement should be offered to this area even though it might have to be slightly subsidized, but, would, as an end result, cost less than welfare and unemployment is presently costing. Subsidization in the billions is not new to the Government. I refer to the airplane and shipbuilding industries particularly, and, therefore, request an opportunity to share in this work.

In order to help us be more competitive, we need more modern machinery and equipment which is available but expensive. The textile industry, for which this area is famous, failed to modernize. It is no longer here. Many of us do not have the finances to modernize. One solution is to make the Small Business Administration more sympathetic to our needs, and more liberal with their loans. We want to help ourselves, but, we need some help.

Uncle Sam is our biggest competitor for workers in the factories. I don't believe that unemployment insurance was ever designed to keep people unemployed indefinitely and to be on a par with working people's wages. I think the extended benefits totaling 65 weeks is



much too long and should be put back to some reasonable figure. I think some welfare and ADC payments are too liberal and work against our economic system. These programs cry for change.

Two other areas affect us adversely. They are imports and the 807 tariff. I appreciate the fact that the area of apparel imports is part of a larger political scene, but, nevertheless, they do affect us. Worse than that, under tariff 807 which allows an American manufacturer to cut his garments here, some as close as New Bedford, ship them to Mexico, the islands, and South America, and bring them back paying a minimal duty only on the "added-on" labor not on the value, is the most serious matter which requires your immediate attention. In 1965, apparel imports under 807 totaled \$1.7 million. By 1974, the value shot up to \$238.3 million. In this same period other non-807 imports moved ahead by 260 percent. But item 807 imports advanced at an incredible rate of 13,670 percent. As a result of this more rapid rate of growth, item 807 imports have assumed an even greater chunk of the total value of apparel imports. In 1965, item 807 imports accounted for a meager 0.3 percent of the total value of imports. By 1974, they represented a full 10.3 percent. Imports from low-wage countries have already wiped out over 50,000 jobs in our industry. Now, besides the competitive edge these countries enjoy from cheap labor costs, they have gained the advantage of item 807 and reduced duties.

Item 807 imports are of little benefit to the consumer. Companies that contract out work abroad mix their item 807 imported apparel with the garments they produce in this country. The imports are virtually indistinguishable from the domestically made items—they often carry the same trade mark and the identical price tag.

The cost of maintaining item 807 digs into the taxpayer's pocket as well. The 69 cents of duty-free value on every 807 import is a lost source of revenue for the U.S. Government.

To sum up, we need your assistance to perpetuate the largest industry in this area. We need Government assistance for training, SBA loans, adjustments in unemployment insurance. We need and desire Government work. We need the repeal of tariff 807, and we need you working for us.

Chairman HUMPHREY. Thank you very much, Mr. Mittleman. I just take my time here to make reference to some statements that I have heard here. First of all, I want to express our thanks for your very thoughtful and helpful statements. Every time I listen to people like yourselves I wonder why we don't do more about these problems, and I think you must be asking yourselves that, because here you have three Members from Congress. We don't want to escape our responsibility.

I have to be held accountable by my constituency. I served for years on the Small Business Committee, for several years on the Labor and Public Welfare Committee. In my part of the country, because of the importance of agriculture, I serve on the Committee of Agriculture and Forestry. But I must confess that what bothers me is there seems to be a lack of urgency on the part of people who administer these programs, both amongst you and with us.

Let me just give you an example: The Employee Retirement Income Security Act. There was a need for reform in the pensions. But the

real truth is that there's been a lot of problems with it, as has been mentioned here, and a number of articles have been written explaining that the smaller employers had to give up their program.

Now, we in the Congress are beginning to understand that because we come back to you and we find out from you what you have to say. But again we need a cooperative relationship in our Government. Let me be frank with you, Government is not organized for confrontation. It should be organized for cooperation. And that means that there has to be those who are out there administering that Employee Retirement Income Security Act coming back to the Congress promptly with suggestions saying, "Look, this thing, your intentions were right, but your effect is not right, and let's get at it."

Now, regrettably you don't have many of what we call administrative or executive branch officials in hearings such as this. Maybe there are some here in the room. That's why I'm mentioning what I am now, because there is going to be a time we want them to tell us what to do about it. And if the Congress has poorly legislated, and by the way this is one of the most difficult pieces of legislation that Congress ever put its hands to, this business of pensions, the responsibilities of companies and employeés and pensions and the mobility of our workers and the vesting period and all this, have terribly complicated business. Therefore, we need this kind of cooperation.

Second, I think it is important that with our environmental problems, the environmental concerns, and the economic development concerns, there be, first of all, the right of everybody to be heard, to make their point of view clear and get their words in. But there has to be a terminal point where the studies and the court actions and everything else finally come to an end so that you can either decide that the project ought to be stopped or that you go ahead.

Because all over America there are programs that are being held in abeyance, machinery that is lying idle, workers without jobs. The only ones that have jobs are the lawyers prosecuting the cases. I don't want to be against them. I have a son who's a lawyer. I don't want to deny him his work, either. But it's gotten down to a point where we just lost commonsense that is necessary to come to grips with some of these problems.

I have seen it in my own city of Minneapolis where we have a beautiful, marvelous housing development, a city within a city, that's been stopped dead. You know, I mean it was a total slum area that was cleaned out. Unbelievable. It was a disgrace to us. Now it's been cleaned out and big projects were going up and somebody says, you know, you got too high a density. Well, may I say before, the density was filled up with vermin and rats and filth and garbage. Today we have nice people and good buildings and open spaces, but there's a big to-do about it and it will be 5, 6 years before they will put another brick in or put another building up.

Now, there's got to be a way to get at that. The other thing I wanted to mention, was to you, Mr. Mittleman, on the regional manpower business. Is there anybody from the Manpower Administration here? Anybody in this audience from the Manpower Administration? By the way, I actually want to make note for this, if we have any more of these hearings, members of this staff, I want some of

these people along that run the administrative department, invite them to come along. They are good people. We want to let them hear what we say. And, by the way, that's the way we get the thing resolved.

When I served as your Vice President, and the mayors remember this, we had 44 regional meetings in which I took the Cabinet officers out on the tour. And we'd have rooms full of people like this and we had the Cabinet officer there, or the deputy, and we would solve the problem there. In other words, say look, I have no time to be fussing around with this 2 months from now; you get out in the men's room somewhere and solve this problem. [Laughter.]

I even had a mayor who couldn't return money to the Government. I'd be honest with you, we had one mayor who was trying to return some money to the Government; he had been trying for 2 years. I said, "Boy, we are really messed up when you aren't able to take it back."

Now, maybe Senator Kennedy can be helpful on this matter.

Mr. WARD. Could I speak to the manpower point, Senator?

Chairman HUMPHREY. Just let me finish this, Mr. Ward, and we will come to this. This interpretation of "no participant may be enrolled in any activity or service under this act in any lower wage industry in jobs where prior skill or training is typically not a prerequisite to hiring and where labor turnover is high," I don't believe any Congressman or Senator could have written that.

Mr. MITTLEMAN. That's an interpretation, sir. I have a copy of that.

Chairman HUMPHREY. I knew that could not have been written by those of us who have to write letters to our constituents all the time; no way. I am going to suggest—without trying to be meddlesome here—I suggest that the regional manpower interpretation, or whoever is responsible for that, the regional director, get together with your organization again, if not now, if they haven't already, and I imagine they have, but we are going to take an interest in this. There is no reason on God's Green Earth why they shouldn't get training in the needle trades.

Most people can't sew a button on much less anything else and we need training in this field. [Applause.]

Absolutely right. We are short of people, of skilled people in that field. And I would hope that the regional manpower person could get together with you.

On Government purchases, you struck a very friendly note as far as I am concerned. I have been trying to reason with executive officers for years about this. The simple truth is that unless the Government makes some effort in these areas of high unemployment to utilize Government purchasing power, Government facilities, and Government incentive, unless they step out of their way to do it, the taxpayer pays a whole lot more, as you pointed out, by just the costs of relief and welfare and unemployment compensation and everything else. I mean it is all the peoples' money, you know. [Applause.]

So you are a whole lot better off; aren't you better off if you have to pay somebody a little more in an area like this for a product where people are at work, where a company can survive, than it is to have some damn fool regulation says you can't do it and you

put everybody out of work and let the company go broke? I mean how dumb can you get. You ought not to have to go to school to figure that out. [Applause.]

I mean there's just got to be some sense.

Mr. MITTLEMAN. It requires some education of some of your people, sir.

Chairman HUMPHREY. Well, it's appalling that people don't understand that. And that's why there's got to be some sense of balance in these matters. You see, we cannot write a law that is applicable with equality of treatment all across the country because they are not alike every place. For example, my State I am happy to tell you doesn't have as high a rate of unemployment as you have here. We have other problems, I guarantee you, we have lots of problems. And we are going to have real problems next year if we don't get some rain. I tell you there are going to be real problems and you are going to have them, too, because you are not going to have any soybeans or corn or wheat or anything else, because the way it is out there now we got duststorms. But our problem today, actually we are below 6 percent unemployment, some areas of our state we are actually at 5 and 4.5 percent, so our problem is not the same.

Therefore, it seems to me that we ought to be able to have governmental actions that relate to the problems as they are. The CETA program in my State is not as vital as it could be in your State if it was properly utilized. And I don't know. The reason I am saying all of this is you are going to talk to some Federal officials, and I hope you will, Mr. Mittleman and Mr. Pineault from the construction business, all the way down the line, Mr. O'Malley, you brought things out that we have to get at.

And I think you need to know in these areas of testimony, in most of them, you have a friend in court in the Joint Economic Committee. And if you need us to weigh in on your side, we know how to talk to these people because we have been in Government. I have been down in Washington long enough to know how to talk to them. If you need us on your side in these battles where it is a legitimate interest—not going to fix it up for you—but where you have a legitimate interest, you can call on this committee, call on this staff. I want you to know that you can.

You have two members here, the best that we have, and all you have got to do is call us, not that we can move mountains, but we can make them shake a bit. [Laughter and applause.]

You give us a chance. We will try to help you.

Congresswoman Heckler.

Representative HECKLER. Well, Mr. Chairman, I would like to say that I think this panel also has been excellent. Mayor Driscoll and the mayors have presented their specific proposals, their problems from the point of view of probably one of the hardest jobs in politics, being mayor of a city. And now you with diverse backgrounds have given us your laundry list. And I find striking similarities.

Let me at the outset say and assure you that when I go back to Washington, the first thing I am going to do is to introduce legislation dealing with section 807. [Applause.]

That's the coverup of having the American name on a product totally assembled abroad and creating jobs in someone else's economy

in some other country of the world. This coverup is really intolerable when we have the kind of unemployment that we have back home. And that will do something for private industry.

I also feel very strongly about the questions of the construction industry and the questions of small business. And I know that Senator Kennedy, I'm sure he will address this, has a very, very important proposal that I am going to introduce in Congress on small business. And I think if we look at southeastern Massachusetts, what we are really talking about when we talk about private enterprise is the development and continuation of small business.

And frankly speaking, I think the rhetoric has been too shallow, that we have talked about small business. We somehow accepted it when the mom and pop stores went out of business and they extended credit to the local constituencies. The neighbors were able to buy what they needed on credit. But the mom and pop stores were absorbed by the big supermarkets and did the customer get a break? Not at all. Prices are now higher, only you don't have the credit, you don't have the convenience and you don't have a number of the assets that you had when you went to that mom's and pop's food store.

And now in Washington last weekend the independent gas dealers are threatened with extinction. Now, of course they can say that the big oil companies are going to lower the price of gas when they acquire all these independent operators, and that will be the temporary result, perhaps, but ultimately the price will go up and what will we have? We will have extinguished the small business enterprise in the field of gas service stations and again the unemployment rate goes up and the price does not go down for the consumer.

And frankly speaking, if there is one area where I have really lost my patience, it is in terms of dealing with the problems of small business. And I think that all of the talk about divestiture doesn't get to the heart of it. The heart of it is the question of tax law, how do we stimulate and provide an incentive to allow a person to take a risk and to start his own small business.

And I see the mayor, he was a very successful businessman before he became the mayor of the city of Fall River, but the fact is—

Chairman HUMPHREY. That finished him off. [Laughter.]

Representative HECKLER. No, no. I have no idea, I can't comment on his business, I haven't availed myself and thankfully have not had the opportunity to. [Laughter and applause.]

But as a matter of fact, though, I think it is terribly important in this area that we start to forget about the rhetoric of divestiture and get down to the practical specific kinds of things that we can do.

And, Mr. Ward, you have given us a whole, a very excellent panoramic view of the potential solutions. I don't agree with all of them, but I think they are very intriguing. And I think many of them have a great deal of merit. But let me tell you what intrigues me the most. Senator Humphrey persuaded me to go to a hearing of this committee in Atlanta, Ga. I will never forget hearing the Governor of Georgia speak to our group.

One of the things that he talked about was how he attracted, how the State of Georgia attracted industry from all over the country. And translated into Massachusetts terms, that would be how they stole from us. [Laughter.]

But I objected to all that, but I was fascinated by his new approach. But he said that isn't dynamic enough. Now we must have a trade mission to other countries. We must bring foreign investments into Georgia.

And I have told that to Governor Dukakis, we should attract foreign investment which we will control, of course, within our own State. Why not? If the Southerners who have already taken so much in terms of our industrial opportunities, if they have learned and provided such hard compensation and now they are so innovative that they are going abroad to West Germany and Japan, for example, and attracting foreign capital, it's about time we took a lesson from their book. And you are the first person from Massachusetts to express the same point of view that the Governor of Georgia did.

So we will get together on that point again. [Applause.]

So you have given us a lot to do Tuesday morning when we go back to the shop in Washington and I just wish one other thing, and that is that all of the bureaucrats could really spend a little time coming out to listen to the people just as we have. I think they could learn a lot.

Chairman HUMPHREY. Thank you, Congresswoman Heckler.

Representative HECKLER. Senator, before we finish, I would like to add a statement. I would like to ask unanimous consent to have extended in the record at this point a statement from Mr. Douglas N. Perry, a witness who was going to testify and has submitted a prepared statement.

Chairman HUMPHREY. It will be included in the full text.

[The prepared statement of Mr. Perry follows:]

PREPARED STATEMENT OF DOUGLAS N. PERRY, INTERNATIONAL REPRESENTATIVE,  
UNITED ELECTRICAL, RADIO & MACHINE WORKERS OF AMERICA (UE)

My name is Douglas N. Perry, International Representative for the United Electrical, Radio and Machine Workers of America (UE), which represents 25,000 workers in 76 plants in the electrical and machine industry in New England, including nearly 1,000 members in plants in Taunton, here in this congressional district.

The number one problem faced by government, business, labor and the citizens of this country, and especially in New England, is the high, chronic and prolonged level of unemployment. In December, the rate stood at 10.7 percent in New England, 35 percent higher than the national average.

Jobs in the plants represented by our Union (UE) have dropped by over 25 percent. In the past year General Electric in Ashland laid off 31 percent, Sylvania in Salem 25 percent, Morse Cutting Tools division of Gulf and Western in New Bedford over 25 percent, Hercules in Taunton 25 percent, United Shoe Machinery Corp. in Beverly 36 percent, to cite a few examples.

We have now suffered the worst of six recessions since World War II. There must be a basic flaw in the economic system that fails to achieve the fundamental first objective of any economy—that of assuring jobs at useful endeavors at a decent standard of living for all its citizens who wish to work, without resort to war or excessive war expenditures.

A major contributor to the problem is the increasing concentration of economic power in the hands of fewer and fewer giant corporations. Thirty years ago the 2,000 largest corporations controlled 60 percent of our industrial assets. Today only 200 exercise this majority control. These giant multi-nationals (which also exert tremendous influence over Government itself) have no real incentive to reduce unemployment, nor do they have any legal or public responsibility to do so.

As one monopoly swallows up another, effective competition is eliminated in one industry after another. The "law" of supply and demand has thereby been repealed and in its place we have administered pricing by a tiny minority of powerful businesses—the root cause of inflation.

But instead of attacking the real cause of inflation, Washington has pursued monetary, fiscal, and tax policies which actually if not deliberately promoted unemployment in the wrongful belief that the wages of working people cause inflation, and therefore the way to control inflation is to curb the militancy of the workers by throwing large numbers of them out of work.

The folly of this approach became painfully evident when both unemployment and inflation rates peaked at the same time during 1975.

A national policy of Full Employment must be the number one priority in 1976. One hope is the approach taken in the Hawkins-Humphrey bill (H.R. 50 and S. 50)—the Equal Opportunity and Full Employment Act—which would make the Government the employer of last resort if private enterprise fails to provide sufficient jobs for all Americans who want to work.

To make this policy work, the tax laws must be reformed to give big business the necessary incentive to create jobs and reduce unemployment—or face higher taxation to pay the cost for increased public job projects.

The UE urges support for the Hawkins-Humphrey bill, along with all other reasonable measures to reduce unemployment such as the shorter workweek without reduction in pay, extension of unemployment benefits, and a broad national health insurance program for all Americans.

Chairman HUMPHREY. Senator Kennedy.

Senator KENNEDY. Just a word. First of all, I think anyone who listened to the testimony this evening has to recognize the enormous complexity that exists for us to try and make our system function and work and to meet the responsibilities to the people here in southeastern Massachusetts and in the rest of our State.

And I think what all of us have to understand is that there are things that we can do and there are things that are important that we do, but we are not going to be able to wave any magic wand about these different problems and have them resolved, and it is important that we understand that. And let's just briefly take some of the problems you are talking about, tax legislation, and that's the Finance Committee. If you are talking about the repeal of 807, what we are going to do about small business taxation, is going to take extensive hearings on the Finance Committee. If you are talking about regulatory reform, occupational health and safety, that's the Labor Committee. If you are talking about the EPA and their regulations, you are talking about the Interior Committee. If you are talking about the manpower problem in interpretation, that's another in the Labor Committee. The rise of crime because of unemployment, that's in the Judiciary Committee.

And what we are dealing with, quite frankly, in the Congress is enormously poorly structured to try and deal with your problems. You know, what we started off with tonight is what we are going to do about restoring the economy here. And the problems that you have given reach the whole panoply of different kinds of committees in the Congress and legislations that have been considered and passed, and you have every right to expect us, as Members of Congress, to get our own house in order so we can deal with them, and we have to commit ourselves to work in that area as well.

Because we have got these enormous kinds of crossjurisdictions as all of these problems are so complex. That's saying the obvious. Let me just give you an illustration. I met with a small businessman the other day who said, "Senator, under the Occupational Health

and Safety Act, I have a food processing plant in Massachusetts and in order to meet the requirement for occupational health and safety we had to put down grate floors so our workers wouldn't slip."

"Three weeks later the Department of HEW comes in and says to me 'lift up those floors,' he can't certify me for a food processing plant because I can't clean well enough when I got grated floors down there." Now, he said, "Here I have two agencies of Government. One tells me to put them on down and it cost me \$20,000, the other one tells me to pull them on up or they are going to close my shop."

Now, you can understand the value of either or any of us up here about wanting to insure that workers aren't going to be able to slip or to be able to work in a system, in a climate so they are going to be safe, and you can also understand our interest in trying to make sure that the food that goes on your table at night is not going to have a lot of things in it it shouldn't have.

So we legislate in a kind of way to try and sort of do it and then we get this kind of a problem that doesn't make sense at all. I think what we have heard this evening are a number of different examples of that. It is overwhelming, it is overwhelming many of these things that are mentioned. But I think what you can take with you is, I think, the clear commitment of this hearing that the chairman of this committee and Congresswoman Heckler and myself, is that we will work on these problems, we will work with you as individuals, we will work with you, with the groups you represent, and we will try and make some progress in the area because you and I know that the people of this area are entitled to it.

They are not asking very much from their Government. They are not asking very much at all. And they are entitled to it. They are entitled to it. And I'm sure Senator Humphrey and Congresswoman Heckler and I will welcome the opportunity to work with you in trying to work to do it. But I know, as you all realize, we just can't minimize the challenge which exists for us.

I want to personally thank each and every one of you for your testimony. I think it's been helpful. I think it's been clear. Mr. Chairman, I listened to these problems a great deal and from many of these witnesses, as Congresswoman Heckler does, but each and every time we always learn something, I always do. And again I want to thank you for your presence here this evening.

I think from the reception you have received here and the patience and the enthusiasm, Senator Humphrey's been warmly welcomed here and I wish we'd all give him a wonderful warm standing ovation for that. [Rising applause.]

Chairman HUMPHREY. Thank you. I think we will let you go home. Thank you very, very much.

[Whereupon, at 10:20 p.m., the committee adjourned, subject to the call of the Chair.]